FORM 10-Q

TENET HEALTHCARE CORP - THC

Filed: August 01, 2016 (period: June 30, 2016)

Quarterly report with a continuing view of a company's financial position

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 June 30, 2016**

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	**95-2557091**
(State of Incorporation)	(IRS Employer Identification No.)

1445 Ross Avenue, Suite 1400
Dallas, TX 75202
(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. 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 ☒

At July 27, 2016, there were 99,517,920 shares of the Registrant's common stock, $0.05 par value, outstanding.

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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)

	June 30, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 656	$ 356
Accounts receivable, less allowance for doubtful accounts ($946 at June 30, 2016 and $887 at December 31, 2015)	2,734	2,704
Inventories of supplies, at cost	316	309
Income tax receivable	3	7
Assets held for sale	2	550
Other current assets	1,282	1,245
Total current assets	**4,993**	**5,171**
Investments and other assets	1,317	1,175
Deferred income taxes	797	776
Property and equipment, at cost, less accumulated depreciation and amortization ($4,814 at June 30, 2016 and $4,323 at December 31, 2015)	7,977	7,915
Goodwill	7,291	6,970
Other intangible assets, at cost, less accumulated amortization ($734 at June 30, 2016 and $659 at December 31, 2015)	1,865	1,675
Total assets	**$ 24,240**	**$ 23,682**
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 181	$ 127
Accounts payable	1,272	1,380
Accrued compensation and benefits	843	880
Professional and general liability reserves	179	177
Accrued interest payable	205	205
Liabilities held for sale	—	101
Accrued legal settlement costs	525	294
Other current liabilities	1,225	1,144
Total current liabilities	**4,430**	**4,308**
Long-term debt, net of current portion	14,320	14,383
Professional and general liability reserves	613	578
Defined benefit plan obligations	594	595
Deferred income taxes	274	37
Other long-term liabilities	582	557
Total liabilities	**20,813**	**20,458**
Commitments and contingencies		
Redeemable noncontrolling interests in equity of consolidated subsidiaries	2,275	2,266
Equity:		
Shareholders' equity:		
Common stock, $0.05 par value; authorized 262,500,000 shares; 147,937,909 shares issued at June 30, 2016 and 146,920,454 shares issued at December 31, 2015	7	7
Additional paid-in capital	4,791	4,815
Accumulated other comprehensive loss	(203)	(164)
Accumulated deficit	(1,655)	(1,550)
Common stock in treasury, at cost, 48,421,605 shares at June 30, 2016 and 48,425,298 shares at December 31, 2015	(2,417)	(2,417)
Total shareholders' equity	**523**	**691**
Noncontrolling interests	**629**	**267**
Total equity	**1,152**	**958**
Total liabilities and equity	**$ 24,240**	**$ 23,682**

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 Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Net operating revenues:				
Net operating revenues before provision for doubtful accounts	$ 5,220	$ 4,844	$ 10,640	$ 9,631
Less: Provision for doubtful accounts	352	352	728	715
Net operating revenues	**4,868**	**4,492**	**9,912**	**8,916**
Equity in earnings of unconsolidated affiliates	**30**	**16**	**54**	**20**
Operating expenses:				
Salaries, wages and benefits	2,316	2,185	4,718	4,310
Supplies	773	707	1,584	1,394
Other operating expenses, net	1,213	1,081	2,455	2,174
Electronic health record incentives	(21)	(33)	(21)	(39)
Depreciation and amortization	215	197	427	404
Impairment and restructuring charges, and acquisition-related costs	22	193	50	222
Litigation and investigation costs	114	14	287	17
Gains on sales, consolidation and deconsolidation of facilities	(1)	—	(148)	—
Operating income	**267**	**164**	**614**	**454**
Interest expense	(244)	(217)	(487)	(416)
Investment earnings (losses)	2	(1)	3	(1)
Net income (loss) from continuing operations, before income taxes	**25**	**(54)**	**130**	**37**
Income tax benefit (expense)	16	27	(51)	11
Net income (loss) from continuing operations, before discontinued operations	**41**	**(27)**	**79**	**48**
Discontinued operations:				
Loss from operations	(2)	(2)	(7)	—
Income tax benefit	—	1	1	—
Net loss from discontinued operations	**(2)**	**(1)**	**(6)**	**—**
Net income (loss)	**39**	**(28)**	**73**	**48**
Less: Net income attributable to noncontrolling interests	85	33	178	62
Net loss attributable to Tenet Healthcare Corporation common shareholders	**$ (46)**	**$ (61)**	**$ (105)**	**$ (14)**
Amounts attributable to Tenet Healthcare Corporation common shareholders				
Net loss from continuing operations, net of tax	$ (44)	$ (60)	$ (99)	$ (14)
Net loss from discontinued operations, net of tax	(2)	(1)	(6)	—
Net loss attributable to Tenet Healthcare Corporation common shareholders	**$ (46)**	**$ (61)**	**$ (105)**	**$ (14)**
Net loss per share attributable to Tenet Healthcare Corporation common shareholders:				
Basic				
Continuing operations	$ (0.44)	$ (0.60)	$ (1.00)	$ (0.14)
Discontinued operations	(0.02)	(0.01)	(0.06)	—
	$ (0.46)	**$ (0.61)**	**$ (1.06)**	**$ (0.14)**
Diluted				
Continuing operations	$ (0.44)	$ (0.60)	$ (1.00)	$ (0.14)
Discontinued operations	(0.02)	(0.01)	(0.06)	—
	$ (0.46)	**$ (0.61)**	**$ (1.06)**	**$ (0.14)**
Weighted average shares and dilutive securities outstanding (in thousands):				
Basic	99,341	99,244	99,054	98,972
Diluted	99,341	99,244	99,054	98,972

See accompanying Notes to Condensed Consolidated Financial Statements.

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TENET HEALTHCARE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME (LOSS)
Dollars in Millions
(Unaudited)

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Net income (loss)	$ 39	$ (28)	$ 73	$ 48
Other comprehensive income (loss):				
Amortization of net actuarial loss included in net periodic benefit costs	3	2	3	5
Unrealized gains (losses) on securities held as available-for-sale	(2)	—	1	1
Foreign currency translation adjustments	(43)	—	(41)	—
Other comprehensive income (loss) before income taxes	**(42)**	**2**	**(37)**	**6**
Income tax expense related to items of other comprehensive income (loss)	(1)	—	(2)	(1)
Total other comprehensive income (loss), net of tax	**(43)**	**2**	**(39)**	**5**
Comprehensive net income (loss)	**(4)**	**(26)**	**34**	**53**
Less: Comprehensive income attributable to noncontrolling interests	**85**	**33**	**178**	**62**
Comprehensive loss attributable to Tenet Healthcare Corporation common shareholders	**$ (89)**	**$ (59)**	**$ (144)**	**$ (9)**

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)

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Net income	**$ 73**	**$ 48**
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	427	404
Provision for doubtful accounts	728	715
Deferred income tax expense (benefit)	37	(27)
Stock-based compensation expense	35	33
Impairment and restructuring charges, and acquisition-related costs	50	222
Litigation and investigation costs	287	17
Gains on sales, consolidation and deconsolidation of facilities	(148)	—
Equity in earnings of unconsolidated affiliates, net of distributions received	10	(20)
Amortization of debt discount and debt issuance costs	21	21
Pre-tax loss (income) from discontinued operations	7	—
Other items, net	(2)	(5)
Changes in cash from operating assets and liabilities:		
Accounts receivable	(725)	(779)
Inventories and other current assets	(30)	36
Income taxes	(17)	9
Accounts payable, accrued expenses and other current liabilities	(106)	(267)
Other long-term liabilities	34	40
Payments for restructuring charges, acquisition-related costs, and litigation costs and settlements	**(99)**	**(86)**
Net cash used in operating activities from discontinued operations, excluding income taxes	**—**	**(8)**
Net cash provided by operating activities	**582**	**353**
Cash flows from investing activities:		
Purchases of property and equipment — continuing operations	(413)	(359)
Purchases of businesses or joint venture interests, net of cash acquired	(94)	(636)
Proceeds from sales of facilities and other assets	573	—
Proceeds from sales of marketable securities, long-term investments and other assets	24	11
Purchases of equity investments	(35)	(2)
Other long-term assets	(3)	—
Other items, net	2	1
Net cash provided by (used in) investing activities	**54**	**(985)**
Cash flows from financing activities:		
Repayments of borrowings under credit facility	(1,195)	(1,315)
Proceeds from borrowings under credit facility	1,195	1,195
Repayments of other borrowings	(76)	(1,992)
Proceeds from other borrowings	—	3,187
Debt issuance costs	—	(72)
Distributions paid to noncontrolling interests	(95)	(23)
Proceeds from sale of noncontrolling interests	15	3
Purchase of noncontrolling interests	(177)	(254)
Proceeds from exercise of stock options	3	9
Other items, net	(6)	—
Net cash provided by (used in) financing activities	**(336)**	**738**
Net increase in cash and cash equivalents	300	106
Cash and cash equivalents at beginning of period	356	193
Cash and cash equivalents at end of period	**$ 656**	**$ 299**
Supplemental disclosures:		
Interest paid, net of capitalized interest	$ (467)	$ (385)
Income tax payments, net	$ (29)	$ (8)

See accompanying Notes to Condensed Consolidated Financial Statements.

TENET HEALTHCARE CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

Description of Business and Basis of Presentation

Tenet Healthcare Corporation (together with our subsidiaries, referred to herein as "Tenet," "we" or "us") is a diversified healthcare services company. At June 30, 2016, we operated 79 hospitals, 20 short-stay surgical hospitals, over 465 outpatient centers, nine facilities in the United Kingdom and six health plans through our subsidiaries, partnerships and joint ventures, including USPI Holding Company, Inc. ("USPI joint venture"). The results of 134 of these facilities, in which we hold noncontrolling interests, are recorded using the equity method of accounting. Our Conifer Holdings, Inc. ("Conifer") subsidiary provides healthcare business process services in the areas of revenue cycle management and technology-enabled performance improvement and health management solutions to health systems, as well as individual hospitals, physician practices, self-insured organizations, health plans and other entities.

This quarterly report supplements our Annual Report on Form 10-K for the year ended December 31, 2015 ("Annual Report"). As permitted by the Securities and Exchange Commission for interim reporting, we have omitted certain notes and disclosures that substantially duplicate those in our Annual Report. For further information, refer to the audited Consolidated Financial Statements and notes included in our Annual Report. Unless otherwise indicated, all financial and statistical data included in these notes to our Condensed Consolidated Financial Statements relate to our continuing operations, with dollar amounts expressed in millions (except per-share amounts). Certain prior-year amounts have been reclassified to conform to the current-year presentation.

Although the Condensed Consolidated Financial Statements and related notes within this document are unaudited, we believe all adjustments considered necessary for a fair presentation have been included and are of a normal recurring nature. In preparing our financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"), we are required to make estimates and assumptions that affect the amounts reported in our Condensed Consolidated Financial Statements and these accompanying notes. We regularly evaluate the accounting policies and estimates we use. In general, we base the estimates on historical experience and on assumptions that we believe to be reasonable given the particular circumstances in which we operate. Actual results may vary from those estimates. Financial and statistical information we report to other regulatory agencies may be prepared on a basis other than GAAP or using different assumptions or reporting periods and, therefore, may vary from amounts presented herein. Although we make every effort to ensure that the information we report to those agencies is accurate, complete and consistent with applicable reporting guidelines, we cannot be responsible for the accuracy of the information they make available to the public.

Operating results for the three and six month periods ended June 30, 2016 are not necessarily indicative of the results that may be expected for the full year. Reasons for this include, but are not limited to: overall revenue and cost trends, particularly the timing and magnitude of price changes; fluctuations in contractual allowances and cost report settlements and valuation allowances; managed care contract negotiations, settlements or terminations and payer consolidations; changes in Medicare and Medicaid regulations; Medicaid and other supplemental funding levels set by the states in which we operate; the timing of approval by the Centers for Medicare and Medicaid Services of Medicaid provider fee revenue programs; trends in patient accounts receivable collectability and associated provisions for doubtful accounts; fluctuations in interest rates; levels of malpractice insurance expense and settlement trends; the number of covered lives managed by our health plans and the plans' ability to effectively manage medical costs; the timing of when we meet the criteria to recognize electronic health record incentives; impairment of long-lived assets and goodwill; restructuring charges; losses, costs and insurance recoveries related to natural disasters and other weather-related occurrences; litigation and investigation costs; acquisitions and dispositions of facilities and other assets; income tax rates and deferred tax asset valuation allowance activity; changes in estimates of accruals for annual incentive compensation; the timing and amounts of stock option and restricted stock unit grants to employees and directors; gains or losses from early extinguishment of debt; and changes in occupancy levels and patient volumes. Factors that affect patient volumes and, thereby, the results of operations at our hospitals and related healthcare facilities include, but are not limited to: the business environment, economic conditions and demographics of local communities in which we operate; the number of uninsured and underinsured individuals in local communities treated at our hospitals; seasonal cycles of illness; climate and weather conditions; physician recruitment, retention and attrition; advances in technology and treatments that reduce length of stay; local healthcare competitors; managed care contract negotiations or terminations; the number of patients with high-deductible health insurance plans; any unfavorable publicity about us, or our joint venture partners, that impacts our relationships with physicians and patients; changes in healthcare regulations and the participation of individual states in federal programs; and the timing of elective procedures. These considerations apply to year-to-year comparisons as well.

Translation of Foreign Currencies

The accounts of European Surgical Partners, Limited ("Aspen") were measured in its local currency (the pound sterling) and then translated into U.S. dollars. All assets and liabilities were translated using the current rate of exchange at the balance sheet date. Results of operations were translated using the average rates prevailing throughout the period of operations. Translation gains or losses resulting from changes in exchange rates are accumulated in shareholders' equity.

Net Operating Revenues Before Provision for Doubtful Accounts

We recognize net operating revenues before provision for doubtful accounts in the period in which our services are performed. Net operating revenues before provision for doubtful accounts primarily consist of net patient service revenues that are recorded based on established billing rates (i.e., gross charges), less estimated discounts for contractual and other allowances, principally for patients covered by Medicare, Medicaid, managed care and other health plans, as well as certain uninsured patients under our *Compact with Uninsured Patients* and other uninsured discount and charity programs.

The table below shows the sources of net operating revenues before provision for doubtful accounts from continuing operations:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
General Hospitals:				
Medicare	$ 879	$ 850	$ 1,738	$ 1,748
Medicaid	298	349	671	734
Managed care	2,407	2,501	5,033	4,906
Indemnity, self-pay and other	464	407	901	821
Acute care hospitals — other revenue	14	13	21	28
Other:				
Other operations	1,158	724	2,276	1,394
Net operating revenues before provision for doubtful accounts	**$ 5,220**	**$ 4,844**	**$ 10,640**	**$ 9,631**

Cash and Cash Equivalents

We treat highly liquid investments with original maturities of three months or less as cash equivalents. Cash and cash equivalents were approximately $656 million and $356 million at June 30, 2016 and December 31, 2015, respectively. At June 30, 2016 and December 31, 2015, our book overdrafts were approximately $283 million and $301 million, respectively, which were classified as accounts payable.

At June 30, 2016 and December 31, 2015, approximately $190 million and $171 million, respectively, of total cash and cash equivalents in the accompanying Condensed Consolidated Balance Sheets were intended for the operations of our captive insurance subsidiaries and our health plans.

Also at June 30, 2016 and December 31, 2015, we had $109 million and $133 million, respectively, of property and equipment purchases accrued for items received but not yet paid. Of these amounts, $66 million and $95 million, respectively, were included in accounts payable.

During the six months ended June 30, 2016 and 2015, we entered into non-cancellable capital leases of approximately $77 million and $92 million, respectively, primarily for buildings and equipment.

Other Intangible Assets

The following tables provide information regarding other intangible assets, which are included in the accompanying Condensed Consolidated Balance Sheets at June 30, 2016 and December 31, 2015:

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
At June 30, 2016:			
Capitalized software costs	$ 1,537	$ (656)	$ 881
Trade names	106	—	106
Contracts	848	(35)	813
Other	108	(43)	65
Total	**$ 2,599**	**$ (734)**	**$ 1,865**

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
At December 31, 2015:			
Capitalized software costs	$ 1,456	$ (594)	$ 862
Trade names	106	—	106
Contracts	653	(26)	627
Other	119	(39)	80
Total	**$ 2,334**	**$ (659)**	**$ 1,675**

Estimated future amortization of intangibles with finite useful lives at June 30, 2016 is as follows:

		Years Ending December 31,					Later
	Total	2016	2017	2018	2019	2020	Years
Amortization of intangible assets	$ 1,207	$ 80	$ 172	$ 159	$ 130	$ 114	$ 552

Investments in Unconsolidated Affiliates

We control 214 of the facilities operated by our Ambulatory Care segment and, therefore, consolidate their results (212 are consolidated within our Ambulatory Care segment and two are consolidated within our Hospital Operations and other segment). We account for many of the facilities our Ambulatory Care segment operates (120 of 334 at June 30, 2016) and four of the hospitals our Hospital Operations and other segment operates under the equity method as investments in unconsolidated affiliates and report only our share of net income attributable to the investee as equity in earnings of unconsolidated affiliates in the accompanying Condensed Consolidated Statements of Operations. Summarized financial information for these equity method investees is included in the following table.

	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
Net operating revenues	$ 615	$ 1,193
Net income	$ 130	$ 235
Net income attributable to the investees	$ 89	$ 158

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NOTE 2. ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

The principal components of accounts receivable are shown in the table below:

	June 30, 2016	December 31, 2015
Continuing operations:		
Patient accounts receivable	$ 3,568	$ 3,486
Allowance for doubtful accounts	(946)	(887)
Estimated future recoveries	142	144
Net cost reports and settlements payable and valuation allowances	(33)	(42)
	2,731	2,701
Discontinued operations	3	3
Accounts receivable, net	**$ 2,734**	**$ 2,704**

At June 30, 2016 and December 31, 2015, our allowance for doubtful accounts was 26.5% and 25.4%, respectively, of our patient accounts receivable. Accounts that are pursued for collection through Conifer's regional business offices are maintained on our hospitals' books and reflected in patient accounts receivable with an allowance for doubtful accounts established to reduce the carrying value of such receivables to their estimated net realizable value. Generally, we estimate this allowance based on the aging of our accounts receivable by hospital, our historical collection experience by hospital and for each type of payer, and other relevant factors. At June 30, 2016 and December 31, 2015, our allowance for doubtful accounts for self-pay was 82.6% and 80.6%, respectively, of our self-pay patient accounts receivable, including co-pays and deductibles owed by patients with insurance. At June 30, 2016 and December 31, 2015, our allowance for doubtful accounts for managed care was 8.5% and 7.5%, respectively, of our managed care patient accounts receivable.

We also provide charity care to patients who are financially unable to pay for the healthcare services they receive. Most patients who qualify for charity care are charged a per-diem amount for services received, subject to a cap. Except for the per-diem amounts, our policy is not to pursue collection of amounts determined to qualify as charity care; therefore, we do not report these amounts in net operating revenues. Most states include an estimate of the cost of charity care in the determination of a hospital's eligibility for Medicaid disproportionate share hospital ("DSH") payments. These payments are intended to mitigate our cost of uncompensated care, as well as reduced Medicaid funding levels. The table below shows our estimated costs (based on selected operating expenses, which include salaries, wages and benefits, supplies and other operating expenses) of caring for our self-pay patients and charity care patients, and revenues attributable to Medicaid DSH and other supplemental revenues we recognized in three and six months ended June 30, 2016 and 2015.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Estimated costs for:				
Self-pay patients	$ 159	$ 168	$ 310	$ 332
Charity care patients	$ 31	$ 37	$ 72	$ 73
Medicaid DSH and other supplemental revenues	$ 215	$ 220	$ 442	$ 467

At June 30, 2016 and December 31, 2015, we had approximately $494 million and $387 million, respectively, of receivables recorded in other current assets and approximately $191 million and $139 million, respectively, of payables recorded in other current liabilities in the accompanying Condensed Consolidated Balance Sheets related to California's provider fee program.

NOTE 3. ASSETS AND LIABILITIES HELD FOR SALE

Our hospitals, physician practices and related assets in Georgia met the criteria to be classified as assets held for sale in the three months ended June 30, 2015. In accordance with the guidance in the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") 360, "Property, Plant and Equipment," we classified $549 million of our assets in Georgia as "assets held for sale" in current assets and $101 million of our liabilities in Georgia as "liabilities held for sale" in current liabilities in the accompanying Condensed Consolidated Balance Sheet at December 31, 2015. We completed the sale of our Georgia assets on March 31, 2016 at a transaction price of approximately $575 million and recognized a gain on sale of approximately $113 million. Because we did not sell the related accounts receivable with respect to the pre-closing period, net receivables of approximately $80 million are included in accounts receivable, less allowance for doubtful accounts in the accompanying Condensed Consolidated Balance Sheet at June 30, 2016.

NOTE 4. IMPAIRMENT AND RESTRUCTURING CHARGES, AND ACQUISITION-RELATED COSTS

During the six months ended June 30, 2016, we recorded impairment and restructuring charges and acquisition-related costs of $50 million primarily related to our Hospital Operations and other segment, consisting of approximately $2 million to write-down other intangible assets, $17 million of employee severance costs, $2 million of restructuring costs, $1 million of contract and lease termination fees, and $28 million in acquisition-related costs, which include $3 million of transaction costs and $25 million of acquisition integration charges.

During the six months ended June 30, 2015, we recorded impairment and restructuring charges and acquisition-related costs of $222 million, consisting of a $147 million charge to write-down assets held for sale to their estimated fair value, less estimated costs to sell, as a result of us entering into a definitive agreement for the sale of Saint Louis University Hospital in the period, $8 million of employee severance costs, $4 million of restructuring costs, $4 million of contract and lease termination fees, and $59 million in acquisition-related costs, which include $36 million of transaction costs and $23 million of acquisition integration charges.

Our impairment tests presume stable, improving or, in some cases, declining operating results in our facilities, which are based on programs and initiatives being implemented that are designed to achieve the facility's most recent projections. If these projections are not met, or if in the future negative trends occur that impact our future outlook, impairments of long-lived assets and goodwill may occur, and we may incur additional restructuring charges, which could be material.

At June 30, 2016, our continuing operations consisted of three reportable segments, Hospital Operations and other, Ambulatory Care and Conifer. Within our Hospital Operations and other segment, our regions and markets are reporting units used to perform our goodwill impairment analysis and are one level below our reportable business segment level. Our Ambulatory Care segment consists of the operations of our USPI joint venture and our Aspen facilities.

Our Hospital Operations and other segment was structured as follows at June 30, 2016:

- Our Florida region included all of our hospitals and other operations in Florida;
- Our Northeast region included all of our hospitals and other operations in Illinois, Massachusetts and Pennsylvania;
- Our Southern region included all of our hospitals and other operations in Alabama, South Carolina and Tennessee;
- Our Texas region included all of our hospitals and other operations in Missouri, New Mexico and Texas;
- Our Western region included all of our hospitals and other operations in Arizona and California; and
- Our Detroit market included all of our hospitals and other operations in the Detroit, Michigan area.

Effective July 1, 2016, all of our hospitals and other operations in Missouri were transitioned from our Texas region to our Southern region.

We periodically incur costs to implement restructuring efforts for specific operations, which are recorded in our statement of operations as they are incurred. Our restructuring plans focus on various aspects of operations, including aligning our operations in the most strategic and cost-effective structure. Certain restructuring and acquisition-related costs are based on estimates. Changes in estimates are recognized as they occur.

NOTE 5. LONG-TERM DEBT AND LEASE OBLIGATIONS

The table below shows our long-term debt at June 30, 2016 and December 31, 2015:

	June 30, 2016	December 31, 2015
Senior notes:		
5%, due 2019	$ 1,100	$ 1,100
$5^1/_2$%, due 2019	500	500
$6^3/_4$%, due 2020	300	300
8%, due 2020	750	750
$8^1/_8$%, due 2022	2,800	2,800
$6^3/_4$%, due 2023	1,900	1,900
$6^7/_8$%, due 2031	430	430
Senior secured notes:		
$6^1/_4$%, due 2018	1,041	1,041
$4^3/_4$%, due 2020	500	500
6%, due 2020	1,800	1,800
Floating % due 2020	900	900
$4^1/_2$%, due 2021	850	850
$4^3/_8$%, due 2021	1,050	1,050
Capital leases and mortgage notes	821	852
Unamortized issue costs, note discounts and premium	(241)	(263)
Total long-term debt	**14,501**	**14,510**
Less current portion	181	127
Long-term debt, net of current portion	**$ 14,320**	**$ 14,383**

Credit Agreement

On December 4, 2015, we entered into an amendment to our existing senior secured revolving credit facility (as amended, "Credit Agreement") in order to, among other things, extend the scheduled maturity date of the facility, reduce the rates of certain interest and fees payable under the facility, and remove certain restrictions with respect to the borrowing base eligibility of certain accounts receivable. The Credit Agreement provides, subject to borrowing availability, for revolving loans in an aggregate principal amount of up to $1 billion, with a $300 million subfacility for standby letters of credit. The Credit Agreement, which has a scheduled maturity date of December 4, 2020, is collateralized by patient accounts receivable of substantially all of our domestic wholly owned hospitals. In addition, borrowings under the Credit Agreement are guaranteed by substantially all of our wholly owned domestic hospital subsidiaries. Outstanding revolving loans accrue interest at a base rate plus a margin ranging from 0.25% to 0.75% per annum or the London Interbank Offered Rate plus a margin ranging from 1.25% to 1.75% per annum, in each case based on available credit. An unused commitment fee payable on the undrawn portion of the revolving loans ranges from 0.25% to 0.375% per annum based on available credit. Our borrowing availability is based on a specified percentage of eligible accounts receivable, including self-pay accounts. At June 30, 2016, we had no cash borrowings outstanding under the Credit Agreement, and we had approximately $4 million of standby letters of credit outstanding. Based on our eligible receivables, approximately $996 million was available for borrowing under the Credit Agreement at June 30, 2016.

Letter of Credit Facility

On March 7, 2014, we entered into a letter of credit facility agreement ("LC Facility") that provides for the issuance of standby and documentary letters of credit (including certain letters of credit issued under our prior credit agreement, which we transferred to the LC Facility (the "Preexisting Letters of Credit")), from time to time, in an aggregate principal amount of up to $180 million (subject to increase to up to $200 million). The LC Facility has a scheduled maturity date of March 7, 2017, and obligations thereunder are guaranteed by and secured by a first priority pledge of the capital stock and other ownership interests of certain of our domestic hospital subsidiaries on an equal ranking basis with our existing senior secured notes.

Drawings under any letter of credit issued under the LC Facility (including the Preexisting Letters of Credit) that we have not reimbursed within three business days after notice thereof will accrue interest at a base rate plus a margin equal to 0.875% per annum. An unused commitment fee is payable at an initial rate of 0.50% per annum with a step down to 0.375% per annum based on the secured debt to EBITDA ratio of 3.00 to 1.00. A per annum fee on the aggregate outstanding amount of issued but undrawn letters of credit (including the Preexisting Letters of Credit) will accrue at a rate of 1.875% per annum. An issuance fee equal to 0.125% per annum of the aggregate face amount of each outstanding letter of credit is payable to the account of the issuer of the related letter of credit. At June 30, 2016, we had approximately $132 million of standby letters of credit outstanding under the LC Facility.

NOTE 6. GUARANTEES

At June 30, 2016, the maximum potential amount of future payments under our income guarantees to certain physicians who agree to relocate and revenue collection guarantees to hospital-based physician groups providing certain services at our hospitals was $83 million. We had a total liability of $72 million recorded for these guarantees included in other current liabilities at June 30, 2016.

At June 30, 2016, we also had issued guarantees of the indebtedness and other obligations of our investees to third parties, the maximum potential amount of future payments under which was approximately $32 million. Of the total, $16 million relates to the obligations of consolidated subsidiaries, which obligations are recorded in the accompanying Condensed Consolidated Balance Sheet at June 30, 2016.

NOTE 7. EMPLOYEE BENEFIT PLANS

At June 30, 2016, approximately 7.0 million shares of common stock were available under our 2008 Stock Incentive Plan for future stock option grants and other incentive awards, including restricted stock units. Options have an exercise price equal to the fair market value of the shares on the date of grant and generally expire 10 years from the date of grant. A restricted stock unit is a contractual right to receive one share of our common stock or the equivalent value in cash in the future. Options and time-based restricted stock units typically vest one-third on each of the first three anniversary dates of the grant; however, certain special retention awards may have longer vesting periods. In addition, we grant performance-based restricted stock units (and, in prior years, have granted performance-based options) that vest subject to the achievement of specified performance goals within a specified timeframe.

Our Condensed Consolidated Statements of Operations for the six months ended June 30, 2016 and 2015 include $31 million and $36 million, respectively, of pretax compensation costs related to our stock-based compensation arrangements recorded in salaries, wages and benefits.

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Stock Options

The following table summarizes stock option activity during the six months ended June 30, 2016:

	Options	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value (In Millions)	Weighted Average Remaining Life
Outstanding at December 31, 2015	1,606,842	$ 22.87		
Granted	—	—		
Exercised	(104,815)	18.75		
Forfeited/Expired	(53,456)	20.20		
Outstanding at June 30, 2016	**1,448,571**	**22.71**	**$ 10**	**2.6 years**
Vested and expected to vest at June 30, 2016	**1,448,571**	**$ 22.71**	**$ 10**	**2.6 years**
Exercisable at June 30, 2016	**1,448,571**	**$ 22.71**	**$ 10**	**2.6 years**

There were 104,815 stock options exercised during the six months ended June 30, 2016 with an aggregate intrinsic value of approximately $1 million, and 122,212 stock options exercised during the same period in 2015 with an aggregate intrinsic value of approximately $2 million.

At June 30, 2016, there were no unrecognized compensation costs related to stock options. Also, there were no stock options granted in the six months ended June 30, 2016 or 2015.

The following table summarizes information about our outstanding stock options at June 30, 2016:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number of Options	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
$0.00 to $4.569	184,869	2.7 years	$ 4.56	184,869	$ 4.56
$4.57 to $25.089	827,315	3.3 years	20.85	827,315	20.85
$25.09 to $32.569	182,000	0.7 years	26.40	182,000	26.40
$32.57 to $42.529	254,387	1.7 years	39.31	254,387	39.31
	1,448,571	**2.6 years**	**$ 22.71**	**1,448,571**	**$ 22.71**

Restricted Stock Units

The following table summarizes restricted stock unit activity during the six months ended June 30, 2016:

	Restricted Stock Units	Weighted Average Grant Date Fair Value Per Unit
Unvested at December 31, 2015	3,627,232	$ 44.69
Granted	1,584,063	30.43
Vested	(1,509,428)	43.18
Forfeited	(316,716)	33.85
Unvested at June 30, 2016	**3,385,151**	**$ 36.82**

In the six months ended June 30, 2016, we granted 717,277 restricted stock units subject to time-vesting, of which 484,295 will vest and be settled ratably over a three-year period from the grant date, 57,139 will vest and be settled on the third anniversary of the grant date, and 175,843 will vest and be settled on the fifth anniversary of the grant date. In addition, in May 2016, we made an annual grant of 90,105 restricted stock units to our non-employee directors for the 2016-2017 board service year, which units vested immediately and will settle in shares of our common stock on the third anniversary of the date of the grant. In January 2016, following the appointment of two new members of our Board of Directors, we also made initial grants totaling 5,084 restricted stock units to these directors, as well as prorated annual grants totaling 5,614 restricted stock units. Both the initial grants and the annual grants vested immediately, however the initial grants will not settle until the directors' separation from the Board, while the annual grants settle on the third

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anniversary of the grant date. In addition, we granted 474,443 performance-based restricted stock units to certain of our senior officers; the vesting of these restricted stock units is contingent on our achievement of specified three-year performance goals for the years 2016 to 2018. Provided the goals are achieved, the performance-based restricted stock units will vest and settle on the third anniversary of the grant date. The actual number of performance-based restricted stock units that could vest will range from 0% to 200% of the 474,443 units granted, depending on our level of achievement with respect to the performance goals. Moreover, in the six months ended June 30, 2016, we granted 291,540 restricted stock units as a result of our level of achievement with respect to prior-year target performance goals.

At June 30, 2016, there were $99 million of total unrecognized compensation costs related to restricted stock units. These costs are expected to be recognized over a weighted average period of 2.2 years.

NOTE 8. EQUITY

Changes in Shareholders' Equity

The following table shows the changes in consolidated equity during the six months ended June 30, 2016 (dollars in millions, share amounts in thousands):

	Tenet Healthcare Corporation Shareholders' Equity							
	Common Stock							
	Shares Outstanding	Issued Par Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Treasury Stock	Noncontrolling Interests	Total Equity
Balances at December 31, 2015	98,495	$ 7	$ 4,815	$ (164)	$ (1,550)	$ (2,417)	$ 267	$ 958
Net income (loss)	—	—	—	—	(105)	—	62	(43)
Distributions paid to noncontrolling interests	—	—	—	—	—	—	(51)	(51)
Other comprehensive loss	—	—	—	(39)	—	—	—	(39)
Purchases (sales) of businesses and noncontrolling interests	—	—	(36)	—	—	—	114	78
Purchase accounting adjustments	—	—	—	—	—	—	237	237
Stock-based compensation expense, tax benefit and issuance of common stock	1,021	—	12	—	—	—	—	12
Balances at June 30, 2016	**99,516**	**$ 7**	**$ 4,791**	**$ (203)**	**$ (1,655)**	**$ (2,417)**	**$ 629**	**$ 1,152**
Balances at December 31, 2014	98,382	$ 7	$ 4,614	$ (182)	$ (1,410)	$ (2,378)	$ 134	$ 785
Net income	—	—	—	—	(14)	—	20	6
Distributions paid to noncontrolling interests	—	—	—	—	—	—	(20)	(20)
Contributions from noncontrolling interests	—	—	—	—	—	—	1	1
Other comprehensive income	—	—	—	5	—	—	—	5
Purchases (sales) of businesses and noncontrolling interests	—	—	130	—	—	—	80	210
Stock-based compensation expense and issuance of common stock	933	—	30	—	—	1	—	31
Balances at June 30, 2015	**99,315**	**$ 7**	**$ 4,774**	**$ (177)**	**$ (1,424)**	**$ (2,377)**	**$ 215**	**$ 1,018**

NOTE 9. PROPERTY AND PROFESSIONAL AND GENERAL LIABILITY INSURANCE

Property Insurance

We have property, business interruption and related insurance coverage to mitigate the financial impact of catastrophic events or perils that is subject to deductible provisions based on the terms of the policies. These policies are on an occurrence basis.

Professional and General Liability Reserves

At June 30, 2016 and December 31, 2015, the aggregate current and long-term professional and general liability reserves in our accompanying Condensed Consolidated Balance Sheets were approximately $792 million and $755 million, respectively. These reserves include the reserves recorded by our captive insurance subsidiaries and our self-insured retention reserves recorded based on modeled estimates for the portion of our professional and general liability risks, including incurred but not reported claims, for which we do not have insurance coverage. We estimated the reserves for losses and related expenses using expected loss-reporting patterns discounted to their present value under a risk-free rate approach using a Federal Reserve seven-year maturity rate of 1.29% at June 30, 2016 and 2.09% at December 31, 2015.

If the aggregate limit of any of our professional and general liability policies is exhausted, in whole or in part, it could deplete or reduce the limits available to pay any other material claims applicable to that policy period.

Included in other operating expenses, net, in the accompanying Condensed Consolidated Statements of Operations is malpractice expense of $164 million and $147 million for the six months ended June 30, 2016 and 2015, respectively.

NOTE 10. CLAIMS AND LAWSUITS

We operate in a highly regulated and litigious industry. As a result, we commonly become involved in disputes, litigation and regulatory matters incidental to our operations, including governmental investigations, personal injury lawsuits, employment claims and other matters arising out of the normal conduct of our business.

We record accruals for estimated losses relating to claims and lawsuits when available information indicates that a loss is probable and we can reasonably estimate the amount of the loss or a range of loss. Significant judgment is required in both the determination of the probability of a loss and the determination as to whether a loss is reasonably estimable. These determinations are updated at least quarterly and are adjusted to reflect the effects of negotiations, settlements, rulings, advice of legal counsel and technical experts, and other information and events pertaining to a particular matter. If a loss on a material matter is reasonably possible and estimable, we disclose an estimate of the loss or a range of loss. In cases where we have not disclosed an estimate, we have concluded that the loss is either not reasonably possible or the loss, or a range of loss, is not reasonably estimable, based on available information.

Governmental Reviews and Lawsuits

Healthcare companies are subject to numerous investigations by various governmental agencies. Further, private parties have the right to bring qui tam or "whistleblower" lawsuits against companies that allegedly submit false claims for payments to, or improperly retain overpayments from, the government and, in some states, private payers. We and our subsidiaries have received inquiries in recent years from government agencies, and we may receive similar inquiries in future periods. The following matters are pending.

- *Clinica de la Mama Qui Tam Action and Criminal Investigation*—The Company believes that it has reached an agreement in principle with the U.S. Department of Justice ("DOJ"), the U.S. Attorneys' Offices for the Northern and Middle Districts of Georgia, and the Georgia Attorney General's Office to resolve the civil qui tam litigation (*United States of America, ex rel. Ralph D. Williams v. Health Management Associates, Inc., et al.*) pending in the U.S. District Court for the Middle District of Georgia and the parallel criminal investigation of the Company and certain of its subsidiaries being conducted by the DOJ and the

U.S. Attorney's Office for the Northern District of Georgia (collectively, the "Clinica de la Mama matters"). The agreement in principle contemplates, among other things, payment by the Company of $513,788,345, which is comprised of a civil monetary payment of $368,000,000 and a criminal monetary payment of $145,788,345. Based on the agreement in principle, we have increased our reserve relating to the Clinica de la Mama matters from $407 million to $516 million to reflect the monetary payments and certain other costs to be paid by us.

In addition to the monetary component, the agreement in principle contemplates that: (i) Tenet HealthSystem Medical, Inc. ("THSM"), an indirect, wholly owned subsidiary of the Company, will enter into a Non-Prosecution Agreement with the DOJ; (ii) the DOJ will appoint a corporate monitor for a period of three years to assess the Company's compliance with the federal anti-kickback and Stark laws; and (iii) our two indirect, wholly owned subsidiaries that previously operated Atlanta Medical Center and North Fulton Hospital, and which currently have no operating assets, will agree to plead guilty under 18 U.S.C. § 371 to a single count of conspiracy to violate the federal anti-kickback statute and defraud the United States. The agreement in principle also contemplates that the Company will enter into a Corporate Integrity Agreement with the Office of Inspector General of the U.S. Department of Health and Human Services. Based on discussions with the government, and assuming definitive agreements are reached as contemplated by the agreement in principle, none of our operating facilities will be subject to exclusion from participation in federal healthcare programs or payment suspension as a result of the Clinica de la Mama matters.

The implementation of the agreement in principle is subject to the negotiation and approval of definitive agreements and the court's acceptance of the plea agreements, which we believe will be completed in the three months ending September 30, 2016. We expect the civil monetary payment and the criminal monetary payment will be due shortly after sentencing, which we believe will take place in the three months ending September 30, 2016. We expect to fund the payments through general corporate sources of liquidity, including cash on the balance sheet and borrowings under our revolving credit facility.

Although we believe we will reach a final resolution of the Clinica de la Mama matters, there can be no assurance that such a resolution will be reached or that the court will accept the pleas. If a resolution is not reached or approved, or if the terms of the final resolution are materially different than the agreement in principle, the eventual loss related to these matters could materially exceed the amount reserved and could have a material adverse effect on our business, financial condition, results of operations or cash flows.

As previously disclosed, the Clinica de la Mama matters relate to contracts that were in effect for various periods from 2000 to 2013 between four hospitals owned by THSM (Atlanta Medical Center, North Fulton Hospital, Spalding Regional Medical Center and Hilton Head Hospital) and Hispanic Medical Management, Inc. Although our Georgia hospitals have been sold, we have retained any potential liabilities arising from the Clinica de la Mama matters.

For additional information regarding the Clinica de la Mama matters, reference is made to Note 10 to our Condensed Consolidated Financial Statements in our Quarterly Report on Form 10-Q for the quarterly period ended March 30, 2016 and Note 15 to our Consolidated Financial Statements in our Annual Report.

Antitrust Class Action Lawsuit Filed by Registered Nurses in San Antonio

In *Maderazo, et al. v. VHS San Antonio Partners, L.P. d/b/a Baptist Health Systems, et al.*, filed in June 2006 in the U.S. District Court for the Western District of Texas, a purported class of registered nurses employed by three unaffiliated San Antonio-area hospital systems allege those hospital systems, including Baptist Health System, and other unidentified San Antonio regional hospitals violated Section §1 of the federal Sherman Act by conspiring to depress nurses' compensation and exchanging compensation-related information among themselves in a manner that reduced competition and suppressed the wages paid to such nurses. The suit seeks unspecified damages (subject to trebling under federal law), interest, costs and attorneys' fees. The case had been stayed since 2008; however, in July 2015, the court lifted the stay and re-opened discovery. We will continue to seek to defeat class certification and vigorously defend ourselves against the plaintiffs' allegations. Because these proceedings remain at an early stage, it is impossible at this time to predict their outcome with any certainty; however, we believe that the ultimate resolution of this matter will not have a material effect on our business, financial condition or results of operations.

Ordinary Course Matters

We are also subject to other claims and lawsuits arising in the ordinary course of business, including potential claims related to, among other things, the care and treatment provided at our hospitals and outpatient facilities, the application of various federal and state labor laws, tax audits and other matters. Although the results of these claims and lawsuits cannot be predicted with certainty, we believe that the ultimate resolution of these ordinary course claims and lawsuits will not have a material effect on our business or financial condition.

New claims or inquiries may be initiated against us from time to time. These matters could (1) require us to pay substantial damages or amounts in judgments or settlements, which, individually or in the aggregate, could exceed amounts, if any, that may be recovered under our insurance policies where coverage applies and is available, (2) cause us to incur substantial expenses, (3) require significant time and attention from our management, and (4) cause us to close or sell hospitals or otherwise modify the way we conduct business.

The table below presents reconciliations of the beginning and ending liability balances in connection with legal settlements and related costs recorded during the six months ended June 30, 2016 and 2015:

	Balances at Beginning of Period	Litigation and Investigation Costs	Cash Payments	Other	Balances at End of Period
Six Months Ended June 30, 2016					
Continuing operations	$ 299	$ 287	$ (57)	$ —	$ 529
Discontinued operations	—	—	—	—	—
	$ 299	**$ 287**	**$ (57)**	**$ —**	**$ 529**
Six Months Ended June 30, 2015					
Continuing operations	$ 73	$ 17	$ (27)	$ 3	$ 66
Discontinued operations	10	(3)	(1)	—	6
	$ 83	**$ 14**	**$ (28)**	**$ 3**	**$ 72**

For the six months ended June 30, 2016 and 2015, we recorded costs of $287 million and $17 million, respectively, in continuing operations in connection with significant legal proceedings and governmental reviews. During the six months ended June 30, 2015, we reduced a previously established reserve for a legal matter in discontinued operations by approximately $3 million based on updated claims information.

NOTE 11. REDEEMABLE NONCONTROLLING INTERESTS IN EQUITY OF CONSOLIDATED SUBSIDIARIES

As previously disclosed, as part of the formation of our USPI joint venture in 2015, we entered into a put/call agreement (the "Put/Call Agreement") with respect to the equity interests in the joint venture held by our joint venture partners. Each year starting in 2016, our joint venture partners must put to us at least 12.5%, and may put up to 25%, of the equity held by them in the joint venture immediately after the closing. In January 2016, Welsh, Carson, Anderson & Stowe, on behalf of our joint venture partners, delivered a put notice for the minimum number of shares they are required to put to us in 2016 according to the Put/Call Agreement. In April 2016, we paid approximately $127 million to purchase these shares, which increased our ownership interest in the USPI joint venture to approximately 56.3%.

The following table shows the changes in redeemable noncontrolling interests in equity of consolidated subsidiaries during the six months ended June 30, 2016 and 2015:

	Six Months Ended June 30,	
	2016	2015
Balances at beginning of period	**$ 2,266**	**$ 401**
Net income	116	42
Distributions paid to noncontrolling interests	(44)	(3)
Purchase accounting adjustments	(47)	—
Purchases and sales of businesses and noncontrolling interests, net	(16)	1,151
Balances at end of period	**$ 2,275**	**$ 1,591**

NOTE 12. INCOME TAXES

During the six months ended June 30, 2016, we recorded income tax expense of $51 million in continuing operations on pre-tax earnings of $130 million. The recorded income tax differs from taxes calculated at the statutory rate primarily due to state income tax expense of approximately $7 million, tax benefits of $47 million related to net income attributable to noncontrolling partnership interests, which is excluded from the computation of the provision for income taxes, tax expense of $29 million related to nondeductible goodwill, tax benefits of $17 million related to nontaxable gains and related changes in deferred taxes, and tax expense of $33 million related to nondeductible litigation.

During the six months ended June 30, 2016, we decreased our estimated liabilities for uncertain tax positions by $3 million, net of related deferred tax assets. The total amount of unrecognized tax benefits at June 30, 2016 was $37 million, of which $34 million, if recognized, would impact our effective tax rate and income tax expense (benefit) from continuing operations.

Our practice is to recognize interest and penalties related to income tax matters in income tax expense in our consolidated statements of operations. Total accrued interest and penalties on unrecognized tax benefits at June 30, 2016 were $5 million, all of which related to continuing operations.

At June 30, 2016, approximately $6 million of unrecognized federal and state tax benefits, as well as reserves for interest and penalties, may decrease in the next 12 months as a result of the settlement of audits, the filing of amended tax returns or the expiration of statutes of limitations.

NOTE 13. LOSS PER COMMON SHARE

The following table is a reconciliation of the numerators and denominators of our basic and diluted loss per common share calculations for our continuing operations for three and six months ended June 30, 2016 and 2015. Loss attributable to our common shareholders is expressed in millions and weighted average shares are expressed in thousands.

	Loss Attributable to Common Shareholders (Numerator)	Weighted Average Shares (Denominator)	Per-Share Amount
Three Months Ended June 30, 2016			
Net loss attributable to Tenet Healthcare Corporation common shareholders for basic loss per share	$ (44)	99,341	$ (0.44)
Effect of dilutive stock options, restricted stock units and deferred compensation units	—	—	—
Net loss attributable to Tenet Healthcare Corporation common shareholders for diluted loss per share	**$ (44)**	**99,341**	**$ (0.44)**
Three Months Ended June 30, 2015			
Net loss attributable to Tenet Healthcare Corporation common shareholders for basic loss per share	$ (60)	99,244	$ (0.60)
Effect of dilutive stock options, restricted stock units and deferred compensation units	—	—	—
Net loss attributable to Tenet Healthcare Corporation common shareholders for diluted loss per share	**$ (60)**	**99,244**	**$ (0.60)**
Six Months Ended June 30, 2016			
Net loss attributable to Tenet Healthcare Corporation common shareholders for basic loss per share	$ (99)	99,054	$ (1.00)
Effect of dilutive stock options, restricted stock units and deferred compensation units	—	—	—
Net loss attributable to Tenet Healthcare Corporation common shareholders for diluted loss per share	**$ (99)**	**99,054**	**$ (1.00)**
Six Months Ended June 30, 2015			
Net loss attributable to Tenet Healthcare Corporation common shareholders for basic loss per share	$ (14)	98,972	$ (0.14)
Effect of dilutive stock options, restricted stock units and deferred compensation units	—	—	—
Net loss attributable to Tenet Healthcare Corporation common shareholders for diluted loss per share	**$ (14)**	**98,972**	**$ (0.14)**

All potentially dilutive securities were excluded from the calculation of diluted loss per share for the three and six months ended June 30, 2016 and 2015 because we did not report income from continuing operations available to common shareholders in those periods. In circumstances where we do not have income from continuing operations available to common shareholders, the effect of stock options and other potentially dilutive securities is anti-dilutive, that is, a loss from continuing operations attributable to common shareholders has the effect of making the diluted loss per share less than the basic loss per share. Had we generated income from continuing operations available to common shareholders in the three and six months ended June 30, 2016 and 2015, the effect (in thousands) of employee stock options, restricted stock units and deferred compensation units on the diluted shares calculation would have been an increase in shares of 1,386 and 1,477 for the three and six months ended June 30, 2016, respectively, and 2,673 and 2,423 for the three and six months ended June 30, 2015, respectively.

NOTE 14. FAIR VALUE MEASUREMENTS

Our financial assets and liabilities recorded at fair value on a recurring basis primarily relate to investments in available-for-sale securities held by our captive insurance subsidiaries. The following tables present information about our assets and liabilities that are measured at fair value on a recurring basis. The following tables also indicate the fair value hierarchy of the valuation techniques we utilized to determine such fair values. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. We consider a security that trades at least weekly to have an active market. Fair values determined by Level 2 inputs utilize data points that are observable, such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability.

Investments	June 30, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable debt securities — noncurrent	$ 63	$ 25	$ 38	$ —
	$ 63	$ 25	$ 38	$ —

Investments	December 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Marketable debt securities — noncurrent	$ 59	$ 24	$ 35	$ —
	$ 59	$ 24	$ 35	$ —

The fair value of our long-term debt (except for borrowings under the Credit Agreement) is based on quoted market prices (Level 1). The inputs used to establish the fair value of the borrowings outstanding under the Credit Agreement are considered to be Level 2 inputs, which include inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. At June 30, 2016 and December 31, 2015, the estimated fair value of our long-term debt was approximately 95.6% and 96.2%, respectively, of the carrying value of the debt.

NOTE 15. ACQUISITIONS

Preliminary purchase price allocations (representing the fair value of the consideration conveyed) for all acquisitions made during the six months ended June 30, 2016 are as follows:

Current assets	$ 41
Property and equipment	31
Other intangible assets	6
Goodwill	314
Other long-term assets	6
Current liabilities	(23)
Other long-term liabilities	(16)
Redeemable noncontrolling interests in equity of consolidated subsidiaries	(114)
Noncontrolling interests	(122)
Cash paid, net of cash acquired	(94)
Gains on consolidations	**$ 29**

The goodwill generated from these transactions, the majority of which will not be deductible for income tax purposes, can be attributed to the benefits that we expect to realize from operating efficiencies and growth strategies. Of the total $314 million of goodwill recorded for acquisitions completed during the six months ended June 30, 2016, $190 million was recorded in our Hospital Operations and other segment, and $124 million was recorded in our Ambulatory Care segment. Approximately $3 million in transaction costs related to prospective and closed acquisitions were expensed during the six months ended June 30, 2016, and are included in impairment and restructuring charges, and acquisition-related costs in the accompanying Condensed Consolidated Statement of Operations.

We are required to allocate the purchase prices of acquired businesses to assets acquired or liabilities assumed and, if applicable, noncontrolling interests based on their fair values. The excess of the purchase price allocation over those fair values is recorded as goodwill. We are in process of finalizing the purchase price allocations, including valuations of the acquired property and equipment, other intangible assets and noncontrolling interests for some of our

2016 and 2015 acquisitions; therefore, those purchase price allocations are subject to adjustment once the valuations are completed.

During the six months ended June 30, 2016, we recognized gains totaling $29 million, associated with stepping up our ownership interests in previously held equity investments, which we began consolidating after we acquired controlling interests.

USPI Joint Venture and Acquisition of Aspen

Effective June 16, 2015, we combined our freestanding ambulatory surgery and imaging center assets with the short-stay surgical facility assets of United Surgical Partners International, Inc. ("USPI") into the USPI joint venture. We refinanced approximately $1.5 billion of existing USPI debt, which was allocated to the joint venture through an intercompany loan, and paid approximately $424 million to align the respective valuations of the assets contributed to the joint venture. We also completed the Aspen acquisition for approximately $226 million.

The final purchase price allocations for our USPI joint venture and Aspen acquisition are as follows:

Current assets	$	234
Property and equipment		554
Other intangible assets		539
Goodwill		2,794
Other long-term assets		813
Current liabilities		(326)
Deferred taxes — long term		(335)
Other long-term liabilities		(1,969)
Redeemable noncontrolling interests in equity of consolidated subsidiaries		(1,481)
Noncontrolling interests		(257)
Cash paid, net of cash acquired	**$**	**566**

Pro Forma Information – Unaudited

The following table provides 2016 actual results compared to 2015 pro forma information for Tenet as if the USPI joint venture and Aspen acquisition had occurred at the beginning of the year ended December 31, 2015.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net operating revenues	$ 4,868	$ 4,671	$ 9,912	$ 9,300
Equity in earnings of unconsolidated affiliates	$ 30	$ 38	$ 54	$ 63
Net loss attributable to common shareholders	$ (46)	$ (73)	$ (105)	$ (45)
Net loss per share attributable to common shareholders	$ (0.46)	$ (0.74)	$ (1.06)	$ (0.46)

NOTE 16. SEGMENT INFORMATION

Our business consists of our Hospital Operations and other segment, our Ambulatory Care segment and our Conifer segment. The factors for determining the reportable segments include the manner in which management evaluates operating performance combined with the nature of the individual business activities.

Our core business is Hospital Operations and other, which is focused on operating acute care hospitals, ancillary outpatient facilities, freestanding emergency departments, physician practices and health plans. We also own various related healthcare businesses. At June 30, 2016, our subsidiaries operated 79 hospitals, with a total of 20,380 licensed beds, primarily serving urban and suburban communities in 12 states, and six health plans, as well as hospital-based outpatient centers, freestanding emergency departments and freestanding urgent care centers.

Our Ambulatory Care segment is comprised of the operations of our USPI joint venture and our nine Aspen facilities in the United Kingdom. At June 30, 2016, our USPI joint venture had interests in 250 ambulatory surgery centers, 34 urgent care centers, 21 imaging centers and 20 short-stay surgical hospitals in 28 states.

Our Conifer segment provides healthcare business process services in the areas of revenue cycle management and technology-enabled performance improvement and health management solutions to health systems, as well as individual hospitals, physician practices, self-insured organizations, health plans and other entities. At June 30, 2016, Conifer provided services to more than 800 Tenet and non-Tenet hospitals and other clients nationwide. Our Conifer subsidiary and our Hospital Operations and other segment entered into formal agreements documenting terms and conditions of various services provided by Conifer to Tenet hospitals, as well as certain administrative services provided by our Hospital Operations and other segment to Conifer. The services provided by both parties under these agreements are charged to the other party based on estimated third-party pricing terms.

The following tables include amounts for each of our reportable segments and the reconciling items necessary to agree to amounts reported in the accompanying Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Operations:

	June 30, 2016	December 31, 2015
Assets:		
Hospital Operations and other	$ 17,412	$ 17,353
Ambulatory Care	5,673	5,159
Conifer	1,155	1,170
Total	**$ 24,240**	**$ 23,682**

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Capital expenditures:				
Hospital Operations and other	$ 184	$ 166	$ 375	$ 341
Ambulatory Care	16	3	28	7
Conifer	5	6	10	11
Total	**$ 205**	**$ 175**	**$ 413**	**$ 359**
Net operating revenues:				
Hospital Operations and other	$ 4,202	$ 4,175	$ 8,599	$ 8,326
Ambulatory Care	442	142	871	233
Conifer				
Tenet	162	165	329	325
Other customers	224	175	442	357
Total Conifer revenues	386	340	771	682
Intercompany eliminations	(162)	(165)	(329)	(325)
Total	**$ 4,868**	**$ 4,492**	**$ 9,912**	**$ 8,916**
Equity in earnings of unconsolidated affiliates:				
Hospital Operations and other	$ 4	$ 10	$ 3	$ 14
Ambulatory Care	26	6	51	6
Total	**$ 30**	**$ 16**	**$ 54**	**$ 20**
Adjusted EBITDA:				
Hospital Operations and other	$ 415	$ 459	$ 829	$ 877
Ambulatory Care	139	49	275	78
Conifer	63	60	126	142
Total	**$ 617**	**$ 568**	**$ 1,230**	**$ 1,097**
Depreciation and amortization:				
Hospital Operations and other	$ 181	$ 178	$ 355	$ 369
Ambulatory Care	22	7	47	11
Conifer	12	12	25	24
Total	**$ 215**	**$ 197**	**$ 427**	**$ 404**
Adjusted EBITDA	**$ 617**	**$ 568**	**$ 1,230**	**$ 1,097**
Depreciation and amortization	(215)	(197)	(427)	(404)
Impairment and restructuring charges, and acquisition-related costs	(22)	(193)	(50)	(222)
Litigation and investigation costs	(114)	(14)	(287)	(17)
Interest expense	(244)	(217)	(487)	(416)
Investment earnings (losses)	2	(1)	3	(1)
Gains on sales, consolidation and deconsolidation of facilities	1	—	148	—
Net income (loss) from continuing operations before income taxes	**$ 25**	**$ (54)**	**$ 130**	**$ 37**

NOTE 17. RECENT ACCOUNTING STANDARDS

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, “Leases (Topic 842)” (“ASU 2016-02”), which affects any entity that enters into a lease (as that term is defined in ASU 2016-02), with some specified scope exceptions. The main difference between the guidance in ASU 2016-02 and previous GAAP is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under current GAAP. We are currently evaluating the potential impact of this guidance, which will be effective for us beginning in 2019.

In March 2016, the FASB issued ASU 2016-09, "Compensation—Stock Compensation (Topic 718) Improvements to Employee Share-Based Payment Accounting" ("ASU 2016-09"), which affects all entities that issue share-based payment awards to their employees. The guidance in ASU 2016-09 simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. Some of the areas of simplification apply only to nonpublic entities. We are currently evaluating the potential impact of this guidance, which will be effective for us beginning in 2017.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION TO MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of this section, Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), is to provide a narrative explanation of our financial statements that enables investors to better understand our business, to enhance our overall financial disclosures, to provide the context within which our financial information may be analyzed, and to provide information about the quality of, and potential variability of, our financial condition, results of operations and cash flows. Our core business is our Hospital Operations and other segment, which is focused on operating acute care hospitals, ancillary outpatient facilities, freestanding emergency departments, physician practices and health plans. Our Ambulatory Care segment is comprised of the operations of our USPI Holding Company, Inc. ("USPI joint venture"), in which we acquired a majority interest on June 16, 2015, and European Surgical Partners Limited ("Aspen") facilities, which we also acquired on June 16, 2015. At June 30, 2016, our USPI joint venture had interests in 250 ambulatory surgery centers, 34 urgent care centers, 21 imaging centers and 20 short-stay surgical hospitals in 28 states, and Aspen operated nine private hospitals and clinics in the United Kingdom. Our Conifer segment provides healthcare business process services in the areas of revenue cycle management and technology-enabled performance improvement and health management solutions to health systems, as well as individual hospitals, physician practices, self-insured organizations, health plans and other entities, through our Conifer Holdings, Inc. ("Conifer") subsidiary. MD&A, which should be read in conjunction with the accompanying Condensed Consolidated Financial Statements, includes the following sections:

- Management Overview
- Forward-Looking Statements
- Sources of Revenue
- Results of Operations
- Liquidity and Capital Resources
- Off-Balance Sheet Arrangements
- Critical Accounting Estimates

Unless otherwise indicated, all financial and statistical information included in MD&A relates to our continuing operations, with dollar amounts expressed in millions (except per share, per admission, per adjusted admission, per patient day, per adjusted patient day, per visit and per case amounts). Continuing operations information includes the results of (i) our same 67 hospitals and six health plans operated throughout the six months ended June 30, 2016 and 2015, (ii) our USPI joint venture, in which we acquired a majority interest on June 16, 2015, (iii) Aspen, which we also acquired on June 16, 2015, (iv) Hi-Desert Medical Center, which we began operating on July 15, 2015, (v) our Carondelet Heath Network joint venture, in which we acquired a majority interest on August 31, 2015, (vi) Saint Louis University Hospital ("SLUH"), which we divested on August 31, 2015, (vii) our joint venture with Baptist Health System, Inc., which we formed on October 2, 2015, (viii) DMC Surgery Hospital, which we closed in October 2015, (ix) our two North Carolina hospitals, which we divested effective January 1, 2016, (x) our four North Texas hospitals in which we divested a controlling interest effective January 1, 2016, but continue to operate, and (xi) our five Georgia hospitals, which we divested effective April 1, 2016, in each case only for the period from acquisition, or commencement of operations of the facility, as the case may be, to June 30, 2016 and 2015 or to the date of divestiture, as applicable. Continuing operations information excludes the results of our hospitals and other businesses that have been classified as discontinued operations for accounting purposes. Certain previously reported information, primarily related to our freestanding ambulatory surgery and imaging center assets that were contributed to the USPI joint venture, has been reclassified to conform to the current-year presentation. These outpatient facilities were formerly part of our Hospital Operations and other segment, but are now reported as part of our Ambulatory Care segment.

MANAGEMENT OVERVIEW

RECENT DEVELOPMENTS

Update on Clinica de la Mama Matters—The Company believes that it has reached an agreement in principle with the U.S. Department of Justice, the U.S. Attorneys' Offices for the Northern and Middle Districts of Georgia, and the Georgia Attorney General's Office to resolve a previously disclosed civil qui tam case and parallel criminal investigation of the Company and certain of its subsidiaries (collectively, the "Clinica de la Mama matters") for $514 million. In addition to the monetary component, the agreement in principle contemplates, among other things: (i) the execution of a Non-Prosecution Agreement, which includes the appointment of a corporate monitor for a period of three years; (ii) the agreement of the two indirect, wholly owned subsidiaries that previously operated Atlanta Medical Center and North Fulton Hospital, and which currently have no operating assets, to plead guilty to a single count of conspiracy to violate the federal anti-kickback statute and defraud the United States; and (iii) the execution of a corporate integrity agreement. The final resolution is subject to the negotiation and execution of definitive agreements, which we believe will be completed in the three months ending September 30, 2016. For additional information regarding these and other terms of the agreement in principle, see Note 10 to the Condensed Consolidated Financial Statements.

STRATEGIES AND TRENDS

We are committed to providing the communities we serve with high quality, cost-effective healthcare while growing our business, increasing our profitability and creating long-term value for our shareholders. We believe that our success in increasing our profitability depends in part on our success in executing the strategies and managing the trends discussed below.

Core Business Strategy—We are focused on providing high quality care to patients through our hospitals and outpatient centers, and offering an array of business process solutions primarily to healthcare providers through Conifer. With respect to our hospitals, ambulatory care centers and other outpatient businesses, we seek to offer superior quality and patient services to meet community needs, to make capital and other investments in our facilities and technology, to recruit and retain physicians, and to negotiate competitive contracts with managed care and other private payers. With respect to business process services, we provide comprehensive operational management for revenue cycle functions, including patient access, health information management, revenue integrity and patient financial services. We also offer communication and engagement solutions to optimize the relationship between providers and patients. In addition, Conifer operates a management services business that supports value-based performance through clinical integration, financial risk management and population health management.

Commitment to Quality—We are continuing to make significant investments in equipment, technology, education and operational strategies designed to improve clinical quality at all of our facilities. In addition, we continually collaborate with physicians to implement the most current evidence-based medicine techniques to improve the way we provide care, while using labor management tools and supply chain initiatives to reduce variable costs. We believe the use of these practices will promote the most effective and efficient utilization of resources and result in shorter lengths of stay and reductions in readmissions for hospitalized patients.

Development Strategies—We remain focused on opportunities to increase our hospital and outpatient revenues, and to expand our Conifer services business, through organic growth, corporate development activities and strategic partnerships.

From time to time, we build new facilities, make acquisitions of healthcare assets and companies, and enter into joint venture arrangements or affiliations with healthcare businesses in markets where we believe our operating strategies can improve performance and create shareholder value. Effective January 1, 2016, we formed two joint ventures with Baylor Scott & White Health ("BSW") involving the ownership and operation of our four North Texas hospitals – which were operated by certain of our subsidiaries – and Baylor Medical Center at Garland – which was operated by BSW. The joint ventures are focusing on delivering integrated, value-based care primarily to select communities in Rockwall, Collin and Dallas counties. BSW holds a majority ownership interest in the joint ventures.

Historically, our outpatient services have generated significantly higher margins for us than inpatient services. During the three months ended June 30, 2016, we derived approximately 42% of our net patient revenues from outpatient services. By expanding our outpatient business, we expect to increase our profitability over time. The surgical facilities in our USPI joint venture specialize in non-emergency surgical cases. Due in part to advancements in medical technology, and due to the lower cost structure and greater efficiencies that are attainable in a specialized outpatient site, we believe the volume and complexity of surgical cases performed in an outpatient setting will continue to steadily increase. In addition, we have continued growing our imaging and urgent care businesses through our USPI joint venture's acquisitions, including the December 31, 2015 acquisition of CareSpot Express Healthcare, which added over 30 urgent care centers in Florida and Tennessee to our USPI joint venture's portfolio of outpatient centers. These acquisitions reflect our broader strategies to (1) offer more services to patients, (2) broaden the capabilities we offer to health system and physician partners to include other outpatient settings beyond the core ambulatory care business, and (3) expand into faster-growing, less capital intensive, higher-margin businesses. Furthermore, we continually evaluate joint venture opportunities with other healthcare providers in our markets to maximize effectiveness, reduce costs and build clinically integrated networks that provide quality services across the care continuum.

We intend to continue to market and expand Conifer's revenue cycle management, patient communications and engagement services, and management services businesses. Conifer provides services to more than 800 Tenet and non-Tenet hospital and other clients nationwide. Historically, this business has generated high margins and improved our overall results of operations. Conifer's service offerings have also expanded to support value-based performance through clinical integration, financial risk management and population health management, which are integral parts of the healthcare industry's movement toward accountable care organizations ("ACOs") and similar risk-based or capitated contract models. In addition to hospitals and independent physician associations, clients for these services include health plans, self-insured organizations, government agencies and other entities. We also remain focused on developing, acquiring or entering into joint venture arrangements to establish new capabilities at Conifer.

General Economic Conditions—We believe that slow wage growth in some of the markets our hospitals serve and other adverse economic conditions have had a negative impact on our bad debt expense levels and payer mix. However, as the economy continues to recover, we expect to experience improvements in these metrics relative to recent levels. We believe our volumes were positively impacted in the six months ended June 30, 2016 by incremental market share we generated through improved physician alignment and service line expansion, insurance coverage for a greater number of individuals, and a strengthening economy.

Improving Operating Leverage—We believe targeted capital spending on critical growth opportunities for our hospitals, emphasis on higher-demand clinical service lines (including outpatient lines), focus on expanding our outpatient business, implementation of new payer contracting strategies, and improved quality metrics at our hospitals will improve our patient volumes. We believe our patient volumes have been constrained by the slow pace of the current economic recovery, increased competition, utilization pressure by managed care organizations, the effects of higher patient co-pays and deductibles, and demographic trends. In addition, in several markets, we have formed clinically integrated organizations, which are collaborations with independent physicians and hospitals to develop ongoing clinical initiatives designed to control costs and improve the quality of care delivered to patients. Arrangements like these provide a foundation for negotiating with plans under an ACO structure or other risk-sharing model.

Impact of the Affordable Care Act—We anticipate that we will continue to benefit over time from the provisions of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 ("Affordable Care Act" or "ACA") that have extended insurance coverage through Medicaid or private insurance to a broader segment of the U.S. population. Although we are unable to predict the ultimate net effect of the Affordable Care Act on our future results of operations, and while there have been and will continue to be some reductions in reimbursement rates by governmental payers, we began to receive reimbursement for caring for previously uninsured and underinsured patients in 2014. Through collaborative efforts with local community organizations, we launched a campaign under the banner "Path to Health" to assist our hospitals in educating and enrolling uninsured patients in insurance plans. At June 30, 2016, we operated hospitals in six of the states (Arizona, California, Illinois, Massachusetts, Michigan and Pennsylvania) that have expanded their Medicaid programs.

Our ability to execute on these strategies and manage these trends is subject to a number of risks and uncertainties that may cause actual results to be materially different from expectations. In addition, it is important that we make steady and measurable progress in successfully integrating acquired businesses and new joint ventures into our business processes, as appropriate. For information about risks and uncertainties that could affect our results of operations, see the Forward-Looking Statements and Risk Factors sections in Part I of our Annual Report on Form 10-K for the year ended December 31, 2015 ("Annual Report").

RESULTS OF OPERATIONS—OVERVIEW

The following tables show certain selected operating statistics for our continuing operations, which includes the results of (i) our same 67 hospitals and six health plans operated throughout six months ended June 30, 2016 and 2015, (ii) our USPI joint venture, in which we acquired a majority interest on June 16, 2015, (iii) Aspen, which we also acquired on June 16, 2015, (iv) Hi-Desert Medical Center, which we began operating on July 15, 2015, (v) our Carondelet Heath Network joint venture, in which we acquired a majority interest on August 31, 2015, (vi) SLUH, which we divested on August 31, 2015, (vii) our joint venture with Baptist Health System, Inc., which we formed on October 2, 2015, (viii) DMC Surgery Hospital, which we closed in October 2015, (ix) our two North Carolina hospitals, which we divested effective January 1, 2016, (x) our four North Texas hospitals in which we divested a controlling interest effective January 1, 2016, but continue to operate, and (xi) our five Georgia hospitals, which we divested effective April 1, 2016, in each case only for the period from acquisition, or commencement of operations of the facility, as the case may be, to June 30, 2016 and 2015 or to the date of divestiture, as applicable. We believe this information is useful to investors because it reflects our current portfolio of operations and the recent trends we are experiencing with respect to volumes, revenues and expenses.

	Continuing Operations Three Months Ended June 30,		
Selected Operating Statistics	**2016**	**2015**	**Increase (Decrease)**
Hospital Operations and other			
Number of hospitals (at end of period)	75	80	(5)[1]
Total admissions	193,898	201,908	(4.0)%
Adjusted patient admissions[2]	342,813	349,145	(1.8)%
Paying admissions (excludes charity and uninsured)	183,539	191,373	(4.1)%
Charity and uninsured admissions	10,359	10,535	(1.7)%
Emergency department visits	715,692	742,951	(3.7)%
Total surgeries	130,201	127,523	2.1 %
Patient days — total	897,313	929,840	(3.5)%
Adjusted patient days[2]	1,569,272	1,589,659	(1.3)%
Average length of stay (days)	4.63	4.61	0.4 %
Average licensed beds	20,380	20,826	(2.1)%
Utilization of licensed beds[3]	48.4 %	49.1 %	(0.7)%[1]
Total visits	2,038,287	2,063,037	(1.2)%
Paying visits (excludes charity and uninsured)	1,896,394	1,903,403	(0.4)%
Charity and uninsured visits	141,893	159,634	(11.1)%
Ambulatory Care			
Total consolidated facilities (at end of period)	214	141	73 [1]
Total cases	444,955	180,524	146.5 %

(1) The change is the difference between the 2016 and 2015 amounts shown.
(2) Adjusted patient admissions/days represents actual patient admissions/days adjusted to include outpatient services provided by facilities in our Hospital Operations and other segment by multiplying actual patient admissions/days by the sum of gross inpatient revenues and outpatient revenues and dividing the results by gross inpatient revenues.
(3) Utilization of licensed beds represents patient days divided by number of days in the period divided by average licensed beds.

Total admissions decreased by 8,010, or 4.0%, in the three months ended June 30, 2016 compared to the three months ended June 30, 2015. Total surgeries increased by 2.1% in the three months ended June 30, 2016 compared to the same period in 2015. Our emergency department visits decreased 3.7% in the three months ended June 30, 2016 compared to the same period in the prior year. Our volumes from continuing operations were negatively impacted by the decrease in our number of hospitals, however, we believe the volume decreases were partially offset by the growth we generated through improved physician alignment and service line expansion, insurance coverage for a greater number of individuals, and a strengthening economy. Our Ambulatory Care total cases increased 146.5% due to our USPI joint venture and Aspen acquisition, both of which occurred on June15, 2015.

	Continuing Operations Three Months Ended June 30,		
Revenues	**2016**	**2015**	**Increase (Decrease)**
Net operating revenues before provision for doubtful accounts	$ 5,220	$ 4,844	7.8 %
Hospital Operations and other			
Revenues from charity and the uninsured	$ 249	$ 253	(1.6)%
Net inpatient revenues[(1)]	$ 2,588	$ 2,623	(1.3)%
Net outpatient revenues[(1)]	$ 1,460	$ 1,484	(1.6)%
Ambulatory Care revenues	$ 442	$ 142	211.3 %
Conifer revenues	$ 386	$ 340	13.5 %

(1) Net inpatient revenues and net outpatient revenues are components of net operating revenues. Net inpatient revenues include self-pay revenues of $118 million and $93 million for the three months ended June 30, 2016 and 2015, respectively. Net outpatient revenues include self-pay revenues of $131 million and $160 million for the three months ended June 30, 2016 and 2015, respectively.

Net operating revenues before provision for doubtful accounts increased by $376 million, or 7.8%, in the three months ended June 30, 2016 compared to the same period in 2015, primarily due to acquisitions, increases in our outpatient volumes and improved managed care pricing, partially offset by hospital divestitures.

	Continuing Operations Three Months Ended June 30,		
Provision for Doubtful Accounts	**2016**	**2015**	**Increase (Decrease)**
Provision for doubtful accounts	$ 352	$ 352	— %
Provision for doubtful accounts as a percentage of net operating revenues before provision for doubtful accounts	6.7 %	7.3 %	(0.6)%[(1)]

(1) The change is the difference between the 2016 and 2015 amounts shown.

Provision for doubtful accounts as a percentage of net operating revenues before provision for doubtful accounts was 6.7% and 7.3% for the three months ended June 30, 2016 and 2015, respectively. Our accounts receivable days outstanding (“AR Days”) from continuing operations were 51.1 days at June 30, 2016 and 49.5 days at December 31, 2015, within our target of less than 55 days.

Selected Operating Expenses	Continuing Operations Three Months Ended June 30, 2016	2015	Increase (Decrease)
Hospital Operations and other			
Salaries, wages and benefits	$ 1,931	$ 1,935	(0.2)%
Supplies	682	679	0.4 %
Other operating expenses	1,037	980	5.8 %
Total	$ 3,650	$ 3,594	1.6 %
Ambulatory Care			
Salaries, wages and benefits	$ 147	$ 41	258.5 %
Supplies	91	28	225.0 %
Other operating expenses	91	30	203.3 %
Total	$ 329	$ 99	232.3 %
Conifer			
Salaries, wages and benefits	$ 238	$ 209	13.9 %
Other operating expenses	85	71	19.7 %
Total	$ 323	$ 280	15.4 %
Total			
Salaries, wages and benefits	$ 2,316	$ 2,185	6.0 %
Supplies	773	707	9.3 %
Other operating expenses	1,213	1,081	12.2 %
Total	$ 4,302	$ 3,973	8.3 %
Rent/lease expense(1)			
Hospital Operations and other	$ 61	$ 54	13.0 %
Ambulatory Care	20	6	233.3 %
Conifer	5	4	25.0 %
Total	$ 86	$ 64	34.4 %

(1) Included in other operating expenses.

Selected Operating Expenses per Adjusted Patient Admission	Continuing Operations Three Months Ended June 30, 2016	2015	Increase (Decrease)
Hospital Operations and other			
Salaries, wages and benefits per adjusted patient admission(1)	$ 5,633	$ 5,542	1.6 %
Supplies per adjusted patient admission(1)	1,989	1,943	2.4 %
Other operating expenses per adjusted patient admission(1)	3,046	2,829	7.7 %
Total per adjusted patient admission	$ 10,668	$ 10,314	3.4 %

(1) Adjusted patient admissions represents actual patient admissions adjusted to include outpatient services provided by facilities in our Hospital Operations and other segment by multiplying actual patient admissions by the sum of gross inpatient revenues and outpatient revenues and dividing the results by gross inpatient revenues.

Salaries, wages and benefits per adjusted patient admission increased 1.6% in the three months ended June 30, 2016 compared to the same period in 2015. This change is primarily due to annual merit increases for certain of our employees and increased employee health benefits costs in the three months ended June 30, 2016 compared to the three months ended June 30, 2015, partially offset by lower incentive compensation expense.

Supplies expense per adjusted patient admission increased 2.4% in the three months ended June 30, 2016 compared to the three months ended June 30, 2015. The change in supplies expense was primarily attributable to volume growth in our higher acuity supply-intensive surgical services.

Other operating expenses per adjusted patient admission increased by 7.7% in the three months ended June 30, 2016 compared to the three months ended June 30, 2015. This increase is due to higher contracted services and medical fees, as well as increased costs associated with our health plans due to an increase in covered lives, which costs were substantially offset by increased health plan revenues. Malpractice expense for our Hospital Operations and other segment was $12 million higher in the 2016 period compared to the 2015 period. The 2016 period included an unfavorable adjustment of approximately $6 million due to a 25 basis point decrease in the interest rate used to estimate the discounted present value of projected future malpractice liabilities compared to a favorable adjustment of approximately $6 million as a result of a 36 basis point increase in the interest rate in the 2015 period.

LIQUIDITY AND CAPITAL RESOURCES OVERVIEW

Cash and cash equivalents were $656 million at June 30, 2016 compared to $728 million at March 31, 2016.

Significant cash flow items in the three months ended June 30, 2016 included:

- Capital expenditures of $205 million;
- Purchases of businesses, net of cash acquired, of $65 million;
- Interest payments of $335 million; and
- A $127 million payment to increase our ownership interest in our USPI joint venture from 50.1% to 56.3%.

Net cash provided by operating activities was $582 million in the six months ended June 30, 2016 compared to $353 million in the six months ended June 30, 2015. Key positive and negative factors contributing to the change between the 2016 and 2015 periods include the following:

- Increased income from continuing operations before income taxes of $133 million, excluding investment earnings (losses), gain (loss) from early extinguishment of debt, interest expense, gains on sales, consolidation and deconsolidation of facilities, litigation and investigation costs, impairment and restructuring charges, and acquisition-related costs, and depreciation and amortization in the six months ended June 30, 2016 compared to the six months ended June 30, 2015;
- $67 million less cash used by the change in accounts receivable, net of provision for doubtful accounts, in the 2016 period;
- Approximately $110 million of additional net cash proceeds in the 2016 period related to supplemental Medicaid programs in California and Texas;
- Higher aggregate annual 401(k) matching contributions and annual incentive compensation payments of $18 million and $9 million, respectively;
- An increase of $13 million in payments on reserves for restructuring charges, acquisition-related costs, and litigation costs and settlements; and
- Higher interest payments of $82 million.

FORWARD-LOOKING STATEMENTS

The information in this report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, each as amended. All statements, other than statements of historical or present facts, that address activities, events, outcomes, business strategies and other matters that we plan, expect, intend, assume, believe, budget, predict, forecast, project, estimate or anticipate (and other similar expressions) will, should or may occur in the future are forward-looking statements. These forward-looking statements represent management’s current expectations, based on currently available information, as to the outcome and timing of future events. They involve known and unknown risks, uncertainties and other factors — many of which we are unable to predict or control — that may cause our actual results, performance or achievements, or healthcare industry results, to be materially different from those expressed or implied by forward-looking statements. Such factors include, but are not limited to, the risks described in the Forward-Looking Statements and Risk Factors sections in Part I of our Annual Report.

When considering forward-looking statements, a reader should keep in mind the risk factors and other cautionary statements in our Annual Report and in this report. Should one or more of the risks and uncertainties described in our Annual Report or this report occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statement. We specifically disclaim any obligation to update any information contained in a forward-looking statement or any forward-looking statement in its entirety and, therefore, disclaim any resulting liability for potentially related damages.

All forward-looking statements attributable to us are expressly qualified in their entirety by this cautionary statement.

SOURCES OF REVENUE

We earn revenues for patient services from a variety of sources, primarily managed care payers and the federal Medicare program, as well as state Medicaid programs, indemnity-based health insurance companies and self-pay patients (that is, patients who do not have health insurance and are not covered by some other form of third-party arrangement).

The table below shows the sources of net patient revenues before provision for doubtful accounts for our Hospital Operations and other segment, expressed as percentages of net patient revenues before provision for doubtful accounts from all sources:

	Three Months Ended June 30,			Six Months Ended June 30,		
Net Patient Revenues from:	**2016**	**2015**	**Increase (Decrease)(1)**	**2016**	**2015**	**Increase (Decrease)(1)**
Medicare	21.7 %	20.7 %	1.0 %	20.8 %	21.3 %	(0.5)%
Medicaid	7.4 %	8.5 %	(1.1)%	8.0 %	9.0 %	(1.0)%
Managed care	59.4 %	60.8 %	(1.4)%	60.4 %	59.9 %	0.5 %
Indemnity, self-pay and other	11.5 %	10.0 %	1.5 %	10.8 %	9.8 %	1.0 %

(1) The increase (decrease) is the difference between the 2016 and 2015 percentages shown.

Our payer mix on an admissions basis for our Hospital Operations and other segment, expressed as a percentage of total admissions from all sources, is shown below:

	Three Months Ended June 30,			Six Months Ended June 30,		
Admissions from:	**2016**	**2015**	**Increase (Decrease)(1)**	**2016**	**2015**	**Increase (Decrease)(1)**
Medicare	25.9 %	26.8 %	(0.9)%	26.6 %	27.4 %	(0.8)%
Medicaid	6.7 %	8.1 %	(1.4)%	7.0 %	8.1 %	(1.1)%
Managed care	59.4 %	57.6 %	1.8 %	58.7 %	56.9 %	1.8 %
Indemnity, self-pay and other	8.0 %	7.5 %	0.5 %	7.7 %	7.6 %	0.1 %

(1) The increase (decrease) is the difference between the 2016 and 2015 percentages shown.

GOVERNMENT PROGRAMS

The Centers for Medicare and Medicaid Services (“CMS”), an agency of the U.S. Department of Health and Human Services (“HHS”), is the single largest payer of healthcare services in the United States. Approximately 129 million Americans rely on healthcare benefits through Medicare, Medicaid and the Children’s Health Insurance Program (“CHIP”). These three programs are authorized by federal law and directed by CMS. Medicare is a federally funded health insurance program primarily for individuals 65 years of age and older, certain younger people with disabilities, and people with end-stage renal disease, and is provided without regard to income or assets. Medicaid is administered by the states and is jointly funded by the federal government and state governments. Medicaid is the nation's main public health insurance program for people with low incomes and is the largest source of health coverage in the United States. The CHIP, which is also administered by the states and jointly funded, provides health coverage to children in families with incomes too high to qualify for Medicaid, but too low to afford private coverage.

Medicare

Medicare offers its beneficiaries different ways to obtain their medical benefits. One option, the Original Medicare Plan (which includes "Part A" and "Part B"), is a fee-for-service payment system. The other option, called Medicare Advantage (sometimes called "Part C" or "MA Plans"), includes health maintenance organizations ("HMOs"), preferred provider organizations ("PPOs"), private fee-for-service Medicare special needs plans and Medicare medical savings account plans. The major components of our net patient revenues from continuing operations of our Hospital Operations and other segment for services provided to patients enrolled in the Original Medicare Plan for the three and six months ended June 30, 2016 and 2015 are set forth in the following table:

	Three Months Ended June 30,		Six Months Ended June 30,	
Revenue Descriptions	**2016**	**2015**	**2016**	**2015**
Medicare severity-adjusted diagnosis-related group — operating	$ 415	$ 435	$ 889	$ 892
Medicare severity-adjusted diagnosis-related group — capital	38	40	81	82
Outliers	16	14	38	32
Outpatient	252	236	474	470
Disproportionate share	72	86	150	174
Direct Graduate and Indirect Medical Education(1)	61	68	125	135
Other(2)	44	3	27	14
Adjustments for prior-year cost reports and related valuation allowances	17	10	30	32
Total Medicare net patient revenues	**$ 915**	**$ 892**	**$ 1,814**	**$ 1,831**

(1) Includes Indirect Medical Education revenues earned by our children's hospitals under the Children's Hospitals Graduate Medical Education Payment Program administered by the Health Resources and Services Administration of HHS.
(2) The other revenue category includes inpatient psychiatric units, inpatient rehabilitation units, one long-term acute care hospital, other revenue adjustments, and adjustments related to the estimates for current-year cost reports and related valuation allowances.

A general description of the types of payments we receive for services provided to patients enrolled in the Original Medicare Plan is provided in our Annual Report. Recent regulatory and legislative updates to the terms of these payment systems and their estimated effect on our revenues can be found under "Regulatory and Legislative Changes" below.

Medicaid

Medicaid programs and the corresponding reimbursement methodologies are administered by the states and vary from state to state and from year to year. Estimated revenues under various state Medicaid programs, including state-funded managed care Medicaid programs, constituted approximately 18.5% and 18.7% of total net patient revenues before provision for doubtful accounts of our continuing general hospitals for the six months ended June 30, 2016 and 2015, respectively. We also receive DSH and other supplemental revenues under various state Medicaid programs. For the six months ended June 30, 2016 and 2015, our total Medicaid revenues attributable to DSH and other supplemental revenues were approximately $442 million and $467 million, respectively, of which $112 million and $91 million, respectively, were from the California provider fee program.

Several states in which we operate face budgetary challenges that have resulted, and likely will continue to result, in reduced Medicaid funding levels to hospitals and other providers. Because most states must operate with balanced budgets, and the Medicaid program is generally a significant portion of a state's budget, states can be expected to adopt or consider adopting future legislation designed to reduce or not increase their Medicaid expenditures. In addition, some states delay issuing Medicaid payments to providers to manage state expenditures. As an alternative means of funding provider payments, many of the states in which we operate have adopted provider fee programs or received waivers under Section 1115 of the Social Security Act. Under a Medicaid waiver, the federal government waives certain Medicaid requirements, thereby giving states flexibility in the operation of their Medicaid program to allow states to test new approaches and demonstration projects to improve care. Generally the Section 1115 waivers are for a period of five years with an option to extend the waiver for three additional years. Continuing pressure on state budgets and other factors could result in future reductions to Medicaid payments, payment delays or additional taxes on hospitals.

Because we cannot predict what actions the federal government or the states may take under existing legislation and future legislation to address budget gaps, deficits, Medicaid expansion, provider fee programs or Medicaid Section 1115 waivers, we are unable to assess the effect that any such legislation might have on our business, but the impact on our future financial position, results of operations or cash flows could be material.

Medicaid-related patient revenues from continuing operations recognized by our Hospital Operations and other segment from Medicaid-related programs in the states in which our hospitals are located, as well as from Medicaid programs in neighboring states, for the six months ended June 30, 2016 and 2015 are set forth in the table below:

	Six Months Ended June 30,			
	2016		2015	
Hospital Location	**Medicaid**	**Managed Medicaid**	**Medicaid**	**Managed Medicaid**
California	$ 191	$ 214	$ 163	$ 191
Michigan	188	151	196	150
Texas	107	118	126	116
Alabama	42	—	7	—
Florida	37	84	51	81
Pennsylvania	36	102	33	98
Illinois	33	34	48	23
Massachusetts	18	27	19	24
Georgia	13	9	35	18
South Carolina	7	17	8	17
Tennessee	2	16	3	16
Missouri	—	—	39	10
Arizona	(1)	103	(8)	57
North Carolina	(2)	—	14	3
	$ 671	**$ 875**	**$ 734**	**$ 804**

Regulatory and Legislative Changes

Material updates to the information set forth in our Annual Report about the Medicare and Medicaid payment systems are provided below.

Proposed Payment and Policy Changes to the Medicare Inpatient Prospective Payment Systems

Under Medicare law, CMS is required to annually update certain rules governing the inpatient prospective payment systems ("IPPS"). The updates generally become effective October 1, the beginning of the federal fiscal year ("FFY"). On April 18, 2016, CMS issued Proposed Changes to the Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and Fiscal Year 2017 Rates ("Proposed IPPS Rule"). The Proposed IPPS Rule includes the following payment and policy changes:

- A market basket increase of 2.8% for Medicare severity-adjusted diagnosis-related group ("MS-DRG") operating payments for hospitals reporting specified quality measure data and that are meaningful users of electronic health record ("EHR") technology (hospitals that do not report specified quality measure data and/or are not meaningful users of EHR technology will receive a reduced market basket increase); CMS is also proposing certain adjustments to the estimated 2.8% market basket increase and the outlier baseline that result in a net operating payment update of 0.65% (before budget neutrality adjustments), including:

- Market basket index and multifactor productivity reductions required by the ACA of 0.75% and 0.5%, respectively;
- A documentation and coding recoupment reduction of 1.5% as required by the American Taxpayer Relief Act of 2012;
- Prospective reversal of the 0.2% reduction related to the two-midnights rule that was first imposed in FFY 2014;
- A one-time increase of 0.6% to reverse the 0.2% two-midnights rule reductions imposed in FFYs 2014 through 2016; and
- A 0.2% reduction in the FFY 2016 estimated outlier baseline of 5.3% to ensure that FFY 2017 outlier payments do not exceed 5.1% of total IPPS payments;

- Updates to the factors used to determine the amount and distribution of Medicare uncompensated care disproportionate share ("UC-DSH") payments;
- A 1.73% net increase in the capital federal MS-DRG rate;
- An increase in the cost outlier threshold from $22,544 to $23,681; and
- A proposed three-year transition beginning in FFY 2018 to use uncompensated care to determine the distribution of the UC-DSH payments.

CMS projects that the combined impact of the payment and policy changes in the Proposed IPPS Rule will yield an average 0.6% increase in operating MS-DRG payments for hospitals in large urban areas (populations over one million) in FFY 2016. The proposed payment and policy changes affecting operating MS-DRG payments and other proposals, notably those affecting Medicare UC-DSH payments, would result in an estimated 0.1% decrease in our annual IPPS payments, which yields an estimated decrease of approximately $2 million in our annual Medicare IPPS payments. Because of the uncertainty regarding factors that may influence our future IPPS payments by individual hospital, including legislative action, admission volumes, length of stay and case mix, as well as potential changes to the proposed rule, we cannot provide any assurances regarding our estimate of the impact of the proposed changes.

Proposed Payment and Policy Changes to the Medicare Outpatient Prospective Payment and Ambulatory Surgical Center Payment Systems

On July 6, 2016, CMS released proposed policy changes, quality provisions and payment rates for the Medicare Hospital Outpatient Prospective Payment System ("OPPS") and Ambulatory Surgical Center ("ASC") Payment System for calendar year 2017 ("Proposed OPPS/ASC Rule"). The Proposed OPPS/ASC rule includes the following proposed changes:

- An estimated net increase in the OPPS rates of 1.55% based on an estimated market basket increase of 2.8% reduced by market basket index and multifactor productivity reductions required by the ACA of 0.75% and 0.5%, respectively;
- Several proposals on the implementation of Section 603 of the Bipartisan Budget Act of 2015, which requires that certain items and services furnished by certain off-campus hospital departments shall not be considered covered outpatient department services for purposes of OPPS payments and shall instead be paid "under the applicable payment system" beginning January 1, 2017;
- A proposal to remove four spine procedure codes and two laryngoplasty codes from the CMS list of procedures than can be performed only on an inpatient basis (the "Inpatient Only List") (CMS is also

seeking comments on whether it should consider for future rulemaking the removal of total knee arthroplasty from the Inpatient Only List);

- A 1.2% update to the ASC payment rates; and
- Several proposals to the EHR system, including a proposal to reduce the 2016 reporting period from 12 months to a consecutive 90-day period.

CMS projects that the combined impact of the payment and policy changes in the Proposed OPPS/ASC Rule will yield an average 1.6% increase in OPPS payments for all facilities and an average 1.4% increase in OPPS payments for hospitals in large urban areas (populations over one million). Based on CMS' estimates, the projected annual impact of the payment and policy changes in the Proposed OPPS/ASC Rule on our hospitals is an increase to Medicare outpatient revenues of approximately $11 million. Because of the uncertainty associated with various factors that may influence our future OPPS payments, including legislative action, volumes and case mix, as well as potential changes to the proposed rule, we cannot provide any assurances regarding our estimate of the impact of the proposed changes.

PRIVATE INSURANCE

Managed Care

We currently have thousands of managed care contracts with various HMOs and PPOs. HMOs generally maintain a full-service healthcare delivery network comprised of physician, hospital, pharmacy and ancillary service providers that HMO members must access through an assigned "primary care" physician. The member's care is then managed by his or her primary care physician and other network providers in accordance with the HMO's quality assurance and utilization review guidelines so that appropriate healthcare can be efficiently delivered in the most cost-effective manner. HMOs typically provide reduced benefits or reimbursement (or none at all) to their members who use non-contracted healthcare providers for non-emergency care.

PPOs generally offer limited benefits to members who use non-contracted healthcare providers. PPO members who use contracted healthcare providers receive a preferred benefit, typically in the form of lower co-pays, co-insurance or deductibles. As employers and employees have demanded more choice, managed care plans have developed hybrid products that combine elements of both HMO and PPO plans, including high-deductible healthcare plans that may have limited benefits, but cost the employee less in premiums.

The amount of our managed care net patient revenues during the six months ended June 30, 2016 and 2015 was $5.0 billion and $4.9 billion, respectively. Approximately 65% of our managed care net patient revenues for the six months ended June 30, 2016 was derived from our top ten managed care payers. National payers generated approximately 45% of our total net managed care revenues. The remainder comes from regional or local payers. At June 30, 2016 and December 31, 2015, approximately 60% and 59%, respectively, of our net accounts receivable for our Hospital Operations and other segment were due from managed care payers.

Revenues under managed care plans are based primarily on payment terms involving predetermined rates per diagnosis, per-diem rates, discounted fee-for-service rates and other similar contractual arrangements. These revenues are also subject to review and possible audit by the payers, which can take several years before they are completely resolved. The payers are billed for patient services on an individual patient basis. An individual patient's bill is subject to adjustment on a patient-by-patient basis in the ordinary course of business by the payers following their review and adjudication of each particular bill. We estimate the discounts for contractual allowances at the individual hospital level utilizing billing data on an individual patient basis. At the end of each month, on an individual hospital basis, we estimate our expected reimbursement for patients of managed care plans based on the applicable contract terms. We believe it is reasonably likely for there to be an approximately 3% increase or decrease in the estimated contractual allowances related to managed care plans. Based on reserves at June 30, 2016, a 3% increase or decrease in the estimated contractual allowance would impact the estimated reserves by approximately $13 million. Some of the factors that can contribute to changes in the contractual allowance estimates include: (1) changes in reimbursement levels for procedures, supplies and drugs when threshold levels are triggered; (2) changes in reimbursement levels when stop-loss or outlier limits are reached; (3) changes in the admission status of a patient due to physician orders subsequent to initial diagnosis or testing; (4) final coding of in-house and discharged-not-final-billed patients that change reimbursement levels; (5) secondary benefits determined after primary insurance payments; and (6) reclassification of patients among insurance plans with different coverage levels. Contractual allowance estimates are periodically reviewed for accuracy by taking into consideration known contract terms, as well as payment history. Although we do not separately accumulate and disclose the aggregate amount of adjustments to the estimated reimbursement for every patient bill, we believe our estimation and review process enables us to identify instances on a timely basis where such estimates need to be revised. We do not believe there were any adjustments to estimates of patient bills that were material to our operating income. In addition, on a corporate-wide basis, we do not record any general provision for adjustments to estimated contractual allowances for managed care plans.

We expect managed care governmental admissions to continue to increase as a percentage of total managed care admissions over the near term. However, the managed Medicare and Medicaid insurance plans typically generate lower yields than commercial managed care plans, which have been experiencing an improved pricing trend. Although we have benefitted from solid year-over-year aggregate managed care pricing improvements for several years, we have seen these improvements moderate recently, and we believe the moderation could continue in future years. In the six months ended June 30, 2016, our commercial managed care net inpatient revenue per admission from our acute care hospitals was approximately 75% higher than our aggregate yield on a per admission basis from government payers, including managed Medicare and Medicaid insurance plans.

Indemnity

An indemnity-based agreement generally requires the insurer to reimburse an insured patient for healthcare expenses after those expenses have been incurred by the patient, subject to policy conditions and exclusions. Unlike an HMO member, a patient with indemnity insurance is free to control his or her utilization of healthcare and selection of healthcare providers.

SELF-PAY PATIENTS

Self-pay patients are patients who do not qualify for government programs, such as Medicare and Medicaid, do not have some form of private insurance and, therefore, are responsible for their own medical bills. A significant number of our self-pay patients are admitted through our hospitals' emergency departments and often require high-acuity treatment that is more costly to provide and, therefore, results in higher billings, which are the least collectible of all accounts.

Self-pay accounts pose significant collectability problems. At both June 30, 2016 and December 31, 2015, approximately 5% of our net accounts receivable for our Hospital Operations and other segment were due from self-pay patients. Further, a significant portion of our provision for doubtful accounts relates to self-pay patients, as well as co-pays and deductibles owed to us by patients with insurance. We provide revenue cycle management services through our Conifer subsidiary, which is subject to various laws, rules and regulations regarding consumer finance, debt collection and credit reporting activities. For additional information, see Item 1, Business — Regulations Affecting Conifer's Operations, in Part I of our Annual Report.

Conifer has performed systematic analyses to focus our attention on the drivers of bad debt expense for each hospital. While emergency department use is the primary contributor to our provision for doubtful accounts in the aggregate, this is not the case at all hospitals. As a result, we have been increasing our focus on targeted initiatives that concentrate on non-emergency department patients as well. These initiatives are intended to promote process efficiencies in collecting self-pay accounts, as well as co-pay and deductible amounts owed to us by patients with insurance, that we deem highly collectible. We leverage a statistical-based collections model that aligns our operational capacity to maximize our collections performance. We are dedicated to modifying and refining our processes as needed, enhancing our technology and improving staff training throughout the revenue cycle process in an effort to increase collections and reduce accounts receivable.

Over the longer term, several other initiatives we have previously announced should also help address this challenge. For example, our *Compact with Uninsured Patients* ("Compact") is designed to offer managed care-style discounts to certain uninsured patients, which enables us to offer lower rates to those patients who historically had been charged standard gross charges. A significant portion of those charges had previously been written down in our provision for doubtful accounts. Under the Compact, the discount offered to uninsured patients is recognized as a contractual allowance, which reduces net operating revenues at the time the self-pay accounts are recorded. The uninsured patient accounts, net of contractual allowances recorded, are further reduced to their net realizable value through provision for doubtful accounts based on historical collection trends for self-pay accounts and other factors that affect the estimation process.

We also provide charity care to patients who are financially unable to pay for the healthcare services they receive. Most patients who qualify for charity care are charged a per-diem amount for services received, subject to a cap. Except for the per-diem amounts, our policy is not to pursue collection of amounts determined to qualify as charity care; therefore, we do not report these amounts in net operating revenues. Most states include an estimate of the cost of charity care in the determination of a hospital's eligibility for Medicaid DSH payments. These payments are intended to mitigate our cost of uncompensated care, as well as reduced Medicaid funding levels. Generally, our method of measuring the estimated costs uses adjusted self-pay/charity patient days multiplied by selected operating expenses (which include salaries, wages and benefits, supplies and other operating expenses) per adjusted patient day. The adjusted self-pay/charity patient days represents actual self-pay/charity patient days adjusted to include self-pay/charity outpatient services by multiplying actual self-pay/charity patient days by the sum of gross self-pay/charity inpatient revenues and gross self-pay/charity outpatient revenues and dividing the results by gross self-pay/charity inpatient revenues. The following table shows our estimated costs (based on selected operating expenses) of caring for self-pay patients and charity care patients, as well as revenues attributable to Medicaid DSH and other supplemental revenues we recognized, in the three and six months ended June 30, 2016 and 2015:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Estimated costs for:				
Self-pay patients	$ 159	$ 168	$ 310	$ 332
Charity care patients	$ 31	$ 37	$ 72	$ 73
Medicaid DSH and other supplemental revenues	$ 215	$ 220	$ 442	$ 467

The expansion of health insurance coverage has resulted in an increase in the number of patients using our facilities who have either health insurance exchange or government healthcare insurance program coverage. However, we continue to have to provide uninsured discounts and charity care due to the failure of states to expand Medicaid coverage and for persons living in the country illegally who are not permitted to enroll in a health insurance exchange or government healthcare insurance program.

RESULTS OF OPERATIONS

The following two tables summarize our consolidated net operating revenues, operating expenses and operating income from continuing operations, both in dollar amounts and as percentages of net operating revenues, for the three and six months ended June 30, 2016 and 2015:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net operating revenues:				
General hospitals	$ 4,062	$ 4,120	$ 8,364	$ 8,237
Other operations	1,158	724	2,276	1,394
Net operating revenues before provision for doubtful accounts	5,220	4,844	10,640	9,631
Less provision for doubtful accounts	352	352	728	715
Net operating revenues	**4,868**	**4,492**	**9,912**	**8,916**
Equity in earnings of unconsolidated affiliates	**30**	**16**	**54**	**20**
Operating expenses:				
Salaries, wages and benefits	2,316	2,185	4,718	4,310
Supplies	773	707	1,584	1,394
Other operating expenses, net	1,213	1,081	2,455	2,174
Electronic health record incentives	(21)	(33)	(21)	(39)
Depreciation and amortization	215	197	427	404
Impairment and restructuring charges, and acquisition-related costs	22	193	50	222
Litigation and investigation costs	114	14	287	17
Gains on sales, consolidation and deconsolidation of facilities	(1)	—	(148)	—
Operating income	**$ 267**	**$ 164**	**$ 614**	**$ 454**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net operating revenues	100.0 %	100.0 %	100.0 %	100.0 %
Equity in earnings of unconsolidated affiliates	0.6 %	0.4 %	0.5 %	0.2 %
Operating expenses:				
Salaries, wages and benefits	47.6 %	48.6 %	47.6 %	48.3 %
Supplies	15.9 %	15.7 %	16.0 %	15.6 %
Other operating expenses, net	24.9 %	24.1 %	24.8 %	24.4 %
Electronic health record incentives	(0.4)%	(0.7)%	(0.2)%	(0.4)%
Depreciation and amortization	4.4 %	4.4 %	4.3 %	4.5 %
Impairment and restructuring charges, and acquisition-related costs	0.4 %	4.3 %	0.4 %	2.5 %
Litigation and investigation costs	2.3 %	0.3 %	2.9 %	0.2 %
Gains on sales, consolidation and deconsolidation of facilities	— %	— %	(1.5)%	— %
Operating income	**5.5 %**	**3.7 %**	**6.2 %**	**5.1 %**

Net operating revenues of our general hospitals include inpatient and outpatient revenues for services provided by facilities in our Hospital Operations and other segment, as well as nonpatient revenues (e.g., rental income, management fee revenue, and income from services such as cafeterias, gift shops and parking) and other miscellaneous revenue. Net operating revenues of other operations primarily consist of revenues from (1) physician practices, (2) a long-term acute care hospital, (3) our Ambulatory Care segment, (4) services provided by our Conifer subsidiary to third parties and (5) our health plans. Revenues from our general hospitals represented approximately 78% and 85% of our total net operating revenues before provision for doubtful accounts for the three months ended June 30, 2016 and 2015, respectively, and 79% and 86% for the six months ended June 30, 2016 and 2015, respectively.

Net operating revenues from our other operations were $1.158 billion and $724 million in the three months ended June 30, 2016 and 2015, respectively, and $2.276 billion and $1.394 billion in the six months ended June 30, 2016 and 2015, respectively. The increase in net operating revenues from other operations during 2016 primarily relates to revenue cycle services provided by our Conifer subsidiary, as well as revenues from our USPI joint venture and Aspen acquisition, our health plans and physician practices. Equity earnings of unconsolidated affiliates were $30 million and $16 million for the three months ended June 30, 2016 and 2015, respectively, and $54 million and $20 million for the six months ended June 30, 2016 and 2015, respectively. The increase in equity earnings of unconsolidated affiliates in the 2016 period compared to the 2015 period primarily related to our USPI joint venture.

The following table shows selected operating expenses of our three reportable business segments. Information for our Hospital Operations and other segment is presented on a same-hospital basis, which includes the results of our same 67 hospitals and six health plans operated throughout the six months ended June 30, 2016 and 2015. The results of the following facilities are excluded from our same-hospital information: (i) Hi-Desert Medical Center, which we began operating on July 15, 2015, (ii) our Carondelet Heath Network joint venture, in which we acquired a majority interest on August 31, 2015, (iii) SLUH, which we divested on August 31, 2015, (iv) our joint venture with Baptist Health System, Inc., which we formed on October 2, 2015, (v) DMC Surgery Hospital, which we closed in October 2015, (vi) our two North Carolina hospitals, which we divested effective January 1, 2016, (vii) our four North Texas hospitals in which we divested a controlling interest effective January 1, 2016, but continue to operate, and (viii) our five Georgia hospitals, which we divested effective April 1, 2016.

	Three Months Ended June 30,			Six Months Ended June 30,		
Selected Operating Expenses	**2016**	**2015**	**Increase (Decrease)**	**2016**	**2015**	**Increase (Decrease)**
Hospital Operations and other — Same-Hospital						
Salaries, wages and benefits	$ 1,780	$ 1,744	2.1 %	$ 3,567	$ 3,468	2.9 %
Supplies	621	598	3.8 %	1,258	1,188	5.9 %
Other operating expenses	957	837	14.3 %	1,911	1,704	12.1 %
Total	$ 3,358	$ 3,179	5.6 %	$ 6,736	$ 6,360	5.9 %
Ambulatory Care						
Salaries, wages and benefits	$ 147	$ 41	258.5 %	$ 293	$ 65	350.8 %
Supplies	91	28	225.0 %	177	45	293.3 %
Other operating expenses	91	30	203.3 %	177	51	247.1 %
Total	$ 329	$ 99	232.3 %	$ 647	$ 161	301.9 %
Conifer						
Salaries, wages and benefits	$ 238	$ 209	13.9 %	$ 477	$ 402	18.7 %
Other operating expenses	85	71	19.7 %	168	138	21.7 %
Total	$ 323	$ 280	15.4 %	$ 645	$ 540	19.4 %
Rent/lease expense[(1)]						
Hospital Operations and other	$ 50	$ 47	6.4 %	$ 100	$ 93	7.5 %
Ambulatory Care	20	6	233.3 %	37	13	184.6 %
Conifer	5	4	25.0 %	9	7	28.6 %
Total	$ 75	$ 57	31.6 %	$ 146	$ 113	29.2 %

(1) Included in other operating expenses.

RESULTS OF OPERATIONS BY SEGMENT

Our operations are reported under three segments:

- Hospital Operations and other, which is focused on operating acute care hospitals, ancillary outpatient facilities, freestanding emergency departments, physician practices and health plans;

- Ambulatory Care, which is comprised of our USPI joint venture's ambulatory surgery centers, urgent care centers, imaging centers and short-stay surgical hospitals, as well as Aspen's hospitals and clinics; and

- Conifer, which operates revenue cycle management and patient communication and engagement services businesses.

Hospital Operations and Other Segment

The following tables show operating statistics of our continuing operations hospitals on a same-hospital basis, which includes the results of our same 67 hospitals and six health plans operated throughout the six months ended June 30, 2016 and 2015. The results of the following facilities are excluded from our same-hospital information: (i) Hi-Desert Medical Center, which we began operating on July 15, 2015, (ii) our Carondelet Heath Network joint venture, in which we acquired a majority interest on August 31, 2015, (iii) SLUH, which we divested on August 31, 2015, (iv) our joint venture with Baptist Health System, Inc., which we formed on October 2, 2015, (v) DMC Surgery Hospital, which we closed in October 2015, (vi) our two North Carolina hospitals, which we divested effective January 1, 2016, (vii) our four North Texas hospitals in which we divested a controlling interest effective January 1, 2016, but continue to operate, and (viii) our five Georgia hospitals, which we divested effective April 1, 2016.

	Same-Hospital Continuing Operations					
	Three Months Ended June 30,			Six Months Ended June 30,		
Admissions, Patient Days and Surgeries	**2016**	**2015**	**Increase (Decrease)**	**2016**	**2015**	**Increase (Decrease)**
Number of hospitals (at end of period)	67	67	— (1)	67	67	— (1)
Total admissions	177,151	179,135	(1.1)%	362,204	364,282	(0.6)%
Adjusted patient admissions(2)	309,372	307,958	0.5 %	625,159	616,687	1.4 %
Paying admissions (excludes charity and uninsured)	167,717	170,389	(1.6)%	344,003	346,412	(0.7)%
Charity and uninsured admissions	9,434	8,746	7.9 %	18,201	17,870	1.9 %
Admissions through emergency department	111,994	113,741	(1.5)%	230,572	232,067	(0.6)%
Paying admissions as a percentage of total admissions	94.7 %	95.1 %	(0.4)%(1)	95.0 %	95.1 %	(0.1)%(1)
Charity and uninsured admissions as a percentage of total admissions	5.3 %	4.9 %	0.4 %(1)	5.0 %	4.9 %	0.1 %(1)
Emergency department admissions as a percentage of total admissions	63.2 %	63.5 %	(0.3)%(1)	63.7 %	63.7 %	0 %(1)
Surgeries — inpatient	49,222	49,291	(0.1)%	97,769	97,586	0.2 %
Surgeries — outpatient	65,678	64,407	2.0 %	129,677	124,901	3.8 %
Total surgeries	114,900	113,698	1.1 %	227,446	222,487	2.2 %
Patient days — total	805,662	817,881	(1.5)%	1,667,800	1,678,808	(0.7)%
Adjusted patient days(2)	1,394,486	1,391,305	0.2 %	2,851,066	2,812,810	1.4 %
Average length of stay (days)	4.55	4.57	(0.4)%	4.60	4.61	(0.2)%
Licensed beds (at end of period)	18,144	18,244	(0.5)%	18,144	18,244	(0.5)%
Average licensed beds	18,144	18,244	(0.5)%	18,142	18,241	(0.5)%
Utilization of licensed beds(3)	48.8 %	49.3 %	(0.5)%(1)	50.8 %	50.8 %	— %(1)

(1) The change is the difference between 2016 and 2015 amounts shown.
(2) Adjusted patient admissions/days represents actual patient admissions/days adjusted to include outpatient services provided by facilities in our Hospital Operations and other segment by multiplying actual patient admissions/days by the sum of gross inpatient revenues and outpatient revenues and dividing the results by gross inpatient revenues.
(3) Utilization of licensed beds represents patient days divided by number of days in the period divided by average licensed beds.

Outpatient Visits	Same-Hospital Continuing Operations Three Months Ended June 30, 2016	2015	Increase (Decrease)	Six Months Ended June 30, 2016	2015	Increase (Decrease)
Total visits	1,830,522	1,815,393	0.8 %	3,685,257	3,578,261	3.0 %
Paying visits (excludes charity and uninsured)	1,707,375	1,691,554	0.9 %	3,436,059	3,330,685	3.2 %
Charity and uninsured visits	123,147	123,839	(0.6)%	249,198	247,576	0.7 %
Emergency department visits	640,774	632,470	1.3 %	1,311,452	1,269,330	3.3 %
Surgery visits	65,678	64,407	2.0 %	129,677	124,901	3.8 %
Paying visits as a percentage of total visits	93.3 %	93.2 %	0.1 %[1]	93.2 %	93.1 %	0.1 %[1]
Charity and uninsured visits as a percentage of total visits	6.7 %	6.8 %	(0.1)%[1]	6.8 %	6.9 %	(0.1)%[1]

(1) The change is the difference between 2016 and 2015 amounts shown.

Revenues	Same-Hospital Continuing Operations Three Months Ended June 30, 2016	2015	Increase (Decrease)	Six Months Ended June 30, 2016	2015	Increase (Decrease)
Net operating revenues	$ 3,732	$ 3,523	5.9 %	$ 7,499	$ 7,056	6.3 %
Revenues from charity and the uninsured	$ 222	$ 216	2.8 %	$ 433	$ 443	(2.3)%
Net inpatient revenues[1]	$ 2,400	$ 2,305	4.1 %	$ 4,899	$ 4,687	4.5 %
Net outpatient revenues[1]	$ 1,343	$ 1,281	4.8 %	$ 2,674	$ 2,507	6.7 %

(1) Net inpatient revenues and net outpatient revenues are components of net operating revenues. Net inpatient revenues include self-pay revenues of $91 million and $83 million for the three months ended June 30, 2016 and 2015, respectively, and $176 million and $177 million for the six months ended June 30, 2016 and 2015, respectively. Net outpatient revenues include self-pay revenues of $131 million and $133 million for the three months ended June 30, 2016 and 2015, respectively, and $257 million and $266 million for the six months ended June 30, 2016 and 2015, respectively.

Revenues on a Per Admission, Per Patient Day and Per Visit Basis	Same-Hospital Continuing Operations Three Months Ended June 30, 2016	2015	Increase (Decrease)	Six Months Ended June 30, 2016	2015	Increase (Decrease)
Net inpatient revenue per admission	$ 13,548	$ 12,867	5.3 %	$ 13,526	$ 12,866	5.1 %
Net inpatient revenue per patient day	$ 2,979	$ 2,818	5.7 %	$ 2,937	$ 2,792	5.2 %
Net outpatient revenue per visit	$ 734	$ 706	4.0 %	$ 726	$ 701	3.6 %
Net patient revenue per adjusted patient admission[1]	$ 12,099	$ 11,644	3.9 %	$ 12,114	$ 11,666	3.8 %
Net patient revenue per adjusted patient day[1]	$ 2,684	$ 2,577	4.2 %	$ 2,656	$ 2,558	3.8 %

(1) Adjusted patient admissions/days represents actual patient admissions/days adjusted to include outpatient services provided by facilities in our Hospital Operations and other segment by multiplying actual patient admissions/days by the sum of gross inpatient revenues and outpatient revenues and dividing the results by gross inpatient revenues.

Provision for Doubtful Accounts	Same-Hospital Continuing Operations: Three Months Ended June 30, 2016	2015	Increase (Decrease)	Six Months Ended June 30, 2016	2015	Increase (Decrease)
Provision for doubtful accounts	$ 315	$ 292	7.9 %	$ 642	$ 595	7.9 %
Provision for doubtful accounts as a percentage of net operating revenues before provision for doubtful accounts	7.8 %	7.7 %	0.1 %[1]	8.0 %	7.9 %	0.1 %[1]

(1) The change is the difference between 2016 and 2015 amounts shown.

Selected Operating Expenses	Same-Hospital Continuing Operations: Three Months Ended June 30, 2016	2015	Increase (Decrease)	Six Months Ended June 30, 2016	2015	Increase (Decrease)
Hospital Operations and other — Same-Hospital						
Salaries, wages and benefits as a percentage of net operating revenues	47.7 %	49.5 %	(1.8)%[1]	47.6 %	49.1 %	(1.5)%[1]
Supplies as a percentage of net operating revenues	16.6 %	17.0 %	(0.4)%[1]	16.8 %	16.8 %	— %[1]
Other operating expenses as a percentage of net operating revenues	25.6 %	23.8 %	1.8 %[1]	25.5 %	24.1 %	1.4 %[1]

(1) The change is the difference between 2016 and 2015 amounts shown.

Revenues

Same-hospital net operating revenues increased $209 million, or 5.9%, during the three months ended June 30, 2016 compared to the three months ended June 30, 2015. The increase in same-hospital net operating revenues in the 2016 period is primarily due to volume growth in higher acuity inpatient services, higher outpatient volumes, improved terms of our managed care contracts and an increase in our other operations revenues. Same-hospital net inpatient revenues increased $95 million, or 4.1%, while same-hospital admissions decreased 1.1% in the three months ended June 30, 2016 compared to the same period in 2015. Same-hospital net inpatient revenue per admission increased 5.3%, primarily due to the improved terms of our managed care contracts and volume growth in higher acuity service lines, in the three months ended June 30, 2016 compared to the three months ended June 30, 2015. Same-hospital net outpatient revenues increased $62 million, or 4.8%, and same-hospital outpatient visits increased 0.8% in the three months ended June 30, 2016 compared to the same period in 2015. Growth in outpatient revenues and volumes was primarily driven by improved terms of our managed care contracts and increased outpatient volume levels associated with our outpatient development program. Same-hospital net outpatient revenue per visit increased 4.0% in the three months ended June 30, 2016 compared to the three months ended June 30, 2015, primarily due to the improved terms of our managed care contracts.

Same-hospital net operating revenues increased $443 million, or 6.3%, during the six months ended June 30, 2016 compared to the six months ended June 30, 2015. The increase in same-hospital net operating revenues in the 2016 period is primarily due to volume growth in higher acuity inpatient services, higher outpatient volumes, improved terms of our managed care contracts and an increase in our other operations revenues. Same-hospital net inpatient revenues increased $212 million, or 4.5%, while same-hospital admissions decreased 0.6% in the six months ended June 30, 2016 compared to the same period in 2015. Same-hospital net inpatient revenue per admission increased 5.1%, primarily due to the improved terms of our managed care contracts and volume growth in higher acuity service lines, in the six months ended June 30, 2016 compared to the six months ended June 30, 2015. Same-hospital net outpatient revenues increased $167 million, or 6.7%, and same-hospital outpatient visits increased 3.0% in the six months ended June 30, 2016 compared to the same period in 2015. Growth in outpatient revenues and volumes was primarily driven by improved terms of our managed care contracts and increased outpatient volume levels associated with our outpatient development program. Same-hospital net outpatient revenue per visit increased 3.6% in the six months ended June 30, 2016 compared to the six months ended June 30, 2015, primarily due to the improved terms of our managed care contracts.

Provision for Doubtful Accounts

Same-hospital provision for doubtful accounts as a percentage of net operating revenues before provision for doubtful accounts was 7.8% and 7.7% for the three months ended June 30, 2016 and 2015, respectively, and 8.0% and 7.9% for the six months ended June 30, 2016 and 2015, respectively. The table below shows the consolidated net accounts receivable and allowance for doubtful accounts by payer at June 30, 2016 and December 31, 2015.

	June 30, 2016			December 31, 2015		
	Accounts Receivable Before Allowance for Doubtful Accounts	Allowance for Doubtful Accounts	Net	Accounts Receivable Before Allowance for Doubtful Accounts	Allowance for Doubtful Accounts	Net
Medicare	$ 389	$ —	$ 389	$ 360	$ —	$ 360
Medicaid	64	—	64	70	—	70
Net cost report settlements payable and valuation allowances	(33)	—	(33)	(42)	—	(42)
Managed care	1,767	138	1,629	1,715	126	1,589
Self-pay uninsured	445	402	43	509	436	73
Self-pay balance after insurance	233	158	75	208	142	66
Estimated future recoveries	142	—	142	144	—	144
Other payers	477	220	257	442	166	276
Total Hospital Operations and other	3,484	918	2,566	3,406	870	2,536
Ambulatory Care	193	28	165	182	17	165
Total discontinued operations	3	—	3	3	—	3
	$ 3,680	**$ 946**	**$ 2,734**	**$ 3,591**	**$ 887**	**$ 2,704**

A significant portion of our provision for doubtful accounts relates to self-pay patients, as well as co-pays and deductibles owed to us by patients with insurance. Collection of accounts receivable has been a key area of focus, particularly over the past several years. At June 30, 2016, our collection rate on self-pay accounts was approximately 26.1%. Our self-pay collection rate includes payments made by patients, including co-pays and deductibles paid by patients with insurance. Based on our accounts receivable from self-pay patients and co-pays and deductibles owed to us by patients with insurance at June 30, 2016, a 10% decrease or increase in our self-pay collection rate, or approximately 3%, which we believe could be a reasonably likely change, would result in an unfavorable or favorable adjustment to provision for doubtful accounts of approximately $9 million.

Payment pressure from managed care payers also affects our provision for doubtful accounts. We typically experience ongoing managed care payment delays and disputes; however, we continue to work with these payers to obtain adequate and timely reimbursement for our services. Our estimated collection rate from managed care payers was approximately 97.9% at June 30, 2016.

We manage our provision for doubtful accounts using hospital-specific goals and benchmarks such as (1) total cash collections, (2) point-of-service cash collections, (3) AR Days and (4) accounts receivable by aging category. The following tables present the approximate aging by payer of our net accounts receivable from the continuing operations of our Hospital Operations and other segment of $2.599 billion and $2.578 billion at June 30, 2016 and December 31, 2015, respectively, excluding cost report settlements payable and valuation allowances of $33 million and $42 million at June 30, 2016 and December 31, 2015, respectively:

	June 30, 2016				
	Medicare	Medicaid	Managed Care	Indemnity, Self-Pay and Other	Total
0-60 days	88 %	64 %	61 %	23 %	58 %
61-120 days	7 %	18 %	16 %	17 %	15 %
121-180 days	3 %	8 %	9 %	12 %	9 %
Over 180 days	2 %	10 %	14 %	48 %	18 %
Total	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**

	December 31, 2015				
	Medicare	Medicaid	Managed Care	Indemnity, Self-Pay and Other	Total
0-60 days	90 %	65 %	64 %	27 %	62 %
61-120 days	6 %	16 %	16 %	19 %	15 %
121-180 days	2 %	6 %	7 %	11 %	7 %
Over 180 days	2 %	13 %	13 %	43 %	16 %
Total	**100 %**	**100 %**	**100 %**	**100 %**	**100 %**

At June 30, 2016, we had a cumulative total of patient account assignments to our Conifer subsidiary of approximately $2.2 billion related to our continuing operations, but excluding our newly acquired hospitals. These accounts have already been written off and are not included in our receivables or in the allowance for doubtful accounts; however, an estimate of future recoveries from all the accounts assigned to our Conifer subsidiary is determined based on our historical experience and recorded in accounts receivable.

Patient advocates from Conifer's Medicaid Eligibility Program ("MEP") screen patients in the hospital to determine whether those patients meet eligibility requirements for financial assistance programs. They also expedite the process of applying for these government programs. Receivables from patients who are potentially eligible for Medicaid are classified as Medicaid pending, under the MEP, with appropriate contractual allowances recorded. At the present time, our newly acquired facilities are beginning to implement this program. Based on recent trends, approximately 96% of all accounts in the MEP are ultimately approved for benefits under a government program, such as Medicaid. The following table shows the approximate amount of accounts receivable in the MEP still awaiting determination of eligibility under a government program at June 30, 2016 and December 31, 2015 by aging category for the hospitals currently in the program.

	June 30, 2016	December 31, 2015
0-60 days	$ 62	$ 86
61-120 days	15	14
121-180 days	6	7
Over 180 days	13	18
Total	**$ 96**	**$ 125**

Salaries, Wages and Benefits

Same-hospital salaries, wages and benefits as a percentage of net operating revenues decreased 180 basis points to 47.7% in the three months ended June 30, 2016 compared to 49.5% for the same period in 2015. While same-hospital net operating revenues increased 5.9% during the three months ended June 30, 2016 compared to the three months ended June 30, 2015, same-hospital salaries, wages and benefits increased by only 2.1% in the three months ended June 30, 2016 compared to the 2015 period. The increase in same-hospital salaries, wages and benefits was primarily due to annual merit increases for certain of our employees and increased employee health benefits costs, partially offset by lower incentive compensation expense. Salaries, wages and benefits expense for the three months ended June 30, 2016 and 2015 included stock-based compensation expense of $16 million and $18 million, respectively.

Same-hospital salaries, wages and benefits as a percentage of net operating revenues decreased 150 basis points to 47.6% in the six months ended June 30, 2016 compared to 49.1% for the same period in 2015. While same-hospital net operating revenues increased 6.3% during the six months ended June 30, 2016 compared to the six months ended June 30, 2015, same-hospital salaries, wages and benefits increased by only 2.9% in the six months ended June 30, 2016 compared to the 2015 period. The increase in same-hospital salaries, wages and benefits was primarily due to annual merit increases for certain of our employees and increased employee health benefits costs, partially offset by lower incentive compensation expense. Salaries, wages and benefits expense for the six months ended June 30, 2016 and 2015 included stock-based compensation expense of $29 million and $36 million, respectively.

At June 30, 2016, approximately 23% of the employees in our Hospital Operations and other segment were represented by labor unions. There were no unionized employees in our Ambulatory Care segment, and less than 1% of Conifer's employees belong to a union. Unionized employees – primarily registered nurses and service and maintenance workers – are located at 35 of our hospitals, the majority of which are in California, Florida and Michigan. We currently have two expired contracts and are negotiating renewals under extension agreements. We are also negotiating first contracts at five hospitals and one physician practice where employees recently selected union representation. At this time, we are unable to predict the outcome of the negotiations, but increases in salaries, wages and benefits could result from these agreements. Furthermore, there is a possibility that strikes could occur during the negotiation process, which could increase our labor costs and have an adverse effect on our patient admissions and net operating revenues. Future organizing activities by labor unions could increase our level of union representation in 2016.

Supplies

Same-hospital supplies expense as a percentage of net operating revenues decreased 40 basis points to 16.6% for the three months ended June 30, 2016 compared to the three months ended June 30, 2015 and stayed the same for the six months ended June 30, 2016 and 2015 at 16.8%.

We strive to control supplies expense through product standardization, contract compliance, improved utilization, bulk purchases and operational improvements. The items of current cost reduction focus continue to be cardiac stents and pacemakers, orthopedics and implants, and high-cost pharmaceuticals. We also utilize group-purchasing strategies and supplies-management services in an effort to reduce costs.

Other Operating Expenses, Net

Same-hospital other operating expenses as a percentage of net operating revenues increased 180 basis points to 25.6% in the three months ended June 30, 2016 compared to 23.8% for the same period in 2015. The increase in other operating expenses was primarily due to:

- higher same-hospital malpractice expense of $14 million;
- increased costs of $47 million associated with our health plans due to an increase in covered lives, which costs were substantially offset by increased health plan revenues; and
- increased costs of contracted services of $42 million.

Same-hospital malpractice expense in the 2016 period included an unfavorable adjustment of approximately $6 million due to a 25 basis point decrease in the interest rate used to estimate the discounted present value of projected future malpractice liabilities compared to a favorable adjustment of approximately $6 million as a result of a 36 basis point increase in the interest rate in the 2015 period.

Same-hospital other operating expenses as a percentage of net operating revenues increased 140 basis points to 25.5% in the six months ended June 30, 2016 compared to 24.1% for the same period in 2015. The increase in other operating expenses was primarily due to:

- additional medical fees of $19 million;
- higher same-hospital malpractice expense of $16 million;
- increased costs of $67 million associated with our health plans due to an increase in covered lives, which costs were substantially offset by increased health plan revenues; and
- increased costs of contracted services of $79 million.

Same-hospital malpractice expense in the 2016 period included an unfavorable adjustment of approximately $17 million due to a 80 basis point decrease in the interest rate used to estimate the discounted present value of projected future malpractice liabilities compared to a favorable adjustment of approximately $2 million as a result of a 10 basis point increase in the interest rate in the 2015 period.

Ambulatory Care Segment

On June 16, 2015, we completed the transaction that combined our freestanding ambulatory surgery and imaging center assets with the short-stay surgical facility assets of USPI into our new USPI joint venture, and we acquired Aspen, which operates nine private short-stay surgical hospitals and clinics in the United Kingdom, thereby forming our Ambulatory Care separate reportable business segment. The results of our USPI joint venture and Aspen are included in the financial and statistical information provided only for the period from acquisition to June 30, 2016.

Our USPI joint venture operates its surgical facilities in partnership with local physicians and, in many of these facilities, a health system partner. We hold an ownership interest in each facility, with each being operated through a separate legal entity. The joint venture operates facilities on a day-to-day basis through management services contracts. Our sources of earnings from each facility consist of:

- management services revenues, computed as a percentage of each facility's net revenues (often net of bad debt expense); and
- our share of each facility's net income (loss), which is computed by multiplying the facility's net income (loss) times the percentage of each facility's equity interests owned by our USPI joint venture.

Our role as an owner and day-to-day manager provides us with significant influence over the operations of each facility. In many of the facilities our Ambulatory Care segment operates (120 of 334 at June 30, 2016), this influence does not represent control of the facility, so we account for our investment in the facility under the equity method for an unconsolidated affiliate. The joint venture controls 214 of the facilities our Ambulatory Care segment operates, and we account for these investments as consolidated subsidiaries.

Our net earnings from a facility are the same under either method, but the classification of those earnings differs. For consolidated subsidiaries, our financial statements reflect 100% of the revenues and expenses of the subsidiaries, after the elimination of intercompany amounts. The net profit attributable to owners other than us is classified within "net income attributable to noncontrolling interests."

For unconsolidated affiliates, our consolidated statements of operations reflect our earnings in two line items:

- *equity in earnings of unconsolidated affiliates*—our share of the net income of each facility, which is based on the facility's net income and the percentage of the facility's outstanding equity interests owned by us; and
- *management and administrative services revenues, which is included in our net operating revenues*—income we earn in exchange for managing the day-to-day operations of each facility, usually quantified as a percentage of each facility's net revenues less bad debt expense.

Our Ambulatory Care operating income is driven by the performance of all facilities our USPI joint venture operates and by the joint venture's ownership interests in those facilities, but our individual revenue and expense line items contain only consolidated businesses, which represent 63% of those facilities. This translates to trends in consolidated operating income that often do not correspond with changes in consolidated revenues and expenses.

Three and Six Months Ended June 30, 2016 Compared to Three and Six Months Ended June 30, 2015

The following table summarizes certain consolidated statements of operations items for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
Ambulatory Care Results of Operations	**2016**	**2015**	**2016**	**2015**
Net operating revenues	$ 442	$ 142	$ 871	$ 233
Equity in earnings of unconsolidated affiliates	26	6	51	6
Operating expenses, excluding depreciation and amortization	329	99	647	161
Depreciation and amortization	22	7	47	11
Operating income	**$ 117**	**$ 42**	**$ 228**	**$ 67**

Our Ambulatory Care net operating revenues increased by $300 million and $638 million, or 211.3% and 273.8%, for the three and six months ended June 30, 2016, respectively, compared to the three and six months ended June 30, 2015, respectively. The growth in revenues was primarily driven by increases from acquisitions of $290 million and $618 million for the three and six month periods, respectively.

Salaries, wages and benefits expense increased by $106 million and $228 million, or 258.5% or 350.8%, for the three and six months ended June 30, 2016, respectively, compared to the three and six months ended June 30, 2015, respectively. The increases were primarily driven by salaries, wages and benefits expense from acquisitions of $103 million and $222 million for the three and six month periods, respectively.

Supplies expense increased by $63 million and $132 million, or 225.0% and 293.3%, for the three and six months ended June 30, 2016, respectively, compared to the three and six months ended June 30, 2015, respectively. The increases were primarily driven by supplies expense from acquisitions of $62 million and $131 million for the three and six month periods, respectively.

Other operating expenses increased by $61 million and $126 million, or 203.3% and 247.1%, for the three and six months ended June 30, 2016, respectively, compared to three and six months ended June 30, 2015, respectively. The increases were driven by other operating expenses from acquisitions of $58 million and $121 million for the three and six month periods, respectively.

Facility Growth

The following table summarizes the changes in our same-facility revenue year-over-year on a pro forma systemwide basis, which includes both consolidated and unconsolidated (equity method) facilities. While we do not record the revenues of unconsolidated facilities, we believe this information is important in understanding the financial performance of our Ambulatory Care segment because these revenues are the basis for calculating our management services revenues and, together with the expenses of our unconsolidated facilities, are the basis for our equity in earnings of unconsolidated affiliates.

Ambulatory Care Facility Growth	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
Net revenues	11.7 %	11.4 %
Cases	5.2 %	6.9 %
Net revenue per case	6.1 %	4.2 %

Joint Ventures with Health System Partners

Our USPI joint venture's business model is to jointly own its facilities with local physicians and not-for-profit health systems. Accordingly, as of June 30, 2016, the majority of facilities in our Ambulatory Care segment are operated in this model.

Ambulatory Care Facilities with Health System Partners	Six Months Ended June 30, 2016
Facilities:	
With a health system partner	179
Without a health system partner	155
Total facilities operated	334
Change from December 31, 2015:	
Acquisitions	4
De novo	1
Dispositions/Mergers	(4)
Total increase in number of facilities operated	1

Conifer Segment

Our Conifer subsidiary generated net operating revenues of $386 million and $340 million during the three months ended June 30, 2016 and 2015, respectively, and $771 million and $682 million during the six months ended June 30, 2016 and 2015, respectively, a portion of which was eliminated in consolidation as described in Note 16 to the Condensed Consolidated Financial Statements. The increase in the revenue from third-party customers, which is not eliminated in consolidation, is primarily due to new clients.

Salaries, wages and benefits expense for Conifer increased $29 million, or 13.9%, in the three months ended June 30, 2016 compared to the three months ended June 30, 2015, and $75 million, or 18.7%, in the six months ended June 30, 2016 compared to the six months ended June 30, 2015, in both cases due to an increase in employee headcount as a result of the growth in Conifer's business primarily attributable to new clients.

Other operating expenses for Conifer increased $14 million, or 19.7%, in the three months ended June 30, 2016 compared to the three months ended June 30, 2015, and $30 million, or 21.7%, in the six months ended June 30, 2016 compared to the six months ended June 30, 2015, in both cases due to the growth in Conifer's business primarily attributable to new clients.

Conifer continues to implement revenue cycle initiatives to improve our cash flow. These initiatives are focused on standardizing and improving patient access processes, including pre-registration, registration, verification of eligibility and benefits, liability identification and collection at point-of-service, and financial counseling. These initiatives are intended to reduce denials, improve service levels to patients and increase the quality of accounts that end up in accounts receivable. Although we continue to focus on improving our methodology for evaluating the collectability of our accounts receivable, we may incur future charges if there are unfavorable changes in the trends affecting the net realizable value of our accounts receivable.

Consolidated

Impairment and Restructuring Charges, and Acquisition-Related Costs

During the three months ended June 30, 2016, we recorded impairment and restructuring charges and acquisition-related costs of $22 million, consisting of approximately, $7 million of employee severance costs, $1 million of restructuring costs, and $14 million in acquisition-related costs, which include $3 million of transaction costs and $11 million of acquisition integration costs.

During the three months ended June 30, 2015, we recorded impairment and restructuring charges and acquisition-related costs of $193 million, consisting of a $147 million charge to write-down assets held for sale to their estimated fair value, less estimated costs to sell, as a result of us entering into a definitive agreement for the sale of SLUH, $2 million of employee severance costs, $1 million of restructuring costs, $4 million of contract and lease termination fees, and $39 million in acquisition-related costs, which include $29 million of transaction costs and $10 million in acquisition integration costs.

During the six months ended June 30, 2016, we recorded impairment and restructuring charges and acquisition-related costs of $50 million, consisting of approximately $2 million to write-down other intangible assets, $17 million of employee severance costs, $2 million of restructuring costs, $1 million of contract and lease termination fees, and $28 million in acquisition-related costs, which include $3 million of transaction costs and $25 million of acquisition integration costs.

During the six months ended June 30, 2015, we recorded impairment and restructuring charges and acquisition-related costs of $222 million, consisting of a $147 million charge to write-down assets held for sale to their estimated fair value, less estimated costs to sell, as a result of us entering into a definitive agreement for the sale of SLUH, $8 million of employee severance costs, $4 million of restructuring costs, $4 million of contract and lease termination fees, and $59 million in acquisition-related costs, which include $36 million of transaction costs and $23 million in acquisition integration costs.

Litigation and Investigation Costs

Litigation and investigation costs for the three months ended June 30, 2016 and 2015 were $114 million and $14 million, respectively, and $287 million and $17 million, respectively, for the six months ended June 30, 2016 and 2015. These costs were primarily attributable to significant legal proceedings and governmental investigations described in Note 10 to our Condensed Consolidated Financial Statements.

Gains on Sales, Consolidation and Deconsolidation of Facilities

During the three and six months ended June 30, 2016, we recorded gains on sales, consolidation and deconsolidation of facilities of approximately $1 million and $148 million, respectively, primarily comprised of a $113 million gain from the sale of our Atlanta-area facilities and $29 million of gains related to the consolidation and deconsolidation of certain businesses of our USPI joint venture due to ownership changes.

Interest Expense

Interest expense for the three months ended June 30, 2016 was $244 million compared to $217 million for the same period in 2015, and $487 million for the six months ended June 30, 2016 compared to $416 million for the same period in 2015, in both cases primarily due to increased borrowings related to our recent acquisitions.

Income Tax Expense

During the three months ended June 30, 2016, we recorded an income tax benefit of $16 million in continuing operations on pre-tax income of $25 million. The recorded income tax differs from taxes calculated at the statutory rate primarily due to a state income tax benefit of approximately $6 million, tax benefits of $26 million related to net income attributable to noncontrolling partnership interests, which is excluded from the computation of the provision for income taxes, and tax expense of $7 million related to nondeductible litigation compared to an income tax benefit of $27 million during the three months ended June 30, 2015.

During the six months ended June 30, 2016, we recorded income tax expense of $51 million in continuing operations on pre-tax income of $130 million. The recorded income tax differs from taxes calculated at the statutory rate primarily due to state income tax expense of approximately $7 million, tax benefits of $47 million related to net income attributable to noncontrolling partnership interests, which is excluded from the computation of the provision for income taxes, tax expense of $29 million related to nondeductible goodwill, tax benefits of $17 million related to nontaxable gains and related changes in deferred taxes, and tax expense of $33 million related to nondeductible litigation, compared to an income tax benefit of $11 million during the six months ended June 30, 2015.

Net Income Attributable to Noncontrolling Interests

Net income attributable to noncontrolling interests was $85 million for the three months ended June 30, 2016 compared to $33 million for the three months ended June 30, 2015. Net income attributable to noncontrolling interests for the three months ended June 30, 2016 was comprised of $14 million related to our Hospital Operations and other segment, $60 million related to our Ambulatory Care segment and $11 million related to our Conifer segment. Of the portion related to our Ambulatory Care segment, $8 million was related to the minority interest in our USPI joint venture. The portion related to our Conifer segment is due to Catholic Health Initiatives' 23.8% ownership interest in our Conifer Health Solutions, LLC subsidiary.

Net income attributable to noncontrolling interests was $178 million for the six months ended June 30, 2016 compared to $62 million for the six months ended June 30, 2015. Net income attributable to noncontrolling interests for the six months ended June 30, 2016 was comprised of $20 million related to our Hospital Operations and other segment, $135 million related to our Ambulatory Care segment and $23 million related to our Conifer segment. Of the portion related to our Ambulatory Care segment, $37 million was related to the minority interest in our USPI joint venture.

ADDITIONAL SUPPLEMENTAL NON-GAAP DISCLOSURES

The financial information provided throughout this report, including our Condensed Consolidated Financial Statements and the notes thereto, has been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). However, we use certain non-GAAP financial measures defined below in communications with investors, analysts, rating agencies, banks and others to assist such parties in understanding the impact of various items on our financial statements, some of which are recurring or involve cash payments. We use this information in our analysis of the performance of our business, excluding items we do not consider relevant to the performance of our continuing operations. In addition, from time to time we use these measures to define certain performance targets under our compensation programs.

"Adjusted EBITDA" is a non-GAAP measure defined by the Company as net income available (loss attributable) to Tenet Healthcare Corporation common shareholders before (1) the cumulative effect of changes in accounting principle, (2) net loss (income) attributable to noncontrolling interests, (3) income (loss) from discontinued operations, (4) income tax benefit (expense), (5) investment earnings (losses), (6) gain (loss) from early extinguishment of debt, (7) interest expense, (8) litigation and investigation (costs) benefit, net of insurance recoveries, (9) net gains (losses) on sales, consolidation and deconsolidation of facilities, (10) impairment and restructuring charges and acquisition-related costs, and (11) depreciation and amortization. Litigation and investigation costs do not include ordinary course of business malpractice and other litigation and related expense.

The Company believes the foregoing non-GAAP measures are useful to investors and analysts because they present additional information on the Company's financial performance. Investors, analysts, Company management and the Company's Board of Directors utilize these non-GAAP measures, in addition to GAAP measures, to track the Company's financial and operating performance and compare the Company's performance to its peer companies, which utilize similar non-GAAP measures in their presentations. The Human Resources Committee of the Company's Board of Directors also uses certain of these measures to evaluate management's performance for the purpose of determining incentive compensation. Additional information regarding the purpose and utility of specific non-GAAP measures used by the Company is set forth below. The Company believes that Adjusted EBITDA is a useful measure, in part, because certain investors and analysts use both historical and projected Adjusted EBITDA, in addition to other GAAP and non-GAAP measures, as factors in determining the estimated fair value of shares of the Company's common stock. Company management also regularly reviews the Adjusted EBITDA performance for each operating segment. The Company does not use Adjusted EBITDA to measure liquidity, but instead to measure operating performance.These non-GAAP measures may not be comparable to similarly titled measures reported by other companies. Because these measures exclude many items that are included in our financial statements, they do not provide a complete measure of our operating performance. Accordingly, investors are encouraged to use GAAP measures when evaluating the Company's financial performance

The table below shows the reconciliation of Adjusted EBITDA to net income available (loss attributable) to Tenet Healthcare Corporation common shareholders (the most comparable GAAP term) for the three and six months ended June 30, 2016 and 2015:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Net loss attributable to Tenet Healthcare Corporation common shareholders	**$ (46)**	**$ (61)**	**$ (105)**	**$ (14)**
Less: Net income attributable to noncontrolling interests	(85)	(33)	(178)	(62)
Net loss from discontinued operations, net of tax	(2)	(1)	(6)	—
Income (loss) from continuing operations	41	(27)	79	48
Income tax benefit (expense)	16	27	(51)	11
Investment earnings (losses)	2	(1)	3	(1)
Interest expense	(244)	(217)	(487)	(416)
Operating income	267	164	614	454
Litigation and investigation costs	(114)	(14)	(287)	(17)
Gains on sales, consolidation and deconsolidation of facilities	1	—	148	—
Impairment and restructuring charges, and acquisition-related costs	(22)	(193)	(50)	(222)
Depreciation and amortization	(215)	(197)	(427)	(404)
Adjusted EBITDA	$ 617	$ 568	$ 1,230	$ 1,097
Net operating revenues	**$ 4,868**	**$ 4,492**	**$ 9,912**	**$ 8,916**
Net income (loss) from continuing operations as a % of operating revenues	**(0.9)%**	**(1.4)%**	**(1.1)%**	**(0.2)%**
Adjusted EBITDA as % of net operating revenues (Adjusted EBITDA margin)	**12.7 %**	**12.6 %**	**12.4 %**	**12.3 %**

LIQUIDITY AND CAPITAL RESOURCES

CASH REQUIREMENTS

There have been no material changes to our obligations to make future cash payments under contracts and under contingent commitments, such as standby letters of credit and minimum revenue guarantees, as disclosed in our Annual Report.

As part of our long-term objective to manage our capital structure, we may from time to time seek to retire, purchase, redeem or refinance some of our outstanding debt or equity securities subject to prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. These actions are part of our strategy to manage our leverage and capital structure over time, which is dependent on our total amount of debt, our available cash balances and our operating results.

At June 30, 2016, using the last 12 months of Adjusted EBITDA, including our USPI joint venture and Aspen's last 12 months of Adjusted EBITDA, our ratio of total long-term debt, net of cash and cash equivalent balances, to Adjusted EBITDA was 5.75x on a consolidated basis. We anticipate this ratio will fluctuate from quarter to quarter based on earnings performance and other factors, including acquisitions that involve the assumption of long-term debt. We intend to manage this ratio by following our business plan, managing our cost structure, possible asset divestitures and through other changes in our capital structure, including, if appropriate, the issuance of equity or convertible securities. Our ability to achieve our leverage and capital structure objectives is subject to numerous risks and uncertainties, many of which are described in the Forward-Looking Statements and Risk Factors sections in Part I of our Annual Report.

Our capital expenditures primarily relate to the expansion and renovation of existing facilities (including amounts to comply with applicable laws and regulations), equipment and information systems additions and replacements (including those required to achieve compliance with the health information technology requirements under the American Recovery and Reinvestment Act of 2009), introduction of new medical technologies, design and construction of new buildings, and various other capital improvements, as well as commitments to make capital expenditures in connection with the acquisitions of businesses. Capital expenditures were $413 million and $359 million in the six months ended June 30, 2016 and 2015, respectively. We anticipate that our capital expenditures for continuing operations for the year ending December 31, 2016 will total approximately $850 million to $900 million, including $133 million that was accrued as a liability at December 31, 2015. Our budgeted 2016 capital expenditures include approximately $5 million to improve disability access at certain of our facilities pursuant to the terms of a negotiated consent decree.

Interest payments, net of capitalized interest, were $467 million and $385 million in the six months ended June 30, 2016 and 2015, respectively.

Income tax payments, net of tax refunds, were approximately $29 million and $8 million in the six months ended June 30, 2016 and 2015, respectively.

SOURCES AND USES OF CASH

Our liquidity for the six months ended June 30, 2016 was primarily derived from net cash provided by operating activities, cash on hand and borrowings under our revolving credit facility. We had approximately $656 million of cash and cash equivalents on hand at June 30, 2016 to fund our operations and capital expenditures, and our borrowing availability under our credit facility was $996 million based on our borrowing base calculation at June 30, 2016.

Our primary source of operating cash is the collection of accounts receivable. As such, our operating cash flow is impacted by levels of cash collections and levels of bad debt due to shifts in payer mix and other factors.

Net cash provided by operating activities was $582 million in the six months ended June 30, 2016 compared to $353 million in the six months ended June 30, 2015. Key positive and negative factors contributing to the change between the 2016 and 2015 periods include the following:

- Increased income from continuing operations before income taxes of $133 million, excluding investment earnings (losses), gain (loss) from early extinguishment of debt, interest expense, gains on sales, consolidation and deconsolidation of facilities, litigation and investigation costs, impairment and restructuring charges, and acquisition-related costs, and depreciation and amortization in the six months ended June 30, 2016 compared to the six months ended June 30, 2015;

- $67 million less cash used by the change in accounts receivable, net of provision for doubtful accounts, in the 2016 period;

- Approximately $110 million of additional net cash proceeds in the 2016 period related to supplemental Medicaid programs in California and Texas;

- Higher aggregate annual 401(k) matching contributions and annual incentive compensation payments of $18 million and $9 million, respectively;

- An increase of $13 million in payments on reserves for restructuring charges, acquisition-related costs, and litigation costs and settlements; and

- Higher interest payments of $82 million.

We continue to seek further initiatives to increase the efficiency of our balance sheet by generating incremental cash, including by means of the sale of underutilized or inefficient assets.

Capital expenditures were $413 million and $359 million in the six months ended June 30, 2016 and 2015, respectively.

We record our investments that are available-for-sale at fair market value. As shown in Note 14 to our Condensed Consolidated Financial Statements, the majority of our investments are valued based on quoted market prices or other observable inputs. We have no investments that we expect will be negatively affected by the current economic conditions such that they will materially impact our financial condition, results of operations or cash flows.

DEBT INSTRUMENTS, GUARANTEES AND RELATED COVENANTS

Credit Agreement. On December 4, 2015, we entered into an amendment to our existing senior secured revolving credit facility (as amended, "Credit Agreement") in order to, among other things, extend the scheduled maturity date of the facility, reduce the rates of certain interest and fees payable under the facility and remove certain restrictions with respect to the borrowing base eligibility of certain accounts receivable. The Credit Agreement provides, subject to borrowing availability, for revolving loans in an aggregate principal amount of up to $1 billion, with a $300 million subfacility for standby letters of credit. The Credit Agreement has a scheduled maturity date of December 4, 2020. We are in compliance with all covenants and conditions in our Credit Agreement. At June 30, 2016, we had no cash borrowings outstanding under the Credit Agreement, and we had approximately $4 million of standby letters of credit outstanding. Based on our eligible receivables, approximately $996 million was available for borrowing under the Credit Agreement at June 30, 2016.

Letter of Credit Facility. We have a letter of credit facility agreement ("LC Facility") that provides for the issuance of standby and documentary letters of credit (including certain letters of credit originally issued under our prior credit agreement, which we transferred to the LC Facility), from time to time, in an aggregate principal amount of up to $180 million (subject to increase to up to $200 million). The LC Facility has a scheduled maturity date of March 7, 2017. We are in compliance with all covenants and conditions in our LC Facility. At June 30, 2016, we had approximately $132 million of standby letters of credit outstanding under the LC Facility.

For information regarding our long-term debt and capital lease obligations, see Note 5 to our Condensed Consolidated Financial Statements.

LIQUIDITY

From time to time, we expect to engage in additional capital markets, bank credit and other financing activities depending on our needs and financing alternatives available at that time. We believe our existing debt agreements provide flexibility for future secured or unsecured borrowings.

Our cash on hand fluctuates day-to-day throughout the year based on the timing and levels of routine cash receipts and disbursements, including our book overdrafts, and required cash disbursements, such as interest and income tax payments. These fluctuations result in material intra-quarter net operating and investing uses of cash that has caused, and in the future could cause, us to use our Credit Agreement as a source of liquidity.

We believe that existing cash and cash equivalents on hand, availability under our Credit Agreement, anticipated future cash provided by operating activities, and our investments in marketable securities of our captive insurance companies classified as noncurrent investments on our balance sheet should be adequate to meet our current cash needs. These sources of liquidity, in combination with any potential future debt incurrence, should also be adequate to finance planned capital expenditures, payments on the current portion of our long-term debt and other presently known operating needs. We also expect to use cash on the balance sheet and borrowings under our Credit Agreement to fund the $514 million in payments anticipated to be made in the three months ending September 30, 2016 in connection with the resolution of the Clinica de la Mama matters.

Long-term liquidity for debt service and other purposes will be dependent on the amount of cash provided by operating activities and, subject to favorable market and other conditions, the successful completion of future borrowings or potential refinancings. However, our cash requirements could be materially affected by the use of cash in acquisitions of businesses, repurchases of securities, the exercise of put rights or other exit options by our joint venture partners, and contractual commitments to fund capital expenditures in, or intercompany borrowings to, businesses we acquire. In addition, liquidity could be adversely affected by a deterioration in our results of operations, including our ability to generate cash from operations, as well as by the various risks and uncertainties discussed in this and other sections of this report, including any costs associated with significant legal proceedings and government investigations.

We do not rely on commercial paper or other short-term financing arrangements nor do we enter into repurchase agreements or other short-term financing arrangements not otherwise reported in our period-end balance sheets. In addition, we do not have significant exposure to floating interest rates given that substantially all of our current long-term indebtedness has fixed rates of interest.

We continue to aggressively identify and implement further actions to control costs and enhance our operating performance, including cash flow. Among the areas being addressed are capital allocation priorities, volume growth, including the acquisition of outpatient businesses, physician recruitment and alignment strategies, expansion of our Conifer services businesses, managed care payer contracting, procurement efficiencies, cost standardization, bad debt expense reduction initiatives, underperforming hospitals and portfolio optimization, and certain hospital and overhead costs not related to patient care. Although these initiatives may result in improved performance, our performance may remain somewhat below our hospital management company peers because of geographic and other differences in hospital portfolios.

OFF-BALANCE SHEET ARRANGEMENTS

Our consolidated operating results for the six months ended June 30, 2016 and 2015 include $2 million and $42 million, respectively, of net operating revenue, and $7 million of net operating losses and $4 million of net operating income, respectively, generated from hospitals operated by us under operating lease arrangements (one hospital in the six months ended June 30, 2016, which was sold effective March 31, 2016, and two hospitals in the six months ended

June 30, 2015). In accordance with GAAP, the applicable buildings and the future lease obligations under these arrangements are not recorded on our consolidated balance sheet.

We have no other off-balance sheet arrangements that may have a current or future material effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources, except for $219 million of standby letters of credit outstanding and guarantees at June 30, 2016.

CRITICAL ACCOUNTING ESTIMATES

In preparing our Condensed Consolidated Financial Statements in conformity with GAAP, we must use estimates and assumptions that affect the amounts reported in our Condensed Consolidated Financial Statements and accompanying notes. We regularly evaluate the accounting policies and estimates we use. In general, we base the estimates on historical experience and on assumptions that we believe to be reasonable, given the particular circumstances in which we operate. Actual results may vary from those estimates.

We consider our critical accounting estimates to be those that (1) involve significant judgments and uncertainties, (2) require estimates that are more difficult for management to determine, and (3) may produce materially different outcomes under different conditions or when using different assumptions.

Our critical accounting estimates have not changed from the description provided in our Annual Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The table below presents information about certain of our market-sensitive financial instruments at June 30, 2016. The fair values were determined based on quoted market prices for the same or similar instruments. The average effective interest rates presented are based on the rate in effect at the reporting date. The effects of unamortized premiums and discounts are excluded from the table.

	Maturity Date, Years Ending December 31,							
	2016	2017	2018	2019	2020	Thereafter	Total	Fair Value
	(Dollars in Millions)							
Fixed rate long-term debt	$ 109	$ 166	$ 1,143	$ 1,683	$ 3,410	$ 7,331	$ 13,842	$ 13,181
Average effective interest rates	5.9 %	6.7 %	6.5 %	5.5 %	6.7 %	7.1 %	6.8 %	
Variable rate long-term debt	$ —	$ —	$ —	$ —	$ 900	$ —	$ 900	$ 909
Average effective interest rates	—	—	—	—	4.1 %	— %	— %	

At June 30, 2016, the potential reduction of annual pretax earnings due to a one percentage point (100 basis point) increase in variable interest rates on long-term debt would be approximately $9 million.

At June 30, 2016, we had long-term, market-sensitive investments held by our captive insurance subsidiaries. Our market risk associated with our investments in debt securities classified as non-current assets is substantially mitigated by the long-term nature and type of the investments in the portfolio.

We have no affiliation with partnerships, trusts or other entities (sometimes referred to as “special-purpose” or “variable-interest” entities) whose purpose is to facilitate off-balance sheet financial transactions or similar arrangements by us. As a result, we have no exposure to the financing, liquidity, market or credit risks associated with such entities.

We do not hold or issue derivative instruments for trading purposes and are not a party to any instruments with leverage or prepayment features.

ITEM 4. CONTROLS AND PROCEDURES

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined by Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the period covered by this report with respect to our operations that existed prior to the USPI joint venture and Aspen transactions. The evaluation was performed under the supervision and with the participation of management, including our chief executive officer and chief financial officer. Based upon that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective to ensure that material information is recorded, processed, summarized and reported by management on a timely basis in order to comply with our disclosure obligations under the Exchange Act and the SEC rules thereunder.

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II.

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Because we provide healthcare services in a highly regulated industry, we have been and expect to continue to be party to various lawsuits, claims and regulatory investigations from time to time. For information regarding material pending legal proceedings in which we are involved, see Note 10 to our Condensed Consolidated Financial Statements, which is incorporated by reference.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors discussed in our Annual Report on Form 10-K for the year ended December 31, 2015.

ITEM 6. EXHIBITS

The following exhibits are filed with this report:

(10)	Material Contracts	
	(a)	Sixth Amended and Restated Tenet Healthcare 2008 Stock Incentive Plan, as amended and restated effective March 10, 2016*
(31)	Rule 13a-14(a)/15d-14(a) Certifications	
	(a)	Certification of Trevor Fetter, Chief Executive Officer and Chairman of the Board of Directors
	(b)	Certification of Daniel J. Cancelmi, Chief Financial Officer
(32)	Section 1350 Certification of Trevor Fetter, Chief Executive Officer and Chairman of the Board of Directors, and Daniel J. Cancelmi, Chief Financial Officer	
(101 INS)	XBRL Instance Document	
(101 SCH)	XBRL Taxonomy Extension Schema Document	
(101 CAL)	XBRL Taxonomy Extension Calculation Linkbase Document	
(101 DEF)	XBRL Taxonomy Extension Definition Linkbase Document	
(101 LAB)	XBRL Taxonomy Extension Label Linkbase Document	
(101 PRE)	XBRL Taxonomy Extension Presentation Linkbase Document	

* Management contract or compensatory plan or arrangement

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SIGNATURES

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

TENET HEALTHCARE CORPORATION
(Registrant)

Date: August 1, 2016

By: /s/ R. SCOTT RAMSEY
R. Scott Ramsey
Vice President and Controller
(Principal Accounting Officer)

Exhibit 10(a)

SIXTH AMENDED AND RESTATED TENET HEALTHCARE 2008 STOCK INCENTIVE PLAN

(As Amended and Restated Effective March 10, 2016)

Tenet Healthcare Corporation (the "Company"), a Nevada corporation, hereby establishes and adopts the following Sixth Amended and Restated Tenet Healthcare 2008 Stock Incentive Plan (the "Plan"). The Plan was originally approved by the Company's shareholders on May 8, 2008. The Company amended and restated the Plan effective December 31, 2008 to comply with the requirements of section 409A of the Internal Revenue Code of 1986, as amended. Effective February 24, 2010, the Company amended and restated the Plan and authorized an additional 21,300,000 (pre reverse-split) shares of Company common stock to be available for equity grants under the Plan, subject to the approval of the Company's shareholders. The Company's shareholders approved such additional shares on May 5, 2010. Effective May 5, 2010, the Human Resources Committee (formerly known as the "Compensation Committee") also amended the Plan to clarify the minimum vesting requirements applicable to Restricted Stock Awards, Restricted Stock Units Awards and Other Share-Based Awards made to new hires. Effective May 9, 2012, the Company further amended and restated the Plan to clarify certain Change in Control provisions and revise the treatment of Awards for certain termination events. The Human Resources Committee further amended and restated the Plan effective October 10, 2012 to adjust the share limit and the individual annual award limits under the Plan to give effect to the 1-for-4 reverse stock split effective October 10, 2012. On October 1, 2013, 4,514,403 shares of Company common stock, which shares correspond to an equivalent number of shares previously available for issuance pursuant to the Vanguard Health Systems, Inc. 2011 Stock Incentive Plan, were assumed and made available for issuance under the Plan in accordance with Section 3.1(c) of the Plan in connection with the Company's acquisition of Vanguard Health Systems, Inc. The Human Resources Committee further amended and restated the Plan effective February 26, 2014 to adjust the ratio used for counting Awards issued under the Plan and the individual annual award limits under the Plan, renounce the availability for further Awards funded by the Vanguard Shares upon shareholder approval thereof, authorize an additional 4,200,000 shares of Company common stock to be available for Awards under the Plan to all employees and directors of the Company and its Subsidiaries, and extend the term of the Plan, subject to the approval of the Company's shareholders. The Company's shareholders approved such additional shares and extended Plan term on May 8, 2014. This current amendment and restatement of the Plan will authorize an additional 5,400,000 shares of Company common stock to be available for equity grants under the Plan, subject to shareholder approval, and impose certain limits on the aggregate dollar value of equity-based and cash compensation granted under this Plan or otherwise during any calendar year to any Director.

1. PURPOSE OF THE PLAN

The purpose of the Plan is to assist the Company and its Subsidiaries in attracting and retaining selected individuals to serve as employees and directors of the Company and its Subsidiaries who are expected to contribute to the Company's success and to achieve long-term objectives which will inure to the benefit of all stockholders of the Company through the additional incentives inherent in the Awards hereunder.

2. DEFINITIONS

2.1. *"Affiliate"* means a corporation that is a member of a controlled group of corporations (as defined in section 414(b) of the Code) that includes the Company, any trade or business (whether or not incorporated) that is in common control (as defined in section 414(c) of the Code) with the Company, or any entity that is a member of the same affiliated service group (as defined in section 414(m) of the Code) as the Company.

2.2. *"Award"* shall mean any Option, Stock Appreciation Right, Restricted Stock Award, Other Share-Based Award, Performance Award or any other right, interest or option relating to Shares or cash granted pursuant to the provisions of the Plan.

2.3. *"Award Agreement"* shall mean any agreement, contract or other instrument or document evidencing any Award hereunder, including through an electronic medium.

2.4. *"Board"* shall mean the board of directors of the Company.

2.5. *"Cause"* shall have the following meaning:

(a) When used in connection with a Qualifying Termination occurring during a Participant's Protection Period, the same meaning as set forth in Section 2.1(f)(2) of the ESP.

(b) When used in connection with a Qualifying Termination not occurring during a Participant's Protection Period:

(i) For any Participant who is a "Covered Executive" under the ESP, the same meaning as set forth in Section 2.1(f)(1) of the ESP.

(ii) For any Participant who is not a "Covered Executive" under the ESP, "Cause" shall mean a Participant's:

(A) dishonesty;
(B) fraud;
(C) willful misconduct;
(D) breach of fiduciary duty;
(E) conflict of interest;
(F) commission of a felony;
(G) material failure or refusal to perform his or her job duties in accordance with Company policies;
(H) a material violation of Company policy that causes harm to the Company or an Affiliate;
(I) other wrongful conduct of a similar nature and degree; or

(J) sustained unsatisfactory performance which is not improved after Participant has been provided with a reasonable opportunity to improve his or her performance in accordance with the Company's standard policies and procedures.

(c) A Participant will not be deemed to have been terminated for Cause pursuant to Section 2.5(a) or Section 2.5(b) above, as applicable, unless and until there has been delivered to the Participant written notice that the Participant has engaged in conduct constituting Cause. The determination of Cause will be made by the Committee with respect to any Participant who is employed as the Chief Executive Officer of the Company ("CEO"), by the CEO (or an individual acting in such capacity or possessing such authority on an interim basis) with respect to any Participant who is employed as the Vice Chairman of the Company, Chief Operating Officer of the Company (the "COO"), the Chief Financial Officer of the Company (the "CFO"), the General Counsel of the Company ("GC"), an Executive Vice President ("EVP") of the Company, a Senior Vice President or the equivalent thereof of the Company (collectively "SVP") or a Vice President of the Company ("VP") and by the COO (or an individual acting in such capacity or possessing such authority on an interim basis) with respect to any Participant who is employed as a Hospital Chief Executive Officer ("Hospital CEO") or any other Participants. A Participant who receives written notice that he has engaged in conduct constituting Cause, will be given the opportunity to be heard (either in person or in writing as mutually agreed to by the Participant and the Committee, CEO or COO, as applicable) for the purpose of considering whether Cause exists. If it is determined either at or following such hearing that Cause exists, the Participant will be notified in writing of such determination within five (5) business days.

2.6. *"Code"* shall mean the Internal Revenue Code of 1986, as amended from time to time.

2.7. *"Change in Control"* shall have the same meaning as set forth in the definition of "Change of Control" in the ESP.

2.8. *"Committee"* shall mean the Human Resources Committee of the Board or a subcommittee thereof formed by the Human Resources Committee to act as the Committee hereunder. The Committee shall consist of no fewer than two Directors, each of whom is (i) a "Non-Employee Director" within the meaning of Rule 16b-3 of the Exchange Act, (ii) an "outside director" within the meaning of Section 162(m) of the Code, and (iii) an "independent director" for purpose of the rules and regulations of the New York Stock Exchange (or such other principal securities exchange on which the Shares are traded).

2.9. *"Covered Employee"* shall mean an employee of the Company or its Subsidiaries who is a "covered employee" within the meaning of Section 162(m) of the Code.

2.10. *"Director"* shall mean a non-employee member of the Board.

2.11. *“Dividend Equivalents”* shall have the meaning set forth in Section 12.5.

2.12. *“Employee”* shall mean any employee of the Company or any Subsidiary and any prospective employee conditioned upon, and effective not earlier than, such person becoming an employee of the Company or any Subsidiary.

2.13. *“ESP”* shall mean the Tenet Executive Severance Plan, as amended from time to time.

2.14. *“Exchange Act”* shall mean the Securities Exchange Act of 1934, as amended.

2.15. *“Executive Officer”* shall mean an officer of the Company within the meaning of the rules under Section 16 of the Exchange Act.

2.16. *“Fair Market Value”* shall mean the per Share closing price of the Shares as reported on the New York Stock Exchange as of the relevant date (or if there were no reported prices on such date, on the last preceding date on which the prices were reported) or, if the Company is not then listed on the New York Stock Exchange, on such other principal securities exchange on which the Shares are traded, and if the Company is not listed on the New York Stock Exchange or any other securities exchange, the Fair Market Value of Shares shall be determined by the Committee in its sole discretion.

2.17. *“Good Reason”* shall have the following meaning:

(a) When used in connection with a Qualifying Termination occurring during a Participant’s Protection Period, the same meaning as set forth in Section 2.1(x)(2) of the ESP.

(b) When used in connection with a Qualifying Termination not occurring during a Participant’s Protection Period, for any Participant who is a “Covered Executive” under the ESP, the same meaning as set forth in Section 2.1(x)(1) of the ESP.

(c) For purposes of this Section 2.17, references to “Employer” in the ESP with respect to any Participant means the Company or an Affiliate employing such Participant.

2.18. *“Limitations”* shall have the meaning set forth in Section 10.6.

2.19. *“Option”* shall mean any right granted to a Participant under the Plan allowing such Participant to purchase Shares at such price or prices and during such period or periods as the Committee shall determine.

2.20. *“Other Share-Based Award”* shall have the meaning set forth in Section 8.1.

2.21. *“Participant”* shall mean an Employee or Director who is selected by the Committee to receive an Award under the Plan.

2.22. *"Payee"* shall have the meaning set forth in Section 13.3.

2.23. *"Performance Award"* shall mean any Award of Performance Cash or Performance Share Units granted pursuant to Article 9.

2.24. *"Performance Cash"* shall mean any cash incentives granted pursuant to Article 9 which will be paid to the Participant upon the achievement of such performance goals as the Committee shall establish.

2.25. *"Performance Period"* shall mean the period established by the Committee during which any performance goals specified by the Committee with respect to such Award are to be measured.

2.26. *"Performance Share Unit"* shall mean any grant pursuant to Article 9 of a unit valued by reference to a designated number of Shares, which value will be paid to the Participant upon achievement of such performance goals as the Committee shall establish.

2.27. *"Permitted Assignee"* shall have the meaning set forth in Section 12.3.

2.28. *"Plan Administrator"* shall mean the individual or committee appointed by the Committee to handle the day-to-day administration of the Plan. If the Committee does not appoint an individual or committee to serve as the Plan Administrator, the Committee will be the Plan Administrator.

2.29. *"Protection Period"* shall mean:

(a) with respect to a Participant who is not a "Covered Executive" under the ESP, the period beginning on the date of the Change in Control and ending twenty-four (24) months following the occurrence of a Change in Control; and

(b) with respect to a Participant who is a "Covered Executive" under the ESP, the same period as set forth in the ESP, and as it may be amended from time to time.

2.30. *"Qualifying Termination"* means a Participant's "separation from service" (within the meaning of section 409A of the Code) by reason of:

(a) the involuntary termination of a Participant's employment by the Company (or Subsidiary) without Cause, or

(b) the Participant's resignation from the employment of the Company (or Subsidiary) for Good Reason;

provided, however, that a Qualifying Termination will not occur by reason of the divestiture of a Subsidiary or an Affiliate with respect to a Participant employed by such

Subsidiary or an Affiliate who is offered a comparable position with the purchaser and either declines or accepts such position.

2.31. *"Restricted Stock"* shall mean any Share issued with the restriction that the holder may not sell, transfer, pledge or assign such Share and with such other restrictions as the Committee, in its sole discretion, may impose (including any restriction on the right to vote such Share and the right to receive any dividends), which restrictions may lapse separately or in combination at such time or times, in installments or otherwise, as the Committee may deem appropriate.

2.32. *"Restricted Stock Award"* shall have the meaning set forth in Section 7.1.

2.33. *"Restricted Stock Unit"* means an Award that is valued by reference to a Share, which value may be paid to the Participant by delivery, as the Committee shall determine, of cash, Shares, or any combination thereof, and that has such restrictions as the Committee, in its sole discretion, may impose, including without limitation, any restriction on the right to retain such Awards, to sell, transfer, pledge or assign such Awards, and/or to receive any cash Dividend Equivalents with respect to such Awards, which restrictions may lapse separately or in combination at such time or times, in installments or otherwise, as the Committee may deem appropriate.

2.34. *"Restricted Stock Unit Award"* shall have the meaning set forth in Section 7.1.

2.35. *"Shares"* shall mean the shares of common stock of the Company, par value $0.05 per share.

2.36. *"Stock Appreciation Right"* shall mean the right granted to a Participant pursuant to Article 6.

2.37. *"Subsidiary"* shall mean any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the relevant time each of the corporations other than the last corporation in the unbroken chain owns stock possessing 50% or more of the total combined voting power of all classes of stock in one of the other corporations in the chain.

2.38. *"Substitute Awards"* shall mean Awards granted or Shares issued by the Company in assumption of, or in substitution or exchange for, awards previously granted, or the right or obligation to make future awards, in each case by a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines.

2.39. *"Vesting Period"* shall have the meaning set forth in Section 7.1.

3. SHARES SUBJECT TO THE PLAN

3.1. *Number of Shares.*

(a) Subject to the adjustment provided for in Section 12.2, a total of 23,675,000 Shares shall be authorized for grant under the Plan (i.e., the sum of (i) 8,750,000 Shares originally authorized in 2008; (ii) an additional 5,325,000 Shares authorized in 2010, both as adjusted to reflect the 1-for-4 reverse stock split effective October 10, 2012; (iii) an additional 4,200,000 Shares authorized in 2014; and (iv) an additional 5,400,000 Shares authorized in 2016). Any Shares that are subject to Awards of Options or Stock Appreciation Rights shall be counted against this limit as one (1) Share for every one (1) Share granted. Any Shares that are subject to Awards other than Options or Stock Appreciation Rights granted on or prior to March 12, 2014 shall be counted against this limit as one and two-tenths (1.2) Shares for every one (1) Share granted. Any Shares that are subject to Awards other than Options or Stock Appreciation Rights granted after March 12, 2014 shall be counted against this limit as one and sixty-five hundredths (1.65) Shares for every one (1) Share granted.

(b) If (i) any Shares subject to an Award are forfeited, cancelled or expire or (ii) an Award is settled for cash (in whole or in part), the Shares subject to such Award shall, to the extent of such forfeiture, cancellation, expiration or cash settlement, again be available for Awards under the Plan, in accordance with Section 3.1(d) below. Notwithstanding anything to the contrary contained herein, the following Shares shall not be added to the Shares authorized for grant under paragraph (a) of this Section: (A) Shares tendered by the Participant or withheld by the Company in payment of the purchase price of an Option, (B) Shares tendered by the Participant or withheld by the Company to satisfy any tax withholding obligation with respect to an Option or Stock Appreciation Right, and (C) Shares subject to a Stock Appreciation Right that are not issued in connection with the stock settlement of the Stock Appreciation Right on exercise thereof.

(c) Substitute Awards shall not reduce the Shares authorized for grant under the Plan or authorized for grant to a Participant under Section 10.6. Additionally, in the event that a company acquired by the Company or any Subsidiary or with which the Company or any Subsidiary combines has shares available under a pre-existing plan approved by stockholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the Shares authorized for grant under the Plan; provided that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not Employees or Directors prior to such acquisition or combination. On October 1, 2013, in connection with the Company's acquisition of Vanguard Health Systems, Inc. ("Vanguard") pursuant to that certain Agreement and Plan of Merger dated as of June 24, 2013, 4,514,403 Shares (the "Vanguard Shares"), corresponding to an equivalent number of shares previously available for granted under Vanguard's stock incentive plan, were made available for issuance pursuant to Awards under this Section 3.1(c). From and after March 12, 2014, no further Awards shall be made pursuant to this Section 3.1(c) with respect to the Vanguard Shares, which Vanguard Shares shall not be considered available for issuance pursuant to Awards granted under the Plan after March 12, 2014.

(d) Any Shares that again become available for grant pursuant to this Article shall be added back as (i) one (1) Share if such Shares were subject to Options or Stock Appreciation Rights under the Plan, (ii) as one and two-tenths (1.2) Shares if such Shares were subject to Awards other than Options or Stock Appreciation Rights granted under the Plan on or prior to March 12, 2014 or (iii) as one and sixty-five hundredths (1.65) Shares if such Shares were subject to Awards other than Options or Stock Appreciation Rights granted under the Plan after March 12, 2014.

(e) No Award may be granted if the number of Shares to be delivered in connection with such Award exceeds the number of Shares remaining available under this Plan minus the number of Shares issuable in settlement of or related to then-outstanding Awards. The Committee may adopt reasonable counting procedures to ensure appropriate counting, avoid double counting and make adjustments if the number of Shares actually delivered differs from the number of Shares previously counted in connection with an Award.

3.2. *Character of Shares*. Any Shares issued hereunder may consist, in whole or in part, of authorized and unissued shares, treasury shares or shares purchased in the open market or otherwise.

4. ELIGIBILITY AND ADMINISTRATION

4.1. *Eligibility*. Any Employee or Director shall be eligible to be selected by the Committee as a Participant.

4.2. *Administration*.

(a) The Plan shall be administered by the Committee. The Committee shall have full power and authority, subject to the provisions of the Plan and subject to such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be adopted by the Board, to: (i) select the Employees and Directors to whom Awards may from time to time be granted hereunder; (ii) determine the type or types of Awards, not inconsistent with the provisions of the Plan, to be granted to each Participant hereunder; (iii) determine the number of Shares to be covered by each Award granted hereunder; (iv) determine the terms and conditions, not inconsistent with the provisions of the Plan, of any Award granted hereunder; (v) determine whether, to what extent and under what circumstances, Awards may be settled in cash, Shares or other property; (vi) determine whether, to what extent, and under what circumstances cash, Shares, other property and other amounts payable with respect to an Award made under the Plan shall be deferred either automatically or at the election of the Participant; (vii) determine whether, to what extent and under what circumstances any Award shall be canceled or suspended; (viii) interpret and administer the Plan and any instrument or agreement entered into under or in connection with the Plan, including any Award Agreement; (ix) correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent that the Committee shall deem desirable to carry it into effect; (x) establish such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (xi) determine whether any Award will have Dividend Equivalents and the time and form of payment of such Dividend Equivalents; and (xii) make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Plan.

(b) Decisions of the Committee shall be final, conclusive and binding on all persons or entities, including the Company, any Participant, and any Subsidiary. A majority of the members of the Committee may determine its actions, including fixing the time and place of its meetings. Notwithstanding the foregoing, the determination of the Directors to whom Awards may be granted, the time(s) at which Awards may be granted to Directors and the number of Shares subject to Awards to Directors (within the limitations set forth in Section 10.7 below) shall be made by the Board.

(c) To the extent not inconsistent with applicable law, including Section 162(m) of the Code, or the rules and regulations of the New York Stock Exchange (or such other principal securities exchange on which the Shares are traded), the Committee may delegate to one or more Executive Officers or a committee of Executive Officers the right to grant Awards to Employees who are not Directors or Executive Officers of the Company, the authority to take action on behalf of the Committee pursuant to the Plan to cancel or suspend Awards to Employees who are not Directors or Executive Officers of the Company and the authority to take any of the other actions described in Section 4.2(a).

(d) The Committee may appoint the Plan Administrator, who will have the responsibility and duty to administer the Plan on a daily basis. The Committee may remove the Plan Administrator with or without cause at any time. The Plan Administrator will have all the day-to-day responsibilities of administering the Plan but for those duties retained by the Committee as set forth above in Section 4.2(c) and not otherwise delegated to such Plan Administrator.

5. OPTIONS

5.1. *Grant of Options*. Options may be granted hereunder to Participants either alone or in addition to other Awards granted under the Plan. Any Option shall be subject to the terms and conditions of this Article and to such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall deem desirable.

5.2. *Award Agreements*. All Options granted pursuant to this Article shall be evidenced by a written Award Agreement in such form and containing such terms and conditions as the Committee shall determine which are not inconsistent with the provisions of the Plan. Such Award Agreement shall be exempt from the requirements of Code Section 409A. The terms of Options need not be the same with respect to each Participant. Granting an Option pursuant to the Plan shall impose no obligation on the recipient to exercise such Option. Any individual who is granted an Option pursuant to this Article may hold more than one Option granted pursuant to the Plan at the same time.

5.3. *Option Price*. Other than in connection with Substitute Awards, the option price per each Share purchasable under any Option granted pursuant to this Article shall not be less than 100% of the Fair Market Value of one Share on the date of grant of such Option. Other than pursuant to Section 12.2, the Committee shall not without the approval of the Company's stockholders (a) lower the option price per Share of an Option after it is granted, (b) cancel an Option in exchange for cash or another Award (other than in connection with Substitute Awards), or (c) take any other action with respect to an Option that would be treated as a repricing under the rules and regulations of the principal securities exchange on which the Shares are traded.

5.4. *Option Term*. The term of each Option shall be fixed by the Committee in its sole discretion; provided that no Option shall be exercisable after the expiration of ten (10) years from the date the Option is granted, except in the event of death or disability.

5.5. *Minimum Vesting Period*. Except for Substitute Awards and in certain limited situations determined by the Committee (including the death, disability or retirement of the Participant and a Change in Control), Options shall have a vesting period of not less than one (1) year from date of grant (but permitting pro rata vesting over such time); provided that such restrictions shall not be applicable to (i) grants to new hires to replace forfeited awards from a prior employer; or (ii) grants of Options in payment of Performance Awards and other earned cash-based incentive compensation. Subject to the foregoing minimum vesting period requirements, the Committee may, in its sole discretion, waive the vesting period and any other conditions set forth in any Award Agreement subject to such terms and conditions as the Committee shall deem appropriate. The minimum vesting period requirements of this Section shall not apply to Options granted to Directors.

5.6. *Exercise of Options*.

(a) Vested Options granted under the Plan shall be exercised by the Participant or by a Permitted Assignee thereof (or by the Participant's executors, administrators, guardian or legal representative, as may be provided in an Award Agreement or in this Plan) as to all or part of the Shares covered thereby, by giving notice of exercise to the Company or its designated agent, specifying the number of Shares to be purchased. The notice of exercise shall be in such form, made in such manner, and in compliance with such other requirements consistent with the provisions of the Plan as the Committee may prescribe from time to time.

(b) If an Employee voluntarily resigns his employment with the Company or a Subsidiary, then any vested Options will remain exercisable for ninety (90) days thereafter unless by their terms they expire sooner. During said period, such Options may be exercised in accordance with their terms, but only to the extent exercisable on the date of termination of employment.

(c) Unless otherwise provided in an Award Agreement, full payment of such purchase price shall be made at the time of exercise and shall be made (i) in cash or cash equivalents (including certified check or bank check or wire transfer of immediately available funds), (ii) by tendering previously acquired Shares (either actually or by attestation, valued at their then Fair Market Value), (iii) with the consent of the Committee, by delivery of other consideration (including, where permitted by law and the Committee, other Awards) having a Fair Market Value on the exercise date equal to the total purchase price, (iv) with the consent of the Committee, by withholding Shares otherwise issuable in connection with the exercise of the Option, (v) through any other method specified in an Award Agreement (including same-day sales through a broker except by Executive Officers), or (vi) any combination of any of the foregoing. The notice of exercise, accompanied by such payment, shall be delivered to the Company at its principal business office or such other office as the Committee may from time to time direct, and shall be in such form, containing such further provisions consistent with the provisions of the Plan, as the Committee may from time to time prescribe. In no event may any Option granted hereunder be exercised for a fraction of a Share. No adjustment shall be made for cash dividends or other rights for which the record date is prior to the date of such issuance.

5.7. *Form of Settlement*. In its sole discretion, the Committee may provide that the Shares to be issued upon an Option's exercise shall be in the form of Restricted Stock or other similar securities.

5.8. *Incentive Stock Options*. The Committee may grant Options intended to qualify as "incentive stock options" as defined in Section 422 of the Code, to any employee of the Company or any Subsidiary, subject to the requirements of Section 422 of the Code. Solely for purposes of determining whether Shares are available for the grant of "incentive stock options" under the Plan, the maximum aggregate number of Shares that may be issued pursuant to "incentive stock options" granted under the Plan shall be the number of Shares set forth in the first sentence of Section 3.1(a), subject to adjustments provided for in Section 12.2. Incentive stock options shall not be granted more than ten years after the earlier of the adoption of this Plan or the approval of this Plan by the Company's stockholders. In addition, the Fair Market Value of Shares subject to an incentive stock option and the aggregate Fair Market Value of Shares of any parent corporation or subsidiary corporation (within the meaning of Sections 424(e) and (f) of the Code) subject to any other incentive stock option (within the meaning of Section 422 of the Code)) of the Company or a parent corporation or a subsidiary corporation (within the meaning of Sections 424(e) and (f) of the Code) that first becomes purchasable by a Participant in any calendar year may not (with respect to that Participant) exceed $100,000, or such other amount as may be prescribed under Section 422 of the Code or applicable regulations or rulings from time to time. As used in the previous sentence, Fair Market Value shall be determined as of the date the incentive stock options are granted. Failure to comply with this provision shall not impair the enforceability or exercisability of any Option, but shall cause the excess amount of shares to be reclassified in accordance with the Code.

6. STOCK APPRECIATION RIGHTS

6.1. *Grant and Exercise*. The Committee may provide Stock Appreciation Rights (a) in conjunction with all or part of any Option granted under the Plan or at any subsequent time during the term of such Option, (b) in conjunction with all or part of any Award (other than an Option) granted under the Plan or at any subsequent time during the term of such Award, or (c) without regard to any Option or other Award in each case upon such terms and conditions as the Committee may establish in its sole discretion.

6.2. *Terms and Conditions*. Stock Appreciation Rights shall be subject to such terms and conditions, not inconsistent with the provisions of the Plan, as shall be determined from time to time by the Committee, including the following:

(a) Upon the exercise of a Stock Appreciation Right, the holder shall have the right to receive the excess of (i) the Fair Market Value of one Share on the date of exercise (or such amount less than such Fair Market Value as the Committee shall so determine at any time during a specified period before the date of exercise) over (ii) the grant price of the Stock Appreciation Right on the date of grant, which, except in the case of Substitute Awards or in connection with an adjustment provided for in Section 12.2, shall not be less than the Fair Market Value of one Share on such date of grant of the Stock Appreciation Right.

(b) The Committee shall determine in its sole discretion whether payment of a Stock Appreciation Right shall be made in cash, in whole Shares, or any combination thereof.

(c) The Award Agreement evidencing a grant of Stock Appreciation Rights shall be exempt from the requirements of Code Section 409A.

(d) The provisions of Stock Appreciation Rights need not be the same with respect to each recipient.

(e) The Committee may impose such other conditions or restrictions on the terms of exercise and the grant price of any Stock Appreciation Right, as it shall deem appropriate. A Stock Appreciation Right shall have (i) a grant price not less than Fair Market Value on the date of grant (subject to the requirements of Section 409A of the Code with respect to a Stock Appreciation Right granted in conjunction with, but subsequent to, an Option), and (ii) a term not greater than ten (10) years except in the event of death or disability.

(f) Without the approval of the Company's stockholders, other than pursuant to Section 12.2, the Committee shall not (i) reduce the grant price of any Stock Appreciation Right after the date of grant, (ii) cancel any Stock Appreciation Right in exchange for cash or another Award (other than in connection with Substitute Awards), and (iii) take any other action with respect to a Stock Appreciation Right that would be treated as a repricing under the rules and regulations of the principal securities market on which the Shares are traded.

(g) Except for Substitute Awards and in certain limited situations determined by the Committee (including the death, disability or retirement of the Participant and a Change in Control), Stock Appreciation Rights shall have a vesting period of not less than one (1) year from date of grant (but permitting pro rata vesting over such time); provided that such restrictions shall not be applicable to (i) grants to new hires to replace forfeited awards from a prior employer; or (ii) grants of Stock Appreciation Rights in payment of Performance Awards and other earned cash-based incentive compensation. Subject to the foregoing minimum vesting period requirements, the Committee may, in its sole discretion, waive the vesting period and any other conditions set forth in any Award Agreement subject to such terms and conditions as the Committee shall deem appropriate. The minimum vesting period requirements of this Section shall not apply to Stock Appreciation Rights granted to Directors.

(h) The Committee may impose such other terms and conditions on Stock Appreciation Rights granted in conjunction with any Award as the Committee shall determine in its sole discretion.

7. RESTRICTED STOCK AND RESTRICTED STOCK UNITS

7.1. *Grants*. Awards of Restricted Stock and of Restricted Stock Units may be issued hereunder to Participants either alone or in addition to other Awards granted under the Plan (a "Restricted Stock Award" or "Restricted Stock Unit Award" respectively), and such Restricted Stock Awards and Restricted Stock Unit Awards shall also be available as a form of payment of Performance Awards and other earned cash-based incentive compensation. A Restricted Stock Award or Restricted Stock Unit Award shall be subject to vesting restrictions imposed by the Committee covering a period of time specified by the Committee (the "Vesting Period"). The Committee has absolute discretion to determine whether any consideration (other than services) is to be received by the Company or any Subsidiary as a condition precedent to the issuance of Restricted Stock or Restricted Stock Units.

7.2. *Award Agreements*. The terms of any Restricted Stock Award or Restricted Stock Unit Award granted under the Plan shall be set forth in a written Award Agreement which shall contain provisions determined by the Committee and not inconsistent with the Plan. Such Award Agreement shall either comply with, or be exempt from, the requirements of Code Section 409A. The terms of Restricted Stock Awards and Restricted Stock Unit Awards need not be the same with respect to each Participant.

7.3. *Rights of Holders of Restricted Stock and Restricted Stock Units*. Unless otherwise provided in the Award Agreement, beginning on the date of grant of the Restricted Stock Award and subject to execution of the Award Agreement, the Participant shall become a stockholder of the Company with respect to all Shares subject to the Award Agreement and shall have all of the rights of a stockholder, including the right to vote such Shares and the right to receive distributions made with respect to such Shares. A Participant receiving a Restricted Stock Unit Award shall not possess voting rights with respect to such Award. Except as otherwise provided in an Award Agreement any Shares or any other property (other than cash) distributed as a dividend or otherwise with respect to any Restricted Stock Award or Restricted Stock Unit Award as to which the restrictions have not yet lapsed shall be subject to the same restrictions as such Restricted Stock Award or Restricted Stock Unit Award.

7.4. *Minimum Vesting Period*. Except for Substitute Awards and in certain limited situations determined by the Committee (including the death, disability or retirement of the Participant and a Change in Control), Restricted Stock Awards and Restricted Stock Unit Awards subject solely to continued service with the Company or a Subsidiary shall have a Vesting Period of not less than three (3) years from date of grant (but permitting pro rata vesting over such time); provided that such restrictions shall not be applicable to (i) grants to new hires to replace forfeited awards from a prior employer, provided that such grants together with grants under Section 8.3(i) shall not exceed 5% of the number of Shares authorized for Awards under Section 3.1; or (ii) grants of Restricted Stock or Restricted Stock Units in payment of Performance Awards and other earned cash-based incentive compensation. Restricted Stock Awards and Restricted Stock Unit Awards subject to the achievement of performance objectives shall have a minimum Vesting Period of one (1) year. Subject to the foregoing minimum Vesting Period requirements, the Committee may, in its sole discretion and subject to the limitations imposed under Section 162(m) of the Code and the regulations thereunder in the case of a Restricted Stock Award intended to comply with the performance-based exception under Code Section 162(m), waive the Vesting Period and any other conditions set forth in any Award Agreement subject to such terms and conditions as the Committee shall deem appropriate. The minimum Vesting Period requirements of this Section shall not apply to Restricted Stock Awards or Restricted Stock Unit Awards granted to Directors.

7.5. *Issuance of Shares*. Any Restricted Stock granted under the Plan may be evidenced in such manner as the Committee may deem appropriate, including book-entry registration or issuance of a stock certificate or certificates, which certificate or certificates shall be held by the Company. Such certificate or certificates shall be registered in the name of the Participant and shall bear an appropriate legend referring to the restrictions applicable to such Restricted Stock.

8. OTHER SHARE-BASED AWARDS

8.1. *Grants*. Other Awards of Shares and other Awards that are valued by reference to, or are otherwise based on, Shares ("Other Share-Based Awards") may be granted hereunder to Participants either alone or in addition to other Awards granted under the Plan. Other Share-Based Awards shall also be available as a form of payment of other Awards granted under the Plan and other earned cash-based compensation.

8.2. *Award Agreements*. The terms of Other Share-Based Award granted under the Plan shall be set forth in a written Award Agreement which shall contain provisions determined by the Committee and not inconsistent with the Plan. Such Award Agreement shall either comply with, or be exempt from, the requirements of Code Section 409A. The terms of such Awards need not be the same with respect to each Participant.

8.3. *Minimum Vesting Period*. Except for Substitute Awards and in certain limited situations determined by the Committee (including the death, disability or retirement of the Participant and a Change in Control), Other Share-Based Awards subject solely to continued service with the Company or a Subsidiary shall have a Vesting Period of not less than three (3) years from date of grant (but permitting pro rata vesting over such time); provided that such restrictions shall not be applicable to (i) grants to new hires to replace forfeited awards from a prior employer, provided that such grants together with grants under Section 7.4(i) shall not exceed 5% of the number of Shares authorized for Awards under Section 3.1; or (ii) grants of Other Share-Based Awards in payment of Performance Awards and other earned cash-based incentive compensation. Other Share-Based Awards subject to the achievement of performance objectives shall have a minimum Vesting Period of one (1) year. Subject to the foregoing minimum Vesting Period requirements, the Committee may, in its sole discretion and subject to the limitations imposed under Section 162(m) of the Code and the regulations thereunder in the case of an Other Share-Based Award intended to comply with the performance-based exception under Code Section 162(m), waive the Vesting Period and any other conditions set forth in any Award Agreement subject to such terms and conditions as the Committee shall deem appropriate. The minimum Vesting Period requirements of this Section shall not apply to Other Share-Based Awards granted to Directors.

8.4. *Payment*. Except as may be provided in an Award Agreement, Other Share-Based Awards may be paid in cash, Shares, or any combination thereof in the sole discretion of the Committee. Other Share-Based Awards may be paid in a lump sum or in installments or, in accordance with procedures established by the Committee, on a deferred basis subject to the requirements of Section 409A of the Code.

9. PERFORMANCE AWARDS

9.1. *Grants*. Performance Awards in the form of Performance Cash or Performance Share Units, as determined by the Committee in its sole discretion, may be granted hereunder to Participants, for no consideration or for such minimum consideration as may be required by applicable law, either alone or in addition to other Awards granted under the Plan. The performance goals to be achieved for each Performance Period shall be conclusively determined by the Committee and may be based upon the criteria set forth in Section 10.2.

9.2. *Award Agreements*. The terms of any Performance Award granted under the Plan shall be set forth in a written Award Agreement which shall contain provisions determined by the Committee and not inconsistent with the Plan, including whether such Awards shall have Dividend Equivalents. Such Award Agreement shall either comply with, or be exempt from, the requirements of Code Section 409A. The terms of Performance Awards need not be the same with respect to each Participant.

9.3. *Terms and Conditions*. The performance criteria to be achieved during any Performance Period and the length of the Performance Period shall be determined by the Committee upon the grant of each Performance Award; provided, however, that a Performance Period shall not be shorter than twelve (12) months. The amount of the Award to be distributed shall be conclusively determined by the Committee.

9.4. *Payment*. Except as provided in Article 11 or as may be provided in an Award Agreement, Performance Awards will be distributed only after the end of the relevant Performance Period. Performance Awards may be paid in cash, Shares, or any combination thereof in the sole discretion of the Committee. Performance Awards may be paid in a lump sum or in installments following the close of the Performance Period or, in accordance with procedures established by the Committee, on a deferred basis subject to the requirements of Section 409A of the Code.

10. CODE SECTION 162(m) PROVISIONS

10.1. *Covered Employees*. Notwithstanding any other provision of the Plan, if the Committee determines at the time a Restricted Stock Award, a Restricted Stock Unit Award, a Performance Award or an Other Share-Based Award is granted to a Participant who is, or is likely to be, as of the end of the tax year in which the Company would claim a tax deduction in connection with such Award, a Covered Employee, then the Committee may provide that this Article 10 is applicable to such Award.

10.2. *Performance Criteria*. If the Committee determines that a Restricted Stock Award, a Restricted Stock Unit, a Performance Award or an Other Share-Based Award is intended to be subject to this Article 10, the lapsing of restrictions thereon and the distribution of cash, Shares or other property pursuant thereto, as applicable, shall be subject to the achievement of one or more objective performance goals established by the Committee, which shall be based on the attainment of specified levels of one or any combination of the following:

(a) Basic or diluted earnings per share of common stock, which may be calculated as income calculated in accordance with Section 10.2(d), divided by (x) the weighted average number of shares, in the case of basic earnings per share, and (y) the weighted average number of shares and share equivalents of common stock, in the case of diluted earnings per share;

(b) Cash flow, which may be calculated or measured in any manner specified by the Committee;

(c) Economic value added, which is after-tax operating profit less the annual total cost of capital;

(d) Income, which may include, without limitation, net income, operating income, volume measures (*e.g.*, admissions or visits) and expense control measures, and which and may be calculated or measured before or after income taxes, including or excluding interest, depreciation and amortization, minority interests, extraordinary items and other material non-recurring items, discontinued operations, the cumulative effect of changes in accounting policies and the effects of any tax law changes;

(e) Quality of service and/or patient care, which may be measured by the extent to which the Company achieves pre-set quality objectives including, without limitation, patient, physician and/or employee satisfaction objectives;

(f) Business performance or return measures (consisting of market share, debt reduction, return on assets, capital, equity, or sales), which may be calculated or measured in any manner specified by the Committee;

(g) The price of the Company's common or preferred stock (including, but not limited to, growth measures and total shareholder return), which may be calculated or measured in any manner specified by the Committee; or

(h) Any of the above Performance Criteria, determined on an absolute or relative basis or as compared to the performance of a published or special index deemed applicable by the Committee including, but not limited to, the Standard & Poor's 500 Stock Index or a group of companies deemed by the Committee to be comparable to the Company.

Such performance goals also may be based solely by reference to the Company's performance or the performance of a Subsidiary, division, business segment or business unit of the Company, or based upon the relative performance of other companies or upon comparisons of any of the indicators of performance relative to other companies. As and to the extent permitted by Section 162(m) of the Code, in the event of (i) a change in corporate capitalization, a corporate transaction or a complete or partial corporate liquidation, (ii) a natural disaster or other significant unforeseen event that materially impacts the operation of the Company, (iii) any extraordinary gain or loss or other event that is treated for accounting purposes as an extraordinary item under generally accepted accounting principles, or (iv) any material change in accounting policies or practices affecting the Company and/or the performance goals, then, to the extent any of the foregoing events was not anticipated at the time the performance goals were established, the Committee may make adjustments to the performance goals, based solely on objective criteria, so as to neutralize the effect of the event on the applicable Award.

10.3. *Timing for Establishing Performance Criteria*. Performance goals shall be established not later than 90 days after the beginning of any Performance Period applicable to such Awards, or at such other earlier date as may be required or permitted for "performance-based compensation" under Section 162(m) of the Code.

10.4. *Settlement and Adjustments*. The Committee shall at the end of the applicable Performance Period, determine whether the applicable performance goals were satisfied and the amount payable with respect to any Restricted Stock Award, Restricted Stock Unit Award, Performance Award or Other Share-Based Award. Notwithstanding any provision of the Plan (other than Article 11), with respect to any such Award that is subject to this Section 10, the Committee may adjust downwards, but not upwards, the amount payable pursuant to such Award; provided, however, that no such adjustment shall be made if it would cause the Plan or an Award to fail to comply with or be exempt from the requirements of Section 409A of the Code. The Committee may not waive the achievement of the applicable performance goals, except in the case of the death or disability of the Participant, in the event of a Change in Control, or as otherwise determined by the Committee in special circumstances, subject to the requirements of Section 162(m) of the Code. All such determinations by the Committee shall be in writing and the Committee may not delegate any responsibility relating to Awards subject to this Section 10.

10.5. *Restrictions*. The Committee shall have the power to impose such other restrictions on Awards subject to this Article as it may deem necessary or appropriate to ensure that such Awards satisfy all requirements for "performance-based compensation" within the meaning of Section 162(m) of the Code.

10.6. *Limitations on Grants to Individual Participants*. Subject to adjustment as provided for in Section 12.2, no Participant may with respect to Awards that are intended to comply with the performance-based exception under Code Section 162(m) (i) be granted Options or Stock Appreciation Rights during any period of five consecutive fiscal years with respect to more than an average of 375,000 Shares per year over such five consecutive fiscal year period, and (ii) earn more than an average of 375,000 Shares per year under Restricted Stock Awards, Restricted Stock Unit Awards, Performance Awards and/or Other Share-Based Awards in any period of five consecutive fiscal years and are denominated in Shares (collectively, the "Limitations"). In addition to the foregoing, the maximum dollar value that may be earned by any Participant in any period of five consecutive fiscal years with respect to Performance Awards that are intended to comply with the performance-based exception under Code Section 162(m) and are denominated in cash is an annual average of $7,500,000 during such five consecutive fiscal year period. If an Award is cancelled, the cancelled Award shall continue to be counted toward the applicable Limitations.

10.7. *Limitations on Director Awards.* The aggregate dollar value of equity-based (based on the grant date Fair Market Value of equity-based Awards) and cash compensation granted under this Plan or otherwise during any calendar year to any one Director shall not exceed $650,000; provided, however, that in any calendar year in which a Director serves as Chairman of the Board or Lead Director, the maximum aggregate dollar value of equity-based and cash compensation to the Director may be up to $850,000, and the foregoing limit shall not count any Stock Appreciation Rights granted in conjunction with all or part of any Award granted hereunder.

11. CHANGE IN CONTROL PROVISIONS

11.1. *Impact on Certain Awards*. Award Agreements may provide that in the event of a Change in Control of the Company: (a) Options and Stock Appreciation Rights outstanding as of the date of the Change in Control shall be cancelled and terminated without payment therefor if the Fair Market Value of one Share as of the date of the Change in Control is less than the per Share Option exercise price or Stock Appreciation Right grant price, and (b) all Performance Awards shall be considered to be earned and payable (either in full or pro rata based on the portion of Performance Period completed as of the date of the Change in Control and either based on achievement of target or actual performance during such period), and any limitations or other restriction shall lapse and such Performance Awards shall be immediately settled or distributed.

11.2. *Assumption or Substitution of Certain Awards*.

(a) Unless otherwise provided in an Award Agreement or the ESP, with respect to a Participant who is a "Covered Executive" under the ESP, or, to the extent applicable, prohibited by Section 162(m) of the Code, in the event of a Change in Control of the Company in which the successor company assumes or substitutes for an Option, Stock Appreciation Right, Restricted Stock Award, Restricted Stock Unit Award or Other Share-Based Award, if a Participant incurs a Qualifying Termination with such successor company (or a subsidiary thereof) within the Protection Period (or such other period set forth in the Award Agreement, including a period prior thereto if applicable) and under the circumstances specified in the Award Agreement, then the following shall occur:
(i) Options and Stock Appreciation Rights outstanding as of the date of such termination of employment will immediately vest (*i.e.*, immediately vest on the termination date), become fully exercisable, and may thereafter be exercised for twenty-four (24) months (or the period of time set forth in the Award Agreement), but in any event no later than the

date of the expiration of the term of such Award), (ii) restrictions, limitations and other conditions applicable to Restricted Stock and Restricted Stock Units shall lapse and the Restricted Stock and Restricted Stock Units shall become free of all restrictions, limitations and conditions and become fully vested on the termination date, and (iii) the restrictions, limitations and other conditions applicable to any Other Share-Based Awards or any other Awards shall lapse, and such Other Share-Based Awards or such other Awards shall become free of all restrictions, limitations and conditions and become fully vested and transferable, to the full extent of the original grant, on the termination date. For the purposes of this Section 11.2, an Option, Stock Appreciation Right, Restricted Stock Award, Restricted Stock Unit Award or Other Share-Based Award shall be considered assumed or substituted for if following the Change in Control the Award confers the right to purchase or receive, for each Share subject to the Option, Stock Appreciation Right, Restricted Stock Award, Restricted Stock Unit Award or Other Share-Based Award immediately prior to the Change in Control, the consideration (whether stock, cash or other securities or property) received in the transaction constituting a Change in Control by holders of Shares for each Share held on the effective date of such transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares); provided, however, that if such consideration received in the transaction constituting a Change in Control is not solely common stock of the successor company, the Committee may, with the consent of the successor company, provide that the consideration to be received upon the exercise or vesting of an Option, Stock Appreciation Right, Restricted Stock Award, Restricted Stock Unit Award or Other Share-Based Award, for each Share subject thereto, will be solely common stock of the successor company substantially equal in fair market value to the per share consideration received by holders of Shares in the transaction constituting a Change in Control. The determination of such substantial equality of value of consideration shall be made by the Committee in its sole discretion and its determination shall be conclusive and binding.

(b) Unless otherwise provided in an Award Agreement or the ESP, with respect to a Participant who is a "Covered Executive" under the ESP, or, to the extent applicable, prohibited by Section 162(m) of the Code, in the event of a Change in Control of the Company to the extent the successor company does not assume or substitute for an Option, Stock Appreciation Right, Restricted Stock Award, Restricted Stock Unit Award or Other Share-Based Award: (i) those Options and Stock Appreciation Rights outstanding as of the date of the Change in Control that are not assumed or substituted for shall immediately vest and become fully exercisable as of the date of the Change in Control, (ii) restrictions, limitations and other conditions on Restricted Stock and Restricted Stock Units that are not assumed or substituted for shall lapse and the Restricted Stock and Restricted Stock Units shall become free of all restrictions, limitations and conditions and become fully vested as of the date of the Change in Control, and (iii) the restrictions, limitations and other conditions applicable to any Other Share-Based Awards or any other Awards that are not assumed or substituted for shall lapse, and such Other

Share-Based Awards or such other Awards shall become free of all restrictions, limitations and conditions and become fully vested and transferable, to the full extent of the original grant, as of the date of the Change in Control.

(c) The Committee, in its discretion, and to the extent applicable, consistent with Section 162(m) of the Code, may determine that, upon the occurrence of a Change in Control of the Company, each Option and Stock Appreciation Right outstanding shall terminate within a specified number of days after notice to the Participant, and/or that each Participant shall receive, with respect to each Share subject to such Option or Stock Appreciation Right, an amount equal to the excess of the Fair Market Value of such Share immediately prior to the occurrence of such Change in Control over the exercise price per share of such Option and/or Stock Appreciation Right; such amount to be payable in cash, in one or more kinds of stock or property (including the stock or property, if any, payable in the transaction) or in a combination thereof, as the Committee, in its discretion, shall determine.

12. GENERALLY APPLICABLE PROVISIONS

12.1. *Amendment and Termination of the Plan*. The Committee may, from time to time, alter, amend, suspend or terminate the Plan as it shall deem advisable, subject to any requirement for stockholder approval imposed by applicable law, including the rules and regulations of the principal securities market on which the Shares are traded; provided that the Committee may not amend the Plan in any manner that would result in noncompliance with Rule 16b-3 of the Exchange Act; and further provided that the Committee may not, without the approval of the Company's stockholders, amend the Plan to (a) increase the number of Shares that may be the subject of Awards under the Plan (except for adjustments pursuant to Section 12.2), (b) expand the types of awards available under the Plan, (c) materially expand the class of persons eligible to participate in the Plan, (d) amend any provision of Section 5.3, Section 6.2(e) or Section 6.2(f) (regarding changes in the exercise price of Options and Stock Appreciation Rights), (e) increase the maximum permissible term of any Option specified by Section 5.4 or the maximum permissible term of a Stock Appreciation Right specified by Section 6.2(e), or (f) increase the limitations set forth in Section 10.6 or 10.7. The Committee may not, without the approval of the Company's stockholders, take any other action with respect to an Option or Stock Appreciation Right that would be treated as a repricing under the rules and regulations of the principal securities exchange on which the Shares are traded, including a reduction of the exercise price of an Option or the grant price of a Stock Appreciation Right or the exchange of an Option or Stock Appreciation Right for cash or another Award. In addition, no amendments to, or termination of, the Plan shall impair in any material respect the rights of a Participant under any Award previously granted without such Participant's consent except as required to comply with applicable securities laws or Section 409A of the Code.

12.2. *Adjustments*. In the event of any merger, reorganization, consolidation, recapitalization, dividend or distribution (whether in cash, shares or other property, other than a regular cash dividend), stock split, reverse stock split, spin-off or similar transaction or other change in corporate structure affecting the Shares or the value thereof, such adjustments and other substitutions shall be made to the Plan and to Awards as the Committee deems equitable or appropriate taking into consideration the accounting and tax consequences, including such adjustments in the aggregate number, class and kind of securities that may be delivered under the Plan, the Limitations, the maximum number of Shares that may be issued as incentive stock options and, in the aggregate or to any one Participant, in the number, class, kind and option or exercise price of securities subject to outstanding Awards granted under the Plan (including, if the Committee deems appropriate, the substitution of similar options to purchase the shares of, or other awards denominated in the shares of, another company) as the Committee may determine to be appropriate; provided, however, that no such adjustment or other substitution shall be made if it would cause the Plan or an Award to fail to comply with or be exempt from the requirements of Section 409A of the Code and provided, further, that the number of Shares subject to any Award shall always be a whole number.

12.3. *Transferability of Awards*. Except as provided below, no Award and no Shares subject to Awards that have not been issued or as to which any applicable restriction, performance or deferral period has not lapsed, may be sold, assigned, transferred, pledged or otherwise encumbered, other than by will or the laws of descent and distribution, and such Award may be exercised during the life of the Participant only by the Participant or the Participant's guardian or legal representative. To the extent and under such terms and conditions as determined by the Committee, a Participant may assign or transfer an Award (each transferee thereof, a "Permitted Assignee") to (i) the Participant's spouse, children or grandchildren (including any adopted and step children or grandchildren), parents, grandparents or siblings, (ii) to a trust for the benefit of one or more of the Participant or the persons referred to in clause (i), (iii) to a partnership, limited liability company or corporation in which the Participant or the persons referred to in clause (i) are the only partners, members or shareholders, (iv) for charitable donations or (v) pursuant to a domestic relations order entered or approved by a court of competent jurisdiction; provided that such Permitted Assignee shall be bound by and subject to all of the terms and conditions of the Plan and the Award Agreement relating to the transferred Award and shall execute an agreement satisfactory to the Company evidencing such obligations; and provided further that such Participant shall remain bound by the terms and conditions of the Plan. The Company shall cooperate with any Permitted Assignee and the Company's transfer agent in effectuating any transfer permitted under this Section.

12.4. *Termination of Employment.* Subject to Article 11, the Committee shall determine and set forth in each Award Agreement whether any Awards granted in such Award Agreement will (i) in the case of Options or Stock Appreciation Rights, continue to be or become exercisable and, if so, the terms of exercise, and (b) in the case of Restricted Stock, Restricted Stock Units, Performance Awards or Other Share-Based Awards, cease to be subject to any applicable restrictions, limitations and other conditions, and if so, the timing of the removal of such restrictions, limitations and conditions, after the date that a Participant ceases to be employed by or to provide services to the Company or any Subsidiary (including as a Director), whether by reason of death, disability, voluntary or involuntary termination of employment or services, or otherwise. The date of termination of a Participant's employment or services will be determined by the Committee, which determination will be final.

12.5. *Deferral; Dividend Equivalents*. The Committee shall be authorized to establish procedures pursuant to which the payment of any Award may be deferred. Such procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred payments or the grant or crediting of Dividend Equivalents or other amounts in respect of deferred payments denominated in Shares. Any deferral shall only be allowed as is provided in a separate deferred compensation plan adopted by the Company. This Plan shall not constitute an "employee benefit plan" for purposes of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended.

Subject to the provisions of the Plan and any Award Agreement, the recipient of an Award (including any deferred Award) may, if so determined by the Committee, be entitled to receive, currently or on a deferred basis, cash, stock or other property dividends, or cash payments in amounts equivalent to cash, stock or other property dividends on Shares ("Dividend Equivalents") with respect to the number of Shares covered by the Award, as determined by the Committee, in its sole discretion. The Committee may provide that such Dividend Equivalents (if any) shall be either (a) be paid with respect to such Award on the dividend payment date in cash or in unrestricted Shares having a Fair Market Value equal to the amount of such dividends or (b) be deferred and the amount or value thereof automatically reinvested in additional Shares, other Awards or otherwise reinvested and may provide that such Dividend Equivalents are subject to the same vesting or performance conditions as the underlying Award; provided, however, that in no event shall any Dividend Equivalents be paid with respect to an Award subject to performance-based vesting conditions until (and only to the extent) such conditions have been satisfied.

13. MISCELLANEOUS

13.1. *Award Agreements*. Each Award Agreement shall either be (a) in writing in a form approved by the Committee and executed by the Company by an officer duly authorized to act on its behalf, or (b) an electronic notice in a form approved by the Committee and recorded by the Company (or its designee) in an electronic recordkeeping system used for the purpose of tracking one or more types of Awards as the Committee may provide; in each case and if required by the Committee, the Award Agreement shall be executed or otherwise electronically accepted by the recipient of the Award in such form and manner as the Committee may require. The Committee may authorize any officer of the Company to execute any or all Award Agreements on behalf of the Company. The Award Agreement shall set forth the material terms and conditions of the Award as established by the Committee consistent with the provisions of the Plan.

13.2. *Other Benefit Plans*. In the event that a provision of any other plan or benefit program of the Employer is more favorable to a Participant with respect to the treatment of any Award upon termination of employment or in connection with a Change in Control than the provisions contained in this Plan or an applicable Award Agreement, the provisions of such other plan or benefit program will control.

13.3. *Tax Withholding*. The Company shall have the right to make all payments or distributions pursuant to the Plan to a Participant (or a Permitted Assignee thereof) (any such person, a "Payee") net of any applicable federal, state and local taxes required to be paid or withheld as a result of (a) the grant of any Award, (b) the exercise of an Option or Stock Appreciation Right, (c) the delivery of Shares or cash, (d) the lapse of any restrictions in connection with any Award or (e) any other event occurring pursuant to the Plan. The Company or any Subsidiary shall have the right to withhold from wages or other amounts otherwise payable to such Payee such withholding taxes as may be required by law, or to otherwise require the Payee to pay such withholding taxes. If the Payee shall fail to make such tax payments as are required, the Company or its Subsidiaries shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to such Payee or to take such other action as may be necessary to satisfy such withholding obligations. The Committee shall be authorized to establish procedures for election by Participants to satisfy such obligation for the payment of such taxes by tendering previously acquired Shares (either actually or by attestation, valued at their then Fair Market Value), or by directing the Company to retain Shares (up to the Participant's minimum required tax withholding rate or such other rate that will not trigger a negative accounting impact) otherwise deliverable in connection with the Award.

13.4. *Right of Discharge Reserved; Claims to Awards*. Nothing in the Plan nor the grant of an Award hereunder shall confer upon any Employee or Director the right to continue in the employment or service of the Company or any Subsidiary or affect any right that the Company or any Subsidiary may have to terminate the employment or service of (or to demote or to exclude from future Awards under the Plan) any such Employee or Director at any time for any reason. Except as specifically provided by the Committee, the Company shall not be liable for the loss of existing or potential profit from an Award granted in the event of termination of an employment or other relationship. No Employee or Participant shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Employees or Participants under the Plan.

13.5. *Substitute Awards*. Notwithstanding any other provision of the Plan, the terms of Substitute Awards may vary from the terms set forth in the Plan to the extent the Committee deems appropriate to conform, in whole or in part, to the provisions of the awards in substitution for which they are granted.

13.6. *Cancellation of Award*. Notwithstanding anything to the contrary contained herein, an Award Agreement may provide that the Award shall be canceled if the Participant, without the consent of the Company, while employed by the Company or any Subsidiary or after termination of such employment or service, establishes a relationship with a competitor of the Company or any Subsidiary or engages in activity that is in conflict with or adverse to the interest of the Company or any Subsidiary, as determined by the Committee in its sole discretion. The Committee may provide in an Award Agreement that if within the time period specified in the Agreement the Participant establishes a relationship with a competitor or engages in an activity referred to in the preceding sentence, the Participant will forfeit any gain realized on the vesting or exercise of the Award and must repay such gain to the Company.

13.7. *Stop-Transfer Orders*. All certificates for Shares delivered under the Plan pursuant to any Award shall be subject to such stop-transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Shares are then listed, and any applicable federal or state securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

13.8. *Nature of Payments*. All Awards made pursuant to the Plan are in consideration of services performed or to be performed for the Company or any Subsidiary, division or business unit of the Company. Any income or gain realized pursuant to Awards under the Plan constitute a special incentive payment to the Participant and shall not be taken into account, to the extent permissible under applicable law, as compensation for purposes of any of the employee benefit plans of the Company or any Subsidiary except as may be determined by the Committee or by the Board or board of directors of the applicable Subsidiary.

13.9. *Other Plans*. Nothing contained in the Plan shall prevent the Board from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is required; and such arrangements may be either generally applicable or applicable only in specific cases.

13.10. *Severability*. If any provision of the Plan shall be held unlawful or otherwise invalid or unenforceable in whole or in part by a court of competent jurisdiction, such provision shall (a) be deemed limited to the extent that such court of competent jurisdiction deems it lawful, valid and/or enforceable and as so limited shall remain in full force and effect, and (b) not affect any other provision of the Plan or part thereof, each of which shall remain in full force and effect. If the making of any payment or the provision of any other benefit required under the Plan shall be held unlawful or otherwise invalid or unenforceable by a court of competent jurisdiction, such unlawfulness, invalidity or unenforceability shall not prevent any other payment or benefit from being made or provided under the Plan, and if the making of any payment in full or the provision of any other benefit required under the Plan in full would be unlawful or otherwise invalid or unenforceable, then such unlawfulness, invalidity or unenforceability shall not prevent such payment or benefit from being made or provided in part, to the extent that it would not be unlawful, invalid or unenforceable, and the maximum payment or benefit that would not be unlawful, invalid or unenforceable shall be made or provided under the Plan.

13.11. *Construction*. As used in the Plan, the words "include" and "including," and variations thereof, shall not be deemed to be terms of limitation, but rather shall be deemed to be followed by the words "without limitation."

13.12. *Unfunded Status of the Plan*. The Plan is intended to constitute an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Participant by the Company, nothing contained herein shall give any such Participant any rights that are greater than those of a general creditor of the Company. In its sole discretion, the Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver the Shares or payments in lieu of or with respect to Awards hereunder; provided, however, that the existence of such trusts or other arrangements is consistent with the unfunded status of the Plan.

13.13. *Governing Law*. The Plan and all determinations made and actions taken thereunder, to the extent not otherwise governed by the Code or the laws of the United States, shall be governed by the laws of the State of Nevada, without reference to principles of conflict of laws, and construed accordingly.

13.14. *Effective Date of Plan; Termination of Plan*. The Plan was originally effective on May 8, 2008, the date of the first approval of the Plan by the holders of the shares entitled to vote at a duly constituted meeting of the stockholders of the Company. This amendment and restatement of the Plan shall also be subject to the approval by the holders of the shares entitled to vote at a duly constituted meeting of the stockholders of the Company. This amendment and restatement of the Plan shall be null and void and of no effect if the foregoing condition is not fulfilled. Awards may be granted under the Plan at any time and from time to time on or prior to February 26, 2024, on which date the Plan will expire except as to Awards then outstanding under the Plan. Such outstanding Awards shall remain in effect until they have been exercised or terminated, or have expired.

13.15. *Foreign Employees*. Awards may be granted to Participants who are foreign nationals or employed outside the United States, or both, on such terms and conditions different from those applicable to Awards to Employees employed in the United States as may, in the judgment of the Committee, be necessary or desirable in order to recognize differences in local law or tax policy. The Committee also may impose conditions on the exercise or vesting of Awards in order to minimize the Company's obligation with respect to tax equalization for Employees on assignments outside their home country.

13.16. *Compliance with Section 409A of the Code*. This Plan is intended to comply and shall be administered in a manner that is intended to comply with Section 409A of the Code and shall be construed and interpreted in accordance with such intent. To the extent that an Award or the payment, settlement or deferral thereof is subject to

Section 409A of the Code, the Award shall be granted, paid, settled or deferred in a manner that will comply with Section 409A of the Code, including regulations or other guidance issued with respect thereto, except as otherwise determined by the Committee. Any provision of this Plan that would cause the grant of an Award or the payment, settlement or deferral thereof to fail to satisfy Section 409A of the Code shall be amended to comply with Section 409A of the Code on a timely basis, which may be made on a retroactive basis, in accordance with regulations and other guidance issued under Section 409A of the Code. Notwithstanding the foregoing, the Company, the Board and the Committee shall have no liability to a Participant, or any other party, if an Award that is intended to be exempt from, or compliant with, Section 409A of the Code is not so exempt or compliant or for any action taken or that was not taken by the Board or the Committee.

13.17. *Captions*. The captions in the Plan are for convenience of reference only, and are not intended to narrow, limit or affect the substance or interpretation of the provisions contained herein.

Exhibit 31(a)

Rule 13a-14(a)/15d-14(a) Certification

I, Trevor Fetter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tenet Healthcare Corporation (the “Registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: August 1, 2016

/s/ TREVOR FETTER
Trevor Fetter
Chief Executive Officer and Chairman of the Board of Directors

Exhibit 31(b)

Rule 13a-14(a)/15d-14(a) Certification

I, Daniel J. Cancelmi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tenet Healthcare Corporation (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 1, 2016

/s/ DANIEL J. CANCELMI
Daniel J. Cancelmi
Chief Financial Officer

Exhibit 32

Certifications Pursuant to Section 1350 of Chapter 63
of Title 18 of the United States Code

We, the undersigned Trevor Fetter and Daniel J. Cancelmi, being, respectively, the Chairman, President and Chief Executive Officer and the Chief Financial Officer of Tenet Healthcare Corporation (the "Registrant"), do each hereby certify that (i) the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 (the "Form 10-Q"), to be filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Registrant and its subsidiaries.

Date: August 1, 2016

/s/ TREVOR FETTER
Trevor Fetter
Chief Executive Officer and Chairman of the Board of Directors

Date: August 1, 2016

/s/ DANIEL J. CANCELMI
Daniel J. Cancelmi
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. §1350; it is not being filed for purposes of Section 18 of the Securities Exchange Act, and is not to be incorporated by reference into any filing of the Registrant, whether made before or after the date hereof, regardless of any general incorporation language in such filing.