

Hospitals Credit Diagnosis

Operating Trends Remain Weak but Solid Liquidity Supports Credit Profiles Special Report

This is the first edition of Fitch Ratings' Hospitals Credit Diagnosis. This report replaces the For-Profit Hospital Quarterly Diagnosis. It provides a review of quarterly operating trends in the for-profit hospital industry, updated information on companies' liquidity profiles, a discussion of company-specific rating triggers, and detailed debt and organizational charts.

Related Research

[For-Profit Hospital Insights: Fitch's Annual Review of Bad Debt Accounting Policies and Practices \(June 2012\)](#)

[For Profit Hospital Insights: Electronic Health Record Incentive Payments \(March 2012\)](#)

[2012 Outlook: U.S. Healthcare \(December 2011\)](#)

[U.S. Leveraged Finance Spotlight Series: HCA, Inc. \(October 2011\)](#)

[For-Profit Hospital Insights: Changes in Bad Debt Reporting Will Improve Disclosure \(July 2011\)](#)

[For-Profit Hospital Insights: A Review of Bad Debt Accounting Policies and Practices \(June 2011\)](#)

Related Criteria

[Corporate Rating Methodology \(August 2012\)](#)

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Second-Quarter 2012 Highlights

Non-Urban Market Weakness Continues: After a slight rebound in the first quarter, patient volumes in the for-profit hospital sector were weaker in the second quarter, with same-hospital admissions down 2.7% on average, while adjusted admissions were basically flat at 0.5%. Despite weak volume growth, all companies except Universal Health Services posted positive growth in same-hospital net revenues, with average topline growth of 3.7%. Organic volumes continue to trend more weakly in non-urban markets, with growth supported by relatively stronger pricing versus urban-market hospital providers.

SCOTUS ACA Decision Positive: The Affordable Care Act (ACA) is mostly intact following the U.S. Supreme Court (SCOTUS) decision in late June. This is a positive outcome for the hospital industry since Fitch Ratings thinks that the coverage expansion provisions of the ACA will initially boost revenues and profitability, although these gains will likely be eroded by lower reimbursement over time. Despite the SCOTUS decision, there are still legislative challenges to the survival of the ACA, which will depend on the outcome of the November elections.

Higher Capital Expenditures: Fitch thinks that the industry's level of FCF generation could be pressured by higher capital expenditures and lower profitability in second-half 2012. Capital expenditures averaged 6.1% percent of revenues in the second quarter. Higher levels of capital expenditures are driven by several factors, including capital commitments related to recent hospital acquisitions and maintenance deferred to conserve cash during the economic recession.

Lower Leverage Through EBITDA Growth: Debt leverage as measured by total debt-to-EBITDA trended downward slightly for most companies during the second quarter due to the annualization of recently acquired EBITDA. Growth in EBITDA in the sector is being supported by acquired hospitals, despite a drag on margins as the result of the integration of acquisitions. This leverage reduction is likely transient. Companies are not likely to prioritize use of cash for debt paydown and Fitch believes that management teams are comfortable at current debt levels.

Refinancings Extend Bank Debt: LifePoint Hospitals and Community Health Systems, Inc. extended maturities in the second quarter. Community has undertaken a series of refinancing transactions, most recently issuing \$1.6 billion of senior secured notes due 2018 (rated 'BB+/RR1') and using the proceeds to pay down 2014 term loan maturities. LifePoint extended its term loan maturity to 2017 from 2014. Across the Fitch-rated group, 2012–2014 maturities are manageable, with HCA Holdings, Inc.'s \$3.2 billion of 2012–2013 maturities the only significant issue.

Ratings Stable in the Second Half: Despite a persistently weak organic operating trend, Fitch does not expect to downgrade ratings in the sector during second-half 2012. Companies in the Fitch-rated group have adequate headroom in financial and credit metrics relative to current ratings, with credit profiles supported through adequate liquidity, manageable debt maturities, and growth contributed through recent acquisitions.

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Review — Community Health Systems, Inc.

(As of June 30, 2012)

Ratings

IDR	B+
Senior Secured Bank Term Loan	BB+/RR1
Senior Secured Bank Revolver	BB+/RR1
Senior Secured Notes	B/RR5
Rating Outlook	Stable

Summary of Operations

LTM Net Revenue (\$ Bil.)	13.33
Hospitals	134
Avg. Licensed Beds	19,798
# of States	29
Revenue Concentration (%)	13.1 TX; 11.5 PA; 10.3 IN

Liquidity Analysis

Cash and ST Investments	115.1
Revolver Availability	707.3
ABL Availability	—
Total Liquidity	822.4
LTM FCF	348.4
LTM EBITDA	1,933.7

Credit Facilities Summary

Facility	Maturity	Committed	Drawn + LOC	Available
Revolver	Oct. 2016	750.0	42.7	707.3
ABL	March 2014	300.0	300.0	0.0

Bank Facility Covenants	Maintenance Level (x)	Fitch Calc. Level (x)	Est. EBITDA Cushion (%)
Debt Leverage	5.50	4.81	12.5
Interest Coverage	2.25	2.97	24.2

Debt Maturities ^a	2012	2013	2014	2015	2016	Thereafter	Total
Bank Debt and ABL	37.5	75.0	975.0	113.0	450.0	3,000.0	4,650.5
Bonds and Convertible Notes	—	—	—	—	—	4,825.0	4,825.0

Strengths and Concerns

Strengths

- Success at augmenting weak organic growth through hospital acquisitions.
- CHS has sole provider status in 59% of its markets. However, recovery of patient utilization trends in non-urban markets has been weak since the trough of the recession.
- Solid liquidity profile after recent extension of 2014–2015 debt maturities.

Concerns

- Heightened regulatory scrutiny surrounding short-stay admissions practices.
- Recently weak organic patient volume trends. Some drop in admissions volume could be attributable to fixing issues surrounding short stay admissions practices.
- FCF generation is solid but could be pressured by higher capital expenditures, and lower profitability due to integration of lower margin acquired hospitals. Fitch expects FCF to be sustained above \$300 million annually, however.

Rating Triggers

Based on CHS's financial and credit metrics, there is limited upside ratings potential. An upgrade to the 'BB' category would require debt maintained at or below 4.0x EBITDA. A negative rating action could be the result of event risk surrounding a large acquisition, or any potential financial liability stemming from the regulatory issues facing the company. Deterioration in organic operating trends or difficulties in integrating acquisitions could weigh on the credit profile, especially if a decline in EBITDA leads to debt levels maintained above 5.0x.

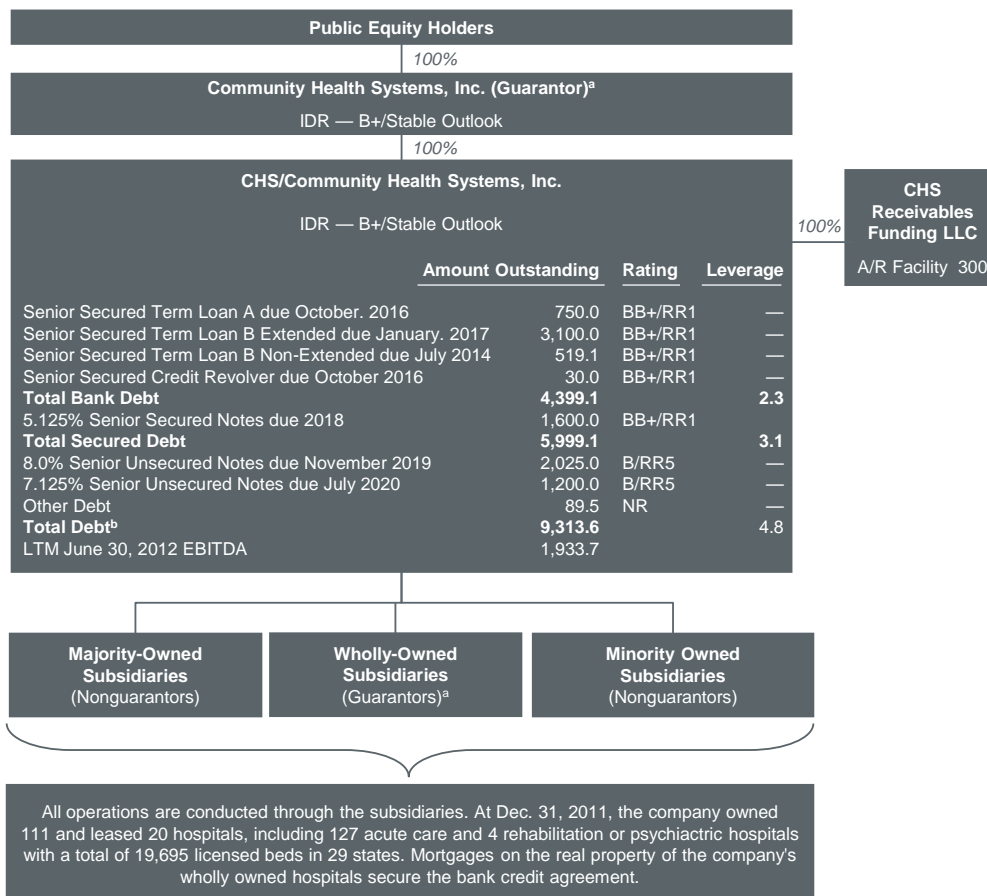
Operating Highlights

Metric	Change ^b (%)	Notes
Same-Hospital Net Revenues	4.50	Almost entirely supported by growth in pricing
Same-Hospital Admissions	(2.00)	Weak flu and obstetrics volumes, competition and service line closures
Same-Hospital Adjusted Admissions	0.50	Second consecutive quarter of positive growth after seven quarters of declines
Same-Hospital Net Revenue Per Adjusted Admission	3.89	Supported by growth in charges, commercial payor rate increases and slightly higher acuity

^aPro forma for third-quarter 2012 financing activity. ^bPercentages represent quarter-over-quarter growth. Same-hospital net revenue and net revenue per adjusted admission are adjusted for the change in bad debt accounting. IDR – Issuer default rating.
Source: Company filings, Fitch calculations.

Organization Structure — Community Health Systems

(\$ Mil., at June 30, 2012)



^aThe parent company and its wholly owned domestic subsidiaries guarantee the bank agreement and notes, with certain exceptions. At June 30, 2012 the guarantors of the notes represented about 60% and 45% of consolidated revenue and assets, respectively. ^bPro forma for 3Q12 financing activities. IDR – Issuer default rating. NR – Not rated. LTM – Latest 12 months. A/R – Accounts receivable.
Source: Fitch Ratings and company reports and filings.

Review — HCA Holdings, Inc.

(As of June 30, 2012)

Ratings

HCA Holdings, Inc.	
IDR	B+
Sr. Unsecured Notes	B-/RR6
Rating Outlook	Stable
HCA, Inc.	
IDR	B+
Sr. Secured Bank Facility	BB+/RR1
Sr. Secured First-Lien Notes	BB+/RR1
Sr. Secured Second-Lien Notes	BB+/RR1
Sr. Unsecured Notes	B+/RR4
Rating Outlook	Stable

Summary of Operations

LTM Net Revenue (\$ Bil.)	32.94
Hospitals	163
Avg. Licensed Beds	41,789
# of States	18
Revenue Concentration	75 Hospitals in TX and FL Contributed 46% of Revenue in Q212

Liquidity Analysis

Cash and ST Investments	518.0
Revolver Availability	1,165.0
ABL Availability	1,935.0
Total Liquidity	3,618.0
LTM FCF	1,470.0
LTM EBITDA	6,476.0

Credit Facilities Summary

Facility	Maturity	Committed	Drawn + LOC ^a	Available
Revolver	September 2016	2,500.0	1,335.0	1,165.0
ABL	November, 2015	2,000.0	65.0	1,935.0

Bank Facility Covenants	Maintenance Level	Fitch Calc. Level (x)	Est. EBITDA Cushion (%)
Debt Leverage	6.75	4.18	37.7
Interest Coverage	N.A.	3.46	—

Debt Maturities	2012	2013	2014	2015	2016	Thereafter	Total
Bank Debt	322.0	1,441.0	81.0	81.0	2,555.0	4,230.0	8,710.0
Bonds and Convertible Notes	500.0	1,000.0	621.0	900.0	1,000.0	14,129.0	18,150.0

Strengths and Concerns

Strengths

- Strongest operating profile in the industry with excellent geographic diversification and operating scale.
- Good financial flexibility highlighted by excellent cash generation, although FCF will more likely be used for shareholder dividends and acquisitions than debt repayment.

Concerns

- Concentrated private equity ownership and evolving financial strategy, with potential for further large dividends and share repurchases.
- \$3.2 billion of 2012–2013 debt maturities

Rating Triggers

Maintenance of a 'B+' IDR will require debt-to-EBITDA maintained around 4.5x. An expectation of total debt-to-EBITDA sustained above 4.5x could pressure ratings. While the company's industry-leading operating profile could probably support an IDR in the 'BB' category, the 'B+' rating incorporates the high level of financial event risk for the company given its concentrated private equity ownership. The September 2011 \$1.5 billion BofA share repurchase and the February 2012 \$1 billion special dividend are recent evidence of the company's evolving financial strategy and the potentially large impacts on the capital structure. Debt levels periodically trending above 4.5x EBITDA can be tolerated at the 'B+' rating, depending upon Fitch's assessment of the company's willingness and ability to reduce debt leverage following a transaction.

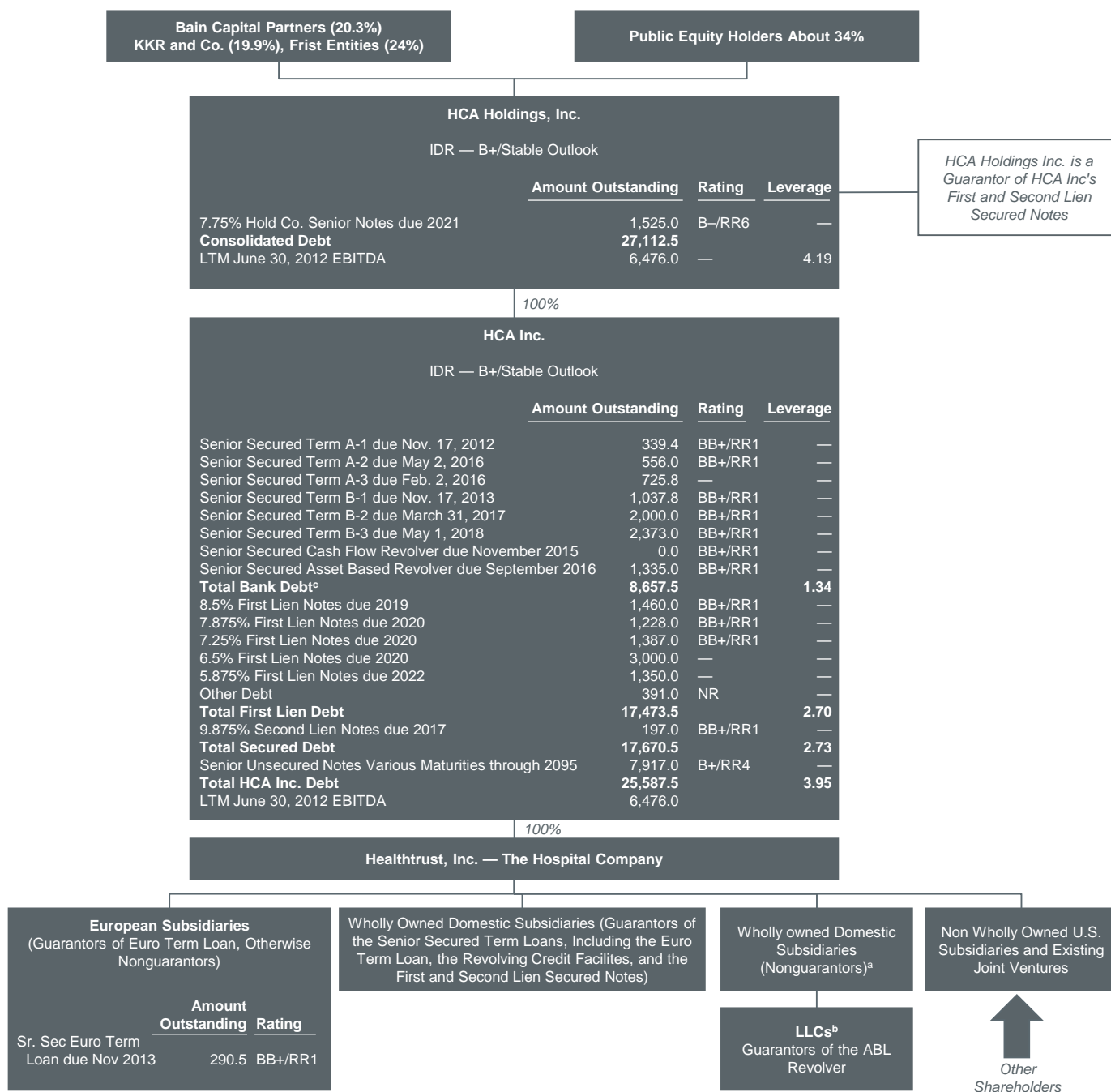
Operating Highlights

Metric	Change ^b (%)	Notes
Same-Hospital Net Revenues	3.80	Entirely contributed by volume growth since pricing was flat in the quarter. Industry leading admissions growth, although heavy contribution from uninsured admissions, which were up 8.9% in the quarter.
Same-Hospital Admissions	2.50	8.9% in the quarter.
Same-Hospital Adjusted Admissions	3.90	Second-quarter 2012 was the 19th consecutive quarter of positive growth in adjusted admissions.
Same-Hospital Net Revenue Per Adjusted Admission	(0.10)	Same-facility Medicaid pricing down 15.5% due to rate cuts in both Florida and Texas. Also pressured by negative shift in payor mix with stronger growth in Medicaid and Medicare volumes than in commercial payor volumes. While case mix acuity had been a drag on pricing in recent periods, it stabilized in second-quarter 2012 for most payor classes.

^aAll outstanding LOC applied to the balance of the cash flow revolver for the purposes of calculating liquidity. ^bPercentages represent quarter-over-quarter growth. Same-hospital net revenue and net revenue per adjusted admission are adjusted for the change in bad debt accounting. IDR – Issuer default rating. Source: Company filings, Fitch calculations.

Organization Structure — HCA

(\$ Mil., at June 30, 2012)



^aIncludes subsidiaries designated as "restricted" under HCA Inc.'s 1993 indenture, plus other excluded non-material subsidiaries. At June 30, 2012 guarantors represented ~52% of consolidated revenues and ~50% of consolidated assets. ^bABL entity is a restricted sub of a 1993 indenture-restricted subsidiary all of the business which consists of financing AR transactions. Is a guarantor of the asset-based revolver and is an excluded sub under the CFCF agreement. ^cIncludes the balance outstanding on the Euro Term Loan. IDR – Issuer default rating. NR – Not Rated. LTM – Latest 12 months.

Source: Fitch Ratings and company reports and filings.

Review — Health Management Associates, Inc.

(As of June 30, 2012)

Ratings

IDR	BB-
Senior Secured Bank Term Loan	BB+/RR1
Senior Secured Bank Revolver	BB+/RR1
Senior Unsecured Notes	BB-
Subordinate Convertible Notes	B
Rating Outlook	Stable

Summary of Operations

LTM Net Revenue (\$ Bil.)	5.93
Hospitals	70
Avg. Licensed Beds	10,429
No. of States	15
Revenue Concentration	22 Hospitals in FL, 10 in MS, 9 in TN

Liquidity Analysis

Cash and ST Investments	156.3
Revolver Availability	449.5
Total Liquidity	605.8
LTM FCF	200.2
LTM EBITDA	915.5

Credit Facilities Summary

Facility	Maturity	Committed	Drawn + LOC	Available
Revolver	Nov. 2016	500.0	50.5	449.5

Bank Facility Covenants	Maintenance Level (x)	Fitch Calc. Level (x)	Est. EBITDA Cushion (%)
Debt Leverage	5.50	3.93	28.5
Interest Coverage	3.25	4.21	22.8

Debt Maturities	2012	2013	2014	2015	2016	Thereafter	Total
Bank Debt	23.0	69.5	100.1	123.0	449.2	1,400.0	2,164.8
Bonds and Convertible Notes	—	—	82.6	—	400.0	875.0	1,357.6

Strengths and Concerns

Strengths

- Solid liquidity profile, following a comprehensive refinancing of the capital structure in late 2011. Debt maturities are small through 2015.
- Active and successful acquisition strategy. Since 2009, HMA has acquired 19 hospitals with trailing revenue of \$1.39 billion. EBITDA margin has dropped by only 30 bps in that time despite the integration of lower margin acquired hospitals.

Concerns

- With 22 of its 70 hospitals located in Florida, HMA is vulnerable to Medicaid funding cuts in that state. Florida cut reimbursement for hospital providers by 12.5% in fiscal 2012 and 5.6% in fiscal 2013.
- Recently experiencing very weak growth in same-hospital admissions and growth in adjusted admission has been flat. The company notes, however, that the drop in admissions is being driven by lower volumes of uninsured patients.

Rating Triggers

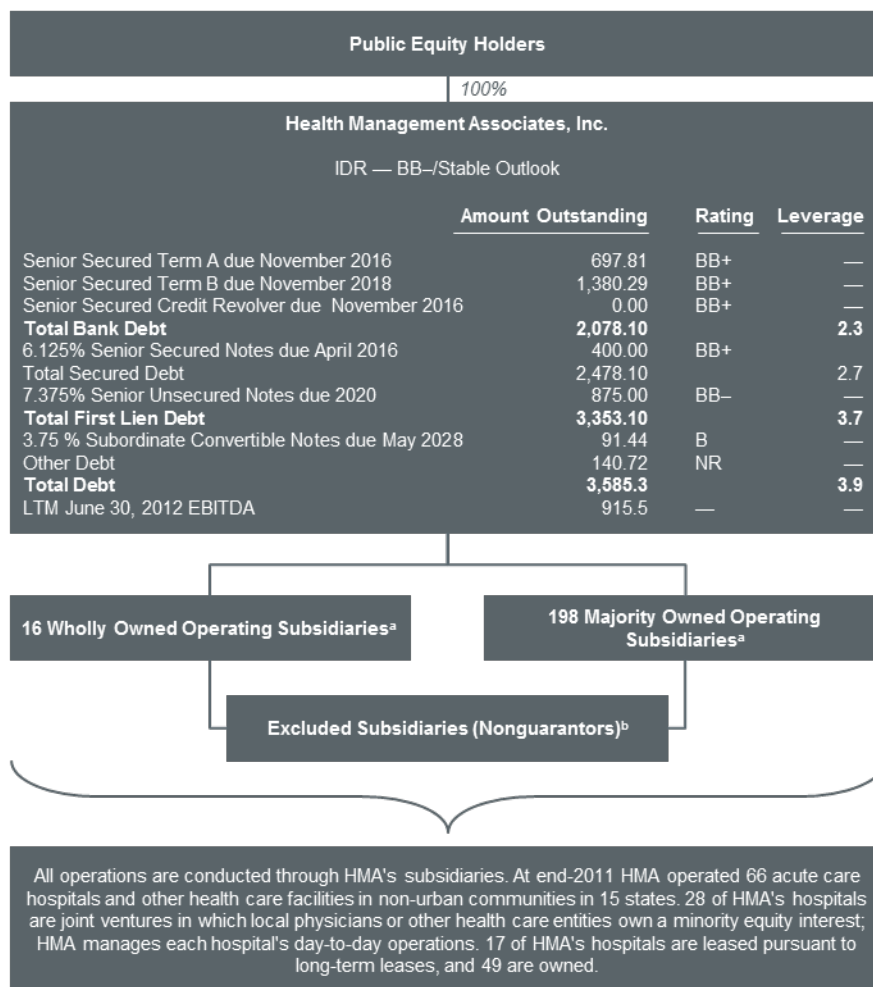
Maintenance of a 'BB-' IDR will require debt-to-EBITDA maintained near 4.0x, coupled with a sustained solid liquidity profile. Although there is currently solid headroom in the 'BB-' rating, an upgrade to 'BB' is unlikely unless the company commits to maintaining debt at or below 3.5x EBITDA. There is tolerance at the 'BB-' rating category for debt to periodically trend above 4.0x EBITDA for the funding of acquisitions, as long as Fitch believes the company is willing and able to reduce debt leverage in the 12-18 months following the transaction.

Operating Highlights

Metric	Change ^a	Notes
Same-hospital Net Revenues	6.11	Entirely driven by growth in pricing since volumes were flat.
Same-hospital Admissions	(4.00)	Headwind from lower uninsured patient volumes and growth in greater than 24 hour observation visits. Management expects full year 2012 same-hospital admissions declines of 1%-3%.
Same-hospital Adjusted Admissions	(0.20)	Headwind from lower uninsured patient volumes. Management expects full year 2012 same-hospital adjusted admissions growth of +/-1%.
Same-hospital Net Revenue Per Adjusted Admission	6.33	Pricing supported by a higher acuity case mix partially resulting from service line expansions. Inpatient surgeries flat despite drop in admissions and outpatient surgeries up 5%.

^aPercentages represent quarter-over-quarter growth. Same-hospital net revenue and net revenue per adjusted admission are adjusted for the change in bad debt accounting. IDR – Issuer default rating.
Source: Company filings, Fitch calculations.

Organization Structure — Health Management Associates, Inc.
 (\$ Mil., at June 30, 2012)



^aThe first lien debt is guaranteed by all domestic restricted subsidiaries (at June 30, 2012 there are no foreign subsidiaries) with certain permitted exceptions. At June 30, 2012, guarantor subsidiaries represented 50% of net revenue and 58% of consolidated total assets. ^bPer the credit facility, the total EBITDA of restricted subsidiaries which are nonguarantors cannot exceed 40% of consolidated EBITDA. IDR – Issuer default rating. NR – Not Rated. LTM – Latest 12 months.

Source: Fitch Ratings and company reports and filings.

Review — LifePoint Hospitals, Inc.

(As of June 30, 2012)

Ratings

IDR	BB
Senior Secured Bank Facility	BB+
Senior Unsecured Notes	BB
Subordinated Convertible Notes	BB-
Rating Outlook	Stable

Summary of Operations

LTM Net Revenue (\$ Bil.)	3.46
Hospitals	55
Avg. Licensed Beds	6,082
# of States	18
Revenue Concentration	Not Disclosed

Liquidity Analysis

Cash and ST Investments	172.3
Revolver Availability	320.0
Total Liquidity	492.3
LTM FCF	144.8
LTM EBITDA	557.4

Credit Facilities Summary

Facility	Maturity	Committed	Drawn + LOC	Available
Revolver	July 2017	350.0	30.0	320.0

Bank Facility Covenants	Maintenance Level (x)	Fitch Calc. Level (x)	Est. EBITDA Cushion (%)
Debt Leverage	5.00	2.97	40.6
Interest Coverage	N.A.	7.3	—

Debt Maturities	2012	2013	2014	2015	2016	Thereafter	Total
Bank Debt	—	11.3	11.3	11.3	22.5	393.8	450.0
Bonds and Convertible Notes	—	—	575.0	—	—	625.0	1,200.0

Strengths and Concerns

Strengths

- Strong balance sheet. LifePoint's debt leverage is amongst the lowest in the for-profit hospital industry. Fitch thinks LifePoint is likely to increase debt to fund acquisitions and capital expenditures over the next 12–18 months, but expects leverage to remain within the company's target range of 3.0x–4.0x.
- Successful acquisition strategy aided by novel Duke-LifePoint joint venture model.
- Sole provider status in 52 of 56 markets confers benefits in capturing market share and negotiating contacts with commercial payors.

Concerns

- LifePoint's operations are concentrated in non-urban markets which are susceptible to current weakness in certain non-acute service lines, including flu and obstetrics.
- Lower profitability and higher capital expenditures could pressure FCF generation, but Fitch expects it to be maintained around \$150 million annually.

Rating Triggers

Maintenance of a 'BB' IDR for LifePoint will require debt-to-EBITDA maintained at or below 3.5x, coupled with a sustained solid liquidity profile, with FCF sufficient to fund the company's growth-through-acquisition strategy. The company has a publicly stated leverage target of 3.0x–4.0x. An upgrade of the ratings to 'BB+' would require the company to maintain debt below the 3.0x lower limit of the targeted leverage range. A leveraging acquisition or deterioration in financial flexibility resulting from difficulties in integration of its recent acquisitions would be the most likely causes of a negative rating action for LifePoint. Also of concern is the potential for a sustained weak organic growth trend for the hospital industry, which could erode profitability and financial flexibility over time.

Operating Highlights

Metric	Change ^a (%)	Notes
Same-Hospital Net Revenues	3.56	New Medicaid provider tax programs in WV and NC contributed 63% of revenue growth in second-quarter 2012.
Same-hospital Admissions	(6.40)	Weak systemic trends in flu, obstetrics and elective procedure volumes
Same-hospital Adjusted Admissions	(2.10)	Ongoing shift of inpatient volumes to outpatient basis; observation visits were up 5% in second-quarter 2012.
Same-hospital Net Revenue Per Adjusted Admission	5.80	Favorable shift in patient payor mix and higher acuity case mix supported pricing. The majority of the admission decline was contributed by Medicare and Medicaid patients and commercial payor admits were up 110 bps.

^aPercentages represent quarter-over-quarter growth. Same-hospital net revenue and net revenue per adjusted admission are adjusted for the change in bad debt accounting. N.A. – not applicable IDR – Issuer default rating.
Source: Company filings, Fitch calculations.

Organization Structure — LifePoint Hospitals, Inc.
(\$ Mil., at June 30, 2012)

Public Equity Holders			
	100%		
LifePoint Hospitals, Inc.			
IDR — BB/Stable Outlook			
	Amount Outstanding	Rating	Leverage
Senior Secured Term A due July 24, 2017	450.00	BB+	—
Senior Secured Credit Revolver due July 24, 2017	0.00	BB+	—
Total Bank Debt^c	450.00		1.2
6.625% Senior Unsecured Notes due Oct. 1, 2020	400.00	BB	
Total First Lien Debt	850.00		1.5
3.5% Subordinate Convertible Notes due May 15, 2014	575.00	BB-	—
3.25% Subordinate Convertible Debentures due Aug. 15, 2025	225.00	BB-	—
Other Debt	9.10	NR	
Total Debt	1,659.1		3.0
LTM June 30, 2012 EBITDA	557.4		
Operating Subsidiaries (Guarantors) ^a			
Excluded Subsidiaries (Nonguarantors) ^b			
<p>All operations are conducted through LifePoint's subsidiaries. At June 30, 2012 LifePoint operated 56 hospitals in 17 states. LifePoint's hospitals are the sole acute-care provider in 52 of its 56 markets.</p>			

^aThe bank debt is guaranteed on a secured basis by all domestic subsidiaries whether or not wholly owned, and the senior notes are guaranteed on an unsecured basis. The collateral securing the bank debt is limited to equity of the subsidiaries and does not include real or personal property. ^bThe total assets of operating subsidiaries which are non-guarantors cannot exceed 25% of consolidated total assets or 25% of consolidated revenues. At June 30, 2012 guarantors represented 87% of revenues and 89% of assets. ^cPro forma for Q3'12 financing activities. IDR – Issuer default rating. NR – Not rated. LTM – Latest 12 months.
Source: Fitch Ratings and company reports and filings.

Review — Tenet Healthcare Corp.

(As of June 30, 2012)

Ratings

IDR	B
Senior Secured Bank Facility	BB/RR1
Senior Secured Notes	BB/RR1
Senior Unsecured Notes	B/RR4
Rating Outlook	Stable

Summary of Operations

LTM Net Revenue (\$ Bil.)	9.37
Hospitals	49
Avg. Licensed Beds	13,176
# of States	12
Revenue Concentration	(% of Beds at 12/31/11) 25.9% FL, 19.5% TX; 17.5% CA

Liquidity Analysis

Cash and ST Investments	82.0
Revolver Availability	445.0
Total Liquidity	527.0
LTM FCF	(29.0)
LTM EBITDA	1,124.0

Credit Facilities Summary

Facility	Maturity	Committed	Drawn + LOC	Available
Revolver	December 2014	800.0	355.0	445.0

Bank Facility Covenants ^a	Maintenance Level (x)	Fitch Calc. Level (x)	Est. EBITDA Cushion (%)
Debt Leverage	N.A.	4.33	—
Interest Coverage	N.A.	3.06	—

Debt Maturities	2012	2013	2014	2015	2016	Thereafter	Total
Bank Debt	—	—	—	—	200.0	—	200.0
Bonds and Convertible Notes	—	216.0	60.0	474.0	—	3,920.3	4,670.3

Strengths and Concerns

Strengths

- Strong balance sheet, with low debt levels relative to the 'B' rating category. Fitch does not expect Tenet to apply cash to debt reduction, however; so leverage is likely to be maintained at current levels or could trend higher if the company elects to issue debt to fund acquisitions or share repurchases.
- Outpatient acquisition strategy should help to bolster profitability and grow revenue through gains in inpatient market share.

Concerns

- Industry-lagging profitability. Tenet only generates one-third of its revenues from outpatient services, versus 50%–60% for its peer companies. Outpatient services are more profitable than inpatient volumes.
- Negative FCF profile. Tenet's industry-lagging profitability and high cash interest expense weigh on its ability to generate FCF.
- Recently shareholder-friendly capital deployment strategy. Tenet issued notes to retire convertible stock in second-quarter 2012, in part to avoid dilution of share price. The effect on FCF was neutral.

Rating Triggers

Maintenance of a 'B' IDR for Tenet would be consistent with credit metrics maintained at current levels, coupled with an expectation of sustained positive FCF generation. More clarity on Tenet's cash deployment strategy would also support the ratings in light of the company's recently more shareholder friendly capital deployment. Tenet has good headroom in its operating and financial metrics relative to the 'B' IDR, so a negative rating action for Tenet is unlikely in the near term but deterioration in the operating trend that results in lower profitability and ongoing negative FCF generation could result in a downgrade.

Operating Highlights

Metric	Change ^b (%)	Notes
Same-Hospital Net Revenues	6.24	This was Tenet's strongest topline growth since first-quarter 2011. An increase in disproportionate share hospital payments contributed 61% of growth in second-quarter 2012.
Same-Hospital Admissions	(0.40)	While surgical volumes and ED admissions were both up in the quarter, the company reports that weak demand for elective procedures is weighing on admissions.
Same-Hospital Adjusted Admissions	1.50	Second-quarter 2012 was Tenet's seventh consecutive quarter of positive growth in adjusted admissions. Outpatient surgeries were particularly strong with 9.6% growth in the quarter.
Same-Hospital Net Revenue Per Adjusted Admission	4.50	Case mix acuity and payor mix were slight drags to pricing in the quarter. This was offset by strength in commercial pricing and higher disproportionate share hospital payments and Medicaid provider taxes.

^aTHC's credit facility includes a minimum fixed charge coverage ratio of 2.0x; however, this covenant is only in effect when revolver availability is \$80 million or less.

^bPercentages represent quarter-over-quarter growth. Same-hospital net revenue and net revenue per adjusted admission are adjusted for the change in bad debt accounting. IDR – Issuer default rating.

Source: Company filings, Fitch calculations.

Organization Structure — Tenet Healthcare Corp.
(\$ Mil., at June 30, 2012)

Public Equity Holders			
	100%		
Tenet Healthcare Corp.			
IDR — B/Stable Outlook			
	Amount Outstanding	Rating	Leverage
Asset Backed Revolving Credit Facility due November 2016	200.0	BB/RR1	—
10% Senior Secured Notes due May 2018	714.0	BB/RR1	—
6.25% Senior Secured Notes due November 2018	1,041.3	BB/RR1	—
8.875 % Senior Secured Notes due July 2019	925.0	BB/RR1	—
Total Secured Debt	2,880.3		2.6
7.375 % Senior Unsecured Notes due February 2013	216.0	B/RR4	—
9.875% Senior Unsecured Notes due July 2014	60.0	B/RR4	—
9.25 % Senior Unsecured Notes due February 2015	474.0	B/RR4	—
8 % Senior Unsecured Notes due August 2020	750.0	B/RR4	—
6.875 % Senior Unsecured Notes due November 2031	430.0	B/RR4	—
Total Senior Debt	4,810.3		4.3
Other Debt	60.0	NR	—
Total Debt	4,870.3		
LTM June 30, 2012 EBITDA	1,124.0		



All Operations are conducted through Tenet's subsidiaries. At 12/31/11 Tenet operated 50 general hospitals in primarily urban and suburban markets in 11 states through its subsidiaries, including 45 owned and 5 leased hospitals. Tenet subsidiaries also operate 98 diagnostics imaging centers and ambulatory surgery center as well as a business services offering under its Conifer Health Solutions subsidiary. However, the general hospital operations contributed over 96% of revenue in 2011. No single general hospital contributed more than 5% of total revenues in 2010 and only one represented more than 5% of total assets (5.8%).

^aThe senior secured notes are required to be guaranteed by all existing and future domestic hospital subsidiaries, which includes any subsidiary that owns or operates a hospital. In certain circumstances, non-wholly owned subsidiaries are excluded from this definition. ^bThe company can designate excluded subsidiaries, but, the group of excluded subs cannot represent greater than 20% of total assets and 10% of total revenue in any fiscal quarter. IDR – Issuer default rating. LTM – Latest 12 months. NR – Not rated. Source: Company reports, Fitch.

Review — Universal Health Services, Inc.

(As of June 30, 2012)

Ratings

IDR	BB
Sr. Secured Bank Facility	BB+
Sr. Secured Notes	BB+
Sr. Unsecured Notes	BB-
Rating Outlook	Stable

Liquidity Analysis

Cash and ST Investments	32.9
Revolver Availability	623.0
A/R Facility Availability	45.0
Total Liquidity	700.9
LTM FCF	309.3
LTM EBITDA	1,224.7

Summary of Operations

LTM Net Revenue (\$Bil.)	7.24
Hospitals/Facilities	25 Acute; 194 Behavioral
Avg. Licensed Beds ^a	5,629 Acute; 19,191 Behavioral
# of States	36 States; Washington, D.C.; Puerto Rico; Virgin Islands
Revenue Concentration (%)	18 NV; 18 TX; 10 CA; also FL, GA (FY 2011)

Credit Facilities Summary

Facility	Maturity	Committed	Drawn + LOC	Available
Revolver	November 2015	800.0	177.0	623.0
A/R Facility	October 2013	275.0	230.0	45.0

Bank Facility Covenants	Maintenance Level (x)	Fitch Calc. Level (x)	Est. EBITDA Cushion (%)
Debt Leverage	4.5	2.85	36.7
Interest Coverage	3.0	6.51	53.9

Debt Maturities	2012	2013	2014	2015	2016	Thereafter	Total
Bank Debt (Incl. A/R Facility)	—	298.5	68.5	1,003.4	1,395.3	—	2,765.7
Senior Notes	—	—	—	—	400.0	250.0	650.0
Total	—	298.5	68.5	1,003.4	1,795.3	250.0	3,415.7

Strengths and Concerns

Strengths:

- Most of UHS' acute care hospitals command #1 or #2 market shares.
- Hospitals are concentrated in fast-growing markets with historically favorable demographics. However, UHS' largest markets — Las Vegas and S. Texas — have been exceptionally affected by high unemployment and resulting deteriorating payor mix in the past couple years.
- Combination of acute care and behavioral health provides good business model and revenue diversification.
- Behavioral health business is the largest nationwide.

Concerns:

- Earnings concentration in Las Vegas and S. Texas.
- Demonstrated willingness to transform its capital structure for M&A.
- Weak macroeconomic conditions are causing severe volume and pricing pressure, particularly in UHS' largest markets.
- Susceptible to regulatory and reimbursement changes.

Explanation of Potential Rating Triggers

UHS' IDR was upgraded on Aug. 27, 2012 to 'BB' from 'BB-'. Maintenance of a 'BB' IDR will require debt leverage generally maintained below 3.75x with strong and steady annual FCF in the range of \$300 million–\$400 million. Fitch expects UHS' ratings to lag improvements in credit metrics in the intermediate-term due to the company's demonstrated willingness in 2010 to transform its credit profile for an acquisition. Furthermore, very weak acute care volume and pricing trends, which Fitch expects to persist through 2012 and into 2013, may weigh on positive ratings momentum.

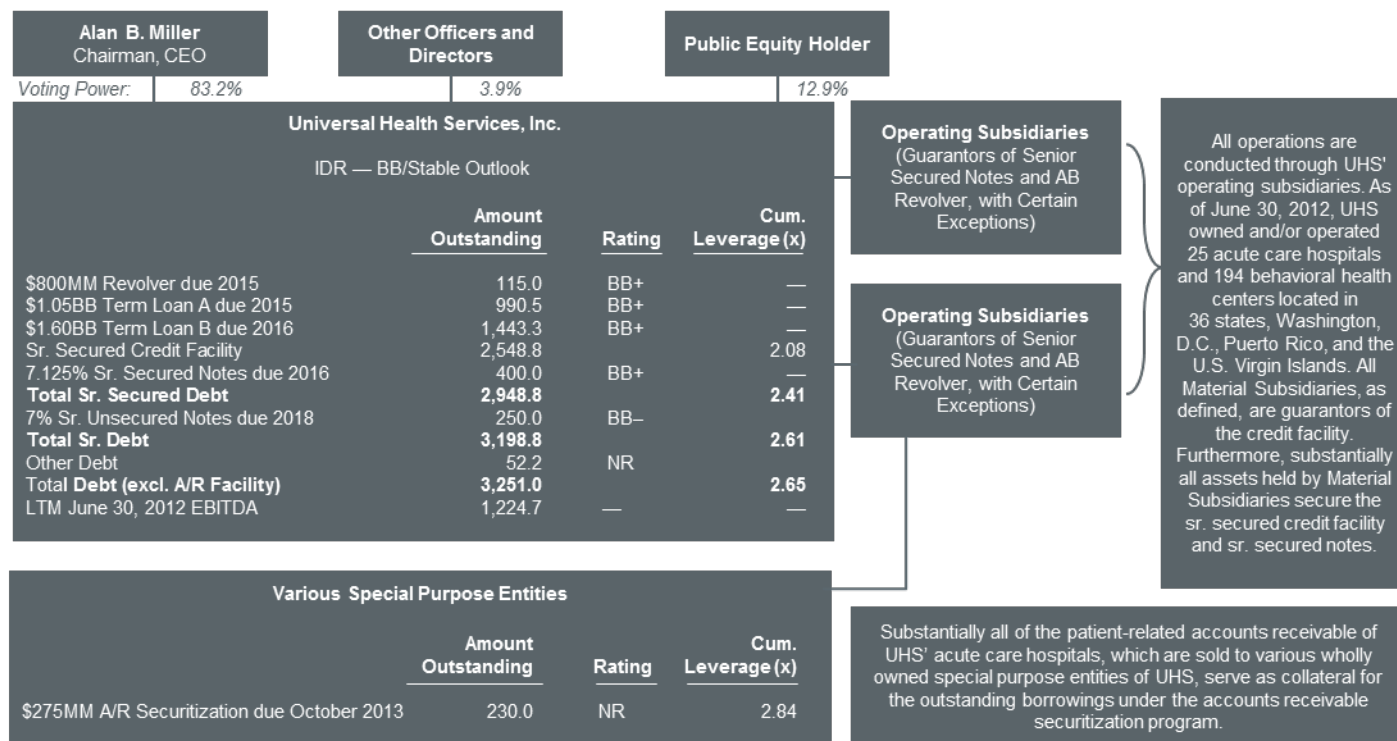
A positive rating action is not anticipated in the near-term; although one may be contemplated if Fitch expects debt leverage to be maintained below 2.5x. Steady and robust cash flows accompanied by improved acute care volume and pricing metrics would also be expected to support an upgrade to 'BB+'.

Operating Highlights^a

Metric	Change ^b (%)	Notes
Same-Hospital Net Revenues	(2.24)	Weak volumes and continuing unfavorable payor mix contributed to the only same-hospital net revenue decline among Fitch-rated operators in the quarter.
Same-Hospital Admissions	(4.30)	Second-quarter 2012 was worst of eight consecutive quarters of decline. No signs of stabilization; unlike other urban market hospital operators.
Same-Hospital Adjusted Admissions	(1.30)	Outpatient volumes better than inpatient, but still very soft.
Same-Hospital Net Revenue Per Adjusted Admission	(0.90)	Continuing unfavorable payor mix outweighing solid commercial pricing and higher acuity mix.

^aAcute care only. ^bPercentages represent quarter-over-quarter growth. Same-hospital net revenue and net revenue per adjusted admission are adjusted for the change in bad debt accounting. IDR – Issuer default rating.
Source: Company filings, Fitch calculations.

Organization Structure — Universal Health Services, Inc. (\$ Mil., at June 30, 2012)



A/R – Accounts receivable. IDR – Issuer default rating. NR – Not rated. LTM – Latest 12 months. Source: Company filings, Fitch Ratings.

Review — Vanguard Health Systems, Inc.

(As of June 30, 2012)

Ratings

IDR	NPR
Rating Outlook	—

Summary of Operations

LTM Net Revenue (\$ Bil.)	5.95
Hospitals	28
Avg. Licensed Beds	7,064
# of States	5
Revenue Concentration (% Beds)	36 TX; 24 MI; 16 IL; 15AZ; 9 MA

Liquidity Analysis

Cash and ST Investments	455.5
Revolver Availability	333.0
Total Liquidity	788.5
LTM FCF	(207.3)
LTM EBITDA	547.5

Credit Facilities Summary

Facility	Maturity	Committed	Drawn + LOC	Available
Revolver	January 2016	365.0	32.0	333.0

Bank Facility Covenants

	Maintenance Level (x)	Fitch Calc. Level (x)	Est. EBITDA Cushion (%)
Debt Leverage	5.75	4.98	12.7
Interest Coverage	2.10	2.94	32.0

Debt Maturities

	2012	2013	2014	2015	2016	Thereafter	Total
Bank Debt	4.0	8.0	7.9	7.9	779.1	—	807.0
Bonds and Convertible Notes	—	—	—	—	9.9	1,881.3	1,891.2

Strengths and Concerns

Strengths

- Recent acquisitions will support EBITDA growth.
- Health plan segment provides diversification (health plans contributed 12% of revenue in 2011).
- No near-term debt maturities.

Concerns

- Less geographic diversification than peers.
- Recent debt leverage reductions likely transitory. Given the company's concentrated private equity ownership, Fitch thinks it is likely VHS could increase debt to fund additional dividends and distributions. The company's debt agreements do not significantly limit the company's ability to pay dividends.
- Negative FCF profile due to commitment to capital investments at Detroit Medical Center.

Credit Profile Summary

Positive credit profile drivers would include deleveraging driven by growth in EBITDA as a result of improved profitability at acquired hospitals and capital investment. Fitch does not expect the company to apply cash to debt reduction. Negative credit profile drivers include increasing operating risk in the company's markets, especially since VHS has more revenue concentration than its peers. The company's debt agreements do not significantly limit additional debt. Fitch thinks any reduction in leverage through growth in EBITDA will likely be transitory as the company could increase debt to fund acquisitions or dividends.

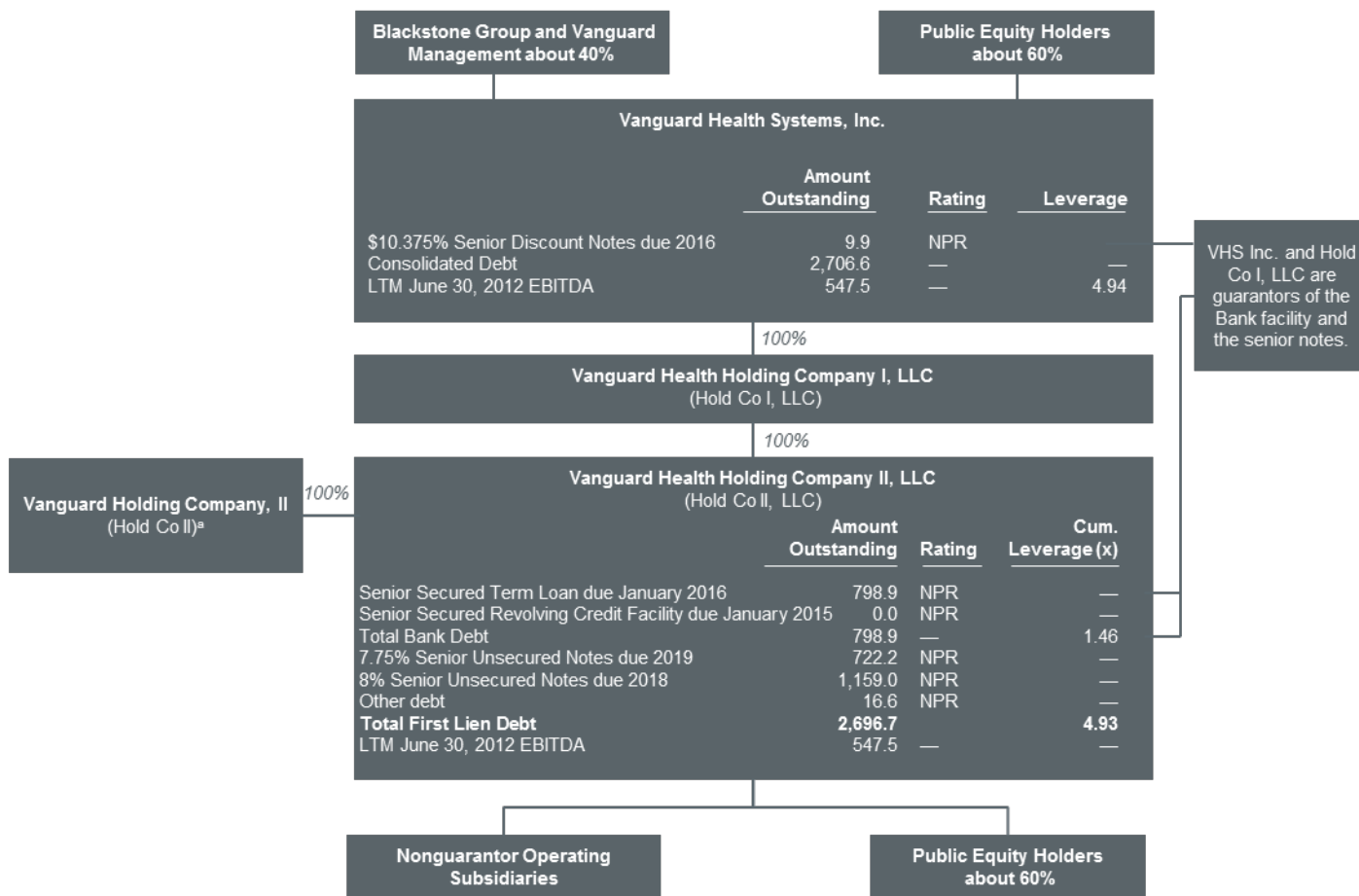
Operating Highlights

Metric	Change ^a (%)	Notes
Same-Hospital Net Revenues	0.10	Would have increased 3.6% without an adjustment to reduce revenues for services provided to employees.
Same-Hospital Discharges	(1.50)	Arizona market the biggest drag, plus double digit growth in observation visits in two markets.
Same-Hospital Adjusted Admissions	0.80	Stronger outpatient volumes indicated by strong growth in observation visits.
Same-Hospital Net Revenue Per Adjusted Admission	2.40	supported by slightly higher acuity of case mix.

^aPercentages represent quarter-over-quarter growth. Same-hospital net revenue and net revenue per adjusted admission are adjusted for the change in bad debt accounting. IDR – Issuer default rating.

Source: Company filings, Fitch calculations.

Organization Structure — Vanguard Health Systems, Inc.
(\$ Mil., at June 30, 2012)



^aVanguard Hold Co II is a co-borrower of the bank facility and the senior unsecured notes. It is 100% owned by Hold Co II, LLC and has no operations or assets. ^bAt June 30, 2012 operating subsidiaries that were guarantors of the bank facility and senior unsecured notes represented ~88% of total assets and ~72% of LTM revenue. IDR – Issuer default rating. NPR – Not publicly rated. LTM – Latest 12 months.
Source: Fitch Ratings and company reports and filings.

Hospital Operators: Sector Average Statistics

	Three Months									12 Months				
	6/30/10	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11
Same Facility Admissions Growth (% YOY)														
Rural Providers	(1.33)	(3.43)	(3.30)	(2.83)	(3.70)	(3.00)	(3.77)	(3.47)	(4.13)	(0.90)	(0.47)	(1.03)	(2.10)	(3.33)
Urban Providers ^a	(0.03)	(1.00)	(1.03)	0.70	(0.85)	0.28	(0.48)	0.03	(0.93)	0.45	0.30	0.38	(0.73)	(0.38)
Sector Average ^a	(0.98)	(2.38)	(2.33)	(0.95)	(2.42)	(1.32)	(2.20)	(1.72)	(2.68)	(0.15)	(0.03)	(0.27)	(1.53)	(1.92)
Same Facility Adjusted Admissions Growth (% YOY)														
Rural Providers	1.47	(0.90)	(0.40)	(0.07)	(1.57)	(0.40)	(0.77)	0.63	(0.60)	0.83	0.33	1.67	0.57	(0.67)
Urban Providers ^a	1.55	0.68	1.35	2.55	0.68	2.00	1.43	2.80	1.23	1.50	1.53	2.48	1.08	1.50
Sector Average ^a	1.22	0.00	0.70	1.67	(0.33)	1.13	0.57	2.18	0.52	1.42	1.18	2.48	1.00	0.67
Same Facility Outpatient Visits Growth (% YOY)														
Rural Providers	9.51	3.02	4.18	4.54	1.49	3.96	2.16	4.66	4.14	4.70	1.40	5.30	6.40	3.00
Urban Providers ^a	(1.37)	(2.93)	(1.20)	1.00	0.23	(0.33)	(0.97)	3.07	1.40	(2.47)	1.27	0.93	(1.97)	0.30
Sector Average ^a	2.54	(1.45)	0.15	1.88	0.55	0.74	(0.18)	3.46	2.08	0.53	0.37	2.87	1.60	1.83
Same Facility Net Revenues Growth (% YOY)														
Rural Providers	4.50	5.57	4.57	5.23	5.04	3.32	3.87	6.10	4.72	5.50	4.26	5.53	4.97	4.22
Urban Providers ^a	3.02	2.02	2.34	6.66	3.87	3.01	2.78	3.94	1.98	6.73	6.28	3.65	2.88	3.68
Sector Average ^a	3.80	4.13	3.84	7.06	5.10	3.67	3.79	5.68	3.68	7.62	6.31	5.20	4.40	4.56
Same Facility Net Revenues/Adjusted Admission Growth (% YOY)														
Rural Providers	3.32	6.56	5.02	5.30	6.69	3.73	4.66	5.49	5.34	4.50	4.73	4.87	4.39	4.93
Urban Providers ^a	1.53	1.38	0.98	3.75	2.80	0.85	1.10	0.88	1.48	5.00	4.78	1.25	1.68	2.73
Sector Average ^a	2.71	4.20	3.16	5.15	5.21	2.43	3.06	3.33	3.65	5.58	5.55	3.27	3.31	4.28
Net Revenues (\$ Mil.)														
Rural Providers	1,736.5	1,785.0	1,855.8	1,909.2	1,902.3	1,891.1	1,955.9	1,877.8	1,847.4	4,716.6	5,997.5	6,562.5	7,121.3	7,658.4
Urban Providers	3,061.5	3,036.5	3,139.3	3,491.5	3,441.3	3,406.5	3,536.7	3,540.7	3,392.2	13,487.0	14,019.8	14,756.1	15,152.1	16,530.1
Sector Average	2,767.8	2,764.5	2,860.7	3,029.0	2,997.0	2,977.1	3,091.1	3,035.6	2,941.5	9,101.8	10,008.7	10,659.3	11,136.7	12,094.2
LTM EBITDA Margin (%)														
Rural Providers	15.19	15.04	14.79	14.71	14.65	14.66	14.43	15.03	15.36	15.31	15.49	15.19	14.79	14.43
Urban Providers	13.55	13.53	13.89	13.97	13.86	13.82	13.79	14.09	14.44	11.70	12.10	13.51	13.47	14.07
Sector Average	14.90	14.18	14.27	14.28	14.20	14.18	14.07	14.49	14.83	13.25	13.56	14.23	14.04	14.22
LTM EBITDA Growth (% YOY)														
Rural Providers	8.11	8.15	6.61	7.07	7.05	7.23	6.49	8.31	7.94	9.69	22.40	6.37	6.61	6.49
Urban Providers	8.53	3.71	5.50	10.80	20.48	25.65	23.36	16.99	13.13	3.69	11.79	17.35	10.76	23.28
Sector Average	9.74	6.55	6.97	10.73	13.67	16.50	13.86	9.81	7.82	8.18	13.54	14.99	6.97	13.86

^aAverage is for acute care only; excludes UHS behavioral business. YOY – Year over year. Note: Same facility statistics are for hospitals owned in both the current and prior year periods.

Source: Company reports, Fitch analysis.

Hospital Operators: Key Volume Statistics

	Three Months									12 Months				
	6/30/10	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11
Average Licensed Beds														
Community Health Systems, Inc.	18,242	18,350	18,897	19,307	19,302	19,360	19,527	19,956	19,798	16,971	17,245	18,140	18,756	19,350
HCA Inc.	38,607	38,645	38,680	39,061	39,356	39,509	40,994	41,740	41,789	39,065	38,422	38,825	38,655	39,735
Health Management Associates, Inc.	8,427	8,498	8,720	8,863	9,003	9,792	10,386	10,330	10,429	8,300	8,019	8,418	8,641	9,597
LifePoint Hospitals Inc.	5,589	5,765	5,911	5,857	5,817	5,836	5,942	6,048	6,082	5,671	5,686	5,552	5,734	5,982
Tenet Healthcare Corp.	13,435	13,423	13,429	13,457	13,457	13,440	13,453	13,472	13,176	14,379	13,512	13,419	13,430	13,453
Universal Health Services, Inc. ^a	13,467	13,672	19,439	25,091	25,108	25,111	25,135	24,872	24,820	12,765	13,110	13,405	15,116	25,114
Vanguard Health Systems, Inc.	4,135	4,313	4,512	5,407	6,241	6,633	7,064	7,064	7,064	4,162	4,158	4,135	5,168	6,599
Sector Average	16,294	14,666	15,655	16,720	16,898	17,097	17,500	17,640	17,594	14,473	14,307	14,556	15,071	17,118
Admissions Growth (% YOY)														
Community Health Systems, Inc.	(1.39)	(3.04)	2.02	0.94	(1.61)	(2.91)	(5.47)	1.57	3.04	50.41	43.20	4.41	0.12	(2.64)
HCA Inc.	(0.57)	(0.98)	0.31	2.01	3.19	4.82	7.04	8.95	7.72	(3.57)	(0.70)	0.95	(0.13)	4.25
Health Management Associates, Inc.	2.96	4.89	6.85	3.35	1.07	3.62	6.57	5.70	7.08	0.13	(3.19)	1.29	4.58	4.33
LifePoint Hospitals Inc.	0.05	(0.52)	2.45	4.92	6.13	2.64	1.37	(0.44)	(0.94)	2.66	(4.07)	(0.29)	0.39	3.76
Tenet Healthcare Corp.	(1.96)	(3.54)	(2.05)	0.57	(0.19)	1.49	0.27	(0.12)	(1.86)	(3.83)	(4.63)	(0.90)	(2.39)	0.53
Universal Health Services, Inc.														
— Acute Care Facilities	0.40	(0.17)	(2.06)	(1.02)	(2.47)	(2.56)	(2.66)	(2.04)	(7.44)	6.38	2.31	(1.10)	(0.29)	(2.16)
Universal Health Services, Inc.														
— Behavioral Facilities	7.38	4.45	69.39	146.34	147.53	146.01	52.46	6.94	1.55	6.38	2.31	(1.10)	(0.29)	(2.16)
Vanguard Health Systems, Inc.	0.02	7.39	11.34	58.40	54.23	51.55	53.75	10.35	9.17	1.67	(1.05)	0.29	32.92	27.36
Sector Average^b	(0.09)	0.67	3.14	11.52	10.06	9.78	10.15	3.99	2.79	8.98	5.31	0.78	5.86	5.90
Same Facility Admissions Growth (% YOY)														
Community Health Systems, Inc.	(2.50)	(3.60)	(2.80)	(3.40)	(5.60)	(7.00)	(6.70)	(2.30)	(2.00)	(1.10)	2.00	(1.50)	(2.50)	(5.60)
HCA Inc.	(0.30)	(0.60)	0.40	1.60	1.80	3.20	2.50	3.20	2.50	(1.30)	0.90	1.20	0.10	2.30
Health Management Associates, Inc.	(0.60)	(3.00)	(3.10)	(3.90)	(6.40)	(1.80)	(3.70)	(4.20)	(4.00)	(0.50)	(1.80)	2.90	(1.60)	(4.00)
LifePoint Hospitals Inc.	(0.90)	(3.70)	(4.00)	(1.20)	0.90	(0.20)	(0.90)	(3.90)	(6.40)	(1.10)	(1.60)	(4.50)	(2.20)	(0.40)
Tenet Healthcare Corp. ^c	(2.00)	(3.50)	(2.00)	0.60	(0.20)	1.50	0.30	(0.10)	(0.40)	(1.00)	1.20	(0.60)	(2.40)	0.50
Universal Health Services, Inc.														
— Acute Care Facilities	0.40	(0.20)	(2.10)	(1.00)	(2.50)	(2.60)	(2.70)	(2.00)	(4.30)	2.40	0.10	0.60	(0.30)	(2.20)
Universal Health Services, Inc.														
— Behavioral Facilities	7.40	3.30	5.40	6.80	7.20	8.10	8.50	8.60	3.10	4.30	6.40	2.20	4.30	7.70
Vanguard Health Systems, Inc.	1.80	0.30	(0.40)	1.60	(2.50)	(1.00)	(2.00)	(1.00)	(1.50)	1.70	(1.00)	0.30	(0.30)	(2.10)
Sector Average^b	(0.98)	(2.38)	(2.33)	(0.95)	(2.42)	(1.32)	(2.20)	(1.72)	(2.68)	(0.15)	(0.03)	(0.27)	(1.53)	(1.92)
Adjusted Admissions Growth (% YOY)														
Community Health Systems, Inc.	0.58	(0.23)	5.14	4.04	2.76	2.32	(0.52)	6.42	5.66	40.17	40.99	6.63	2.54	1.73
HCA Inc.	1.31	0.42	2.24	3.72	3.40	5.37	8.16	11.39	9.69	(2.66)	0.48	3.19	1.21	5.17
Health Management Associates, Inc.	6.88	8.44	10.92	7.19	4.87	5.94	11.30	11.38	13.12	2.78	(2.15)	2.00	8.44	8.15
LifePoint Hospitals Inc.	3.03	2.92	6.16	7.18	4.62	2.24	3.38	4.04	4.71	3.45	(2.92)	4.62	3.61	4.34
Tenet Healthcare Corp.	(0.58)	(1.77)	0.42	2.27	1.04	2.29	1.29	2.77	0.04	(2.80)	(3.42)	1.66	(0.76)	1.72
Universal Health Services, Inc.														
— Acute Care Facilities	1.98	1.73	0.01	0.67	(0.90)	0.13	0.26	1.55	(5.05)	8.83	0.78	0.37	1.40	(0.12)
Universal Health Services, Inc.														
— Behavioral Facilities	8.29	5.53	67.66	138.67	139.85	138.55	51.23	7.50	1.72	8.83	0.78	0.37	1.40	(0.12)
Vanguard Health Systems, Inc.	0.03	8.90	0.10	0.60	59.22	54.99	54.91	10.53	9.33	2.03	1.74	0.02	36.68	28.19
Sector Average^b	2.20	3.40	4.16	4.28	12.50	12.22	13.13	8.01	6.25	8.63	5.91	3.08	8.85	8.20
Same Facility Adjusted Admissions Growth (% YOY)														
Community Health Systems, Inc.	(0.90)	(1.30)	(0.10)	0.00	(0.70)	(1.10)	(1.40)	2.50	0.50	0.40	2.20	0.70	(0.50)	(0.70)
HCA Inc.	1.60	0.70	2.30	3.30	1.90	3.80	3.20	4.80	3.90	(0.70)	1.90	3.40	1.40	3.00
Health Management Associates, Inc.	3.70	(0.30)	0.10	(0.30)	(2.90)	0.80	(1.10)	(0.20)	(0.20)	1.60	(0.60)	3.90	1.80	(0.90)
LifePoint Hospitals Inc.	1.60	(1.10)	(1.20)	0.10	(1.10)	(0.90)	0.20	(0.40)	(2.10)	0.50	(0.60)	0.40	0.40	(0.40)
Tenet Healthcare Corp.	(0.60)	(1.80)	0.40	2.30	1.00	2.30	1.30	2.80	1.50	0.20	2.50	1.90	(0.80)	1.70
Universal Health Services, Inc.														
— Acute Care Facilities	1.90	1.60	(0.10)	0.60	(0.90)	(0.30)	0.30	1.60	(1.30)	4.30	0.00	2.20	1.30	(0.10)
Universal Health Services, Inc.														
— Behavioral Facilities	4.70	3.10	5.10	6.40	7.10	7.90	8.30	9.20	3.30	4.10	6.10	1.90	4.20	7.60
Vanguard Health Systems, Inc.	3.30	2.20	2.80	4.00	0.70	2.20	0.90	2.00	0.80	2.20	1.70	2.40	2.40	1.40
Sector Average^b	1.22	0.00	0.70	1.67	(0.33)	1.13	0.57	2.18	0.52	1.42	1.18	2.48	1.00	0.67

^aAcute and behavioral combined. ^bAverage is for acute care only; excludes UHS' behavioral business. ^cFitch estimate. Note: Except as otherwise noted, values are as originally reported. Same-facility statistics are for hospitals owned in both the current and prior year periods. *Continued on next page.*
Source: Company reports, Fitch calculations.

Hospital Operators: Key Volume Statistics (Continued)

	Three Months									12 Months				
	6/30/10	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11
Same Facility Outpatient Visits Growth (% , YOY)														
Community Health Systems, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—	—
HCA Inc. ^a	(0.90)	(1.80)	(0.10)	1.00	(0.60)	(1.20)	(1.60)	2.70	0.30	(1.10)	(0.20)	(0.10)	(1.20)	(0.60)
Health Management Associates, Inc. ^b	9.51	3.02	4.18	4.54	1.49	3.96	2.16	4.66	4.14	4.70	1.40	5.30	6.40	3.00
LifePoint Hospitals Inc.	0.00	—	—	—	—	—	—	—	—	—	—	—	—	—
Tenet Healthcare Corp.	(1.00)	(2.00)	2.90	6.10	2.70	3.40	0.30	4.10	5.30	(2.00)	(0.10)	3.40	(0.40)	3.10
Universal Health Services, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Vanguard Health Systems, Inc.	(2.20)	(5.00)	(6.40)	(4.10)	(1.40)	(3.20)	(1.60)	2.40	(1.40)	(4.30)	4.10	(0.50)	(4.30)	(1.60)
Sector Average	2.54	(1.45)	0.15	1.88	0.55	0.74	(0.18)	3.46	2.08	0.53	0.37	2.87	1.60	1.83
Same Facility Emergency Room Visits Growth (% , YOY)														
Community Health Systems, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—	—
HCA Inc.	2.80	1.20	3.50	11.30	4.50	4.90	4.40	5.30	8.80	0.70	3.60	7.00	2.10	6.20
Health Management Associates, Inc.	(0.60)	(7.30)	(2.00)	5.00	(0.20)	0.70	(0.60)	0.60	3.80	3.70	1.00	5.50	(2.90)	1.20
LifePoint Hospitals Inc.	(0.20)	(1.80)	(2.30)	6.90	0.90	0.60	0.40	1.60	3.80	6.70	0.60	2.60	(1.60)	2.20
Tenet Healthcare Corp.	(0.90)	(1.50)	(1.50)	2.90	2.60	3.80	3.10	5.90	5.50	—	—	6.90	(1.20)	3.20
Universal Health Services, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Vanguard Health Systems, Inc.	1.00	3.90	2.70	13.10	4.40	5.70	4.20	1.50	2.50	2.70	3.00	3.40	6.00	3.60
Sector Average	0.28	(1.10)	0.08	7.84	2.44	3.14	2.30	2.98	4.88	3.45	2.05	5.08	0.48	3.28

^aFigures presented are for growth in outpatient surgery cases. ^bFitch estimate. Note: Except as otherwise noted, values are as originally reported. Same-facility statistics are for hospitals owned in both the current and prior year periods.

Source: Company reports, Fitch calculations.

Hospital Operators: Key Pricing and Revenue Statistics

	Three Months									12 Months				
	6/30/10	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11
Net Revenues (\$ Mil.)^a														
Community Health Systems, Inc.	3,171.0	3,252.1	3,402.7	3,405.3	3,433.8	3,395.8	3,391.2	3,297.0	3,243.0	7,127.5	10,840.1	12,107.6	12,986.5	13,626.2
HCA Inc.	7,756.0	7,647.0	7,736.0	8,055.0	8,024.0	7,999.0	8,428.0	8,405.0	8,112.0	26,858.0	28,374.0	30,052.0	30,683.0	32,506.0
Health Management Associates, Inc.	1,247.8	1,270.7	1,311.5	1,433.6	1,395.4	1,400.2	1,575.2	1,485.3	1,472.0	4,392.1	4,451.6	4,617.1	5,115.0	5,804.5
LifePoint Hospitals Inc.	790.6	832.3	853.3	888.6	877.6	877.2	901.2	851.0	827.3	2,630.1	2,700.8	2,962.7	3,262.4	3,544.6
Tenet Healthcare Corp.	2,303.0	2,262.0	2,301.0	2,481.0	2,349.0	2,342.0	2,412.0	2,350.0	2,265.0	8,852.0	8,663.0	9,014.0	9,205.0	9,584.0
Universal Health Services, Inc. ^b	1,338.3	1,323.3	1,559.5	1,910.5	1,902.2	1,848.7	1,838.8	1,825.3	1,729.8	4,751.0	5,022.4	5,202.4	5,568.2	7,500.2
Vanguard Health Systems, Inc.	848.7	913.9	960.6	1,519.6	1,489.9	1,436.3	1,468.2	1,582.5	1,462.0	2,790.7	3,199.7	3,376.9	4,884.0	5,949.0
Sector Total	16,606.7	17,501.2	18,124.6	19,693.7	19,471.9	19,299.2	20,014.6	19,796.1	19,111.1	57,401.4	63,251.6	67,332.7	71,704.1	78,514.4
Net Revenue Growth (% YOY)^a														
Community Health Systems, Inc.	5.11	5.35	9.36	7.74	8.29	4.42	0.04	0.12	0.08	63.27	52.09	11.69	7.26	0.08
HCA Inc.	3.65	1.51	1.72	6.77	3.46	4.60	8.95	0.14	0.12	5.42	5.64	5.91	2.10	5.94
Health Management Associates, Inc.	7.99	13.26	13.87	11.57	11.83	10.20	20.10	0.18	0.20	8.27	1.35	3.72	10.78	13.48
LifePoint Hospitals Inc.	7.52	11.72	14.25	13.02	11.00	5.39	5.61	0.12	0.11	7.80	2.69	9.70	10.12	8.65
Tenet Healthcare Corp.	3.32	0.00	2.54	6.07	2.00	3.54	4.82	0.02	0.06	1.74	(2.14)	4.05	2.12	4.12
Universal Health Services, Inc.	2.66	2.17	20.77	41.82	42.14	39.70	17.91	0.04	0.01	13.35	5.71	3.58	7.03	34.70
Vanguard Health Systems, Inc.	0.04	10.99	13.87	76.45	75.55	0.67	0.64	0.12	0.04	8.14	14.66	5.54	44.63	21.81
Sector Average	5.04	6.43	10.91	23.35	22.04	9.79	8.30	0.11	0.09	15.43	11.43	6.31	12.01	12.68
Same Facility Net Revenues (\$ Mil.)^a														
Community Health Systems, Inc.	3,114.9	3,204.9	3,242.1	3,286.5	3,258.4	3,278.6	3,351.3	3,081.8	3,120.4	6,571.5	10,620.6	11,556.4	12,582.4	13,083.2
HCA Inc.	7,690.4	7,569.3	7,632.0	7,951.1	7,907.2	7,144.0	7,231.7	7,740.0	7,442.1	25,988.4	27,808.4	29,464.1	30,362.7	28,693.0
Health Management Associates, Inc.	1,176.7	1,179.5	1,209.7	1,333.0	1,281.6	1,309.0	1,420.4	1,326.0	1,299.4	4,093.4	4,390.9	4,594.9	4,741.6	5,335.5
LifePoint Hospitals Inc.	781.5	803.2	797.2	831.8	821.6	814.9	836.5	821.6	773.8	2,630.1	2,700.8	2,845.1	3,168.1	3,300.5
Tenet Healthcare Corp.	2,303.0	2,262.0	2,207.0	2,506.0	2,374.0	2,342.0	2,412.0	2,350.0	2,265.0	8,542.0	8,607.0	8,918.0	9,205.0	9,584.0
Universal Health Services, Inc. ^b	1,324.9	1,316.5	1,320.6	1,423.4	1,409.5	1,368.2	988.0	1,784.5	1,706.3	4,434.7	4,808.5	5,101.3	5,294.9	5,716.0
Vanguard Health Systems, Inc. ^c	646.7	647.4	653.4	691.1	892.2	609.1	714.6	1,286.6	1,192.2	2,340.5	2,521.7	2,537.2	2,660.9	2,604.0
Sector Total	16,391.4	16,982.8	17,061.9	18,022.8	17,944.4	16,865.8	16,954.5	18,390.5	17,799.2	54,600.6	61,457.9	65,017.0	68,015.7	68,316.2
Same Facility Net Revenues Growth (% YOY)^d														
Community Health Systems, Inc.	3.20	3.80	4.90	5.10	5.80	3.80	1.20	4.30	4.50	4.20	6.60	5.90	3.90	3.70
HCA Inc.	3.80	1.60	1.44	6.00	2.40	3.70	2.21	5.10	3.80	7.40	7.00	6.10	2.10	0.30
Health Management Associates, Inc.	4.00	5.10	2.10	4.80	4.20	4.70	5.49	5.68	6.11	6.80	3.50	5.38	4.10	4.78
LifePoint Hospitals Inc.	6.30	7.80	6.70	5.80	5.13	1.47	4.92	8.34	3.56	7.80	2.69	5.30	6.90	4.18
Tenet Healthcare Corp.	3.32	0.00	1.60	7.14	3.08	3.54	4.82	2.20	6.24	4.40	5.60	4.30	2.12	4.12
Universal Health Services, Inc.														
— Acute Care Facilities	2.20	1.90	2.30	6.60	6.10	3.10	1.60	0.77	(2.24)	7.70	4.80	3.60	2.40	4.40
— Behavioral Facilities	5.50	6.50	5.90	6.50	6.20	6.80	6.30	5.28	4.51	7.40	7.60	3.90	6.00	6.40
Vanguard Health Systems, Inc. ^d	2.77	4.60	4.00	6.90	3.90	1.70	2.50	7.70	0.10	7.40	7.70	0.62	4.90	5.90
Sector Average^e	3.80	4.13	3.84	7.06	5.10	3.67	3.79	5.68	3.68	7.62	6.31	5.20	4.40	4.56

^aNet revenue, net revenue growth, and same-store net revenues are as originally reported and do not reflect prior period adjustments. Starting in each company's fiscal first-quarter 2012, an accounting update requires companies to report net patient revenues after the provision for bad debts. This results in lower net revenue, net revenue growth and same facility net revenue versus the prior year period. ^bAcute and behavioral combined. ^cDoes not include insurance business. ^dSame facility net revenue growth has been adjusted for the accounting change and so is comparable to prior periods. ^eAverage is for acute care only, excludes UHS' behavioral business. Note: Same-facility statistics are for hospitals owned in both the current and prior year periods. *Continued on next page.*
 Source: Company reports, Fitch calculations.

Hospital Operators: Key Pricing and Revenue Statistics (Continued)

	Three Months									12 Months				
	6/30/10	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11
Same Facility Net Inpatient Revenues (\$ Mil.)														
Community Health Systems, Inc.	1,529.4	1,544.8	1,588.6	1,600.5	1,498.8	1,416.4	1,481.3	1,374.5	1,410.4	3,252.9	5,331.6	5,743.5	6,203.1	5,979.0
HCA Inc. ^a	4,685.7	4,606.1	4,684.9	4,894.5	4,738.4	4,671.6	4,495.0	4,858.8	4,529.9	16,190.2	17,222.1	18,111.2	18,664.7	17,914.8
Health Management Associates, Inc.	580.1	572.0	606.0	674.5	612.6	619.2	679.0	624.5	589.9	2,087.7	2,270.1	2,366.4	2,361.3	2,582.4
LifePoint Hospitals Inc. ^a	358.5	363.4	370.8	401.8	383.9	370.4	385.5	380.4	342.4	1,335.1	1,357.2	1,361.3	1,480.4	1,542.3
Tenet Healthcare Corp.	1,478.0	1,430.0	1,477.0	1,653.0	1,497.0	1,477.0	1,536.0	1,640.0	1,548.0	5,961.0	5,724.0	5,848.0	5,929.0	6,163.0
Universal Health Services, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Vanguard Health Systems, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Sector Total	8,631.8	8,516.3	8,727.3	9,224.3	8,730.8	8,554.6	8,576.7	8,878.2	8,420.7	28,826.9	31,905.0	33,430.4	34,638.6	34,181.5
Same Facility Net Outpatient Revenues (\$ Mil.)														
Community Health Systems, Inc.	1,523.2	1,589.6	1,578.9	1,616.9	1,691.1	1,767.2	1,799.6	1,645.7	1,656.9	3,180.6	5,044.8	5,547.1	6,115.0	6,842.5
HCA Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Health Management Associates, Inc.	596.6	607.4	603.6	658.5	669.0	689.8	741.5	701.5	709.5	2,005.8	2,120.8	2,228.5	2,380.3	2,753.1
LifePoint Hospitals Inc. ^a	423.0	439.8	426.4	430.0	437.7	444.5	451.0	441.3	431.4	1,295.0	1,343.6	1,483.8	1,687.7	1,758.2
Tenet Healthcare Corp.	733.0	734.0	730.0	733.0	751.0	749.0	751.0	781.0	791.0	2,581.0	2,568.0	2,729.0	2,903.0	2,984.0
Universal Health Services, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Vanguard Health Systems, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Sector Total	3,275.8	3,370.8	3,338.9	3,438.4	3,548.8	3,650.5	3,743.1	3,569.4	3,588.8	9,062.4	11,077.2	11,988.4	13,086.0	14,337.9
Same Facility Net Inpatient Revenues/Admission (\$)^b														
Community Health Systems, Inc.	9,037.4	9,149.7	9,524.7	9,384.1	9,483.1	9,171.3	9,257.5	7,980.3	8,548.3	7,489.7	8,187.2	8,725.9	9,188.6	9,337.8
HCA Inc.	12,231.0	12,080.0	12,232.0	12,115.0	12,094.0	11,812.0	11,423.0	11,599.0	11,221.0	10,700.0	11,361.0	11,849.0	12,094.0	11,322.0
Health Management Associates, Inc.	7,666.1	7,875.6	8,171.1	8,279.9	8,285.9	8,124.3	8,524.8	7,395.0	7,613.3	6,976.4	7,502.0	7,658.1	7,824.6	8,302.1
LifePoint Hospitals Inc.	7,915.9	8,140.6	8,292.0	8,253.0	8,402.8	8,317.0	8,701.8	7,650.5	7,536.1	6,785.6	7,191.9	7,534.3	8,048.3	8,418.0
Tenet Healthcare Corp.	11,569.0	11,381.0	11,632.0	12,396.0	11,741.0	11,582.0	12,064.0	12,313.0	12,371.0	10,734.4	10,858.4	11,259.0	11,558.0	11,951.0
Universal Health Services, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Vanguard Health Systems, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Sector Average	9,683.9	9,725.4	9,970.4	10,085.6	10,001.4	9,801.3	9,994.2	9,387.6	9,458.0	8,537.2	9,020.1	9,405.3	9,742.7	9,866.2
Same Facility Net Revenues/Adjusted Admission (\$)^b														
Community Health Systems, Inc.	9,635.82	9,901.73	10,227.25	10,202.41	10,400.15	10,386.19	10,423.89	9,056.95	9,343.45	8,295.40	9,041.90	9,506.70	9,911.57	10,319.14
HCA Inc.	12,523.00	12,344.00	12,493.00	12,561.00	12,573.00	11,173.00	11,457.00	11,599.00	11,336.00	11,367.00	11,990.00	12,325.00	12,397.00	11,355.00
Health Management Associates, Inc.	8,548.00	8,763.00	8,955.00	9,074.00	9,207.00	9,005.68	9,472.89	8,357.50	8,554.06	8,004.40	8,350.80	8,514.01	8,708.00	9,182.46
LifePoint Hospitals Inc.	7,898.00	8,148.00	8,292.00	8,249.00	8,398.00	8,346.00	8,684.43	7,647.00	7,531.00	6,794.00	7,191.80	7,546.00	8,033.00	8,406.27
Tenet Healthcare Corp.	11,348.00	11,174.00	11,370.00	11,909.00	11,419.00	11,236.00	11,633.00	11,758.00	11,877.00	10,716.80	10,846.40	11,072.00	11,345.00	11,550.00
Universal Health Services, Inc.	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Vanguard Health Systems, Inc.	8,407.00	8,395.00	8,552.00	8,863.00	8,659.00	7,709.00	8,297.00	10,081.00	9,711.00	8,110.00	8,623.00	8,408.00	8,618.00	8,291.00
Sector Average	12,488.20	10,066.10	10,267.40	10,399.10	10,399.40	10,029.40	10,334.20	9,683.70	9,728.30	9,035.50	9,484.20	9,792.70	10,078.90	10,162.60

^aFitch estimates. ^bNet revenue, net revenue growth and same-store net revenues are as originally reported and do not reflect prior period adjustments. Starting in each company's fiscal first-quarter 2012, an accounting update requires companies to report net patient revenues after the provision for bad debts. This results in lower net revenue, net revenue growth and same facility net revenue versus the prior year period. Note: Same-facility statistics are for hospitals owned in both the current and prior year periods. *Continued on next page.*
Source: Company reports, Fitch calculations.

Hospital Operators: Key Pricing and Revenue Statistics (Continued)

	Three Months									12 Months				
	6/30/10	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11
Same Facility Net Revenues/Adjusted Admission Growth (% , YOY)^a														
Community Health Systems, Inc.	5.17	5.17	4.95	5.11	6.48	4.97	2.63	1.74	3.89	3.80	4.30	5.17	4.46	4.4
HCA Inc.	2.20	0.80	(0.80)	2.60	0.50	(0.10)	(1.00)	0.30	(0.10)	8.10	5.10	2.60	0.60	0.3
Health Management Associates, Inc.	0.20	5.50	2.00	5.10	7.30	3.81	6.61	5.93	6.33	5.20	4.10	4.54	2.20	5.6
LifePoint Hospitals Inc.	4.60	9.00	8.10	5.70	6.30	2.40	4.75	8.80	5.80	4.50	5.80	4.90	6.50	4.6
Tenet Healthcare Corp.	3.80	1.30	1.20	3.70	0.60	0.60	2.30	(1.30)	4.50	4.20	2.90	2.10	2.60	1.8
Universal Health Services, Inc. — Acute Care Facilities	0.30	0.30	2.40	5.90	7.10	3.50	1.30	(0.80)	(0.90)	3.30	4.80	1.40	1.00	4.5
Universal Health Services, Inc. — Behavioral Facilities	0.10	2.60	0.40	6.40	(0.10)	(1.00)	(1.60)	(3.60)	0.40	3.10	1.40	2.00	1.00	4.5
Vanguard Health Systems, Inc.	(0.20)	3.10	1.10	2.80	3.00	(0.60)	1.80	5.30	2.40	4.40	6.30	(1.10)	2.50	4.3
Sector Average^b	2.71	4.20	3.16	5.15	5.21	2.43	3.06	3.33	3.65	5.58	5.55	3.27	3.31	4.2

^aSame facility net revenue growth has been adjusted for the accounting change and so is comparable to prior periods. ^bNet revenue, net revenue growth and same-store net revenues are as originally reported and do not reflect prior period adjustments. Starting in each company's fiscal first-quarter 2012, an accounting update requires companies to report net patient revenues after the provision for bad debts. This results in lower net revenue, net revenue growth and same facility net revenue versus the prior year period. Note: Same-facility statistics are for hospitals owned in both the current and prior year periods. Source: Company reports, Fitch calculations.

Hospital Operators: Key Operating Statistics 12 Months

	Three Months									12 Months				
	6/30/10	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11
Bad Debt Expense % of Revenues^f														
Community Health Systems, Inc.	12.03	12.39	12.52	11.98	12.61	13.26	12.88	14.75	15.52	12.59	11.15	12.06	12.23	12.62
HCA Inc.	10.16	9.43	7.43	8.06	9.66	9.25	7.83	9.45	12.83	11.65	12.01	10.90	8.63	8.69
Health Management Associates, Inc.	12.00	12.59	12.55	12.05	12.24	12.77	12.39	13.55	14.58	12.04	11.42	12.28	12.27	12.35
LifePoint Hospitals Inc.	13.28	13.97	14.11	14.64	14.39	14.48	14.99	17.29	18.47	11.95	11.60	12.67	13.60	14.63
Tenet Healthcare Corp.	7.51	8.36	8.30	7.34	7.28	8.24	7.67	8.21	8.39	6.41	7.30	7.73	8.04	7.62
Universal Health Services, Inc.	10.74	10.09	9.25	8.01	8.46	8.43	7.81	8.31	10.68	8.76	9.49	9.78	9.82	8.18
Vanguard Health Systems, Inc.	6.00	7.40	6.70	8.40	6.90	10.17	11.06	9.61	9.48	8.70	8.30	5.90	7.40	9.07
Sector Average	10.95	10.60	10.12	10.07	10.22	10.94	10.66	11.60	12.85	10.56	10.49	10.90	10.77	10.68
Adjusted Bad Debt Expense % of Revenues^{e, f, a}														
Community Health Systems, Inc.	19.89	20.31	20.00	19.97	20.44	21.10	17.68	23.04	24.08	19.76	17.53	18.87	19.86	16.61
HCA Inc.	26.08	26.41	26.10	25.66	27.68	28.40	25.71	29.80	32.43	20.54	21.92	23.80	25.56	27.42
Health Management Associates, Inc.	24.76	26.47	25.81	25.03	25.84	26.03	25.51	28.97	30.46	23.51	23.14	24.36	25.19	25.58
LifePoint Hospitals Inc. ^a	14.69	15.73	15.88	16.49	16.52	16.90	16.99	19.74	20.87	13.64	13.32	14.36	15.22	16.73
Tenet Healthcare Corp. ^b	7.51	8.36	8.30	7.34	7.28	8.24	7.67	8.21	8.39	12.69	7.30	7.73	8.04	7.62
Universal Health Services, Inc.	21.84	22.60	19.93	17.63	18.68	19.19	18.77	21.81	22.58	8.76	19.35	20.08	21.24	18.56
Vanguard Health Systems, Inc. ^c	20.66	21.50	18.40	16.90	15.77	23.53	25.72	21.80	21.45	12.46	12.46	17.97	17.40	20.58
Sector Average^d	23.14	23.95	22.96	22.07	23.16	23.68	21.92	25.90	27.39	18.14	20.49	21.78	22.96	22.04
Labor Expense % of Revenues^f														
Community Health Systems, Inc.	39.98	40.08	40.70	41.20	40.30	40.50	41.30	46.30	46.20	40.60	39.90	40.00	40.30	40.90
HCA Inc.	39.60	41.00	41.40	40.90	41.38	41.67	41.43	44.50	45.70	39.90	40.30	39.80	40.70	41.35
Health Management Associates, Inc.	39.30	39.50	40.04	39.90	39.10	39.27	40.27	44.38	43.88	40.70	41.10	39.21	39.62	39.67
LifePoint Hospitals Inc.	38.80	39.00	39.30	37.60	38.60	38.50	38.58	43.50	44.70	39.30	39.40	39.52	38.90	38.50
Tenet Healthcare Corp.	42.10	43.20	42.00	41.30	42.10	43.50	42.68	45.90	46.50	44.80	44.00	42.79	42.40	42.59
Universal Health Services, Inc.	42.10	43.30	45.40	44.30	44.80	45.80	46.30	48.70	49.50	42.90	42.50	42.40	43.50	45.30
Vanguard Health Systems, Inc.	47.90	49.10	48.10	48.70	48.90	52.80	53.40	50.60	49.70	41.30	38.70	48.90	48.70	51.60
Sector Average	40.31	42.17	42.42	41.99	42.17	43.15	43.42	46.27	46.60	41.36	40.84	41.80	42.02	42.84
Supplies Expense % of Revenues^f														
Community Health Systems, Inc.	13.83	13.63	13.50	13.60	13.10	13.10	12.70	15.10	15.10	13.30	14.00	13.90	13.60	12.60
HCA Inc.	16.10	16.10	16.50	15.80	16.14	15.79	15.97	16.90	17.50	16.40	16.30	16.20	16.20	15.93
Health Management Associates, Inc.	14.20	13.70	13.24	13.60	13.30	12.85	13.66	15.79	15.36	13.30	13.60	14.02	13.79	13.38
LifePoint Hospitals Inc.	13.80	13.60	13.20	13.40	13.00	13.00	13.40	15.20	15.00	13.80	13.80	13.81	13.60	13.25
Tenet Healthcare Corp.	17.20	17.20	17.10	16.10	16.80	16.60	16.22	17.30	17.20	17.80	17.60	17.41	17.10	16.51
Universal Health Services, Inc.	13.40	13.60	12.10	10.80	10.80	11.00	11.20	11.50	11.50	14.20	13.80	13.40	13.20	11.00
Vanguard Health Systems, Inc.	18.20	17.20	17.60	15.80	16.10	17.20	17.70	16.80	18.10	15.50	16.40	17.70	16.50	17.40
Sector Average	14.76	15.00	14.75	14.16	14.18	14.22	14.41	15.51	15.68	14.90	15.07	15.20	14.86	14.29
LTM EBITDA Margin (%)														
Community Health Systems, Inc.	13.83	13.81	13.58	13.49	13.38	13.35	13.46	14.18	14.51	12.78	14.16	13.87	13.58	13.46
HCA Inc.	18.80	19.01	19.23	18.97	18.58	18.55	18.73	19.24	19.66	17.16	16.23	18.34	19.23	18.73
Health Management Associates, Inc.	15.05	14.96	14.86	14.82	14.83	14.78	14.78	15.10	15.43	15.77	14.80	15.10	14.86	14.78
LifePoint Hospitals Inc.	16.69	16.34	15.94	15.80	15.73	15.84	15.05	15.81	16.13	17.37	17.52	16.59	15.94	15.05
Tenet Healthcare Corp.	11.48	11.07	11.65	12.34	12.36	12.17	12.20	11.77	12.00	8.30	8.83	11.15	11.65	12.20
Universal Health Services, Inc.	13.58	13.66	14.36	15.29	15.84	16.23	16.15	16.51	16.91	11.79	12.27	14.19	14.36	16.15
Vanguard Health Systems, Inc.	10.35	10.38	10.31	9.27	8.66	8.34	8.10	8.82	9.20	9.55	11.08	10.35	8.66	9.20
Sector Average	14.90	14.18	14.27	14.28	14.20	14.18	14.07	14.49	14.83	13.25	13.56	14.23	14.04	14.22
LTM EBITDA Growth (% YOY)														
Community Health Systems, Inc.	8.16	7.80	5.01	4.61	4.17	3.81	4.03	7.35	7.12	38.61	68.51	9.42	5.01	4.03
HCA Inc.	10.59	7.66	7.04	5.08	2.17	1.62	3.17	6.85	10.78	6.96	(0.04)	19.67	7.04	3.17
Health Management Associates, Inc.	8.54	9.41	9.02	9.59	10.94	10.48	12.85	13.36	14.06	(8.03)	(4.88)	5.81	9.02	12.85
LifePoint Hospitals Inc.	7.63	7.24	5.80	7.00	6.03	7.41	2.58	4.23	2.63	(1.51)	3.57	3.89	5.80	2.58
Tenet Healthcare Corp.	18.64	4.33	6.67	12.27	10.57	13.82	9.05	(3.47)	(3.19)	(0.27)	4.08	31.37	6.67	9.05
Universal Health Services, Inc.	4.87	2.85	8.31	25.85	48.15	61.88	51.45	30.54	15.50	13.33	10.03	19.78	8.31	51.45
Sector Average	9.74	6.55	6.97	10.73	13.67	16.50	13.86	9.81	7.82	8.18	13.54	14.99	6.97	13.86
Capital Expenditures (\$ Mil.)														
Community Health Systems, Inc.	137.4	117.9	285.5	153.9	197.5	181.5	243.9	184.9	201.6	522.8	692.2	576.9	667.4	776.7
HCA Inc.	322.0	324.0	465.0	329.0	447.0	394.0	509.0	335.0	449.0	1,444.0	1,600.0	1,317.0	1,325.0	1,679.0
Health Management Associates, Inc.	59.6	55.4	61.5	47.5	85.6	69.8	99.2	80.8	113.4	270.6	218.2	200.1	209.4	302.0
LifePoint Hospitals Inc.	39.6	48.4	46.7	55.9	48.6	49.3	66.1	60.8	49.3	164.1	157.6	166.6	168.7	219.9
Tenet Healthcare Corp.	77.0	120.0	196.0	116.0	82.0	100.0	177.0	136.0	116.0	743.0	547.0	456.0	476.0	475.0
Universal Health Services, Inc.	59.1	56.1	79.5	64.7	63.0	95.6	100.7	107.1	103.3	339.8	354.5	379.7	257.2	323.9
Vanguard Health Systems, Inc.	44.8	44.6	34.8	59.7	67.4	63.4	76.0	56.7	97.2	121.6	132.1	155.9	206.5	293.3
Sector Average	115.8	109.5	167.0	118.1	141.6	136.2	181.7	137.3	161.4	515.1	528.8	464.6	472.9	581.4

^aLifePoint does not disclose uninsured discounts. ^bTenet does not disclose charity care or uninsured discounts. ^cComputed using Fitch-calculated figures. ^dExcludes LifePoint and Tenet. ^eCalculated as the sum of 1. bad debt expense 2. uninsured discounts and 3. charity care divided by the sum of 1. net revenues 2. uninsured discounts and 3. charity care. ^fFigures presented as reported. Revenue reporting changes were implemented beginning March 31, 2012, for all operators included except Vanguard (Sept. 30, 2011). YOY – Year over year. *Continued on next page.*
 Source: Company reports, Fitch calculations.

Hospital Operators: Key Operating Statistics (Continued)

	Three Months									12 Months				
	6/30/10	9/30/10	12/31/10	3/31/11	6/30/11	9/30/11	12/31/11	3/31/12	6/30/12	12/31/07	12/31/08	12/31/09	12/31/10	12/31/11
Capital Expenditures % of Revenues^a														
Community Health Systems, Inc.	4.33	3.63	8.39	4.52	5.75	5.34	7.19	5.61	6.22	7.33	6.39	4.76	5.14	5.70
HCA Inc.	4.15	4.24	6.01	4.08	5.57	4.93	6.04	3.99	5.54	5.38	5.64	4.38	4.32	5.17
Health Management Associates, Inc.	4.78	4.36	4.69	3.31	6.13	4.98	6.30	5.44	7.70	6.16	4.90	4.33	4.09	5.20
LifePoint Hospitals Inc.	5.01	5.82	5.47	6.29	5.54	5.62	7.33	7.14	5.96	6.24	5.84	5.62	5.17	6.20
Tenet Healthcare Corp.	3.34	5.31	8.52	4.68	3.49	4.27	7.34	5.79	5.12	8.39	6.31	5.06	5.17	4.96
Universal Health Services, Inc.	4.41	4.24	5.10	3.39	3.31	5.17	5.47	5.87	5.97	7.15	7.06	7.30	4.62	4.32
Vanguard Health Systems, Inc.	5.28	4.88	3.62	3.93	4.52	4.41	5.18	3.58	6.65	4.36	4.13	4.62	4.23	4.93
Sector Average	4.34	4.64	5.97	4.31	4.90	4.96	6.41	5.35	6.16	6.43	5.75	5.15	4.68	5.21
Capital Expenditures per Bed (\$000)														
Community Health Systems, Inc.	7.53	6.43	15.11	7.97	10.23	9.37	12.49	9.27	10.18	30.81	40.14	31.80	35.58	40.14
HCA Inc.	8.34	8.38	12.02	8.42	11.36	9.97	12.42	8.03	10.74	36.96	41.64	33.92	34.28	42.25
Health Management Associates, Inc.	7.07	6.52	7.06	5.36	9.51	7.13	9.55	7.82	10.87	32.60	27.21	23.77	24.24	31.47
LifePoint Hospitals Inc.	7.09	8.40	7.90	9.54	8.35	8.45	11.12	10.05	8.11	28.94	27.72	30.01	29.42	36.76
Tenet Healthcare Corp.	5.73	8.94	14.60	8.62	6.09	7.44	13.16	10.10	8.80	51.67	40.48	33.98	35.44	35.31
Universal Health Services, Inc.	4.39	4.10	4.09	2.58	2.51	3.81	4.00	4.30	4.16	26.62	27.04	28.33	17.02	12.90
Vanguard Health Systems, Inc.	10.83	10.34	7.71	11.04	10.80	9.56	10.76	8.03	13.76	29.22	31.77	37.70	39.96	44.45
Sector Average	6.7	7.6	9.8	7.6	8.4	8.0	10.5	8.2	9.5	33.8	33.7	31.4	30.8	34.8

^aFigures presented as reported. Revenue reporting changes were implemented beginning March 31, 2012, for all operators included except Vanguard (Sept. 30, 2011).
 YOY – Year over year.

Source: Company reports, Fitch calculations.

Financial Summary — Hospital Operators

(\$ Mil.)

Company Name	Community Health Systems, Inc.	HCA Inc.	Health Management Associates, Inc.	LifePoint Hospitals Inc.	Tenet Healthcare Corp.	Universal Health Services, Inc.	Vanguard Health Systems, Inc.
Statement Date	6/30/12	6/30/12	6/30/12	6/30/12	6/30/12	6/30/12	6/30/12
Rating	B+ (Stable Outlook)	B+ (Stable Outlook)	BB- (Stable Outlook)	BB (Stable Outlook)	B (Stable Outlook)	BB- (Stable Outlook)	NPR
Profitability							
Operating EBITDA	1,933.74	6,476.00	915.45	557.40	1,124.00	1,224.72	547.50
Operating EBITDA Margin (%)	14.51	19.66	15.43	16.13	12.00	16.91	9.20
FFO Return on Adjusted Capital (%)	15.56	26.37	18.49	14.17	17.32	15.52	16.00
Free Cash Flow Margin (%)	2.61	4.46	3.37	4.19	(0.31)	4.27	(3.48)
Coverages (x)							
FFO Interest Coverage	3.05	3.12	3.33	6.95	2.80	5.32	2.76
Operating EBITDA/Gross Interest Expense	2.97	3.46	3.19	7.30	3.06	6.51	2.94
FFO Fixed Charge Coverage	2.46	2.68	2.46	5.27	2.30	3.89	2.25
FCF Debt-Service Coverage	1.36	1.05	1.28	2.82	0.58	2.61	(0.11)
Cash Flow from Operations/Expenditures	1.43	2.68	1.53	1.64	1.18	1.81	0.39
Leverage							
Long-term Secured Debt/Operating EBITDA	3.24	2.72	2.72	0.80	2.56	2.60	1.46
Long-term Secured Debt/FFO	4.69	4.43	3.73	0.98	4.10	3.91	2.44
Total Debt with Equity Credit/Operating EBITDA (x)	4.81	4.18	3.93	2.97	4.33	2.85	4.98
FFO Adjusted Leverage (x)	5.07	4.89	4.44	3.38	4.87	3.89	5.68
Total Adjusted Debt/Operating EBITDAR	5.20	4.45	4.61	3.23	4.74	3.23	5.37
FCF/Total Adjusted Debt (%)	0.03	0.05	0.04	0.08	(0.00)	0.07	(0.06)
Balance Sheet							
Short-Term Debt	83.88	1,309.00	92.52	2.00	237.00	2.50	11.20
Long-Term Senior Secured Debt	6,274.06	17,599.00	2,490.86	443.70	2,880.00	3,178.75	798.80
Long-Term Senior Unsecured Debt	2,894.90	6,608.00	923.20	408.70	1,753.00	260.00	1,905.40
Long-Term Subordinated Debt	—	1,525.00	91.45	800.00	—	—	9.90
Other Debt	48.58	—	—	—	45.00	45.00	—
Equity Credit	—	—	—	—	45.00	—	—
Total Debt with Equity Credit	9,301.41	27,041.00	3,598.03	1,654.40	4,870.00	3,486.25	2,725.30
Off-Balance Sheet Debt	2,126.82	3,960.00	1,402.85	240.00	1,168.00	768.10	617.60
Total Adjusted Debt with Equity Credit	11,428.23	31,001.00	5,000.88	1,894.40	6,038.00	4,254.34	3,342.90
Cash Flow							
Funds from Operations	1,338.50	3,974.00	668.07	454.20	702.00	811.94	327.50
Change in Working Capital	(178.35)	550.00	(112.24)	(83.30)	(79.00)	(76.61)	(213.40)
Cash Flow from Operations	1,160.15	4,524.00	555.84	370.90	623.00	735.34	114.10
Total Non-Operating/Non-Recurring Cash Flow	—	—	7.57	(0.60)	(123.00)	—	(0.50)
Capital Expenditures	(811.79)	(1,687.00)	(363.19)	(225.50)	(529.00)	(406.63)	(293.30)
Dividends	—	(1,367.00)	—	—	—	(19.38)	(27.60)
Free Cash Flow	348.36	1,470.00	200.22	144.80	(29.00)	309.33	(207.30)
Net Acquisitions and Divestitures	(294.84)	(1,420.00)	(596.83)	(114.60)	(55.00)	78.07	(212.90)
Net Debt Proceeds	388.98	1,365.00	463.26	(1.90)	484.00	(314.54)	(100.90)
Net Equity Proceeds	(56.83)	(1,503.00)	—	(127.60)	(620.00)	(52.30)	67.50
Other (Investing and Financing)	(462.00)	67.00	(120.66)	(3.50)	40.00	(22.44)	(27.50)
Total Change in Cash	(76.32)	(21.00)	(54.01)	(102.80)	(182.00)	(1.88)	(481.10)
Ending Cash and Securities Balance	115.11	518.00	36.30	172.30	82.00	32.94	455.50
Short-Term Marketable Securities	—	—	120.02	—	—	—	—
Income Statement							
Revenue	13,327.01	32,944.00	5,932.69	3,456.70	9,369.00	7,242.53	5,949.00
Revenue Growth (%)	(1.24)	4.71	9.64	0.14	(0.26)	8.17	21.81
Operating EBIT	1,246.29	4,761.00	603.48	379.90	712.00	925.11	289.20
Gross Interest Expense	651.53	1,874.00	286.90	76.40	367.00	188.14	186.20

NPR – Non-public Rating.

Source: Company filings, Fitch calculations.

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