
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549
Form 10-K

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2019
OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____

Commission File Number 1-7293

TENET HEALTHCARE CORPORATION

(Exact name of Registrant as specified in its charter)

Nevada
(State of Incorporation)

95-2557091
(IRS Employer Identification No.)

14201 Dallas Parkway
Dallas, TX 75254
(Address of principal executive offices, including zip code)

(469) 893-2200
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Common stock, \$0.05 par value	THC	New York Stock Exchange
6.875% Senior Notes due 2031	THC31	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 every Interactive Data File required to be submitted 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, a smaller reporting company or an emerging growth company (each as defined in Exchange Act Rule 12b-2).

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of June 30, 2019, the aggregate market value of the shares of common stock held by non-affiliates of the Registrant (treating directors, executive officers who were SEC reporting persons, and holders of 10% or more of the common stock outstanding as of that date, for this purpose, as affiliates) was approximately \$1.2 billion based on the closing price of the Registrant's shares on the New York Stock Exchange on Friday, June 28, 2019. As of January 31, 2020, there were 104,288,796 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement for the 2020 annual meeting of shareholders are incorporated by reference into Part III of this Form 10-K.

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PART I.

ITEM 1. BUSINESS

OVERVIEW

Tenet Healthcare Corporation (together with our subsidiaries, referred to herein as “Tenet,” the “Company,” “we” or “us”) is a diversified healthcare services company headquartered in Dallas, Texas. Through our subsidiaries, partnerships and joint ventures, including USPI Holding Company, Inc. (“USPI”), at December 31, 2019, we operated an expansive care network that included 65 hospitals and over 500 other healthcare facilities, including ambulatory surgery centers, urgent care centers, imaging centers, surgical hospitals, off-campus emergency departments and micro-hospitals. In addition, we operate Conifer Health Solutions, LLC through our Conifer Holdings, Inc. (“Conifer”) subsidiary, which provides revenue cycle management and value-based care services to hospitals, healthcare systems, physician practices, employers and other customers. Following exploration of strategic alternatives for Conifer, in July 2019, we announced our intention to pursue a tax-free spin-off of Conifer as a separate, independent, publicly traded company. For financial reporting purposes, our business lines are classified into three separate reportable operating segments – Hospital Operations and other, Ambulatory Care and Conifer. Additional information about our business segments is provided below; statistical data for the segments can be found in Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations, of Part II of this report.

OPERATIONS

HOSPITAL OPERATIONS AND OTHER SEGMENT

Hospitals, Ancillary Outpatient Facilities and Related Businesses—At December 31, 2019, our subsidiaries operated 65 hospitals, serving primarily urban and suburban communities in nine states. Our subsidiaries had sole ownership of 54 of the hospitals we operated at December 31, 2019, nine were owned or leased by entities that are, in turn, jointly owned by a Tenet subsidiary and a healthcare system partner, and two were owned by third parties and leased by our wholly owned subsidiaries. Our Hospital Operations and other segment also included 159 outpatient centers at December 31, 2019, the majority of which are freestanding urgent care centers, provider-based diagnostic imaging centers, off-campus emergency departments, provider-based ambulatory surgery centers and micro-hospitals. In addition, at December 31, 2019, our subsidiaries owned or leased and operated: a number of medical office buildings, all of which were located on, or nearby, our hospital campuses; 730 physician practices; four accountable care organizations and 10 clinically integrated networks; and other ancillary healthcare businesses.

Each of our general hospitals offers acute care services, operating and recovery rooms, radiology services, respiratory therapy services, clinical laboratories and pharmacies; in addition, most have: intensive care, critical care and/or coronary care units; cardiovascular, digestive disease, neurosciences, musculoskeletal and obstetrics services; and outpatient services, including physical therapy. Many of our hospitals provide tertiary care services, such as cardiothoracic surgery, complex spinal surgery, neonatal intensive care and neurosurgery, and some also offer quaternary care in areas such as heart and kidney transplants. Moreover, a number of our hospitals offer advanced treatment options for patients, including limb-salvaging vascular procedures, acute level 1 trauma services, comprehensive intravascular stroke care, minimally invasive cardiac valve replacement, cutting-edge imaging technology, and telemedicine access for selected medical specialties.

Each of our hospitals (other than our one critical access hospital) is accredited by The Joint Commission. With such accreditation, our hospitals are deemed to meet the Medicare Conditions of Participation and are eligible to participate in government-sponsored provider programs, such as the Medicare and Medicaid programs. Although our critical access hospital has not sought to be accredited, it also participates in the Medicare and Medicaid programs by otherwise meeting the Medicare Conditions of Participation.

The following table lists, by state, the hospitals wholly owned, operated as part of a joint venture, or leased and operated by our wholly owned subsidiaries at December 31, 2019:

Hospital	Location	Licensed Beds	Status
Alabama			
Brookwood Baptist Medical Center ⁽¹⁾	Homewood	595	JV/Owned
Citizens Baptist Medical Center ⁽¹⁾⁽²⁾	Talladega	122	JV/Leased
Princeton Baptist Medical Center ⁽¹⁾⁽²⁾	Birmingham	505	JV/Leased
Shelby Baptist Medical Center ⁽¹⁾⁽²⁾	Alabaster	252	JV/Leased
Walker Baptist Medical Center ⁽¹⁾⁽²⁾	Jasper	267	JV/Leased
Arizona			
Abrazo Arizona Heart Hospital ⁽³⁾	Phoenix	59	Owned
Abrazo Arrowhead Campus	Glendale	217	Owned
Abrazo Central Campus	Phoenix	206	Owned
Abrazo Scottsdale Campus	Phoenix	120	Owned
Abrazo West Campus	Goodyear	200	Owned
Holy Cross Hospital ⁽⁴⁾⁽⁵⁾	Nogales	25	JV/Owned
St. Joseph's Hospital ⁽⁴⁾	Tucson	486	JV/Owned
St. Mary's Hospital ⁽⁴⁾	Tucson	400	JV/Owned
California			
Desert Regional Medical Center ⁽⁶⁾	Palm Springs	385	Leased
Doctors Hospital of Manteca	Manteca	73	Owned
Doctors Medical Center	Modesto	461	Owned
Emanuel Medical Center	Turlock	209	Owned
Fountain Valley Regional Hospital and Medical Center	Fountain Valley	400	Owned
Hi-Desert Medical Center ⁽⁷⁾	Joshua Tree	179	Leased
John F. Kennedy Memorial Hospital	Indio	145	Owned
Lakewood Regional Medical Center	Lakewood	172	Owned
Los Alamitos Medical Center	Los Alamitos	162	Owned
Placentia Linda Hospital	Placentia	114	Owned
San Ramon Regional Medical Center ⁽⁸⁾	San Ramon	123	JV/Owned
Sierra Vista Regional Medical Center	San Luis Obispo	162	Owned
Twin Cities Community Hospital	Templeton	122	Owned
Florida			
Coral Gables Hospital	Coral Gables	245	Owned
Delray Medical Center	Delray Beach	536	Owned
Florida Medical Center – a campus of North Shore	Lauderdale Lakes	459	Owned
Good Samaritan Medical Center	West Palm Beach	333	Owned
Hialeah Hospital	Hialeah	366	Owned
North Shore Medical Center	Miami	337	Owned
Palm Beach Gardens Medical Center	Palm Beach Gardens	199	Owned
Palmetto General Hospital	Hialeah	368	Owned
St. Mary's Medical Center	West Palm Beach	460	Owned
West Boca Medical Center	Boca Raton	195	Owned

Hospital	Location	Licensed Beds	Status
Massachusetts			
MetroWest Medical Center – Framingham Union Campus	Framingham	147	Owned
MetroWest Medical Center – Leonard Morse Campus	Natick	160	Owned
Saint Vincent Hospital	Worcester	283	Owned
Michigan			
Children’s Hospital of Michigan	Detroit	228	Owned
Detroit Receiving Hospital	Detroit	273	Owned
Harper University Hospital	Detroit	470	Owned
Huron Valley-Sinai Hospital	Commerce Township	158	Owned
Hutzel Women’s Hospital	Detroit	114	Owned
Rehabilitation Institute of Michigan ⁽³⁾	Detroit	69	Owned
Sinai-Grace Hospital	Detroit	404	Owned
South Carolina			
Coastal Carolina Hospital	Hardeeville	41	Owned
East Cooper Medical Center	Mount Pleasant	140	Owned
Hilton Head Hospital	Hilton Head	109	Owned
Piedmont Medical Center	Rock Hill	288	Owned
Tennessee			
Saint Francis Hospital ⁽⁹⁾	Memphis	479	Owned
Saint Francis Hospital – Bartlett ⁽⁹⁾	Bartlett	196	Owned
Texas			
Baptist Medical Center	San Antonio	623	Owned
The Hospitals of Providence East Campus	El Paso	182	Owned
The Hospitals of Providence Memorial Campus	El Paso	480	Owned
The Hospitals of Providence Sierra Campus	El Paso	283	Owned
The Hospitals of Providence Transmountain Campus	El Paso	106	Owned
Mission Trail Baptist Hospital	San Antonio	102	Owned
Nacogdoches Medical Center	Nacogdoches	161	Owned
North Central Baptist Hospital	San Antonio	443	Owned
Northeast Baptist Hospital	San Antonio	371	Owned
Resolute Health Hospital	New Braunfels	128	Owned
St. Luke’s Baptist Hospital	San Antonio	287	Owned
Valley Baptist Medical Center	Harlingen	586	Owned
Valley Baptist Medical Center – Brownsville	Brownsville	240	Owned
Total Licensed Beds		17,210	

(1) Operated by a limited liability company formed as part of a joint venture with Baptist Health System, Inc. (“BHS”), a not-for-profit healthcare system in Alabama; a Tenet subsidiary owned a 60% interest in the entity at December 31, 2019, and BHS owned a 40% interest.

(2) In order to receive certain tax benefits for these hospitals, which were operated as nonprofit hospitals prior to our joint venture with BHS, we have entered into arrangements with the City of Talladega, the City of Birmingham, the City of Alabaster and the City of Jasper such that a Medical Clinic Board owns each of these hospitals, and the hospitals are leased to our joint venture entity. These capital leases expire between November 2025 and September 2036, but contain two optional renewal terms of 10 years each.

(3) Specialty hospital.

(4) Owned by a limited liability company formed as part of a joint venture with Dignity Health (which, following a 2019 merger with Catholic Health Initiatives, is now a part of CommonSpirit Health) and Ascension Arizona, each of which is a not-for-profit healthcare system; a Tenet subsidiary owned a 60% interest in the entity at December 31, 2019, Dignity Health owned a 22.5% interest and Ascension Arizona owned a 17.5% interest.

(5) Designated by the Centers for Medicare and Medicaid Services (“CMS”) as a critical access hospital.

(6) Lease expires in May 2027.

(7) Lease expires in July 2045.

(8) Owned by a limited liability company formed as part of a joint venture with John Muir Health (“JMH”), a not-for-profit healthcare system in the San Francisco Bay area; a Tenet subsidiary owned a 51% interest in the entity at December 31, 2019, and JMH owned a 49% interest.

(9) In December 2019, we reached a definitive agreement to sell these hospitals to an unaffiliated third party. The transaction is currently expected to be completed in 2020, subject to regulatory approvals and customary closing conditions.

Information regarding the utilization of licensed beds and other operating statistics at December 31, 2019 and 2018 can be found in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of Part II of this report.

At December 31, 2019, our Hospital Operations and other segment also included 48 diagnostic imaging centers, 13 off-campus emergency departments and 11 ambulatory surgery centers operated as departments of our hospitals and under the same license, as well as 87 separately licensed, freestanding outpatient centers – typically at locations complementary to our hospitals – consisting of six diagnostic imaging centers, 10 emergency facilities (9 of which are licensed as micro-hospitals), two ambulatory surgery centers and 69 urgent care centers. Nearly all of our freestanding urgent care centers are managed by USPI and operated under our national MedPost brand. Over half of the outpatient centers in our Hospital Operations and other segment at December 31, 2019 were in California, Florida and Texas, the same states where we had the largest concentrations of licensed hospital beds. Strong concentrations of hospital beds and outpatient centers within market areas may help us contract more successfully with managed care payers, reduce management, marketing and other expenses, and more efficiently utilize resources. However, these concentrations increase the risk that, should any adverse economic, regulatory, environmental or other condition occur in these areas, our overall business, financial condition, results of operations or cash flows could be materially adversely affected.

Accountable Care Organizations and Clinically Integrated Networks—We own, control or operate four accountable care organizations (“ACOs”) and 10 clinically integrated networks (“CINs”) – in Alabama, Arizona, California, Florida, Massachusetts, Michigan, Missouri, Tennessee and Texas – and participate in an additional ACO and an additional CIN with other healthcare providers for select markets in Arizona. An ACO is a group of providers and suppliers that work together to redesign delivery processes in an effort to achieve high-quality and efficient provision of services under contract with CMS. ACOs that achieve quality performance standards established by the U.S. Department of Health and Human Services (“HHS”) are eligible to share in a portion of the amounts saved by the Medicare program. A CIN coordinates the healthcare needs of the communities served by its network of providers with the purpose of improving the quality and efficiency of healthcare services through collaborative programs, including contracts with managed care payers that create a high degree of interdependence and cooperation among the network providers. Because they promote accountability and coordination of care, ACOs and CINs are intended to produce savings as a result of improved quality and operational efficiencies.

Health Plans—We previously announced our intention to sell or otherwise dispose of our health plan businesses because they are not a core part of our long-term growth strategy. To that end, we sold, divested the membership of or discontinued four health plans in 2017 and, in 2018, we divested our Chicago-based preferred provider network and our Southern California Medicare Advantage plan. Health plans we have not sold outright are being wound-down; however, during this time, they continue to be subject to numerous federal and state statutes and regulations related to their business operations, and certain of these health plans continue to be licensed by one or more agencies in the states in which they conduct business. In addition, insurance regulations in the states in which we currently operate have required us to maintain cash reserves in connection with certain health plans throughout the wind-down process.

AMBULATORY CARE SEGMENT

Our Ambulatory Care segment is comprised of the operations of USPI, which, at December 31, 2019, had interests in 260 ambulatory surgery centers, 39 urgent care centers (nearly all of which are operated under the CareSpot brand), 23 imaging centers and 24 surgical hospitals in 27 states. At December 31, 2019, we owned approximately 95% of USPI, and Baylor University Medical Center (“Baylor”) owned approximately 5%.

Operations of USPI—USPI acquires and develops its facilities primarily through the formation of joint ventures with physicians and healthcare systems. USPI's subsidiaries hold ownership interests in the facilities directly or indirectly and operate the facilities on a day-to-day basis through management services contracts.

USPI's surgical facilities primarily specialize in non-emergency cases. We believe surgery centers and surgical hospitals offer many advantages to patients and physicians, including greater affordability, predictability and convenience. Medical emergencies at acute care hospitals often demand the unplanned use of operating rooms and result in the postponement or delay of scheduled surgeries, disrupting physicians' practices and inconveniencing patients. Outpatient facilities generally provide physicians with greater scheduling flexibility, more consistent nurse staffing and faster turnaround time between cases. In addition, many physicians choose to perform surgery in outpatient facilities because their patients prefer the comfort of a less institutional atmosphere and the convenience of simplified registration and discharge procedures.

New surgical techniques and technology, as well as advances in anesthesia, have significantly expanded the types of surgical procedures that are being performed in surgery centers and have helped drive the growth in outpatient surgery.

Improved anesthesia has shortened recovery time by minimizing post-operative side effects, such as nausea and drowsiness, thereby avoiding the need for overnight hospitalization in many cases. Furthermore, some states permit surgery centers to keep a patient for up to 23 hours, which allows for more complex surgeries, previously performed only in an inpatient setting, to be performed in a surgery center.

In addition to these technological and other clinical advancements, a changing payer environment has contributed to the growth of outpatient surgery relative to all surgery performed. Government programs, private insurance companies, managed care organizations and self-insured employers have implemented cost-containment measures to limit increases in healthcare expenditures, including procedure reimbursement. Furthermore, as self-funded employers are looking to curb annual increases in their employee health benefits costs, they continue to shift additional financial responsibility to patients through higher co-pays, deductibles and premium contributions. These cost-containment measures have contributed to the shift in the delivery of certain healthcare services away from traditional inpatient hospitals to more cost-effective alternate sites, including surgical facilities. We believe that surgeries performed at surgical facilities are generally less expensive than hospital-based outpatient surgeries because of lower facility development costs, more efficient staffing and space utilization, and a specialized operating environment focused on quality of care and cost containment.

We operate USPI's facilities, structure our joint ventures, and adopt staffing, scheduling, and clinical systems and protocols with the goal of increasing physician productivity. We believe that this focus on physician satisfaction, combined with providing high-quality healthcare in a friendly and convenient environment for patients, will continue to increase the number of procedures performed at our facilities each year. Our joint ventures also enable healthcare systems to offer patients, physicians and payers the cost advantages, convenience and other benefits of ambulatory care in a freestanding facility and, in certain markets, establish networks needed to manage the full continuum of care for a defined population. Further, these relationships allow the healthcare systems to focus their attention and resources on their core business without the challenge of acquiring, developing and operating these facilities.

CONIFER SEGMENT

Nearly all of the services comprising the operations of our Conifer segment are provided by Conifer Health Solutions, LLC or one of its direct or indirect wholly owned subsidiaries. At December 31, 2019, we owned 76.2% of Conifer Health Solutions, LLC, and Catholic Health Initiatives ("CHI") had a 23.8% ownership position. (As a result of its 2019 merger with Dignity Health, CHI is now a part of CommonSpirit Health.) Following exploration of strategic alternatives for Conifer, in July 2019, we announced our intention to pursue a tax-free spin-off of Conifer as a separate, independent, publicly traded company. Completion of the proposed spin-off is subject to a number of conditions, including, among others, assurance that the separation will be tax-free for U.S. federal income tax purposes, execution of a restructured services agreement between Conifer and Tenet, finalization of Conifer's capital structure, the effectiveness of appropriate filings with the U.S. Securities and Exchange Commission ("SEC"), and final approval from our board of directors. We are targeting to complete the separation by the end of the second quarter of 2021; however, there can be no assurance regarding the timeframe for completing the spin-off, the allocation of assets and liabilities between Tenet and Conifer, that the other conditions of the spin-off will be met, or that the spin-off will be completed at all.

Services—Conifer provides healthcare business process services in the areas of hospital and physician revenue cycle management and value-based care solutions to healthcare systems, as well as individual hospitals, physician practices, self-insured organizations, health plans and other entities.

Conifer's revenue cycle management solutions consist of: (1) patient services, including: centralized insurance and benefit verification; financial clearance, pre-certification, registration and check-in services; and financial counseling services, including reviews of eligibility for government healthcare or financial assistance programs, for both insured and uninsured patients, as well as qualified health plan coverage; (2) clinical revenue integrity solutions, including: clinical admission reviews; coding; clinical documentation improvement; coding compliance audits; charge description master management; and health information services; and (3) accounts receivable management solutions, including: third-party billing and collections; denials management; and patient collections. All of these solutions include ongoing measurement and monitoring of key revenue cycle metrics, as well as productivity and quality improvement programs. These revenue cycle management solutions assist hospitals, physician practices and other healthcare organizations in improving cash flow, revenue, and physician and patient satisfaction.

In addition, Conifer offers customized communications and engagement solutions to optimize the relationship between providers and patients. Conifer's trained customer service representatives provide direct, 24-hour, multilingual support for (1) physician referral requests, calls regarding maternity services and other patient inquiries, (2) community education and

outreach, and (3) scheduling and appointment reminders. Additionally, Conifer coordinates and implements marketing outreach programs to keep patients informed of screenings, seminars, and other events and services.

Conifer also offers value-based care solutions, including clinical integration, financial risk management and population health management, all of which assist hospitals, physicians, ACOs, health plans, self-insured employers and government agencies in improving the cost and quality of healthcare delivery, as well as patient outcomes. Conifer helps clients build clinically integrated networks that provide predictive analytics and quality measures across the care continuum. In addition, Conifer helps clients align and manage financial incentives among healthcare stakeholders through risk modeling and administration of various payment models. Furthermore, Conifer offers clients tools and analytics to improve quality of care and provide care management services for patients with chronic diseases by identifying high-risk patients, coordinating with patients and clinicians in managing care, and monitoring clinical outcomes.

Clients—At December 31, 2019, Conifer provided one or more of the business process services described above to approximately 660 Tenet and non-Tenet hospital and other clients nationwide. Tenet and CHI facilities represented over 300 of these clients, and the remainder were unaffiliated healthcare systems, hospitals, physician practices, self-insured organizations, health plans and other entities. Contractual agreements have been in place for many years documenting the terms and conditions of various services Conifer provides to Tenet hospitals, as well as certain administrative services our Hospital Operations and other segment provides to Conifer. While Conifer prepares for the spin-off, these contracts have been renewed on a short-term basis with certain scope of services modifications; however, execution of restructured long-term services agreements between Conifer and Tenet is a condition to completion of the proposed spin-off. Conifer's agreement with CHI to provide patient access, revenue integrity and patient financial services to CHI's facilities expires in 2032. For the year ended December 31, 2019, approximately 42% of Conifer's net operating revenues were attributable to its relationship with Tenet and approximately 41% were attributable to its relationship with CHI. As we pursue a tax-free spin-off of Conifer, we are continuing to market Conifer's revenue cycle management, patient communications and engagement services, and value-based care solutions businesses. The timing and uncertainty associated with our plans for Conifer may have an adverse impact on our ability to secure new clients for Conifer. Additional information about our Conifer operating segment can be found in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of Part II of this report.

REAL PROPERTY

The locations of our hospitals and the number of licensed beds at each hospital at December 31, 2019 are set forth in the table beginning on page 2. We lease the majority of our outpatient facilities in both our Hospital Operations and other segment and our Ambulatory Care segment. These leases typically have initial terms ranging from five to 20 years, and most of the leases contain options to extend the lease periods. Our subsidiaries also operate a number of medical office buildings, all of which are located on, or nearby, our hospital campuses. We own many of these medical office buildings; the remainder are owned by third parties and leased by our subsidiaries.

Our corporate headquarters are located in Dallas, Texas, where we recently consolidated several office locations. In addition, we maintain administrative offices in markets where we operate hospitals and other businesses. We typically lease our office space under operating lease agreements. We believe that all of our properties are suitable for their respective uses and are, in general, adequate for our present needs.

INTELLECTUAL PROPERTY

We rely on a combination of trademark, copyright and trade secret laws, as well as contractual terms and conditions, to protect our rights in our intellectual property assets. However, third parties may develop intellectual property that is similar or superior to ours. We also license third-party software, other technology and certain trademarks through agreements that impose certain restrictions on our ability to use the licensed items. We control access to and use of our software and other technology through a combination of internal and external controls. Although we do not believe the intellectual property we utilize infringes any intellectual property right held by a third party, we could be prevented from utilizing such property and could be subject to significant damage awards if our use is found to do so.

PHYSICIANS AND EMPLOYEES

Physicians—Our operations depend in significant part on the number, quality, specialties, and admitting and scheduling practices of the licensed physicians who have been admitted to the medical staffs of our hospitals and other facilities, as well as physicians who affiliate with us and use our facilities as an extension of their practices. Under state laws and other licensing standards, medical staffs are generally self-governing organizations subject to ultimate oversight by the facility’s local governing board. Members of the medical staffs of our facilities also often serve on the medical staffs of facilities we do not operate, and they are free to terminate their association with our facilities or admit their patients to competing facilities at any time. At December 31, 2019, we owned 730 physician practices, and we employed (where permitted by state law) or otherwise affiliated with over 1,700 physicians; however, we have no contractual relationship with the overwhelming majority of the physicians who practice at our hospitals and outpatient centers. It is essential to our ongoing business and clinical program development that we attract an appropriate number of quality physicians in the specialties required to support our services and that we maintain good relations with those physicians. In some of our markets, physician recruitment and retention are affected by a shortage of physicians in certain specialties and the difficulties that physicians can experience in obtaining affordable malpractice insurance or finding insurers willing to provide such insurance. Moreover, our ability to recruit and employ physicians is closely regulated.

Employees in Our Healthcare Facilities—In addition to physicians, the operations of our facilities are dependent on the efforts, abilities and experience of our facilities management and medical support employees, including nurses, therapists, pharmacists and lab technicians. We compete with other healthcare providers in recruiting and retaining qualified personnel responsible for the day-to-day operations of our facilities. In some markets, there is a limited availability of experienced medical support personnel, which drives up the local wages and benefits required to recruit and retain employees. In particular, like others in the healthcare industry, we continue to experience a shortage of critical-care nurses in certain disciplines and geographic areas. Moreover, we hire many newly licensed nurses in addition to experienced nurses, which requires us to invest in their training.

California is the only state in which we operate that requires minimum nurse-to-patient staffing ratios to be maintained at all times in acute care hospitals. If other states in which we operate adopt mandatory nurse-staffing ratios, it could have a significant effect on our labor costs and have an adverse impact on our net operating revenues if we are required to limit patient volumes in order to meet the required ratios.

Union Activity and Labor Relations—At December 31, 2019, approximately 28% of the employees in our Hospital Operations and other segment were represented by labor unions. Less than 1% of the total employees in both our Ambulatory Care and Conifer segments belong to a union. Unionized employees – primarily registered nurses and service, technical and maintenance workers – are located at 35 of our hospitals, the majority of which are in California, Florida and Michigan. When negotiating collective bargaining agreements with unions, whether such agreements are renewals or first contracts, there is a possibility that strikes could occur, and our continued operation during any strikes could increase our labor costs and have an adverse effect on our patient volumes and net operating revenues. Organizing activities by labor unions could increase our level of union representation in future periods, which could result in increases in salaries, wages and benefits expense.

Headcount—At December 31, 2019, we employed approximately 113,600 people (of which approximately 22% were part-time employees) in our three business segments, as follows:

Hospital Operations and other	83,300
Ambulatory Care	19,500
Conifer	10,800
Total	113,600

COMPETITION***HEALTHCARE SERVICES***

Generally, other hospitals and outpatient centers in the local communities we serve provide services similar to those we offer, and, in some cases, competing facilities are more established or newer than ours. Furthermore, our competitors (1) may offer a broader array of services or more desirable facilities to patients and physicians than ours, (2) may have larger or more specialized medical staffs to admit and refer patients, (3) may have a better reputation for access or overall services in the community, or (4) may be able to negotiate more favorable reimbursement rates that they may use to strengthen their competitive position. In the future, we expect to encounter increased competition from system-affiliated hospitals and

healthcare companies, as well as health insurers and private equity companies seeking to acquire providers, in specific geographic markets.

We also face competition from specialty hospitals (some of which are physician-owned) and unaffiliated freestanding outpatient centers for market share in diagnostic and specialty services and for quality physicians and personnel. In recent years, the number of freestanding specialty hospitals, surgery centers, emergency departments and diagnostic imaging centers in the geographic areas in which we operate has increased significantly. Furthermore, some of the hospitals that compete with our hospitals are owned by government agencies or not-for-profit organizations. These tax-exempt competitors may have certain financial advantages not available to our facilities, such as endowments, charitable contributions, tax-exempt financing, and exemptions from sales, property and income taxes. In addition, in certain markets in which we operate, large teaching hospitals provide highly specialized facilities, equipment and services that may not be available at our hospitals.

Another major factor in the competitive position of a hospital or outpatient facility is the ability to negotiate contracts with managed care plans. Health maintenance organizations (“HMOs”), preferred provider organizations (“PPOs”), third-party administrators, and other third-party payers use managed care contracts to encourage patients to use certain hospitals in exchange for discounts from the hospitals’ established charges. These negotiated discounts generally limit our ability to increase reimbursement rates to offset increasing costs. Nevertheless, our future success depends, in part, on our ability to retain and renew our managed care contracts and enter into new managed care contracts on competitive terms. Other healthcare providers may affect our ability to enter into acceptable managed care contractual arrangements or negotiate increases in our reimbursement. For example, some of our competitors may negotiate exclusivity provisions with managed care plans or otherwise restrict the ability of managed care companies to contract with us. Furthermore, the ongoing trend toward consolidation among non-government payers tends to increase their bargaining power over fee structures.

In addition, the competitive positions of hospitals and outpatient facilities depend in significant part on the number, quality, specialties, and admitting and scheduling practices of the licensed physicians who have been admitted to the medical staffs of those facilities, as well as physicians who affiliate with and use outpatient centers as an extension of their practices. Members of the medical staffs of our facilities also often serve on the medical staffs of facilities we do not operate, and they are free to terminate their association with our facilities or admit their patients to competing facilities at any time. State laws that require findings of need for construction and expansion of healthcare facilities or services (as described in “Healthcare Regulation and Licensing – Certificate of Need Requirements” below) may also impact competition.

Our strategies are designed to help our hospitals and outpatient facilities remain competitive. We believe emphasis on higher-demand and higher-acuity clinical service lines (including outpatient lines), focus on patient and physician access, investments in medical technology, improved quality metrics and contracting strategies that create shared value with payers should help us grow our patient volumes over time. We have also sought to include all of our hospitals and other healthcare businesses in the related geographic area or nationally when negotiating new managed care contracts, which may result in additional volumes at facilities that were not previously a part of such managed care networks.

We have significantly increased our focus on operating our outpatient centers with improved accessibility and more convenient service for patients, increased predictability and efficiency for physicians, and (for most services) lower costs for payers than would be incurred with a hospital visit. In addition, we have made significant investments in equipment, technology, education and operational strategies designed to improve clinical quality at all of our facilities. We believe physicians refer patients to a hospital on the basis of the quality, access and scope of services it renders to patients and physicians, the quality of other physicians on the medical staff, the location of the hospital, and the quality of the hospital’s facilities, equipment and employees. 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 more appropriate lengths of stay, as well as reductions in readmissions for hospitalized patients. In general, we believe that quality of care improvements may have the effects of: (1) reducing costs; (2) increasing payments from Medicare and certain managed care payers for our services as governmental and private payers move to pay-for-performance models, and the commercial market moves to more narrow networks and other methods designed to encourage covered individuals to use certain facilities over others; and (3) increasing physician and patient satisfaction, which may improve our volumes.

Moreover, in many of our markets, we have formed clinically integrated networks, 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. However, we do face competition from other healthcare systems that are implementing similar

physician alignment strategies, such as employing physicians, acquiring physician practice groups, and participating in ACOs or other clinical integration models.

REVENUE CYCLE MANAGEMENT SOLUTIONS

Conifer faces competition from existing participants and new entrants to the revenue cycle management market, some of which may have significantly greater capital resources than Conifer. In addition, the internal revenue cycle management staff of hospitals and other healthcare providers, who have historically performed many of the functions addressed by our services, in effect compete with us. Moreover, providers who have previously made investments in internally developed solutions may choose to continue to rely on their own resources. We also currently compete with several categories of external participants in the revenue cycle market, including:

- software vendors and other technology-supported revenue cycle management business process outsourcing companies;
- traditional consultants, either specialized healthcare consulting firms or healthcare divisions of large accounting firms; and
- large, non-healthcare focused business process and information technology outsourcing firms.

We believe that competition for the revenue cycle management and other services Conifer provides is based primarily on: (1) knowledge and understanding of the complex public and private healthcare payment and reimbursement systems; (2) a track record of delivering revenue improvements and efficiency gains for hospitals and other healthcare providers; (3) the ability to deliver solutions that are fully integrated along each step of the revenue cycle; (4) cost-effectiveness, including the breakdown between up-front costs and pay-for-performance incentive compensation; (5) reliability, simplicity and flexibility of the technology platform; (6) understanding of the healthcare industry's regulatory environment, as well as laws and regulations relating to consumer protection; and (7) financial resources to maintain current technology and other infrastructure.

To be successful, Conifer must respond more quickly and effectively than its competitors to new or changing opportunities, technologies, standards, regulations and client requirements. Existing or new competitors may introduce technologies or services that render Conifer's technologies or services obsolete or less marketable. Even if Conifer's technologies and services are more effective than the offerings of its competitors, current or potential clients might prefer competitive technologies or services to Conifer's technologies and services. Furthermore, increased competition has resulted and may continue to result in pricing pressures, which could negatively impact Conifer's margins, growth rate or market share. In addition, the timing and uncertainty regarding our potential spin-off of Conifer may have an adverse impact on Conifer's ability to secure new clients.

HEALTHCARE REGULATION AND LICENSING

HEALTHCARE REFORM

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 ("Affordable Care Act" or "ACA") extended health coverage to millions of uninsured legal U.S. residents through a combination of private sector health insurance reforms and public program expansion. To fund the expansion of insurance coverage, the ACA includes measures designed to promote quality and cost efficiency in healthcare delivery and to generate budgetary savings in the Medicare and Medicaid programs. In addition, the ACA contains provisions intended to strengthen fraud and abuse enforcement.

The initial expansion of health insurance coverage under the ACA resulted in an increase in the number of patients using our facilities with either private or public program coverage and a decrease in uninsured and charity care admissions. Although a substantial portion of both our patient volumes and, as result, our revenues has historically been derived from government healthcare programs, reductions to our reimbursement under the Medicare and Medicaid programs as a result of the ACA have been partially offset by increased revenues from providing care to previously uninsured individuals.

In recent years, the healthcare industry, in general, and the acute care hospital business, in particular, have been experiencing significant regulatory uncertainty based, in large part, on administrative, legislative and judicial efforts to significantly modify or repeal and potentially replace the ACA. Effective January 2019, Congress eliminated the financial penalty for noncompliance under the ACA's individual mandate provision, which requires most U.S. citizens and noncitizens who lawfully reside in the country to have health insurance meeting specified standards. The Congressional Budget Office and

the Joint Committee on Taxation have estimated that elimination of the individual mandate penalty will result in seven million more uninsured by 2021 and put upward pressure on health insurance premiums. Members of Congress and other politicians have also proposed measures that would expand government-sponsored coverage, including single-payer plans, such as Medicare for All. We cannot predict if or when further modification of the ACA will occur or what action, if any, Congress might take with respect to eventually repealing and possibly replacing the law. Furthermore, in December 2019, a federal appeals court panel agreed with a December 2018 ruling by the U.S. District Court for the Northern District of Texas in the matter of *Texas v. United States* that the ACA's individual mandate is unconstitutional now that Congress has eliminated the tax penalty that was intended to enforce it. The appeals court sent the case back to the lower court to determine how much of the rest of the ACA, if any, can stand in light of its ruling. On January 3, 2020, the U.S. House of Representatives, 20 states and the District of Columbia filed a petition asking the U.S. Supreme Court to review the case on an expedited basis, but their petition was denied on January 21, 2020. Pending a final decision on the matter, the current administration has continued to enforce the ACA.

We are unable to predict the impact on our future revenues and operations of (1) the final decision in *Texas v. United States* and other court challenges, (2) administrative, regulatory and legislative changes, including expansion of government-sponsored coverage, or (3) market reactions to those changes. However, if the ultimate impact is that significantly fewer individuals have private or public health coverage, we likely will experience decreased patient volumes, reduced revenues and an increase in uncompensated care, which would adversely affect our results of operations and cash flows. This negative effect will be exacerbated if the ACA's reductions in Medicare reimbursement and reductions in Medicare disproportionate share hospital ("DSH") payments that have already taken effect are not reversed if the law is repealed or if further reductions (including Medicaid DSH reductions scheduled to take effect in federal fiscal years 2020 through 2025) are made.

ANTI-KICKBACK AND SELF-REFERRAL REGULATIONS

Anti-Kickback Statute—Medicare and Medicaid anti-kickback and anti-fraud and abuse amendments codified under Section 1128B(b) of the Social Security Act (the "Anti-kickback Statute") prohibit certain business practices and relationships that might affect the provision and cost of healthcare services payable under the Medicare and Medicaid programs and other government programs, including the payment or receipt of remuneration for the referral of patients whose care will be paid for by such programs. Specifically, the law prohibits any person or entity from offering, paying, soliciting or receiving anything of value, directly or indirectly, for the referral of patients covered by Medicare, Medicaid and other federal healthcare programs or the leasing, purchasing, ordering or arranging for or recommending the lease, purchase or order of any item, good, facility or service covered by these programs. In addition to addressing other matters, as discussed below, the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") also amended Title XI (42 U.S.C. Section 1301 et seq.) to broaden the scope of fraud and abuse laws to include all health plans, whether or not payments under such health plans are made pursuant to a federal program. Moreover, the Affordable Care Act amended the Anti-kickback Statute to provide that intent to violate the Anti-kickback Statute is not required; rather, intent to violate the law generally is all that is required.

Sanctions for violating the Anti-kickback Statute include criminal and civil penalties, as well as fines and mandatory exclusion from government programs, such as Medicare and Medicaid. In addition, submission of a claim for services or items generated in violation of the Anti-kickback Statute constitutes a false or fraudulent claim and may be subject to additional penalties under the federal False Claims Act ("FCA"). Furthermore, it is a violation of the federal Civil Monetary Penalties Law to offer or transfer anything of value to Medicare or Medicaid beneficiaries that is likely to influence their decision to obtain covered goods or services from one provider or service over another. Many states have statutes similar to the federal Anti-kickback Statute, except that the state statutes usually apply to referrals for services reimbursed by all third-party payers, not just federal programs.

The federal government has also issued regulations that describe some of the conduct and business relationships that are permissible under the Anti-kickback Statute. These regulations are often referred to as the "Safe Harbor" regulations. Currently, there are safe harbors for various activities, including the following: investment interests; space rental; equipment rental; practitioner recruitment; personal services and management contracts; sales of practices; referral services; warranties; discounts; employees; group purchasing organizations; waivers of beneficiary coinsurance and deductible amounts; managed care arrangements; obstetrical malpractice insurance subsidies; investments in group practices; ambulatory surgery centers; referral agreements for specialty services; cost-sharing waivers for pharmacies and emergency ambulance services; and local transportation. The fact that certain conduct or a given business arrangement does not meet a Safe Harbor does not necessarily render the conduct or business arrangement illegal under the Anti-kickback Statute. Rather, such conduct and business arrangements may be subject to increased scrutiny by government enforcement authorities and should be reviewed on a case-by-case basis.

Stark Law—The Stark law generally restricts referrals by physicians of Medicare or Medicaid patients to entities with which the physician or an immediate family member has a financial relationship, unless one of several exceptions applies. The referral prohibition applies to a number of statutorily defined “designated health services,” such as clinical laboratory, physical therapy, radiology, and inpatient and outpatient hospital services; the prohibition does not apply to health services provided by an ambulatory surgery center if those services are included in the surgery center’s composite Medicare payment rate. However, if the ambulatory surgery center is separately billing Medicare for designated health services that are not covered under the ambulatory surgery center’s composite Medicare payment rate, or if either the ambulatory surgery center or an affiliated physician is performing (and billing Medicare) for procedures that involve designated health services that Medicare has not designated as an ambulatory surgery center service, the Stark law’s self-referral prohibition would apply and such services could implicate the Stark law. Exceptions to the Stark law’s referral prohibition cover a broad range of common financial relationships. These statutory and the subsequent regulatory exceptions are available to protect certain permitted employment relationships, relocation arrangements, leases, group practice arrangements, medical directorships, and other common relationships between physicians and providers of designated health services, such as hospitals. A violation of the Stark law may result in a denial of payment, required refunds to patients and the Medicare program, civil monetary penalties of up to \$15,000 for each violation, civil monetary penalties of up to \$100,000 for “sham” arrangements, civil monetary penalties of up to \$10,000 for each day that an entity fails to report required information, and exclusion from participation in the Medicare and Medicaid programs and other federal programs. In addition, the submission of a claim for services or items generated in violation of the Stark law may constitute a false or fraudulent claim, and thus be subject to additional penalties under the FCA. Many states have adopted self-referral statutes similar to the Stark law, some of which extend beyond the related state Medicaid program to prohibit the payment or receipt of remuneration for the referral of patients and physician self-referrals regardless of the source of the payment for the care. Our participation in and development of joint ventures and other financial relationships with physicians could be adversely affected by the Stark law and similar state enactments.

The Affordable Care Act also made changes to the “whole hospital” exception in the Stark law, effectively preventing new physician-owned hospitals after March 23, 2010 and limiting the capacity and amount of physician ownership in then-existing physician-owned hospitals. As revised, the Stark law prohibits physicians from referring Medicare patients to a hospital in which they have an ownership or investment interest unless the hospital had physician ownership and a Medicare provider agreement as of March 23, 2010 (or, for those hospitals under development at the time of the ACA’s enactment, as of December 31, 2010). A physician-owned hospital that meets these requirements is still subject to restrictions that limit the hospital’s aggregate physician ownership percentage and, with certain narrow exceptions for hospitals with a high percentage of Medicaid patients, prohibit expansion of the number of operating rooms, procedure rooms or beds. Physician-owned hospitals are also currently subject to reporting requirements and extensive disclosure requirements on the hospital’s website and in any public advertisements.

Implications of Fraud and Abuse Laws—At December 31, 2019, the majority of the facilities that operate as surgical hospitals in our Ambulatory Care segment are owned by joint ventures that include some physician owners and are subject to the limitations and requirements in the Affordable Care Act on physician-owned hospitals. Furthermore, the majority of ambulatory surgery centers in our Ambulatory Care segment, which are owned by joint ventures with physicians or healthcare systems, are subject to the Anti-kickback Statute and, in certain circumstances, may be subject to the Stark law. In addition, we have contracts with physicians and non-physician referral services providing for a variety of financial arrangements, including employment contracts, leases and professional service agreements, such as medical director agreements. We have also provided financial incentives to recruit physicians to relocate to communities served by our hospitals, including income and collection guarantees and reimbursement of relocation costs, and will continue to provide recruitment packages in the future. Furthermore, new payment structures, such as ACOs and other arrangements involving combinations of hospitals, physicians and other providers who share payment savings, could potentially be seen as implicating anti-kickback and self-referral provisions.

Our operations could be adversely affected by the failure of our arrangements to comply with the Anti-kickback Statute, the Stark law, billing requirements, current state laws, or other legislation or regulations in these areas adopted in the future. We are unable to predict whether other legislation or regulations at the federal or state level in any of these areas will be adopted, what form such legislation or regulations may take or how they may impact our operations. For example, we cannot predict whether physicians may ultimately be restricted from holding ownership interests in hospitals or whether the exception relating to services provided by ambulatory surgery centers could be eliminated. We are continuing to enter into new financial arrangements with physicians and other providers in a manner we believe complies with applicable anti-kickback and anti-fraud and abuse laws. However, governmental officials responsible for enforcing these laws may nevertheless assert that we are in violation of these provisions. In addition, these statutes or regulations may be interpreted and enforced by the courts in a manner that is not consistent with our interpretation. An adverse determination could subject us to liabilities under the Social Security Act, including criminal penalties, civil monetary penalties and exclusion from participation in Medicare, Medicaid or other federal healthcare programs, any of which could have a material adverse effect on our business, financial

condition or results of operations. In addition, any determination by a federal or state agency or court that USPI or its subsidiaries has violated any of these laws could give certain of our healthcare system partners a right to terminate their relationships with us; and any similar determination with respect to Conifer or any of its subsidiaries could give Conifer's clients the right to terminate their services agreements with us. Moreover, any violations by and resulting penalties or exclusions imposed upon USPI's healthcare system partners or Conifer's clients could adversely affect their financial condition and, in turn, have a material adverse effect on our business and results of operations.

Retention of Independent Compliance Monitor—In September 2016, the Company and certain of its subsidiaries, including Tenet HealthSystem Medical, Inc. (“THSMP”), Atlanta Medical Center, Inc. (“AMCI”) and North Fulton Medical Center, Inc. (“NFMCI”), executed agreements with the U.S. Department of Justice (“DOJ”) and others to resolve a civil qui tam action and criminal investigation. In accordance with the terms of the resolution agreements, THSMP entered into a Non-Prosecution Agreement (as amended, the “NPA”) with the Criminal Division, Fraud Section, of the DOJ and the U.S. Attorney’s Office for the Northern District of Georgia (together, the “Offices”). The NPA requires, among other things, (1) THSMP and the Company to fully cooperate with the Offices in any matters relating to the conduct described in the NPA and other conduct under investigation by the Offices at any time during the term of the NPA, and (2) the Company to retain an independent compliance monitor to assess, oversee and monitor its compliance with the obligations under the NPA. The powers, duties and responsibilities of the independent compliance monitor are broadly defined. On February 1, 2017, the Company retained two independent co-monitors (the “Monitor”), who are partners in a national law firm.

The Monitor’s primary responsibility is to assess, oversee and monitor the Company’s compliance with its obligations under the NPA to specifically address and reduce the risk of any recurrence of violations of the Anti-kickback Statute and Stark law by any entity the Company owns, in whole or in part. In doing so, the Monitor reviews and monitors the effectiveness of the Company’s compliance with the Anti-kickback Statute and the Stark law, as well as respective implementing regulations, advisories and advisory opinions promulgated thereunder, and makes such recommendations as the Monitor believes are necessary to comply with the NPA. With respect to all entities in which the Company or one of its affiliates owns a direct or indirect equity interest of 50% or less and does not manage or control the day-to-day operations, the Monitor’s access to such entities is co-extensive with the Company’s access or control and for the purpose of reviewing the conduct. During its term, the Monitor will review and provide recommendations for improving compliance with the Anti-kickback Statute and Stark law, as well as the design, implementation and enforcement of the Company’s compliance and ethics programs for the purpose of preventing future criminal and ethical violations by the Company and its subsidiaries, including, but not limited to, violations related to the conduct giving rise to the NPA and the Criminal Information filed in connection with the NPA. If we are alleged or found to have violated the terms of the NPA described above or federal healthcare laws, rules or regulations in the future, our business, financial condition, results of operations or cash flows could be materially adversely affected. For additional information regarding the duties and authorities of the Monitor, reference is made to our Current Report on Form 8-K filed with the SEC on October 3, 2016.

HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT

Title II, Subtitle F of the Health Insurance Portability and Accountability Act mandates the adoption of specific standards for electronic transactions and code sets that are used to transmit certain types of health information. HIPAA’s objective is to encourage efficiency and reduce the cost of operations within the healthcare industry. To protect the information transmitted using the mandated standards and the patient information used in the daily operations of a covered entity, HIPAA also sets forth federal rules protecting the privacy and security of protected health information (“PHI”). The privacy and security regulations address the use and disclosure of individually identifiable health information and the rights of patients to understand and control how their information is used and disclosed. The law provides both criminal and civil fines and penalties for covered entities that fail to comply with HIPAA.

To receive reimbursement from CMS for electronic claims, healthcare providers and health plans must use HIPAA’s electronic data transmission (transaction and code set) standards when transmitting certain healthcare information electronically. Our electronic data transmissions are compliant with current HHS standards for additional electronic transactions and with HHS’ operating rules to promote uniformity in the implementation of each standardized electronic transaction.

Under HIPAA, covered entities must establish administrative, physical and technical safeguards to protect the confidentiality, integrity and availability of electronic PHI maintained or transmitted by them or by others on their behalf. The covered entities we operate are in material compliance with the privacy, security and National Provider Identifier requirements of HIPAA. In addition, most of Conifer’s clients are covered entities, and Conifer is a business associate to many of those clients under HIPAA as a result of its contractual obligations to perform certain functions on behalf of and provide certain

services to those clients. As a business associate, Conifer's use and disclosure of PHI is restricted by HIPAA and the business associate agreements Conifer is required to enter into with its covered entity clients.

The Health Information Technology for Economic and Clinical Health ("HITECH") Act imposed certain of the HIPAA privacy and security requirements directly upon business associates of covered entities and significantly increased the monetary penalties for violations of HIPAA. Regulations also require business associates such as Conifer to notify covered entities, who in turn must notify affected individuals and government authorities, of data security breaches involving unsecured PHI. Since the passage of the HITECH Act, enforcement of HIPAA violations has increased. If Conifer knowingly breaches the HIPAA privacy and security requirements made applicable to business associates by the HITECH Act, it could expose Conifer to criminal liability (as well as contractual liability to the associated covered entity); a breach of safeguards and processes that is not due to reasonable cause or involves willful neglect could expose Conifer to significant civil penalties and the possibility of civil litigation under HIPAA and applicable state law.

We have developed a comprehensive set of policies and procedures in our efforts to comply with HIPAA, and similar state privacy laws, under the guidance of our ethics and compliance department. Our compliance officers and information security officers are responsible for implementing and monitoring compliance with our HIPAA privacy and security policies and procedures throughout our company. We have also created an internal web-based HIPAA training program, which is mandatory for all employees. Based on existing regulations and our experience with HIPAA to this point, we continue to believe that the ongoing costs of complying with HIPAA will not have a material adverse effect on our business, financial condition, results of operations or cash flows.

GOVERNMENT ENFORCEMENT EFFORTS AND QUI TAM LAWSUITS

Both federal and state government agencies continue heightened and coordinated civil and criminal enforcement efforts against the healthcare industry. The Office of Inspector General ("OIG") was established as an independent and objective oversight unit of HHS to carry out the mission of preventing fraud and abuse and promoting economy, efficiency and effectiveness of HHS programs and operations. In furtherance of this mission, the OIG, among other things, conducts audits, evaluations and investigations relating to HHS programs and operations and, when appropriate, imposes civil monetary penalties, assessments and administrative sanctions. Although we have extensive policies and procedures in place to facilitate compliance with the laws, rules and regulations affecting the healthcare industry, these policies and procedures may not be effective.

Healthcare providers are also subject to qui tam or "whistleblower" lawsuits under the FCA, which allows private individuals to bring actions on behalf of the government, alleging that a hospital or healthcare provider has defrauded a government program, such as Medicare or Medicaid. If the government intervenes in the action and prevails, the defendant may be required to pay three times the damages sustained by the government, plus mandatory civil penalties for each false claim submitted to the government. As part of the resolution of a qui tam case, the qui tam plaintiff may share in a portion of any settlement or judgment. If the government does not intervene in the action, the qui tam plaintiff may continue to pursue the action independently. There are many potential bases for liability under the FCA. Liability often arises when an entity knowingly submits a false claim for reimbursement to the federal government. The FCA defines the term "knowingly" broadly. Though simple negligence will not give rise to liability under the FCA, submitting a claim with reckless disregard to its truth or falsity constitutes a "knowing" submission under the FCA and, therefore, will qualify for liability. The Fraud Enforcement and Recovery Act of 2009 expanded the scope of the FCA by, among other things, creating liability for knowingly and improperly avoiding repayment of an overpayment received from the government and broadening protections for whistleblowers. It is a violation of the FCA to knowingly fail to report and return an overpayment within 60 days of identifying the overpayment or by the date a corresponding cost report is due, whichever is later. Qui tam actions can also be filed under certain state false claims laws if the fraud involves Medicaid funds or funding from state and local agencies. We have paid significant amounts to resolve qui tam matters brought against us in the past, and we are unable to predict the impact of future qui tam actions on our business, financial condition, results of operations or cash flows.

HEALTHCARE FACILITY LICENSING REQUIREMENTS

The operation of healthcare facilities is subject to federal, state and local regulations relating to personnel, operating policies and procedures, fire prevention, rate-setting, the adequacy of medical care, and compliance with building codes and environmental protection laws. Various licenses and permits also are required in order to dispense narcotics, operate pharmacies, handle radioactive materials and operate certain equipment. Our facilities are subject to periodic inspection by governmental and other authorities to assure continued compliance with the various standards necessary for licensing and accreditation. We believe that all of our healthcare facilities hold all required governmental approvals, licenses and permits material to the operation of their business.

UTILIZATION REVIEW COMPLIANCE AND HOSPITAL GOVERNANCE

In addition to certain statutory coverage limits and exclusions, federal regulations, specifically the Medicare Conditions of Participation, generally require healthcare providers, including hospitals that furnish or order healthcare services that may be paid for under the Medicare program or state healthcare programs, to ensure that claims for reimbursement are for services or items that are (1) provided economically and only when, and to the extent, they are medically reasonable and necessary, (2) of a quality that meets professionally recognized standards of healthcare, and (3) supported by appropriate evidence of medical necessity and quality. The Social Security Act established the Utilization and Quality Control Peer Review Organization program, now known as the Quality Improvement Organization (“QIO”) program, to promote the effectiveness, efficiency, economy and quality of services delivered to Medicare beneficiaries and to ensure that those services are reasonable and necessary. CMS administers the program through a network of QIOs that work with consumers, physicians, hospitals and other caregivers to refine care delivery systems to ensure patients receive the appropriate care at the appropriate time, particularly among underserved populations. The QIO program also safeguards the integrity of the Medicare trust fund by reviewing Medicare patient admissions, treatments and discharges, and ensuring payment is made only for medically necessary services, and investigates beneficiary complaints about quality of care. The QIOs have the authority to deny payment for services provided and recommend to HHS that a provider that is in substantial noncompliance with certain standards be excluded from participating in the Medicare program.

There has been increased scrutiny from outside auditors, government enforcement agencies and others, as well as an increased risk of government investigations and qui tam lawsuits, related to hospitals’ Medicare observation rates and inpatient admission decisions. The term “Medicare observation rate” is defined as total unique observation claims divided by the sum of total unique observation claims and total inpatient short-stay acute care hospital claims. A low rate may raise suspicions that a hospital is inappropriately admitting patients that could be cared for in an observation setting. In addition, CMS has established a concept referred to as the “two-midnight rule” to guide practitioners admitting patients and contractors on when it is appropriate to admit individuals as hospital inpatients. Under the two-midnight rule, a Medicare patient should generally be admitted on an inpatient basis only when there is a reasonable expectation that the patient’s care will cross two midnights; if not, the patient generally should be treated as an outpatient, unless an exception applies. In our affiliated hospitals, we conduct reviews of Medicare inpatient stays of less than two midnights to determine whether a patient qualifies for inpatient admission. Enforcement of the two-midnight rule has not had, and is not expected to have, a material impact on inpatient admission rates at our hospitals.

Medical and surgical services and practices are extensively supervised by committees of staff doctors at each of our healthcare facilities, are overseen by each facility’s local governing board, the members of which primarily are community members and physicians, and are reviewed by our clinical quality personnel. The local governing board also helps maintain standards for quality care, develop short-term and long-range plans, and establish, review and enforce practices and procedures, as well as approves the credentials, disciplining and, if necessary, the termination of privileges of medical staff members.

CERTIFICATE OF NEED REQUIREMENTS

Some states require state approval for construction, acquisition and closure of healthcare facilities, including findings of need for additional or expanded healthcare facilities or services. Certificates or determinations of need, which are issued by governmental agencies with jurisdiction over healthcare facilities, are at times required for capital expenditures exceeding a prescribed amount, changes in bed capacity or services, and certain other matters. Our subsidiaries operate hospitals in five states that require a form of state approval under certificate of need programs applicable to those hospitals. Approximately 31% of our licensed hospital beds are located in these states (namely, Alabama, Massachusetts, Michigan, South Carolina and Tennessee). The certificate of need programs in most of these states, along with several others, also apply to ambulatory surgery centers.

Failure to obtain necessary state approval can result in the inability to expand facilities, add services, acquire a facility or change ownership. Further, violation of such laws may result in the imposition of civil sanctions or the revocation of a facility’s license. We are unable to predict whether we will be required or able to obtain any additional certificates of need in any jurisdiction where they are required, or if any jurisdiction will eliminate or alter its certificate of need requirements in a manner that will increase competition and, thereby, affect our competitive position. In those states that do not have certificate of need requirements or that do not require review of healthcare capital expenditure amounts below a relatively high threshold, competition in the form of new services, facilities and capital spending is more prevalent.

ENVIRONMENTAL MATTERS

Our healthcare operations are subject to a number of federal, state and local environmental laws, rules and regulations that govern, among other things, our disposal of solid waste, as well as our use, storage, transportation and disposal of hazardous and toxic materials (including radiological materials). Our operations also generate medical waste that must be disposed of in compliance with statutes and regulations that vary from state to state. In addition, although we are not engaged in manufacturing or other activities that produce meaningful levels of greenhouse gas emissions, our operating expenses could be adversely affected if legal and regulatory developments related to climate change or other initiatives result in increased energy or other costs. We could also be affected by climate change and other environmental issues to the extent such issues adversely affect the general economy or result in severe weather affecting the communities in which our facilities are located. At this time, based on current climate conditions and our assessment of existing and pending environmental rules and regulations, as well as treaties and international accords relating to climate change, we do not believe that the costs of complying with environmental laws, including regulations relating to climate change issues, will have a material adverse effect on our future capital expenditures, results of operations or cash flows. There were no material capital expenditures for environmental matters in the year ended December 31, 2019.

ANTITRUST LAWS

The federal government and most states have enacted antitrust laws that prohibit specific types of anti-competitive conduct, including price fixing, wage fixing, anticompetitive hiring practices, concerted refusals to deal, price discrimination and tying arrangements, as well as monopolization and acquisitions of competitors that have, or may have, a substantial adverse effect on competition. Violations of federal or state antitrust laws can result in various sanctions, including criminal and civil penalties.

Antitrust enforcement in the healthcare industry is currently a priority of the U.S. Federal Trade Commission (“FTC”). In recent years, the FTC has filed multiple administrative complaints and public comments challenging hospital transactions in several states. The FTC has focused its enforcement efforts on preventing hospital mergers that may, in the government’s view, leave insufficient local options for patient services. In addition to hospital merger enforcement, the FTC has given increased attention to the effect of combinations involving other healthcare providers, including physician practices. The FTC has also entered into numerous consent decrees in the past several years settling allegations of price-fixing among providers.

REGULATIONS AFFECTING CONIFER’S OPERATIONS

Conifer and its subsidiaries are subject to civil and criminal statutes and regulations governing consumer finance, medical billing, coding, collections and other operations. In connection with these laws and regulations, Conifer and its subsidiaries have been and expect to continue to be party to various lawsuits, claims, and federal and state regulatory investigations from time to time. Some of these actions may involve large demands, as well as substantial defense costs. We cannot predict the outcome of current or future legal actions against Conifer and its subsidiaries or the effect that judgments, penalties or settlements in such matters may have on Conifer.

BILLING AND COLLECTION ACTIVITIES

The federal Fair Debt Collection Practices Act (“FDCPA”) regulates persons who regularly collect or attempt to collect, directly or indirectly, consumer debts owed or asserted to be owed to another person. Certain of the accounts receivable handled by Conifer’s third-party debt collection vendors are subject to the FDCPA, which establishes specific guidelines and procedures that debt collectors must follow in communicating with consumer debtors, including the time, place and manner of such communications. Conifer audits and monitors its vendors for compliance, but there can be no assurance that such audits and monitoring will detect all instances of potential non-compliance.

Many states also regulate the billing and collection practices of creditors who collect their own debt, as well as the companies a creditor engages to bill and collect from consumers on the creditor’s behalf. These state regulations may be more stringent than the FDCPA. In addition, state regulations may be specific to medical billing and collections or the same or similar to state regulations applicable to third-party collectors. Certain of the accounts receivable Conifer or its billing, servicing and collections subsidiary, PSS Patient Solution Services, LLC, manages for its clients are subject to these state regulations.

Conifer and its subsidiaries are also subject to both federal and state regulatory agencies who have the authority to investigate consumer complaints relating to a variety of consumer protection laws, including but not limited to the Telephone Consumer Protection Act and its state equivalent. These agencies may initiate enforcement actions, including actions to seek

restitution and monetary penalties from, or to require changes in business practices of, regulated entities. In addition, affected consumers may bring suits, including class action suits, to seek monetary remedies (including statutory damages) for violations of the federal and state provisions discussed above.

COMPLIANCE AND ETHICS

General—Our ethics and compliance department maintains our values-based ethics and compliance program, which is designed to (1) help staff in our corporate, USPI and Conifer offices, hospitals, outpatient centers and physician practices meet or exceed applicable standards established by federal and state statutes and regulations, as well as industry practice, (2) monitor and raise awareness of ethical issues among employees and others, and stress the importance of understanding and complying with our *Standards of Conduct*, and (3) provide a channel for employees to make confidential ethics and compliance-related reports anonymously if they choose. The ethics and compliance department operates independently – it has its own operating budget; it has the authority to hire outside counsel, access any company document and interview any of our personnel; and our chief compliance officer reports directly to the quality, compliance and ethics committee of our board of directors.

Program Charter—Our *Quality, Compliance and Ethics Program Charter* is the governing document for our ethics and compliance program. Our adherence to the charter is intended to:

- support and maintain our present and future responsibilities with regard to participation in federal healthcare programs; and
- further our goals of operating an organization that (1) fosters and maintains the highest ethical standards among all employees, officers and directors, physicians practicing at our facilities and contractors that furnish healthcare items or services, (2) values compliance with all state and federal statutes and regulations as a foundation of its corporate philosophy, and (3) aligns its behaviors and decisions with Tenet’s core values.

The primary focus of our quality, compliance and ethics program is compliance with the requirements of Medicare, Medicaid and other federally funded healthcare programs. Pursuant to the terms of the charter, our ethics and compliance department is responsible for, among other things, the following activities: (1) ensuring, in collaboration with in-house counsel, facilitation of the Monitor’s activities and compliance with the provisions of the NPA and related company policies; (2) assessing, critiquing, and (as appropriate) drafting and distributing company policies and procedures; (3) developing, providing, and tracking ethics and compliance training and other training programs, including job-specific training to those who work in clinical quality, coding, billing, cost reporting and referral source arrangements, in collaboration with the respective department responsible for oversight of each of these areas; (4) creating and disseminating the Company’s *Standards of Conduct* and obtaining certifications of adherence to the *Standards of Conduct* as a condition of employment; (5) maintaining and promoting the Company’s Ethics Action Line, a 24-hour, toll-free hotline that allows for confidential reporting of issues on an anonymous basis and emphasizes the Company’s no-retaliation policy; and (6) responding to and ensuring resolution of all compliance-related issues that arise from the Ethics Action Line and compliance reports received from facilities and compliance officers (utilizing any compliance reporting software that the Company may employ for this purpose) or any other source that results in a report to the ethics and compliance department.

Standards of Conduct—All of our employees and officers, including our chief executive officer, chief financial officer and principal accounting officer, are required to abide by our *Standards of Conduct* to advance our mission that our business be conducted in a legal and ethical manner. The members of our board of directors and all of our contractors having functional roles similar to our employees are also required to abide by our *Standards of Conduct*. The standards reflect our basic values and form the foundation of a comprehensive process that includes compliance with all corporate policies, procedures and practices. Our standards cover such areas as quality patient care, compliance with all applicable statutes and regulations, appropriate use of our assets, protection of patient information and avoidance of conflicts of interest.

As part of the program, we provide training sessions at least annually to every employee and officer, as well as our board of directors and certain physicians and contractors. All such persons are required to report incidents that they believe in good faith may be in violation of the *Standards of Conduct* or our policies, and all are encouraged to contact our Ethics Action Line when they have questions about the standards or any ethics concerns. All reports to the Ethics Action Line are kept confidential to the extent allowed by law, and any individual who makes a report has the option to remain anonymous. Incidents of alleged financial improprieties reported to the Ethics Action Line or the ethics and compliance department are communicated to the audit committee of our board of directors. Reported cases that involve a possible violation of the law or regulatory policies and procedures are referred to the ethics and compliance department for investigation, although certain matters may be referred out to the law or human resources department. Retaliation against anyone in connection with reporting

ethical concerns is considered a serious violation of our *Standards of Conduct*, and, if it occurs, it will result in discipline, up to and including termination of employment.

Non-Prosecution Agreement—In September 2016, our THSMI subsidiary entered into a Non-Prosecution Agreement with the DOJ’s Criminal Division, Fraud Section, and the U.S. Attorney’s Office for the Northern District of Georgia. The NPA requires, among other things, that we and THSMI (1) fully cooperate with the Offices in any matters relating to the conduct described in the NPA and other conduct under investigation by the Offices at any time during the term of the NPA, (2) retain an independent compliance monitor to assess, oversee and monitor our compliance with the obligations under the NPA, (3) promptly report any evidence or allegations of actual or potential violations of the Anti-kickback Statute, (4) maintain our compliance and ethics program throughout our operations, including those of our subsidiaries, affiliates, agents and joint ventures (to the extent that we manage or control or THSMI manages or controls such joint ventures), and (5) notify the DOJ and undertake certain other obligations specified in the NPA relative to, among other things, any sale, merger or transfer of all or substantially all of our and THSMI’s respective business operations or the business operations of our or its subsidiaries or affiliates, including an obligation to include in any contract for sale, merger, transfer or other change in corporate form a provision binding the purchaser to retain the commitment of us or THSMI, or any successor-in-interest thereto, to comply with the NPA obligations except as may otherwise be agreed by the parties to the NPA in connection with a particular transaction. Except as may otherwise be agreed by the parties in connection with a particular transaction, if, during the term of the NPA, THSMI undertakes or we undertake any change in corporate form that involves business operations that are material to our consolidated operations or to the operations of any subsidiaries or affiliates involved in the conduct described in the NPA, whether such transaction is structured as a sale, asset sale, merger, transfer or other change in corporate form, we are required to provide notice to the Offices at least 30 days prior to undertaking any such change in corporate form.

The NPA was originally scheduled to expire on February 1, 2020 (three years from the date on which the Monitor was retained); however, the DOJ subsequently extended the expiration date of the NPA by nine months to November 1, 2020 following its determination that we had breached certain reporting obligations under the terms of the NPA. In the event the Offices determine, in their sole discretion, that the Company, or any of its subsidiaries or affiliates, has knowingly violated any provision of the NPA, the NPA could be further extended by the Offices, in their sole discretion without prejudice to the Offices’ other rights under the NPA.

If, during the remaining term of the NPA, THSMI commits any felony under federal law, or if the Company commits any felony related to the Anti-kickback Statute, or if THSMI or the Company fails to cooperate or otherwise fails to fulfill the obligations set forth in the NPA, then THSMI, the Company and our affiliates could be subject to prosecution, exclusion from participation in federal healthcare programs, and other substantial costs and penalties, including further extensions of the NPA. The Offices retain sole discretion over determining whether there has been a breach of the NPA and whether to pursue prosecution. The NPA provides that, in the event the DOJ determines that the Company or THSMI has breached the NPA, the DOJ will provide written notice prior to instituting any prosecution of the Company or THSMI resulting from such breach. Following receipt of such notice, the Company and THSMI have the opportunity to respond to the DOJ to explain the nature and circumstances of the breach, as well as the actions taken to address and remediate the situation, which the DOJ shall consider in determining whether to pursue prosecution of the Company, THSMI or its affiliates. Any liability or consequences associated with a failure to comply with the NPA could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Availability of Documents—The full text of our *Quality, Compliance and Ethics Program Charter*, our *Standards of Conduct*, and a number of our ethics and compliance policies and procedures are published on our website, at www.tenethealth.com, under the “Our Commitment To Compliance” caption in the “About Us” section. A copy of our *Standards of Conduct* is also available upon written request to our corporate secretary. Information about how to contact our corporate secretary is set forth under “Company Information” below. Amendments to the *Standards of Conduct* and any grant of a waiver from a provision of the *Standards of Conduct* requiring disclosure under applicable SEC rules will be disclosed at the same location as the *Standards of Conduct* on our website. A copy of the NPA is attached as an exhibit to our Current Report on Form 8-K filed with the SEC on October 3, 2016, and the letter agreement amending the term of the NPA, which was finalized on June 1, 2018, is attached as an exhibit to our Report on Form 10-Q for the quarter ended June 30, 2018.

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. For the policy periods April 1, 2018 through March 31, 2019 and April 1, 2019 through March 31, 2020, we have coverage totaling \$850 million per occurrence, after deductibles and exclusions, with annual aggregate sub-limits of \$100 million for floods, \$200 million for earthquakes and a per-occurrence sub-limit of \$200 million for named windstorms with no annual aggregate. With respect to fires and other perils, excluding floods, earthquakes and named windstorms, the total \$850 million limit of coverage per occurrence applies. For the 2018-2019 policy period, deductibles are 5% of insured values up to a maximum of \$25 million for California earthquakes, floods and named windstorms, and 2% of insured values for New Madrid fault earthquakes, with a maximum per claim deductible of \$25 million. For the 2019-2020 policy period, deductibles are 5% of insured values up to a maximum of \$40 million for California earthquakes, \$25 million for floods and named windstorms, and 2% of insured values for New Madrid fault earthquakes, with a maximum per claim deductible of \$25 million. For both policy periods, floods and certain other covered losses, including fires and other perils, have a minimum deductible of \$1 million.

Professional and General Liability Insurance—As is typical in the healthcare industry, we are subject to claims and lawsuits in the ordinary course of business. The healthcare industry has seen significant increases in the cost of professional liability insurance due to increased litigation. In response, we maintain captive insurance companies to self-insure a substantial portion of our professional and general liability risk.

Claims in excess of our self-insurance retentions are insured with commercial insurance companies. 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. Any losses not covered by or in excess of the amounts maintained under insurance policies will be funded from our working capital.

In addition to the reserves recorded by our captive insurance subsidiaries, we maintain reserves, including reserves for incurred but not reported claims, for our self-insured professional liability retentions and claims in excess of the policies' aggregate limits, based on modeled estimates of losses and related expenses. Also, we provide standby letters of credit to certain of our insurers, which can be drawn upon under certain circumstances, to collateralize the deductible and self-insured retentions under a selected number of our professional and general liability insurance programs.

COMPANY INFORMATION

Tenet Healthcare Corporation was incorporated in the State of Nevada in 1975. We file annual, quarterly and current reports, proxy statements and other documents with the SEC under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Our reports, proxy statements and other documents filed electronically with the SEC are available at the website maintained by the SEC at www.sec.gov.

Our website, www.tenethealth.com, also offers, free of charge, access to our annual, quarterly and current reports (and amendments to such reports), and other filings made with, or furnished to, the SEC as soon as reasonably practicable after such documents are submitted to the SEC. The information found on our website is not part of this or any other report we file with or furnish to the SEC.

Inquiries directed to our corporate secretary may be sent to Corporate Secretary, Tenet Healthcare Corporation, P.O. Box 139003, Dallas, Texas 75313-9003 or by e-mail at CorporateSecretary@tenethealth.com.

FORWARD-LOOKING STATEMENTS

This report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act, 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, target, estimate or anticipate (and other similar expressions) will, should or may occur in the future are forward-looking statements, including (but not limited to) disclosure regarding our future earnings, financial position, operational and strategic initiatives, and developments in the healthcare industry. Forward-looking statements represent management's expectations, based on currently available information, as to the outcome and timing of future events, but, by their nature, address matters that are indeterminate. 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 to be

materially different from those expressed or implied by forward-looking statements. Such factors include, but are not limited to, the following:

- Our ability to achieve operating and financial targets, attain expected levels of patient volumes, and identify and execute on measures designed to save or control costs or streamline operations, including our ability to realize savings under our cost-reduction initiatives;
- The outcome of the process we have undertaken to pursue a tax-free spin-off of Conifer as a separate, independent, publicly traded company;
- Potential disruptions to our business or diverted management attention as a result of the Conifer spin-off process or our cost-reduction efforts, including our plans to outsource certain functions unrelated to direct patient care;
- The impact on our business of recent and future modifications of or court challenges to the Affordable Care Act and the enactment of, or changes in, other statutes and regulations affecting the healthcare industry generally;
- Cuts to Medicare and Medicaid payment rates or changes in reimbursement practices or to Medicaid supplemental payment programs;
- Our success in recruiting and retaining physicians and other healthcare professionals;
- Adverse regulatory developments, government investigations or litigation;
- Adverse developments with respect to our ability to comply with the terms of the Non-Prosecution Agreement, including any breach of the agreement;
- Our ability to enter into or renew managed care provider arrangements on acceptable terms; and changes in service mix, revenue mix and surgical volumes, including potential declines in the population covered under managed care agreements;
- The effect that adverse economic conditions, consumer behavior and other factors have on our volumes and our ability to collect outstanding receivables on a timely basis, among other things; and increases in the amount of uninsured accounts and deductibles and copays for insured accounts;
- Our success in completing acquisitions, divestitures and other corporate development transactions; and our success in entering into, and managing the relationships and risks associated with, joint ventures;
- The impact of competition on all aspects of our business;
- The impact of our significant indebtedness; the availability and terms of capital to refinance existing debt, fund our operations and expand our business; and our ability to comply with our debt covenants and, over time, reduce leverage;
- Potential security threats, catastrophic events and other disruptions affecting our information technology and related systems;
- The timing and impact of additional changes in federal tax laws, regulations and policies, and the outcome of pending and any future tax audits, disputes and litigation associated with our tax positions;
- The impact that local, national and worldwide infectious disease outbreaks have on our operations; and
- Other factors and risks referenced in this report and our other public filings.

When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this report. Should one or more of the risks and uncertainties described in 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, except as required by law.

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

ITEM 1A. RISK FACTORS

Our business is subject to a number of risks and uncertainties, many of which are beyond our control, that may cause our actual operating results or financial performance to be materially different from our expectations and make an investment in our securities risky. If one or more of the events discussed in this report were to occur, actual outcomes could differ materially from those expressed in or implied by any forward-looking statements we make in this report or our other filings with the SEC, and our business, financial condition, results of operations or liquidity could be materially adversely affected; furthermore, the trading price of our common stock could decline and our shareholders could lose all or part of their investment. Additional risks and uncertainties not presently known, or currently deemed immaterial, may also constrain our business and operations.

We cannot predict the impact that modifications of the Affordable Care Act may have on our business, financial condition, results of operations or cash flows.

The initial expansion of health insurance coverage under the Affordable Care Act resulted in an increase in the number of patients using our facilities with either private or public program coverage and a decrease in uninsured and charity care admissions. Although a substantial portion of both our patient volumes and, as result, our revenues has historically been derived from government healthcare programs, reductions to our reimbursement under the Medicare and Medicaid programs as a result of the ACA have been partially offset by increased revenues from providing care to previously uninsured individuals.

Effective January 2019, Congress eliminated the financial penalty for noncompliance under the ACA's individual mandate provision. The Congressional Budget Office and the Joint Committee on Taxation have estimated that elimination of that penalty will result in seven million more uninsured by 2021 and put upward pressure on health insurance premiums. Members of Congress and other politicians have also proposed measures that would expand government-sponsored coverage, including single-payer plans, such as Medicare for All. We cannot predict if or when further modification of the ACA will occur or what action, if any, Congress might take with respect to eventually repealing and possibly replacing the law.

Furthermore, in December 2019, a federal appeals court panel agreed with a December 2018 ruling by the U.S. District Court for the Northern District of Texas in the matter of *Texas v. United States* that the ACA's individual mandate is unconstitutional now that Congress has eliminated the tax penalty that was intended to enforce it. The appeals court sent the case back to the lower court to determine how much of the rest of the ACA, if any, can stand in light of its ruling. On January 3, 2020, the U.S. House of Representatives, 20 states and the District of Columbia filed a petition asking the U.S. Supreme Court to review the case on an expedited basis, but their petition was denied on January 21, 2020. Pending a final decision on the matter, the current administration has continued to enforce the ACA.

We are unable to predict the impact on our future revenues and operations of (1) the final decision in *Texas v. United States* and other court challenges, (2) administrative, regulatory and legislative changes, including expansion of government-sponsored coverage, or (3) market reactions to those changes. However, if the ultimate impact is that significantly fewer individuals have private or public health coverage, we likely will experience decreased patient volumes, reduced revenues and an increase in uncompensated care, which would adversely affect our results of operations and cash flows. This negative effect will be exacerbated if the ACA's reductions in Medicare reimbursement and reductions in Medicare DSH payments that have already taken effect are not reversed if the law is repealed or if further reductions (including Medicaid DSH reductions scheduled to take effect in federal fiscal years 2020 through 2025) are made.

Further changes in the Medicare and Medicaid programs or other government healthcare programs, including reductions in scale and scope, could have an adverse effect on our business.

For the year ended December 31, 2019, approximately 20% and 8% of our net patient service revenues from our hospitals and related outpatient facilities were from the Medicare program and various state Medicaid programs, respectively, in each case excluding Medicare and Medicaid managed care programs. The Medicare and Medicaid programs are subject to: statutory and regulatory changes, administrative rulings, interpretations and determinations concerning patient eligibility requirements, funding levels and the method of calculating payments or reimbursements, among other things; requirements for utilization review; and federal and state funding restrictions, all of which could materially increase or decrease payments from these government programs in the future, as well as affect the cost of providing services to our patients and the timing of payments to our facilities, which could in turn adversely affect our overall business, financial condition, results of operations or cash flows.

Several states in which we operate continue to 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 supplemental payment programs or have received federal government waivers allowing them to test new approaches and demonstration projects to improve care. Continuing pressure on state budgets and other factors, including legislative and/or regulatory changes, could result in future reductions to Medicaid payments, payment delays, changes to Medicaid supplemental payment programs or additional taxes on hospitals.

In general, we are unable to predict the effect of future government healthcare funding policy changes on our operations. If the rates paid by governmental payers are reduced, if the scope of services covered by governmental payers is limited, or if we or one or more of our subsidiaries' hospitals are excluded from participation in the Medicare or Medicaid program or any other government healthcare program, there could be a material adverse effect on our business, financial condition, results of operations or cash flows.

Violations of existing regulations or failure to comply with new or changed regulations could harm our business and financial results.

Our hospitals, outpatient centers and related healthcare businesses are subject to extensive federal, state and local regulation relating to, among other things, licensure, contractual arrangements, conduct of operations, privacy of patient information, ownership of facilities, physician relationships, addition of facilities and services, and reimbursement rates for services. The laws, rules and regulations governing the healthcare industry are extremely complex and, in certain areas, the industry has little or no regulatory or judicial interpretation for guidance. Moreover, under the ACA, the government and its contractors may suspend Medicare and Medicaid payments to providers of services "pending an investigation of a credible allegation of fraud." The potential consequences for violating such laws, rules or regulations include reimbursement of government program payments, the assessment of civil monetary penalties, including treble damages, fines, which could be significant, exclusion from participation in federal healthcare programs, or criminal sanctions against current or former employees, any of which could have a material adverse effect on our business, financial condition or cash flows. Even a public announcement that we are being investigated for possible violations of law could have a material adverse effect on the value of our common stock and our business reputation could suffer.

Furthermore, healthcare, as one of the largest industries in the United States, continues to attract much legislative interest and public attention. We are unable to predict the future course of federal, state and local healthcare regulation or legislation, including Medicare and Medicaid statutes and regulations. Further changes in the regulatory framework negatively affecting healthcare providers could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Moreover, now that we are outsourcing and offshoring certain functions unrelated to direct patient care to enhance efficiency, we must ensure that those operations are compliant with U.S. healthcare industry-specific requirements. In addition, we are required to comply with various federal and state labor laws, rules and regulations governing a variety of workplace wage and hour issues. From time to time, we have been and expect to continue to be subject to regulatory proceedings and private litigation concerning our application of such laws, rules and regulations.

Conifer and its subsidiaries are subject to numerous federal, state and local consumer protection and other laws governing such topics as privacy, financial services, and billing and collections activities. Regulations governing Conifer's operations are subject to changing interpretations that may be inconsistent among different jurisdictions. In addition, a regulatory determination made by, or a settlement or consent decree entered into with, one regulatory agency may not be binding upon, or preclude, investigations or regulatory actions by other agencies. Conifer's failure to comply with applicable consumer protection and other laws could result in, among other things, the issuance of cease and desist orders (which can include orders for restitution or rescission of contracts, as well as other kinds of affirmative relief), the imposition of fines or refunds, and other civil and criminal penalties, some of which could be significant in the case of knowing or reckless violations. In addition, Conifer's failure to comply with the statutes and regulations applicable to it could result in reduced demand for its services, invalidate all or portions of some of Conifer's services agreements with its clients, give clients the right to terminate Conifer's services agreements with them or give rise to contractual liabilities, among other things, any of which could have a material adverse effect on Conifer's business. Furthermore, if Conifer or its subsidiaries become subject to fines or other penalties, it could harm Conifer's reputation, thereby making it more difficult for Conifer to retain existing clients or attract new clients.

A breach or any other failure to comply with our Non-Prosecution Agreement could subject us to criminal prosecution, substantial penalties and exclusion from participation in federal healthcare programs, any of which could adversely impact our business, financial condition, results of operations or cash flows.

In September 2016, one of our subsidiaries, Tenet HealthSystem Medical, Inc., entered into a Non-Prosecution Agreement with the DOJ's Criminal Division, Fraud Section, and the U.S. Attorney's Office for the Northern District of Georgia, as described in "Compliance and Ethics – Non-Prosecution Agreement" above. The NPA was originally scheduled to expire on February 1, 2020; however, the DOJ subsequently extended the expiration date of the NPA by nine months to November 1, 2020 following its determination that we had breached certain reporting obligations under the terms of the NPA. If, during the remaining term of the NPA, THSMI commits any felony under federal law, or if the Company commits any felony related to the Anti-kickback Statute, or if THSMI or the Company fails to cooperate or otherwise fails to fulfill the obligations set forth in the NPA, then THSMI, the Company and our affiliates could be subject to prosecution, exclusion from participation in federal healthcare programs, and other substantial costs and penalties, including further extensions of the NPA. The Offices retain sole discretion over determining whether there has been a breach of the NPA and whether to pursue prosecution. Any liability or consequences associated with a failure to comply with the NPA could have a material adverse effect on our business, financial condition, results of operations or cash flows.

We could be subject to substantial uninsured liabilities or increased insurance costs as a result of significant legal actions.

We are subject to medical malpractice lawsuits, antitrust and employment class action lawsuits, and other legal actions in the ordinary course of business. Some of these actions involve large demands, as well as substantial defense costs. Even in states that have imposed caps on damages, litigants are seeking recoveries under new theories of liability that might not be subject to such caps. Our professional and general liability insurance does not cover all claims against us, and it may not continue to be available at a reasonable cost for us to maintain at adequate levels, as the healthcare industry has seen significant increases in the cost of such insurance due to increased litigation. We cannot predict the outcome of current or future legal actions against us or the effect that judgments or settlements in such matters may have on us or on our insurance costs. Additionally, all professional and general liability insurance we purchase is subject to policy limitations. 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. Any losses not covered by or in excess of the amounts maintained under insurance policies will be funded from our working capital. Furthermore, one or more of our insurance carriers could become insolvent and unable to fulfill its or their obligations to defend, pay or reimburse us when those obligations become due. In that case or if payments of claims exceed our estimates or are not covered by our insurance, it could have a material adverse effect on our business, financial condition, results of operations or cash flows.

If we are unable to enter into, maintain and renew managed care contractual arrangements on acceptable terms, if we experience material reductions in the contracted rates we receive from managed care payers or if we have difficulty collecting from managed care payers, our results of operations could be adversely affected.

The amount of our managed care net patient service revenues, including Medicare and Medicaid managed care programs, from our hospitals and related outpatient facilities during the year ended December 31, 2019 was approximately \$9.5 billion, which represented approximately 66% of our total net patient service revenues. In addition, in the year ended December 31, 2019, our commercial managed care net inpatient revenue per admission from the hospitals and related outpatient facilities in our Hospital Operations and other segment was approximately 101% higher than our aggregate yield on a per admission basis from government payers, including managed Medicare and Medicaid insurance plans. Our ability to negotiate favorable contracts with HMOs, insurers offering preferred provider arrangements and other managed care plans, as well as add new facilities to our existing agreements at contracted rates, significantly affects our revenues and operating results. We currently have thousands of managed care contracts with various HMOs and PPOs; however, our top ten managed care payers generated 62% of our managed care net patient service revenues for the year ended December 31, 2019. Because of this concentration, we may experience a short or long-term adverse effect on our net operating revenues if we cannot renew, replace or otherwise mitigate the impact of expired contracts with significant payers. Furthermore, any disputes between us and significant managed care payers could have a material adverse effect on our financial condition, results of operations or cash flows. At December 31, 2019, 65% of our net accounts receivable for our Hospital Operations and other segment was due from managed care payers.

Private payers are increasingly attempting to control healthcare costs through direct contracting with hospitals to provide services on a discounted basis, increased utilization reviews and greater enrollment in managed care programs, such as HMOs and PPOs. Any negotiated discount programs we agree to generally limit our ability to increase reimbursement rates to offset increasing costs. Furthermore, the ongoing trend toward consolidation among private managed care payers tends to

increase their bargaining power over prices and fee structures. Our future success will depend, in part, on our ability to renew existing managed care contracts and enter into new managed care contracts on competitive terms. Other healthcare companies, including some with greater financial resources, greater geographic coverage or a wider range of services, may compete with us for these opportunities. For example, some of our competitors may negotiate exclusivity provisions with managed care plans or otherwise restrict the ability of managed care companies to contract with us. Any material reductions in the contracted rates we receive for our services or any significant difficulties in collecting receivables from managed care payers could have a material adverse effect on our financial condition, results of operations or cash flows.

Our cost-reduction initiatives do not always deliver the benefits we expect, and actions taken may adversely affect our business, financial condition and results of operations.

Our future financial performance and level of profitability is dependent, in part, on various cost-reduction initiatives, including our efforts to outsource certain functions unrelated to direct patient care. We may encounter challenges in executing our cost-reduction initiatives and not achieve the intended cost savings. In addition, we may face wrongful termination, discrimination or other legal claims from employees affected by any workforce reductions, and we may incur substantial costs defending against such claims, regardless of their merits. Such claims may also significantly increase our severance costs. Workforce reductions, whether as a result of internal restructuring or in connection with outsourcing efforts, may result in the loss of numerous long-term employees, the loss of institutional knowledge and expertise, the reallocation of certain job responsibilities and the disruption of business continuity, all of which could negatively affect operational efficiencies and increase our operating expenses in the short term. Moreover, outsourcing and offshoring may expose us to additional risks, such as reduced control over operational quality and timing, foreign political and economic instability, compliance and regulatory challenges, and natural disasters not typically experienced in the United States, such as volcanic activity and tsunamis. Our failure to effectively execute our cost-reduction initiatives may lead to significant volatility, and a decline, in the price of our common stock. We cannot guarantee that our cost-reduction initiatives will be successful, and we may need to take additional steps in the future to achieve our profitability goals.

We cannot provide any assurances that we will be successful in completing the proposed spin-off of Conifer or in divesting assets in non-core markets.

We cannot predict the outcome of the process we have begun to pursue a tax-free spin-off of Conifer. We cannot provide any assurances regarding the timeframe for completing the spin-off, the allocation of assets and liabilities between Tenet and Conifer, that the other conditions of the spin-off will be met, or that the spin-off will be completed at all. We also continue to exit service lines, businesses and markets that we believe are no longer strategic to our long-term growth. To that end, since January 1, 2018, we have divested 11 hospitals in the United States, as well as all of our operations in the United Kingdom. In addition, in December 2019, we entered into a definitive agreement to divest our two hospitals and other operations in the Memphis, Tennessee area. We cannot provide any assurances that completed, planned or future divestitures or other strategic transactions will achieve their business goals or the benefits we expect.

With respect to all proposed divestitures of assets or businesses, we may fail to obtain applicable regulatory approvals for such divestitures, including any approval that may be required under our NPA. Moreover, we may encounter difficulties in finding acquirers or alternative exit strategies on terms that are favorable to us, which could delay the receipt of anticipated proceeds necessary for us to complete our planned strategic objectives. In addition, our divestiture activities have required, and may in the future require, us to retain significant pre-closing liabilities, recognize impairment charges (as discussed below) or agree to contractual restrictions that limit our ability to reenter the applicable market, which may be material. Furthermore, our divestiture or other corporate development activities, including the planned spin-off of Conifer, may present financial and operational risks, including (1) the diversion of management attention from existing core businesses, (2) adverse effects (including a deterioration in the related asset or business and, in Conifer's case, the loss of existing clients and the difficulties associated with securing new clients) from the announcement of the planned or potential activity, and (3) the challenges associated with separating personnel and financial and other systems.

A spin-off of Conifer could adversely affect our earnings and cash flows.

Conifer contributes a significant portion of the Company's earnings and cash flows. We have begun to pursue a tax-free spin-off of Conifer. Although there can be no assurance that this process will result in a consummated transaction, any separation of all or a portion of Conifer's business could adversely affect our earnings and cash flows.

Economic factors, consumer behavior and other dynamics have affected, and may continue to impact, our business, financial condition and results of operations.

We believe broad economic factors (including high unemployment rates in some of the markets our facilities serve), instability in consumer spending, uncertainty regarding the future of the Affordable Care Act, and the continued shift of additional financial responsibility to insured patients through higher co-pays, deductibles and premium contributions, among other dynamics, have affected our service mix, revenue mix and patient volumes, as well as our ability to collect outstanding receivables. Any increase in the amount or deterioration in the collectability of patient accounts receivable will adversely affect our cash flows and results of operations. The U.S. economy remains unpredictable. If industry trends, such as reductions in commercial managed care enrollment and patient decisions to postpone or cancel elective and non-emergency healthcare procedures, worsen or if general economic conditions deteriorate, we may not be able to sustain future profitability, and our liquidity and ability to repay our outstanding debt may be harmed.

In addition, a significant number of our hospitals and other healthcare facilities are located in California, Florida and Texas. These concentrations increase the risk that, should any adverse economic, regulatory, environmental or other condition occur in these areas, our overall business, financial condition, results of operations or cash flows could be materially adversely affected.

Trends affecting our actual or anticipated results may require us to record charges that may negatively impact our results of operations.

As a result of factors that have negatively affected our industry generally and our business specifically, we have been required to record various charges in our results of operations. During the years ended December 31, 2019 and 2018, we recorded impairment charges of \$42 million and \$77 million, respectively. Our impairment tests presume stable, improving or, in some cases, declining operating results in our hospitals, which are based on programs and initiatives being implemented that are designed to achieve the hospitals' most recent projections. If these projections are not met, or negative trends occur that impact our future outlook, future impairments of long-lived assets and goodwill may occur, and we may incur additional restructuring charges, which could be material. Future restructuring of our operating structure that changes our goodwill reporting units could also result in future impairments of our goodwill. Any such charges could negatively impact our results of operations.

When we acquire new assets or businesses, we become subject to various risks and uncertainties that could adversely affect our results of operations and financial condition.

We have completed a number of acquisitions in recent years, and we expect to pursue similar transactions in the future. A key business strategy for USPI, in particular, is the acquisition and development of facilities, primarily through the formation of joint ventures with physicians and healthcare systems. With respect to planned or future transactions, we cannot provide any assurances that we will be able to identify suitable candidates, consummate transactions on terms that are favorable to us, or achieve synergies or other benefits in a timely manner or at all. Furthermore, companies or operations we acquire may not be profitable or may not achieve the profitability that justifies the investments made. Businesses we acquire may also have pre-existing unknown or contingent liabilities, including liabilities for failure to comply with applicable healthcare regulations. These liabilities could be significant, and, if we are unable to exclude them from the acquisition transaction or successfully obtain indemnification from a third party, they could harm our business and financial condition. In addition, we may face significant challenges in integrating personnel and financial and other systems. Future acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of additional debt and contingent liabilities, and increased operating expenses, any of which could adversely affect our results of operations and financial condition.

USPI and our hospital-based joint ventures depend on existing relationships with key healthcare system partners. If we are unable to maintain historical relationships with these healthcare systems, or enter into new relationships, we may be unable to implement our business strategies successfully.

USPI and our hospital-based joint ventures depend in part on the efforts, reputations and success of healthcare system partners and the strength of our relationships with those healthcare systems. Our joint ventures could be adversely affected by any damage to those healthcare systems' reputations or to our relationships with them. In addition, damage to our business reputation could negatively impact the willingness of healthcare systems to enter into relationships with us or USPI. If we are unable to maintain existing arrangements on favorable terms or enter into relationships with additional healthcare system partners, we may be unable to implement our business strategies for our joint ventures successfully.

The remaining put/call arrangements associated with USPI, if settled in cash, will require us to utilize our cash flow or incur additional indebtedness to satisfy the payment obligations in respect of such arrangements.

As part of the formation of USPI in 2015, we entered into a put/call agreement with respect to the equity interests in USPI held by our joint venture partners at that time. During 2016, 2017 and 2018, we paid a total of \$1.473 billion to purchase additional shares of USPI to increase our ownership interest in USPI from 50.1% to 95%.

We have also entered into a separate put/call agreement (the “Baylor Put/Call Agreement”) with respect to the remaining 5% outside ownership interest in USPI held by Baylor University Medical Center. Each year starting in 2021, Baylor may require us to purchase, or “put” to us, up to 33.3% of their total shares in USPI held as of April 1, 2017. In each year that Baylor does not put the full 33.3% of USPI’s shares allowable, we may call the difference between the number of shares Baylor put and the maximum number of shares they could have put that year. In addition, the Baylor Put/Call Agreement contains a call option pursuant to which we have the ability to acquire all of Baylor’s ownership interest by 2024. In each case, we have the ability to choose whether to settle the purchase price for the Baylor put/call in cash or shares of our common stock.

The put and call arrangements described above, to the extent settled in cash, may require us to dedicate a substantial portion of our cash flow to satisfy our payment obligations in respect of such arrangements, which may reduce the amount of funds available for our operations, capital expenditures and corporate development activities. Similarly, we may be required to incur additional indebtedness to satisfy our payment obligations in respect of such arrangements, which could have important consequences to our business and operations, as described more fully below under “*Our level of indebtedness could, among other things, adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, and prevent us from meeting our obligations under the agreements relating to our indebtedness.*”

Our joint venture arrangements are subject to a number of operational risks that could have a material adverse effect on our business, results of operations and financial condition.

We have invested in a number of joint ventures with other entities when circumstances warranted the use of these structures, and we may form additional joint ventures in the future. These joint ventures may not be profitable or may not achieve the profitability that justifies the investments made. Furthermore, the nature of a joint venture requires us to consult with and share certain decision-making powers with unaffiliated third parties, some of which may be not-for-profit healthcare systems. If our joint venture partners do not fulfill their obligations, the affected joint venture may not be able to operate according to its business or strategic plans. In that case, our results could be adversely affected or we may be required to increase our level of financial commitment to the joint venture. Moreover, differences in economic or business interests or goals among joint venture participants could result in delayed decisions, failures to agree on major issues and even litigation. If these differences cause the joint ventures to deviate from their business or strategic plans, or if our joint venture partners take actions contrary to our policies, objectives or the best interests of the joint venture, our results could be adversely affected. In addition, our relationships with not-for-profit healthcare systems and the joint venture agreements that govern these relationships are intended to be structured to comply with current revenue rulings published by the Internal Revenue Service, as well as case law relevant to joint ventures between for-profit and not-for-profit healthcare entities. Material changes in these authorities could adversely affect our relationships with not-for-profit healthcare systems and related joint venture arrangements.

Our participation in joint ventures is also subject to the risks that:

- We could experience an impasse on certain decisions because we do not have sole decision-making authority, which could require us to expend additional resources on resolving such impasses or potential disputes.
- We may not be able to maintain good relationships with our joint venture partners (including healthcare systems), which could limit our future growth potential and could have an adverse effect on our business strategies.
- Our joint venture partners could have investment or operational goals that are not consistent with our corporate-wide objectives, including the timing, terms and strategies for investments or future growth opportunities.
- Our joint venture partners might become bankrupt, fail to fund their share of required capital contributions or fail to fulfill their other obligations as joint venture partners, which may require us to infuse our own capital into any such venture on behalf of the related joint venture partner or partners despite other competing uses for such capital.

- Many of our existing joint ventures require that one of our wholly owned affiliates provide a working capital line of credit to the joint venture, which could require us to allocate substantial financial resources to the joint venture potentially impacting our ability to fund our other short-term obligations.
- Some of our existing joint ventures require mandatory capital expenditures for the benefit of the applicable joint venture, which could limit our ability to expend funds on other corporate opportunities.
- Our joint venture partners may have exit rights that would require us to purchase their interests upon the occurrence of certain events or the passage of certain time periods, which could impact our financial condition by requiring us to incur additional indebtedness in order to complete such transactions or, alternatively, in some cases we may have the option to issue shares of our common stock to our joint venture partners to satisfy such obligations, which would dilute the ownership of our existing shareholders. When our joint venture partners seek to exercise their exit rights, we may be unable to agree on the value of their interests, which could harm our relationship with our joint venture partners or potentially result in litigation.
- Our joint venture partners may have competing interests in our markets that could create conflict of interest issues.
- Any sale or other disposition of our interest in a joint venture or underlying assets of the joint venture may require consents from our joint venture partners, which we may not be able to obtain.
- Certain corporate-wide or strategic transactions may also trigger other contractual rights held by a joint venture partner (including termination or liquidation rights) depending on how the transaction is structured, which could impact our ability to complete such transactions.
- Our joint venture arrangements that involve financial and ownership relationships with physicians and others who either refer or influence the referral of patients to our hospitals or other healthcare facilities are subject to greater regulatory scrutiny from government enforcement agencies. While we endeavor to comply with the applicable safe harbors under the Anti-kickback Statute, certain of our current arrangements, including joint venture arrangements, do not qualify for safe harbor protection.

It is essential to our ongoing business that we attract an appropriate number of quality physicians in the specialties required to support our services and that we maintain good relations with those physicians.

The success of our business and clinical program development depends in significant part on the number, quality, specialties, and admitting and scheduling practices of the licensed physicians who have been admitted to the medical staffs of our hospitals and other facilities, as well as physicians who affiliate with us and use our facilities as an extension of their practices. Physicians are often not employees of the hospitals or surgery centers at which they practice. Members of the medical staffs of our facilities also often serve on the medical staffs of facilities we do not operate, and they are free to terminate their association with our facilities or admit their patients to competing facilities at any time. In addition, although physicians who own interests in our facilities are generally subject to agreements restricting them from owning an interest in competitive facilities, we may not learn of, or be unsuccessful in preventing, our physician partners from acquiring interests in competitive facilities.

We expect to encounter increased competition from health insurers and private equity companies seeking to acquire providers in the markets where we operate physician practices and, where permitted by law, employ physicians. In some of our markets, physician recruitment and retention are affected by a shortage of physicians in certain specialties and the difficulties that physicians can experience in obtaining affordable malpractice insurance or finding insurers willing to provide such insurance. Furthermore, our ability to recruit and employ physicians is closely regulated. For example, the types, amount and duration of compensation and assistance we can provide to recruited physicians are limited by the Stark law, the Anti-kickback Statute, state anti-kickback statutes and related regulations. All arrangements with physicians must also be fair market value and commercially reasonable. If we are unable to attract and retain sufficient numbers of quality physicians by providing adequate support personnel, technologically advanced equipment, and facilities that meet the needs of those physicians and their patients, physicians may choose not to refer patients to our facilities, admissions and outpatient visits may decrease and our operating performance may decline.

Our labor costs can be adversely affected by competition for staffing, the shortage of experienced nurses and labor union activity.

The operations of our facilities depend on the efforts, abilities and experience of our management and medical support personnel, including nurses, therapists, pharmacists and lab technicians, as well as our employed physicians. We compete with other healthcare providers in recruiting and retaining employees, and, like others in the healthcare industry, we continue to experience a shortage of critical-care nurses in certain disciplines and geographic areas. As a result, from time to time, we may be required to enhance wages and benefits to recruit and retain experienced employees, make greater investments in education and training for newly licensed medical support personnel, or hire more expensive temporary or contract employees. Furthermore, state-mandated nurse-staffing ratios in California affect not only our labor costs, but, if we are unable to hire the necessary number of experienced nurses to meet the required ratios, they may also cause us to limit volumes, which would have a corresponding adverse effect on our net operating revenues. In general, our failure to recruit and retain qualified management, experienced nurses and other medical support personnel, or to control labor costs, could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Increased labor union activity is another factor that can adversely affect our labor costs. At December 31, 2019, approximately 28% of the employees in our Hospital Operations and other segment were represented by labor unions. Less than 1% of the total employees in both our Ambulatory Care and Conifer segments belong to a union. Unionized employees – primarily registered nurses and service, technical and maintenance workers – are located at 35 of our hospitals, the majority of which are in California, Florida and Michigan. When negotiating collective bargaining agreements with unions, whether such agreements are renewals or first contracts, there is a possibility that strikes could occur, and our continued operation during any strikes could increase our labor costs and have an adverse effect on our patient volumes and net operating revenues. Organizing activities by labor unions could increase our level of union representation in future periods, which could result in increases in salaries, wages and benefits expense.

Our hospitals, outpatient centers and other healthcare businesses operate in competitive environments, and competition in our markets can adversely affect patient volumes.

The healthcare business is highly competitive, and competition among hospitals and other healthcare providers for patients has intensified in recent years. Generally, other hospitals and outpatient centers in the local communities we serve provide services similar to those we offer, and, in some cases, our competitors (1) are more established or newer than ours, (2) may offer a broader array of services or more desirable facilities to patients and physicians than ours, and (3) may have larger or more specialized medical staffs to admit and refer patients, among other things. Furthermore, healthcare consumers are now able to access hospital performance data on quality measures and patient satisfaction, as well as standard charges for services, to compare competing providers; if any of our hospitals achieve poor results (or results that are lower than our competitors) on quality measures or patient satisfaction surveys, or if our standard charges are or are perceived to be higher than our competitors, we may attract fewer patients. Additional quality measures and trends toward clinical or billing transparency may have an unanticipated impact on our competitive position and patient volumes.

In the future, we expect to encounter increased competition from system-affiliated hospitals and healthcare companies, as well as health insurers and private equity companies seeking to acquire providers, in specific geographic markets. We also face competition from specialty hospitals (some of which are physician-owned) and unaffiliated freestanding outpatient centers for market share in diagnostic and specialty services and for quality physicians and personnel. In recent years, the number of freestanding specialty hospitals, surgery centers, emergency departments and diagnostic imaging centers in the geographic areas in which we operate has increased significantly. Furthermore, some of the hospitals that compete with our hospitals are owned by government agencies or not-for-profit organizations supported by endowments and charitable contributions and can finance capital expenditures and operations on a tax-exempt basis. If our competitors are better able to attract patients, recruit physicians, expand services or obtain favorable managed care contracts at their facilities than we are, we may experience an overall decline in patient volumes.

Conifer operates in a highly competitive industry, and its current or future competitors may be able to compete more effectively than Conifer does, which could have a material adverse effect on Conifer's margins, growth rate and market share.

As we pursue a spin-off of Conifer, we are continuing to market Conifer's revenue cycle management, patient communications and engagement services, and value-based care solutions businesses. The timing and uncertainty associated with our plans for Conifer may have an adverse impact on Conifer's ability to secure new clients. There can be no assurance that Conifer will be successful in generating new client relationships, including with respect to hospitals we or Conifer's other clients sell, as the respective buyers of such hospitals may not continue to use Conifer's services or, if they do, they may not do

so under the same contractual terms. The market for Conifer's solutions is highly competitive, and we expect competition may intensify in the future. Conifer faces competition from existing participants and new entrants to the revenue cycle management market, as well as from the staffs of hospitals and other healthcare providers who handle these processes internally. In addition, electronic medical record software vendors may expand into services offerings that compete with Conifer. To be successful, Conifer must respond more quickly and effectively than its competitors to new or changing opportunities, technologies, standards, regulations and client requirements. Moreover, existing or new competitors may introduce technologies or services that render Conifer's technologies or services obsolete or less marketable. Even if Conifer's technologies and services are more effective than the offerings of its competitors, current or potential clients might prefer competitive technologies or services to Conifer's technologies and services. Furthermore, increased competition has resulted and may continue to result in pricing pressures, which could negatively impact Conifer's margins, growth rate or market share.

Our level of indebtedness could, among other things, adversely affect our ability to raise additional capital to fund our operations, limit our ability to react to changes in the economy or our industry, and prevent us from meeting our obligations under the agreements relating to our indebtedness.

At December 31, 2019, we had approximately \$14.8 billion of total long-term debt, as well as \$93 million in standby letters of credit outstanding in the aggregate under our senior secured revolving credit facility (as amended, "Credit Agreement") and our letter of credit facility agreement (as amended, "LC Facility"). Our Credit Agreement is collateralized by eligible inventory and patient accounts receivable, including receivables for Medicaid supplemental payments, of substantially all of our domestic wholly owned acute care and specialty hospitals, and our LC Facility is guaranteed and secured by a first priority pledge of the capital stock and other ownership interests of certain of our hospital subsidiaries on an equal ranking basis with our existing senior secured notes. From time to time, we expect to engage in additional capital market, bank credit and other financing activities, depending on our needs and financing alternatives available at that time.

The interest expense associated with our indebtedness offsets a substantial portion of our operating income. During 2019, our interest expense was \$985 million and represented 65% of our \$1.513 billion of operating income. As a result, relatively small percentage changes in our operating income can result in a relatively large percentage change in our net income and earnings per share, both positively and negatively. In addition:

- Our substantial indebtedness may limit our ability to adjust to changing market conditions and place us at a competitive disadvantage compared to our competitors that have less debt.
- We may be more vulnerable in the event of a deterioration in our business, in the healthcare industry or in the economy generally, or if federal or state governments substantially limit or reduce reimbursement under the Medicare or Medicaid programs.
- Our debt service obligations reduce the amount of funds available for our operations, capital expenditures and corporate development activities, and may make it more difficult for us to satisfy our financial obligations.
- Our substantial indebtedness could limit our ability to obtain additional financing to fund future capital expenditures, working capital, acquisitions or other needs.
- Our significant indebtedness may result in the market value of our stock being more volatile, potentially resulting in larger investment gains or losses for our shareholders, than the market value of the common stock of other companies that have a relatively smaller amount of indebtedness.
- A significant portion of our outstanding debt is subject to early prepayment penalties, such as "make-whole premiums"; as a result, it may be costly to pursue debt repayment as a deleveraging strategy.

Furthermore, our Credit Agreement, our LC Facility and the indentures governing our outstanding notes contain, and any future debt obligations may contain, covenants that, among other things, restrict our ability to pay dividends, incur additional debt and sell assets. See "*Restrictive covenants in the agreements governing our indebtedness may adversely affect us.*"

We may not be able to generate sufficient cash to service all of our indebtedness, and we may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or to refinance our indebtedness depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to financial, business and other factors

that may be beyond our control. We cannot assure you that we will maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

In addition, our ability to meet our debt service obligations is dependent upon the operating results of our subsidiaries and their ability to pay dividends or make other payments or advances to us. We hold most of our assets at, and conduct substantially all of our operations through, direct and indirect subsidiaries. Moreover, we are dependent on dividends or other intercompany transfers of funds from our subsidiaries to meet our debt service and other obligations, including payment on our outstanding debt. The ability of our subsidiaries to pay dividends or make other payments or advances to us will depend on their operating results and will be subject to applicable laws and restrictions contained in agreements governing the debt of such subsidiaries. Our less than wholly owned subsidiaries may also be subject to restrictions on their ability to distribute cash to us in their financing or other agreements and, as a result, we may not be able to access their cash flows to service their respective debt obligations.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, including those required for operating our existing facilities, for integrating our historical acquisitions or for future corporate development activities, and such reduction or delay could continue for years. We also may be forced to sell assets or operations, seek additional capital, or restructure or refinance our indebtedness. We cannot assure you that we would be able to take any of these actions, that these actions would be successful and permit us to meet our scheduled debt service obligations, or that these actions would be permitted under the terms of our existing or future debt agreements, including our Credit Agreement, our LC Facility and the indentures governing our outstanding notes.

Restrictive covenants in the agreements governing our indebtedness may adversely affect us.

Our Credit Agreement, our LC Facility and the indentures governing our outstanding notes contain various covenants that, among other things, limit our ability and the ability of our subsidiaries to:

- incur, assume or guarantee additional indebtedness;
- incur liens;
- make certain investments;
- provide subsidiary guarantees;
- consummate asset sales;
- redeem debt that is subordinated in right of payment to outstanding indebtedness;
- enter into sale and lease-back transactions;
- enter into transactions with affiliates; and
- consolidate, merge or sell all or substantially all of our assets.

These restrictions are subject to a number of important exceptions and qualifications. In addition, under certain circumstances, the terms of our Credit Agreement require us to maintain a financial ratio relating to our ability to satisfy certain fixed expenses, including interest payments. Our ability to meet this financial ratio and the aforementioned restrictive covenants may be affected by events beyond our control, and we cannot assure you that we will meet those tests. These restrictions could limit our ability to obtain future financing, make acquisitions or needed capital expenditures, withstand economic downturns in our business or the economy in general, conduct operations or otherwise take advantage of business opportunities that may arise. In addition, a breach of any of these covenants could cause an event of default, which, if not cured or waived, could require us to repay the indebtedness immediately. Under these conditions, we are not certain whether we would have, or be able to obtain, sufficient funds to make accelerated payments.

Despite current indebtedness levels, we may be able to incur substantially more debt or otherwise increase our leverage. This could further exacerbate the risks described above.

We have the ability to incur additional indebtedness in the future, subject to the restrictions contained in our Credit Agreement, our LC Facility and the indentures governing our outstanding notes. We may decide to incur additional

secured or unsecured debt in the future to finance our operations and any judgments or settlements or for other business purposes. Similarly, if we complete the proposed spin-off of Conifer or continue to sell assets and do not use the proceeds to repay debt, this could further increase our financial leverage.

Our Credit Agreement provides for revolving loans in an aggregate principal amount of up to \$1.5 billion, with a \$200 million subfacility for standby letters of credit. Based on our eligible receivables, \$1.499 billion was available for borrowing under the Credit Agreement at December 31, 2019. Our LC Facility provides for the issuance of standby and documentary letters of credit in an aggregate principal amount of up to \$180 million (subject to increase to up to \$200 million). At December 31, 2019, we had no cash borrowings outstanding under the Credit Agreement, and we had \$93 million of standby letters of credit outstanding in the aggregate under the Credit Agreement and the LC Facility. If new indebtedness is added or our leverage increases, the related risks that we now face could intensify.

Our business could be negatively affected by security threats, catastrophic events and other disruptions affecting our information technology and related systems.

Information technology is a critical component of the day-to-day operation of our business. We rely on our information technology to process, transmit and store sensitive and confidential data, including protected health information, personally identifiable information, and our proprietary and confidential business performance data. We utilize electronic health records and other information technology in connection with all of our operations, including our billing and supply chain and labor management operations. Our systems, in turn, interface with and rely on third-party systems. Although we monitor and routinely test our security systems and processes and have a diversified data network that provides redundancies as well as other measures designed to protect the integrity, security and availability of the data we process, transmit and store, the information technology and infrastructure we use have been, and will likely continue to be, subject to computer viruses, attacks by hackers, or breaches due to employee error or malfeasance. Attacks or breaches could impact the integrity, security or availability of data we process, transmit or store, or they could disrupt our information technology systems, devices or businesses. While we are not aware of having experienced a material breach of our systems, the preventive actions we take to reduce the risk of such incidents and protect our information technology may not be sufficient in the future. As cybersecurity threats continue to evolve, we may not be able to anticipate certain attack methods in order to implement effective protective measures, and we will be required to expend significant additional resources to continue to modify and strengthen our security measures, investigate and remediate any vulnerabilities in our information systems and infrastructure, and invest in new technology designed to mitigate security risks. Furthermore, we have an increased risk of security breaches or compromised intellectual property rights as a result of outsourcing certain functions unrelated to direct patient care. Though we have insurance against some cyber-risks and attacks, it may not offset the impact of a material loss event.

Third parties to whom we outsource certain of our functions, or with whom our systems interface and who may, in some instances, store our sensitive and confidential data, are also subject to the risks outlined above and may not have or use controls effective to protect such information. A breach or attack affecting any of these third parties could similarly harm our business. Further, successful cyber-attacks at other healthcare services companies, whether or not we are impacted, could lead to a general loss of consumer confidence in our industry that could negatively affect us, including harming the market perception of the effectiveness of our security measures or of the healthcare industry in general, which could result in reduced use of our services.

Our networks and technology systems have experienced disruption due to events such as system implementations, upgrades, and other maintenance and improvements, and they are subject to disruption in the future for similar events, as well as catastrophic events, including a major earthquake, fire, hurricane, telecommunications failure, ransomware attack, terrorist attack or the like. Any breach or system interruption of our information systems or of third parties with access to our sensitive and confidential data could result in: the unauthorized disclosure, misuse, loss or alteration of such data; interruptions and delays in our normal business operations (including the collection of revenues); patient harm; potential liability under privacy, security, consumer protection or other applicable laws; regulatory penalties; and negative publicity and damage to our reputation. Any of these could have a material adverse effect on our business, financial position, results of operations or cash flows.

The utilization of our tax losses could be substantially limited if we experience an ownership change as defined in the Internal Revenue Code.

At December 31, 2019, we had federal net operating loss (“NOL”) carryforwards of approximately \$600 million pre-tax available to offset future taxable income. These NOL carryforwards will expire in the years 2032 to 2034. Section 382 of the Internal Revenue Code imposes an annual limitation on the amount of a company’s taxable income that may be offset by the NOL carryforwards if it experiences an “ownership change” as defined in Section 382 of the Code. An ownership change

occurs when a company's "five-percent shareholders" (as defined in Section 382 of the Code) collectively increase their ownership in the company by more than 50 percentage points (by value) over a rolling three-year period. (This is different from a change in beneficial ownership under applicable securities laws.) These ownership changes include purchases of common stock under share repurchase programs, a company's offering of its stock, the purchase or sale of company stock by five-percent shareholders, or the issuance or exercise of rights to acquire company stock. While we expect to be able to realize our total NOL carryforwards prior to their expiration, if an ownership change occurs, our ability to use the NOL carryforwards to offset future taxable income will be subject to an annual limitation and will depend on the amount of taxable income we generate in future periods. There is no assurance that we will be able to fully utilize the NOL carryforwards. Furthermore, we could be required to record a valuation allowance related to the amount of the NOL carryforwards that may not be realized, which could adversely impact our results of operations.

The industry trend toward value-based purchasing and alternative payment models may negatively impact our revenues.

Value-based purchasing and alternative payment model initiatives of both governmental and private payers tying financial incentives to quality and efficiency of care will increasingly affect the results of operations of our hospitals and other healthcare facilities, and may negatively impact our revenues if we are unable to meet expected quality standards. Medicare now requires providers to report certain quality measures in order to receive full reimbursement increases for inpatient and outpatient procedures that were previously awarded automatically. In addition, hospitals that meet or exceed certain quality performance standards will receive increased reimbursement payments, and hospitals that have "excess readmissions" for specified conditions will receive reduced reimbursement. Furthermore, Medicare no longer pays hospitals additional amounts for the treatment of certain hospital-acquired conditions ("HACs"), unless the conditions were present at admission. Hospitals that rank in the worst 25% of all hospitals nationally for HACs in the previous year receive reduced Medicare reimbursements. Moreover, the ACA prohibits the use of federal funds under the Medicaid program to reimburse providers for treating certain provider-preventable conditions.

The ACA also created the CMS Innovation Center to test innovative payment and service delivery models that have the potential to reduce Medicare, Medicaid or Children's Health Insurance Program expenditures while preserving or enhancing the quality of care for beneficiaries. Participation in some of these models is voluntary; however, participation in certain bundled payment arrangements is mandatory for providers located in randomly selected geographic locations. Generally, the bundled payment models hold hospitals financially accountable for the quality and costs for an entire episode of care for a specific diagnosis or procedure from the date of the hospital admission or inpatient procedure through 90 days post-discharge, including services not provided by the hospital, such as physician, inpatient rehabilitation, skilled nursing and home health services. Under the mandatory models, hospitals are eligible to receive incentive payments or will be subject to payment reductions within certain corridors based on their performance against quality and spending criteria. In 2015, CMS finalized a five-year bundled payment model, called the Comprehensive Care for Joint Replacement ("CJR") model, which includes hip and knee replacements, as well as other major leg procedures. Seventeen hospitals in our Hospital Operations and other segment and four of USPI's surgical hospitals currently participate in the CJR model. In addition, 61 hospitals in our Hospital Operations and other segment and six of USPI's surgical hospitals participate in the CMS Bundled Payments for Care Improvement Advanced ("BPCIA") program that became effective October 1, 2018. USPI also holds the CMS contract for two physician group practices participating in the BPCIA program. We cannot predict what impact, if any, these demonstration programs will have on our inpatient volumes, net revenues or cash flows.

There is also a trend among private payers toward value-based purchasing and alternative payment models for healthcare services. Many large commercial payers expect hospitals to report quality data, and several of these payers will not reimburse hospitals for certain preventable adverse events. We expect value-based purchasing programs, including programs that condition reimbursement on patient outcome measures, to become more common and to involve a higher percentage of reimbursement amounts.

We are unable at this time to predict how the industry trend toward value-based purchasing and alternative payment models will affect our results of operations, but it could negatively impact our revenues, particularly if we are unable to meet the quality and cost standards established by both governmental and private payers.

Our operations and financial results could be harmed by a national or localized outbreak of a highly contagious disease, and a pandemic outside of the United States could also adversely impact our business.

If an epidemic or other public health crisis were to occur nationally or in an area in which we operate, our business and financial results could be adversely affected. If any of our facilities were involved, or perceived to be involved, in treating patients with a highly contagious disease, such as the 2019 Novel Coronavirus (COVID-19) or the Ebola virus, our reputation

may be negatively impacted; as a result, other patients might cancel or defer elective procedures or otherwise avoid medical treatment, resulting in reduced patient volumes and operating revenues. Furthermore, the treatment of a highly contagious disease at one of our facilities may result in a temporary shutdown, the diversion of patients or staffing shortages. Moreover, we cannot predict the costs associated with the potential treatment of an infectious disease outbreak by our hospitals or preparation for such treatment. A pandemic outside of the United States could also adversely impact our business in ways that are difficult to predict. In the event that the current coronavirus outbreak, or any actions the Chinese government or other governmental authorities take in connection with COVID-19, disrupts the production or supply of pharmaceuticals and medical supplies from China, for example, our business could be adversely affected.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The disclosure required under this Item is included in Item 1, Business, of Part I of this report.

ITEM 3. 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 17 to our Consolidated Financial Statements, which is incorporated by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock. Our common stock is listed on the New York Stock Exchange ("NYSE") under the symbol "THC." As of February 14, 2020, there were 3,728 holders of record of our common stock. Our transfer agent and registrar is Computershare. Shareholders with questions regarding their stock certificates, including inquiries related to exchanging or replacing certificates or changing an address, should contact the transfer agent at (866) 229-8416.

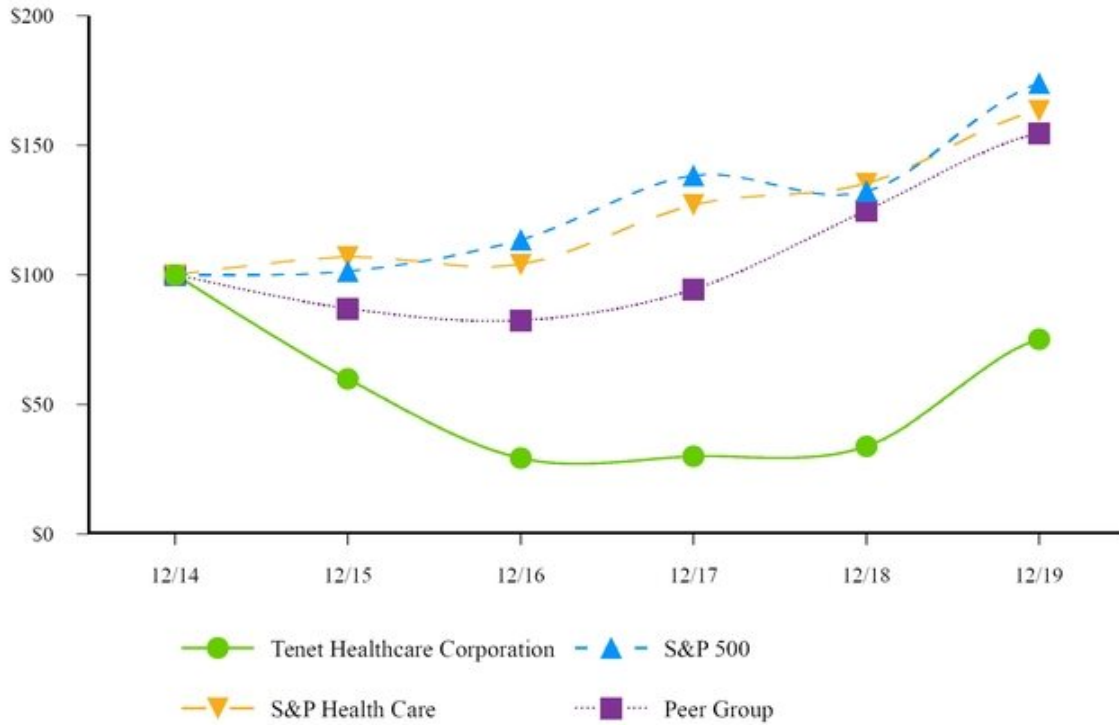
Equity Compensation. Refer to Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters, of Part III of this report, as well as Note 10 to our Consolidated Financial Statements, for information regarding securities authorized for issuance under our equity compensation plans.

Stock Performance Graph. The following graph shows the cumulative, five-year total return for our common stock compared to the following indices:

- The S&P 500, a stock market index that measures the equity performance of 500 large companies listed on the stock exchanges in the United States (in which we are not included);
- The S&P 500 Health Care, a stock market index comprised of those companies included in the S&P 500 that are classified as part of the healthcare sector (in which we are not included); and
- A group made up of us and our hospital company peers (namely, Community Health Systems, Inc. (CYH), HCA Healthcare, Inc. (HCA), Tenet Healthcare Corporation (THC) and Universal Health Services, Inc. (UHS)), which we refer to as our "Peer Group".

Performance data assumes that \$100.00 was invested on December 31, 2014 in our common stock and each of the indices. The data assumes the reinvestment of all cash dividends and the cash value of other distributions. Moreover, in accordance with U.S. Securities and Exchange Commission ("SEC") regulations, the returns of each company in our Peer Group have been weighted according to the respective company's stock market capitalization at the beginning of each period for which a return is indicated. The stock price performance shown in the graph is not necessarily indicative of future stock price performance. The performance graph shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference into any of our filings under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN



	12/14	12/15	12/16	12/17	12/18	12/19
Tenet Healthcare Corporation	\$ 100.00	\$ 59.80	\$ 29.29	\$ 29.92	\$ 33.83	\$ 75.05
S&P 500	\$ 100.00	\$ 101.38	\$ 113.51	\$ 138.29	\$ 132.23	\$ 173.86
S&P Health Care	\$ 100.00	\$ 106.89	\$ 104.01	\$ 126.98	\$ 135.19	\$ 163.34
Peer Group	\$ 100.00	\$ 86.95	\$ 82.39	\$ 94.36	\$ 124.69	\$ 154.63

ITEM 6. SELECTED FINANCIAL DATA

OPERATING RESULTS

The following tables present selected consolidated financial data for Tenet Healthcare Corporation and its wholly owned and majority-owned subsidiaries for the years ended December 31, 2015 through 2019. Effective January 1, 2019, we adopted the Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-02, “Leases (Topic 842)” (“ASU 2016-02”) using the modified retrospective transition approach as of the period of adoption. Our financial statements for periods prior to January 1, 2019 were not modified for the application of the new lease accounting standard. The main difference between the guidance in ASU 2016-02 and previous accounting principles generally accepted in the United States of America (“GAAP”) is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases classified as operating leases under previous GAAP. Upon adoption of ASU 2016-02, we recorded \$822 million of right-of-use assets, net of deferred rent, associated with operating leases in investments and other assets in our consolidated balance sheet, \$147 million of current liabilities associated with operating leases in other current liabilities in our consolidated balance sheet and \$715 million of long-term liabilities associated with operating leases in other long-term liabilities in our consolidated balance sheet. Effective January 1, 2018, we adopted the FASB ASU 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”) using a modified retrospective method of application to all contracts existing on January 1, 2018. The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For our Hospital Operations and other and Ambulatory Care segments, the adoption of ASU 2014-09 resulted in changes to our presentation and disclosure of revenue primarily related to uninsured or underinsured patients. Prior to the adoption of ASU 2014-09, a significant portion of our provision for doubtful accounts related to uninsured patients, as well as co-pays, co-insurance amounts and deductibles owed to us by patients with insurance. Under ASU 2014-09, the estimated uncollectable amounts due from these patients are generally considered implicit price concessions that are a direct reduction to net operating revenues, with a corresponding material reduction in the amounts presented separately as provision for doubtful accounts.

Our portfolio of hospitals has changed during the periods presented below, primarily due to acquisition and divestiture activity. At December 31, 2019, 2018, 2017, 2016 and 2015, we consolidated the results of 65, 68, 72, 75 and 86 hospitals, respectively. Effective June 16, 2015, we completed a transaction that combined our freestanding ambulatory surgery and imaging center assets with the surgical facility assets of United Surgical Partners International, Inc. into a new joint venture called USPI Holding Company, Inc. (“USPI”). At December 31, 2019, we owned 95% of USPI. The following tables include USPI for the post-acquisition period only. Also, in the following tables, electronic health incentives have been reclassified to other operating expenses, net, as they are no longer significant enough to present separately. The following tables should be read in conjunction with Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations, and our Consolidated Financial Statements and notes thereto included in this report.

	Years Ended December 31,				
	2019	2018	2017	2016	2015
(In Millions, Except Per-Share Amounts)					
Net operating revenues:					
Net operating revenues before provision for doubtful accounts			\$ 20,613	\$ 21,070	\$ 20,111
Less: Provision for doubtful accounts			1,434	1,449	1,477
Net operating revenues	\$ 18,479	\$ 18,313	19,179	19,621	18,634
Equity in earnings of unconsolidated affiliates	175	150	144	131	99
Operating expenses:					
Salaries, wages and benefits	8,704	8,634	9,274	9,328	8,990
Supplies	3,057	3,004	3,085	3,124	2,963
Other operating expenses, net	4,189	4,256	4,561	4,859	4,483
Depreciation and amortization	850	802	870	850	797
Impairment and restructuring charges, and acquisition-related costs	185	209	541	202	318
Litigation and investigation costs	141	38	23	293	291
Net losses (gains) on sales, consolidation and deconsolidation of facilities	15	(127)	(144)	(151)	(186)
Operating income	1,513	1,647	1,113	1,247	1,077
Interest expense	(985)	(1,004)	(1,028)	(979)	(912)
Other non-operating expense, net	(5)	(5)	(22)	(20)	(20)
Gain (loss) from early extinguishment of debt	(227)	1	(164)	—	(1)
Income (loss) from continuing operations, before income taxes	296	639	(101)	248	144
Income tax expense	(153)	(176)	(219)	(67)	(68)
Income (loss) from continuing operations, before discontinued operations	143	463	(320)	181	76
Less: Net income available to noncontrolling interests from continuing operations	386	355	384	368	218
Net income available (loss attributable) to Tenet Healthcare Corporation common shareholders from continuing operations	\$ (243)	\$ 108	\$ (704)	\$ (187)	\$ (142)
Basic earnings available (loss attributable) per share to Tenet Healthcare Corporation common shareholders from continuing operations	\$ (2.35)	\$ 1.06	\$ (7.00)	\$ (1.88)	\$ (1.43)
Diluted earnings available (loss attributable) per share to Tenet Healthcare Corporation common shareholders from continuing operations	\$ (2.35)	\$ 1.04	\$ (7.00)	\$ (1.88)	\$ (1.43)

The operating results data presented above is not necessarily indicative of our future results of operations. 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; trends in patient accounts receivable collectability and associated implicit price concessions; fluctuations in interest rates; levels of malpractice insurance expense and settlement trends; 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; gains (losses) on sales, consolidation and deconsolidation of facilities; 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 (losses) from early extinguishment of debt; and changes in occupancy levels and patient volumes. Factors that affect service mix, revenue mix, patient volumes and, thereby, the results of operations at our hospitals and related healthcare facilities include, but are not limited to: changes in federal and state healthcare regulations; 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, satisfaction, retention and attrition; advances in technology and treatments that reduce length of stay; local healthcare competitors; utilization pressure by managed care organizations, as well as managed care contract negotiations or terminations; hospital performance data on quality measures and patient satisfaction, as well as standard charges for services; any unfavorable publicity about us, or our joint venture partners, that impacts our relationships with physicians and patients; and changing consumer behavior, including with respect to the timing of elective procedures.

BALANCE SHEET DATA

	December 31,				
	2019	2018	2017	2016	2015
	(In Millions)				
Working capital (current assets minus current liabilities)	\$ 876	\$ 779	\$ 1,241	\$ 1,223	\$ 863
Total assets	23,351	22,409	23,385	24,701	23,682
Long-term debt, net of current portion	14,580	14,644	14,791	15,064	14,383
Redeemable noncontrolling interests in equity of consolidated subsidiaries	1,506	1,420	1,866	2,393	2,266
Noncontrolling interests	854	806	686	665	267
Total equity	483	687	539	1,082	958

CASH FLOW DATA

	Years Ended December 31,				
	2019	2018	2017	2016	2015
	(In Millions)				
Net cash provided by operating activities	\$ 1,233	\$ 1,049	\$ 1,200	\$ 558	\$ 1,026
Net cash provided by (used in) investing activities	(619)	(115)	21	(430)	(1,317)
Net cash provided by (used in) financing activities	(763)	(1,134)	(1,326)	232	454

ITEM 7. 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 Hospital Operations and other segment is comprised of our acute care and specialty hospitals, ancillary outpatient facilities, urgent care centers, micro-hospitals and physician practices. As described in Note 5 to the accompanying Consolidated Financial Statements, certain of our facilities were classified as held for sale at December 31, 2019. Our Ambulatory Care segment is comprised of the operations of USPI, in which we own a 95% interest, and included nine European Surgical Partners Limited ("Aspen") facilities until their divestiture effective August 17, 2018. At December 31, 2019, USPI had interests in 260 ambulatory surgery centers, 39 urgent care centers, 23 imaging centers and 24 surgical hospitals in 27 states. Our Conifer segment provides revenue cycle management and value-based care services to hospitals, healthcare systems, physician practices, employers and other customers, through our Conifer Holdings, Inc. ("Conifer") subsidiary. Nearly all of the services comprising the operations of our Conifer segment are provided directly by Conifer Health Solutions, LLC, in which we owned 76.2% as of December 31, 2019, or by one of its direct or indirect wholly owned subsidiaries. MD&A, which should be read in conjunction with the accompanying Consolidated Financial Statements, includes the following sections:

- Management Overview
- Sources of Revenue for Our Hospital Operations and Other Segment
- Results of Operations
- Liquidity and Capital Resources
- Off-Balance Sheet Arrangements
- Recently Issued Accounting Standards
- 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 adjusted patient admission and per adjusted patient day amounts). Continuing operations information includes the results of (i) our same 65 hospitals operated throughout the years ended December 31, 2019 and 2018, (ii) two Philadelphia-area hospitals, which we divested effective January 11, 2018, (iii) MacNeal Hospital, which we divested effective March 1, 2018, (iv) Des Peres Hospital, which we divested effective May 1, 2018, (v) three Chicago-area hospitals, which we divested effective January 28, 2019, and (vi) Aspen's nine facilities, which we divested August 17, 2018. Continuing operations information excludes the results of our hospitals and other businesses that have been classified as discontinued operations for accounting purposes.

MANAGEMENT OVERVIEW

RECENT DEVELOPMENTS

Termination of USPI Management Equity Plan and Adoption of USPI Restricted Stock Plan—As described in Note 10 to the accompanying Consolidated Financial Statements, USPI previously maintained a management equity plan whereby it had granted non-qualified options to purchase nonvoting shares of USPI's outstanding common stock to eligible plan participants. In February 2020, the plan and all unvested options granted under the plan were terminated in accordance with the terms of the plan. In the first quarter of 2020, USPI will repurchase all vested options and all shares of USPI stock acquired upon exercise of an option. All participants in the plan will receive fair market value for any such vested options or shares; all unvested options under the plan were canceled. USPI will pay approximately \$35 million to eligible plan participants in connection with the repurchase of eligible securities.

Also in February 2020, USPI adopted a new restricted stock plan whereby USPI will grant shares of restricted non-voting common stock to eligible plan participants. Approximately 3% of USPI's outstanding common stock (after giving effect to the repurchases described above) has been reserved for issuance under the new USPI restricted stock plan. The restricted stock will vest over a four-year period, with 60% vesting ratably on the first three anniversaries of the grant date and the remaining 40% vesting on the fourth anniversary. Upon each vesting, the participant must hold the underlying shares for at least six months plus one day and then is eligible to sell the underlying shares to USPI at their estimated fair market value, as determined by the USPI board of directors. Upon termination of service with USPI, a participant's unvested restricted stock is

forfeited, and vested shares will be repurchased by USPI provided the shares have been held for the requisite holding period. Between August 2024 and February 2025, USPI will be required to purchase from each participant any of their outstanding shares of nonvoting common stock at their estimated fair market value, provided the shares have been held for the requisite holding period. Payment for USPI's purchases of any eligible nonvoting common stock may be made in cash or in shares of Tenet's common stock.

TRENDS AND STRATEGIES

The healthcare industry, in general, and the acute care hospital business, in particular, have been experiencing significant regulatory uncertainty based, in large part, on administrative, legislative and judicial efforts to significantly modify or repeal and potentially replace the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 ("Affordable Care Act" or "ACA"). It is difficult to predict the full impact of regulatory uncertainty on our future revenues and operations. In addition, we believe that several key trends are shaping the demand for healthcare services: (1) consumers, employers and insurers are actively seeking lower-cost solutions and better value as they focus more on healthcare spending; (2) patient volumes are shifting from inpatient to outpatient settings due to technological advancements and demand for care that is more convenient, affordable and accessible; (3) the growing aging population requires greater chronic disease management and higher-acuity treatment; and (4) consolidation continues across the entire healthcare sector.

Driving Growth in Our Hospital Systems—We are committed to better positioning our hospital systems and competing more effectively in the ever-evolving healthcare environment. We are focused on driving performance through operational effectiveness, increasing capital efficiency and margins, investing in our physician enterprise, particularly our specialist network, enhancing patient and physician satisfaction, growing our higher-demand and higher-acuity clinical service lines (including outpatient lines), expanding patient and physician access, and optimizing our portfolio of assets. We have undertaken enterprise-wide cost reduction initiatives, comprised primarily of workforce reductions (including streamlining corporate overhead and centralized support functions), the renegotiation of contracts with suppliers and vendors, and the consolidation of office locations. Moreover, we have established offshore support operations in the Republic of the Philippines. In conjunction with these initiatives, we incurred restructuring charges related to employee severance payments of \$57 million in the year ended December 31, 2019, and we expect to incur additional such restructuring charges in 2020. We are continuing in 2020 to explore new opportunities to enhance efficiency, including further integration of enterprise-wide centralized support functions, outsourcing certain functions unrelated to direct patient care, and reducing clinical and vendor contract variation.

We also continue to exit service lines, businesses and markets that we believe are no longer a core part of our long-term growth strategy. To that end, since January 1, 2018, we have divested 11 hospitals in the United States, as well as all of our operations in the United Kingdom. In addition, in December 2019, we entered into a definitive agreement to divest our two hospitals and other operations in the Memphis, Tennessee area. We intend to continue to further refine our portfolio of hospitals and other healthcare facilities when we believe such refinements will help us improve profitability, allocate capital more effectively in areas where we have a stronger presence, deploy proceeds on higher-return investments across our business, enhance cash flow generation, reduce our debt and lower our ratio of debt-to-Adjusted EBITDA.

Improving the Customer Care Experience—As consumers continue to become more engaged in managing their health, we recognize that understanding what matters most to them and earning their loyalty is imperative to our success. As such, we have enhanced our focus on treating our patients as traditional customers by: (1) establishing networks of physicians and facilities that provide convenient access to services across the care continuum; (2) expanding service lines aligned with growing community demand, including a focus on aging and chronic disease patients; (3) offering greater affordability and predictability, including simplified registration and discharge procedures, particularly in our outpatient centers; (4) improving our culture of service; and (5) creating health and benefit programs, patient education and health literacy materials that are customized to the needs of the communities we serve. Through these efforts, we intend to improve the customer care experience in every part of our operations.

Expansion of Our Ambulatory Care Segment—We remain focused on opportunities to expand our Ambulatory Care segment through organic growth, building new outpatient centers, corporate development activities and strategic partnerships. We opened seven new outpatient centers in the year ended December 31, 2019, and we acquired 10 outpatient businesses. We believe USPI's surgery centers and surgical hospitals offer many advantages to patients and physicians, including greater affordability, predictability, flexibility and convenience. Moreover, due in part to advancements in medical technology, and due to the lower cost structure and greater efficiencies that are attainable at a specialized outpatient site, we believe the volume and complexity of surgical cases performed in an outpatient setting will continue to increase. Historically, our outpatient services have generated significantly higher margins for us than inpatient services.

Driving Conifer's Growth While Pursuing a Tax-Free Spin-Off—We previously announced a number of actions to support our goals of improving financial performance and enhancing shareholder value, including the exploration of strategic alternatives for Conifer. In July 2019, we announced our intention to pursue a tax-free spin-off of Conifer as a separate, independent, publicly traded company. Completion of the proposed spin-off is subject to a number of conditions, including, among others, assurance that the separation will be tax-free for U.S. federal income tax purposes, execution of a restructured services agreement between Conifer and Tenet, finalization of Conifer's capital structure, the effectiveness of appropriate filings with the SEC, and final approval from our board of directors. We are targeting to complete the separation by the end of the second quarter of 2021; however, there can be no assurance regarding the timeframe for completing the spin-off, the allocation of assets and liabilities between Tenet and Conifer, that the other conditions of the spin-off will be met, or that the spin-off will be completed at all.

Conifer serves approximately 660 Tenet and non-Tenet hospital and other clients nationwide. In addition to providing revenue cycle management services to healthcare systems and physicians, Conifer provides support to both providers and self-insured employers seeking assistance with clinical integration, financial risk management and population health management. Conifer remains focused on driving growth by continuing to market and expand its revenue cycle management and value-based care solutions businesses. We believe that our success in growing Conifer and increasing its profitability depends in part on our success in executing the following strategies: (1) attracting hospitals and other healthcare providers that currently handle their revenue cycle management processes internally as new clients; (2) generating new client relationships through opportunities from USPI and Tenet's acute care hospital acquisition and divestiture activities; (3) expanding revenue cycle management and value-based care service offerings through organic development and small acquisitions; and (4) leveraging data from tens of millions of patient interactions for continued enhancement of the value-based care environment to drive competitive differentiation.

Improving Profitability—We are focused on growing patient volumes and effective cost management as a means to improve profitability. We believe our inpatient admissions have been constrained in recent years by increased competition, utilization pressure by managed care organizations, new delivery models that are designed to lower the utilization of acute care hospital services, the effects of higher patient co-pays, co-insurance amounts and deductibles, changing consumer behavior, and adverse economic conditions and demographic trends in certain of our markets. However, we also believe that emphasis on higher-demand clinical service lines (including outpatient services), focus on expanding our ambulatory care business, cultivation of our culture of service, participation in Medicare Advantage health plans that are experiencing higher growth rates than traditional Medicare plans, and contracting strategies that create shared value with payers should help us grow our patient volumes over time. In 2020, we are continuing to explore new opportunities to enhance efficiency, including further integration of enterprise-wide centralized support functions, outsourcing certain functions unrelated to direct patient care, and reducing clinical and vendor contract variation.

Reducing Our Leverage—All of our outstanding long-term debt has a fixed rate of interest, except for outstanding borrowings under our revolving credit facility, and the maturity dates of our notes are staggered from 2022 through 2031. Although we believe that our capital structure minimizes the near-term impact of increased interest rates, and the staggered maturities of our debt allow us to refinance our debt over time, it is nonetheless our long-term objective to reduce our debt and lower our ratio of debt-to-Adjusted EBITDA, primarily through more efficient capital allocation and Adjusted EBITDA growth, which should lower our refinancing risk and increase the potential for us to continue to use lower rate secured debt to refinance portions of our higher rate unsecured debt.

Our ability to execute on our strategies and respond to the aforementioned trends is subject to a number of risks and uncertainties that may cause actual results to be materially different from expectations. 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 this report.

RECENT RESULTS OF OPERATIONS

We have provided below certain selected operating statistics for the three months ended December 31, 2019 and 2018 on a continuing operations basis, which includes the results of (i) our same 65 hospitals operated throughout the three months ended December 31, 2019 and 2018, (ii) two Philadelphia-area hospitals, which we divested effective January 11, 2018, (iii) MacNeal Hospital, which we divested effective March 1, 2018, (iv) Des Peres Hospital, which we divested effective May 1, 2018, and (v) three Chicago-area hospitals, which we divested effective January 28, 2019. The following tables also show information about facilities in our Ambulatory Care segment that we control and, therefore, consolidate. 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. We present certain metrics on a per-adjusted-patient-admission basis to show trends other than volume.

Selected Operating Statistics	Continuing Operations		
	Three Months Ended December 31,		
	2019	2018	Increase (Decrease)
Hospital Operations and other – hospitals and related outpatient facilities			
Number of hospitals (at end of period)	65	68	(3) ⁽¹⁾
Total admissions	170,815	170,407	0.2 %
Adjusted patient admissions ⁽²⁾	306,384	308,113	(0.6)%
Paying admissions (excludes charity and uninsured)	160,244	160,172	— %
Charity and uninsured admissions	10,571	10,235	3.3 %
Emergency department visits	645,791	649,544	(0.6)%
Total surgeries	106,399	108,535	(2.0)%
Patient days — total	796,239	779,728	2.1 %
Adjusted patient days ⁽²⁾	1,394,191	1,383,372	0.8 %
Average length of stay (days)	4.66	4.58	1.7 %
Average licensed beds	17,211	17,935	(4.0)%
Utilization of licensed beds ⁽³⁾	50.3%	47.3%	3.0 % ⁽¹⁾
Total visits	1,700,696	1,734,523	(2.0)%
Paying visits (excludes charity and uninsured)	1,586,704	1,617,970	(1.9)%
Charity and uninsured visits	113,992	116,553	(2.2)%
Ambulatory Care			
Total consolidated facilities (at end of period)	238	227	11 ⁽¹⁾
Total cases	549,319	499,803	9.9 %

(1) The change is the difference between the 2019 and 2018 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 increased by 408, or 0.2%, in the three months ended December 31, 2019 compared to the three months ended December 31, 2018, and total surgeries decreased by 2,136, or 2.0%, in the 2019 period compared to the 2018 period. Our emergency department visits decreased 0.6% in the three months ended December 31, 2019 compared to the same period in the prior year. Our volumes from continuing operations in the three months ended December 31, 2019 compared to the three months ended December 31, 2018 were negatively affected by the sale of three Chicago-area hospitals and affiliated operations effective January 28, 2019. Our Ambulatory Care total cases increased 9.9% in the three months ended December 31, 2019 compared to the 2018.

Revenues	Continuing Operations		
	Three Months Ended December 31,		
	2019	2018	Increase (Decrease)
Net operating revenues			
Hospital Operations and other prior to inter-segment eliminations	\$ 3,983	\$ 3,843	3.6 %
Ambulatory Care	632	554	14.1 %
Conifer	332	372	(10.8)%
Inter-segment eliminations	(141)	(150)	(6.0)%
Total	\$ 4,806	\$ 4,619	4.0 %

Net operating revenues increased by \$187 million, or 4.0%, in the three months ended December 31, 2019 compared to the same period in 2018, primarily due to increased acuity and improved managed care pricing.

Our accounts receivable days outstanding (“AR Days”) from continuing operations were 58.4 days at December 31, 2019, 59.6 days at September 30, 2019 and 56.5 days at December 31, 2018, compared to our target of less than 55 days. AR Days are calculated as our accounts receivable from continuing operations on the last day of the quarter divided by our net operating revenues from continuing operations for the quarter ended on that date divided by the number of days in the quarter. This calculation includes our Hospital Operations and other contract assets and the accounts receivable of our Memphis-area facilities that have been classified in assets held for sale on our Consolidated Balance Sheet at December 31, 2019, and excludes (i) two Philadelphia-area hospitals, which we divested effective January 11, 2018, (ii) MacNeal Hospital, which we divested effective March 1, 2018, (iii) Des Peres Hospital, which we divested effective

May 1, 2018, (iv) three Chicago-area hospitals, which we divested effective January 28, 2019, and (v) our California provider fee revenues.

Selected Operating Expenses	Continuing Operations		
	Three Months Ended December 31,		
	2019	2018	Increase (Decrease)
Hospital Operations and other			
Salaries, wages and benefits	\$ 1,886	\$ 1,785	5.7 %
Supplies	670	641	4.5 %
Other operating expenses	882	919	(4.0)%
Total	\$ 3,438	\$ 3,345	2.8 %
Ambulatory Care			
Salaries, wages and benefits	\$ 168	\$ 160	5.0 %
Supplies	132	114	15.8 %
Other operating expenses	86	84	2.4 %
Total	\$ 386	\$ 358	7.8 %
Conifer			
Salaries, wages and benefits	\$ 175	\$ 211	(17.1)%
Supplies	1	1	— %
Other operating expenses	62	73	(15.1)%
Total	\$ 238	\$ 285	(16.5)%
Total			
Salaries, wages and benefits	\$ 2,229	\$ 2,156	3.4 %
Supplies	803	756	6.2 %
Other operating expenses	1,030	1,076	(4.3)%
Total	\$ 4,062	\$ 3,988	1.9 %
Rent/lease expense⁽¹⁾			
Hospital Operations and other	\$ 62	\$ 58	6.9 %
Ambulatory Care	23	20	15.0 %
Conifer	2	4	(50.0)%
Total	\$ 87	\$ 82	6.1 %

(1) Included in other operating expenses.

Selected Operating Expenses per Adjusted Patient Admission	Continuing Operations		
	Three Months Ended December 31,		
	2019	2018	Increase (Decrease)
Hospital Operations and other			
Salaries, wages and benefits per adjusted patient admission ⁽¹⁾	\$ 6,153	\$ 5,791	6.3 %
Supplies per adjusted patient admission ⁽¹⁾	2,190	2,079	5.3 %
Other operating expenses per adjusted patient admission ⁽¹⁾	2,869	2,991	(4.1)%
Total per adjusted patient admission	\$ 11,212	\$ 10,861	3.2 %

(1) Calculation excludes the expenses from our health plan businesses. 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 6.3% in the three months ended December 31, 2019 compared to the same period in 2018. This change was primarily due to annual merit increases for certain of our employees, a greater number of employed physicians and increased incentive compensation expense, partially offset by the impact of previously announced workforce reductions as part of our enterprise-wide cost reduction initiatives in the three months ended December 31, 2019 compared to the three months ended December 31, 2018.

Supplies expense per adjusted patient admission increased 5.3% in the three months ended December 31, 2019 compared to the three months ended December 31, 2018. The change in supplies expense was primarily attributable to growth in our higher acuity supply-intensive surgical services, partially offset by the impact of the group-purchasing strategies and supplies-management services we utilize to reduce costs.

Other operating expenses per adjusted patient admission decreased by 4.1% in the three months ended December 31, 2019 compared to the prior-year period. This decrease was primarily due to lower malpractice expense, which was \$43 million lower in the 2019 period compared to the 2018 period, and decreased costs associated with funding indigent care services, which costs were substantially offset by decreased net patient revenues, partially offset by higher medical fees and the impact of gains on asset sales in the 2018 period primarily related to the sale of an equity method investment. The 2019 period included a favorable adjustment of approximately \$5 million from a 21 basis point increase in the interest rate used to estimate the discounted present value of projected future malpractice liabilities compared to an unfavorable adjustment of approximately \$8 million from a 42 basis point decrease in the interest rate in the 2018 period.

LIQUIDITY AND CAPITAL RESOURCES OVERVIEW

Cash and cash equivalents were \$262 million at December 31, 2019 compared to \$314 million at September 30, 2019.

Significant cash flow items in the three months ended December 31, 2019 included:

- Net cash provided by operating activities before interest, taxes, discontinued operations and restructuring charges, acquisition-related costs, and litigation costs and settlements of \$812 million;
- Payments for restructuring charges, acquisition-related costs, and litigation costs and settlements of \$56 million;
- Capital expenditures of \$178 million;
- Proceeds from the sales of facilities and other assets of \$19 million;
- Proceeds from sale of marketable securities, long-term investments and other assets of \$30 million;
- Interest payments of \$241 million;
- \$275 million of net repayments of cash borrowings under our credit facility; and
- \$84 million of distributions paid to noncontrolling interests.

Net cash provided by operating activities was \$1.233 billion in the year ended December 31, 2019 compared to \$1.049 billion in the year ended December 31, 2018. Key factors contributing to the change between the 2019 and 2018 periods include the following:

- An increase of \$29 million in payments on reserves for restructuring charges, acquisition-related costs, and litigation costs and settlements;
- Decreased cash receipts of \$13 million related to supplemental Medicaid programs in California and Texas;
- Lower interest payment of \$30 million in the 2019 period;
- Lower income tax payments of \$13 million in the 2019 period;
- A \$146 million increase in income from continuing operations before income taxes, gain (loss) from early extinguishment of debt, other non-operating expense, net, interest expense, net gains (losses) on sales, consolidation and deconsolidation of facilities, litigation and investigation costs, impairment and restructuring charges, and acquisition-related costs, depreciation and amortization and income (loss) from divested operations and closed businesses (i.e., our health plan businesses) in the year ended December 31, 2019 compared to the year ended December 31, 2018; and
- The timing of other working capital items.

SOURCES OF REVENUE FOR OUR HOSPITAL OPERATIONS AND OTHER SEGMENT

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 uninsured patients (that is, patients who do not have health insurance and are not covered by some other form of third-party arrangement).

The following table shows the sources of net patient service revenues less implicit price concessions and provision for doubtful accounts for our hospitals and related outpatient facilities, expressed as percentages of net patient service revenues less implicit price concessions and provision for doubtful accounts from all sources:

Net Patient Service Revenues Less Implicit Price Concessions from:	Years Ended December 31,		
	2019	2018	2017
Medicare	20.1%	20.5%	21.9%
Medicaid	8.3%	9.2%	8.8%
Managed care ⁽¹⁾	66.2%	65.4%	64.6%
Uninsured	0.7%	0.7%	0.6%
Indemnity and other	4.7%	4.2%	4.1%

⁽¹⁾ Includes Medicare and Medicaid managed care programs.

Our payer mix on an admissions basis for our hospitals and related outpatient facilities, expressed as a percentage of total admissions from all sources, is shown below:

Admissions from:	Years Ended December 31,		
	2019	2018	2017
Medicare	24.8%	25.4%	26.0%
Medicaid	6.2%	6.3%	6.5%
Managed care ⁽¹⁾	60.3%	59.7%	59.6%
Charity and uninsured	6.0%	6.0%	5.5%
Indemnity and other	2.7%	2.6%	2.4%

⁽¹⁾ Includes Medicare and Medicaid managed care programs.

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 60 million individuals rely on healthcare benefits through Medicare, and approximately 72 million individuals are enrolled in Medicaid and the Children’s Health Insurance Program (“CHIP”). These three programs are authorized by federal law and administered by CMS. Medicare is a federally funded health insurance program primarily for individuals 65 years of age and older, as well as some younger people with certain disabilities and conditions, and is provided without regard to income or assets. Medicaid is co-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 co-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. Unlike Medicaid, the CHIP is limited in duration and requires the enactment of reauthorizing legislation. During the three months ended March 31, 2018, separate pieces of legislation were enacted extending CHIP funding for a total of 10 years from federal fiscal year (“FFY”) 2018 (which began on October 1, 2017) through FFY 2027.

The Affordable Care Act

The expansion of Medicaid in the 36 states (including four in which we currently operate acute care hospitals) and the District of Columbia that have taken action to do so is financed through:

- negative adjustments to the annual market basket updates for the Medicare hospital inpatient and outpatient prospective payment systems, which began in 2010 and expired on September 30, 2019, as well as additional negative “productivity adjustments” to the annual market basket updates, which began in 2011 and do not expire under current law; and
- reductions to Medicare and Medicaid disproportionate share hospital (“DSH”) payments, which began for Medicare payments in FFY 2014 and, under current law, are scheduled to commence for Medicaid payments in FFY 2020.

Effective January 2019, Congress eliminated the financial penalty for noncompliance under the ACA’s individual mandate provision, which requires most U.S. citizens and noncitizens who lawfully reside in the country to have health insurance meeting specified standards. The Congressional Budget Office and the Joint Committee on Taxation have estimated that elimination of the individual mandate penalty will result in seven million more uninsured by 2021 and put upward pressure on health insurance premiums. Members of Congress and other politicians have also proposed measures that would expand government-sponsored coverage, including single-payer plans, such as Medicare for All. We cannot predict if or when further modification of the ACA will occur or what action, if any, Congress might take with respect to eventually repealing and possibly replacing the law. Furthermore, in December 2019, a federal appeals court panel agreed with a December 2018 ruling by the U.S. District Court for the Northern District of Texas in the matter of *Texas v. United States* that the ACA’s individual mandate is unconstitutional now that Congress has eliminated the tax penalty that was intended to enforce it. The appeals court sent the case back to the lower court to determine how much of the rest of the ACA, if any, can stand in light of its ruling. On January 3, 2020, the U.S. House of Representatives, 20 states and the District of Columbia filed a petition asking the U.S. Supreme Court to review the case on an expedited basis, but their petition was denied on January 21, 2020. Pending a final decision on the matter, the current administration has continued to enforce the ACA.

We are unable to predict the impact on our future revenues and operations of (1) the final decision in *Texas v. United States* and other court challenges, (2) administrative, regulatory and legislative changes, including expansion of government-sponsored coverage, or (3) market reactions to those changes. However, if the ultimate impact is that significantly fewer individuals have private or public health coverage, we likely will experience decreased patient volumes, reduced revenues and an increase in uncompensated care, which would adversely affect our results of operations and cash flows. This negative effect will be exacerbated if the ACA’s reductions in Medicare reimbursement and reductions in Medicare DSH payments that have already taken effect are not reversed if the law is repealed or if further reductions (including Medicaid DSH reductions scheduled to take effect in FFYs 2020 through 2025, as described below) are made.

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 service revenues from continuing operations of the hospitals and related outpatient facilities in our Hospital Operations and other segment for services provided to patients enrolled in the Original Medicare Plan for the years ended December 31, 2019, 2018 and 2017 are set forth in the following table:

Revenue Descriptions	Years Ended December 31,		
	2019	2018	2017
Medicare severity-adjusted diagnosis-related group — operating	\$ 1,512	\$ 1,526	\$ 1,659
Medicare severity-adjusted diagnosis-related group — capital	133	137	162
Outliers	82	83	89
Outpatient	737	748	762
Disproportionate share	232	228	265
Other ⁽¹⁾	192	160	306
Total Medicare net patient service revenues	\$ 2,888	\$ 2,882	\$ 3,243

⁽¹⁾ The other revenue category includes Medicare Direct Graduate Medical Education (“DGME”) and Indirect Medical Education (“IME”) revenues, IME revenues earned by our children’s hospitals (one of which we divested in 2018) under the Children’s Hospitals Graduate Medical Education Payment Program administered by the Health Resources and Services Administration of HHS, inpatient psychiatric units, inpatient rehabilitation units, one long-term acute care hospital (which was divested in 2017), other revenue adjustments, and adjustments to the estimates for current and prior-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 below. 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.

Acute Care Hospital Inpatient Prospective Payment System

Medicare Severity-Adjusted Diagnosis-Related Group Payments—Sections 1886(d) and 1886(g) of the Social Security Act (the “Act”) set forth a system of payments for the operating and capital costs of inpatient acute care hospital admissions based on a prospective payment system (“PPS”). Under the inpatient prospective payment systems (“IPPS”), Medicare payments for hospital inpatient operating services are made at predetermined rates for each hospital discharge. Discharges are classified according to a system of Medicare severity-adjusted diagnosis-related groups (“MS-DRGs”), which categorize patients with similar clinical characteristics that are expected to require similar amounts of hospital resources. CMS assigns to each MS-DRG a relative weight that represents the average resources required to treat cases in that particular MS-DRG, relative to the average resources used to treat cases in all MS-DRGs.

The base payment amount for the operating component of the MS-DRG payment is comprised of an average standardized amount that is divided into a labor-related share and a nonlabor-related share. Both the labor-related share of operating base payments and the base payment amount for capital costs are adjusted for geographic variations in labor and capital costs, respectively. Using diagnosis and procedure information submitted by the hospital, CMS assigns to each discharge an MS-DRG, and the base payments are multiplied by the relative weight of the MS-DRG assigned. The MS-DRG operating and capital base rates, relative weights and geographic adjustment factors are updated annually, with consideration given to: the increased cost of goods and services purchased by hospitals, the relative costs associated with each MS-DRG, changes in labor data by geographic area, and other policies. Although these payments are adjusted for area labor and capital cost differentials, the adjustments do not take into consideration an individual hospital’s operating and capital costs.

Outlier Payments—Outlier payments are additional payments made to hospitals on individual claims for treating Medicare patients whose medical conditions are costlier to treat than those of the average patient in the same MS-DRG. To qualify for a cost outlier payment, a hospital’s billed charges, adjusted to cost, must exceed the payment rate for the MS-DRG by a fixed threshold established annually by CMS. A Medicare Administrative Contractor (“MAC”) calculates the cost of a claim by multiplying the billed charges by an average cost-to-charge ratio that is typically based on the hospital’s most recently filed cost report. Generally, if the computed cost exceeds the sum of the MS-DRG payment plus the fixed threshold, the hospital receives 80% of the difference as an outlier payment.

Under the Act, CMS must project aggregate annual outlier payments to all PPS hospitals to be not less than 5% or more than 6% of total MS-DRG payments (“Outlier Percentage”). The Outlier Percentage is determined by dividing total outlier payments by the sum of MS-DRG and outlier payments. CMS annually adjusts the fixed threshold to bring projected outlier payments within the mandated limit. A change to the fixed threshold affects total outlier payments by changing: (1) the number of cases that qualify for outlier payments; and (2) the dollar amount hospitals receive for those cases that qualify for outlier payments.

Disproportionate Share Hospital Payments—In addition to making payments for services provided directly to beneficiaries, Medicare makes additional payments to hospitals that treat a disproportionately high share of low-income patients. Prior to October 1, 2013, DSH payments were determined annually based on certain statistical information defined by CMS and calculated as a percentage add-on to the MS-DRG payments. The ACA revised the Medicare DSH adjustment effective for discharges occurring on or after October 1, 2013. Under the revised methodology, hospitals receive 25% of the amount they previously would have received under the pre-ACA formula. This amount is referred to as the “Empirically Justified Amount.”

Hospitals qualifying for the Empirically Justified Amount of DSH payments are also eligible to receive an additional payment for uncompensated care (the “UC DSH Amount”). The UC DSH Amount is a hospital’s share of a pool of funds that the CMS Office of the Actuary estimates would equal 75% of Medicare DSH that otherwise would have been paid under the pre-ACA formula, adjusted for changes in the percentage of individuals that are uninsured. Generally, the factors used to calculate and distribute UC DSH Amounts are set forth in the ACA and are not subject to administrative or judicial review. Although the statute requires that each hospital’s cost of uncompensated care (i.e., charity and bad debt) as a percentage of the total uncompensated care cost of all DSH hospitals be used to allocate the pool. As of December 31, 2019, 55 of our acute care hospitals in continuing operations qualified for Medicare DSH payments.

One of the variables used in the pre-ACA DSH formula is the number of Medicare inpatient days attributable to patients receiving Supplemental Security Income (“SSI”) who are also eligible for Medicare Part A benefits divided by total Medicare inpatient days (the “SSI Ratio”). In an earlier rulemaking, CMS established a policy of including not only days attributable to Original Medicare Plan patients, but also Medicare Advantage patients in the SSI ratio. The statutes and regulations that govern Medicare DSH payments have been the subject of various administrative appeals and lawsuits, and our hospitals have been participating in such appeals, including challenges to the inclusion of the Medicare Advantage days used in

the DSH calculation as set forth in the Changes to the Hospital Inpatient Prospective Payment Systems and Fiscal Year 2005 Rates. We are unable to predict what action the Secretary might take with respect to the DSH calculation for prior periods in this regard or the outcome of the pending litigation; however, a favorable outcome of our DSH appeals could have a material impact on our future revenues and cash flows.

Direct Graduate and Indirect Medical Education Payments—The Medicare program provides additional reimbursement to approved teaching hospitals for additional expenses incurred by such institutions. This additional reimbursement, which is subject to certain limits, including intern and resident full-time equivalent (“FTE”) limits, is made in the form of DGME and IME payments. As of December 31, 2019, 27 of our hospitals in continuing operations were affiliated with academic institutions and were eligible to receive such payments.

IPPS Quality Adjustments—The ACA also authorizes the following quality adjustments to Medicare IPPS payments:

- Value Based Purchasing (“VBP”) – Under the VBP program, IPPS operating payments to hospitals are reduced by 2% to fund value-based incentive payments to eligible hospitals based on their overall performance on a set of quality measures;
- Hospital Readmission Reduction Program (“HRRP”) – Under the HRRP program, IPPS operating payments to hospitals with excess readmissions are reduced up to a maximum of 3% of base MS-DRG payments; and
- Hospital-Acquired Conditions (“HAC”) Reduction Program (“HACRP”) – Under the HACRP, overall inpatient payments are reduced by 1% for hospitals in the worst performing quartile of risk-adjusted quality measures for reasonable preventable HACs.

These adjustments are generally based on a hospital’s performance from prior periods and are updated annually by CMS.

Hospital Outpatient Prospective Payment System

Under the outpatient prospective payment system, hospital outpatient services, except for certain services that are reimbursed on a separate fee schedule, are classified into groups called ambulatory payment classifications (“APCs”). Services in each APC are similar clinically and in terms of the resources they require, and a payment rate is established for each APC. Depending on the services provided, hospitals may be paid for more than one APC for an encounter. CMS annually updates the APCs and the rates paid for each APC.

Inpatient Psychiatric Facility Prospective Payment System

The inpatient psychiatric facility (“IPF”) prospective payment system (“IPF-PPS”) applies to psychiatric hospitals and psychiatric units located within acute care hospitals that have been designated as exempt from the hospital inpatient prospective payment system. The IPF-PPS is based on prospectively determined per-diem rates and includes an outlier policy that authorizes additional payments for extraordinarily costly cases. As of December 31, 2019, 20 of our general hospitals in continuing operations operated IPF units.

Inpatient Rehabilitation Prospective Payment System

Rehabilitation hospitals and rehabilitation units in acute care hospitals meeting certain criteria established by CMS are eligible to be paid as an inpatient rehabilitation facility (“IRF”) under the IRF prospective payment system (“IRF-PPS”). Payments under the IRF-PPS are made on a per-discharge basis. The IRF-PPS uses federal prospective payment rates across distinct case-mix groups established by a patient classification system. As of December 31, 2019, we operated one freestanding IRF, and 15 of our general hospitals in continuing operations operated IRF units.

Physician and Other Health Professional Services Payment System

Medicare uses a fee schedule to pay for physician and other health professional services based on a list of services and their payment rates referred to as the Medicare Physician Fee Schedule (“MPFS”). In determining payment rates for each service, CMS considers the amount of clinician work required to provide a service, expenses related to maintaining a practice, and professional liability insurance costs. These three factors are adjusted for variation in the input prices in different markets, and the sum is multiplied by the fee schedule’s conversion factor (average payment amount) to produce a total payment amount.

Cost Reports

The final determination of certain Medicare payments to our hospitals, such as DSH, DGME, IME and bad debt expense, are retrospectively determined based on our hospitals' cost reports. The final determination of these payments often takes many years to resolve because of audits by the program representatives, providers' rights of appeal, and the application of numerous technical reimbursement provisions.

For filed cost reports, we adjust the accrual for estimated cost report settlements based on those cost reports and subsequent activity, and record a valuation allowance against those cost reports based on historical settlement trends. The accrual for estimated cost report settlements for periods for which a cost report is yet to be filed is recorded based on estimates of what we expect to report on the filed cost reports and a corresponding valuation allowance is recorded as previously described. Cost reports must generally be filed within five months after the end of the annual cost report reporting period. After the cost report is filed, the accrual and corresponding valuation allowance may need to be adjusted.

Medicare Claims Reviews

HHS estimates that the overall FFY 2019 Medicare fee-for-service ("FFS") improper payment rate for the program is approximately 7.3%. The FFY 2019 error rate for Hospital IPPS payments is approximately 3.6%. CMS has identified the FFS program as a program at risk for significant erroneous payments. One of CMS' stated key goals is to pay claims properly the first time. This means paying the right amount, to legitimate providers, for covered, reasonable and necessary services provided to eligible beneficiaries. According to CMS, paying correctly the first time saves resources required to recover improper payments and ensures the proper expenditure of Medicare Trust Fund dollars. CMS has established several initiatives to prevent or identify improper payments before a claim is paid, and to identify and recover improper payments after paying a claim. The overall goal is to reduce improper payments by identifying and addressing coverage and coding billing errors for all provider types. Under the authority of the Act, CMS employs a variety of contractors (e.g., MACs, Recovery Audit Contractors and Unified Program Integrity Contractors) to process and review claims according to Medicare rules and regulations.

Claims selected for prepayment review are not subject to the normal Medicare FFS payment timeframe. Furthermore, prepayment and post-payment claims denials are subject to administrative and judicial review, and we intend to pursue the reversal of adverse determinations where appropriate. We have established robust protocols to respond to claims reviews and payment denials. In addition to overpayments that are not reversed on appeal, we incur additional costs to respond to requests for records and pursue the reversal of payment denials. The degree to which our Medicare FFS claims are subjected to prepayment reviews, the extent to which payments are denied, and our success in overturning denials could have a material adverse effect on our cash flows and results of operations.

Medicaid

Medicaid programs and the corresponding reimbursement methodologies 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 18.4%, 19.8% and 20.4% of total net patient service revenues less implicit price concessions and provision for doubtful accounts of our acute care hospitals and related outpatient facilities for the years ended December 31, 2019, 2018 and 2017, respectively. We also receive DSH and other supplemental revenues under various state Medicaid programs. For the years ended December 31, 2019, 2018 and 2017, our total Medicaid revenues attributable to DSH and other supplemental revenues were \$782 million, \$847 million and \$864 million, respectively. The \$782 million of total Medicaid revenues attributable to DSH and other supplemental revenues for the year ended December 31, 2019 was comprised of \$246 million related to the California provider fee program described below, \$263 million related to the Michigan provider fee program, \$137 million related to Medicaid DSH programs in multiple states, \$118 million related to the Texas 1115 waiver program described below, and \$18 million from a number of other state and local programs.

Several states in which we operate continue to 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 supplemental payment programs authorized under the Act. Continuing pressure on state budgets and other factors could adversely affect the Medicaid supplemental payments our hospitals receive.

The California Department of Health Care Services' Hospital Quality Assurance Fee ("HQAF") program provides funding for supplemental payments to California hospitals that serve Medi-Cal and uninsured patients. Our hospitals recognized HQAF revenues, net of provider fees and other expenses, of \$246 million, \$262 million and \$267 million in calendar years 2019, 2018 and 2017, respectively. Because HQAF funding levels are based in part on Medi-Cal utilization, changes in coverage of individuals under the Medi-Cal program could affect the net revenues and cash flows of our hospitals under the HQAF program. Also, because funding of the HQAF program is dependent on federal funding, we cannot provide assurances that such funding will continue in future periods.

Certain of our Texas hospitals participate in the Texas 1115 waiver program. The current waiver extension ("Waiver"), which was approved during the three months ended December 31, 2017, covers the period January 1, 2018 through September 30, 2022. In 2019, we recognized \$118 million of revenues from the Waiver program. Separately, during the same period, we incurred \$70 million of expenses related to funding indigent care services by certain of our Texas hospitals. We are unable to predict the changes to the funding pool amount or the allocation of the funding pool amount, which could result in an increase or decrease to our net revenues and cash flows. Furthermore, we cannot provide any assurances as to future extensions of the Texas 1115 waiver program, or the ultimate amount of revenues that our hospitals may receive from this program following the expiration of the Waiver.

Because we cannot predict what actions the federal government or the states may take under existing or future legislation and/or regulatory changes 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 or regulatory action might have on our business; however, the impact on our future financial position, results of operations or cash flows could be material.

Medicaid and Managed Medicaid net patient service revenues from continuing operations recognized by the hospitals and related outpatient facilities in our Hospital Operations and other segment from Medicaid-related programs in the states in which our facilities are (or were, as the case may be) located, as well as from Medicaid programs in neighboring states, for the years ended December 31, 2019, 2018 and 2017 are set forth in the following table. These revenues are presented net of provider assessments, which are reported as an offset reduction to fee-for-service Medicaid revenue.

Hospital Location	Years Ended December 31,		
	2019	2018	2017
Alabama	\$ 91	\$ 91	\$ 88
Arizona	159	165	177
California	855	875	862
Florida	222	231	232
Georgia	—	—	(3)
Illinois	5	89	143
Massachusetts	92	94	83
Michigan	714	749	710
Missouri	—	—	2
North Carolina	—	—	(1)
Pennsylvania	—	8	285
South Carolina	55	53	46
Tennessee	37	35	36
Texas	409	398	371
	\$ 2,639	\$ 2,788	\$ 3,031

Medicaid and Managed Medicaid revenues comprised 45% and 55%, respectively, of our Medicaid-related net patient service revenues from continuing operations recognized by the hospitals and related outpatient facilities in our Hospital Operations and other segment for the years ended December 31, 2019.

Regulatory and Legislative Changes

The Medicare and Medicaid programs are subject to statutory and regulatory changes, administrative and judicial rulings, interpretations and determinations, requirements for utilization review, and federal and state funding restrictions, all of which could materially increase or decrease payments from these government programs in the future, as well as affect the cost of providing services to our patients and the timing of payments to our facilities. We are unable to predict the effect of future government healthcare funding policy changes on our operations. If the rates paid or services covered by governmental payers are reduced, or if we or one or more of our subsidiaries' hospitals are excluded from participation in the Medicare or Medicaid program or any other government healthcare program, there could be a material adverse effect on our business, financial condition, results of operations or cash flows. Recent regulatory and legislative updates to the Medicare and Medicaid payment systems are provided below.

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. In August 2019, CMS issued the final Changes to the Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and Fiscal Year 2020 Rates ("August 2019 Rule") and, in October 2019, CMS issued a notice ("October 2019 Correction Notice") correcting minor errors in the August 2019 Rule. The August 2019 Rule and the October 2019 Correction Notice are collectively referred to as the "Final IPPS Rule". The Final IPPS Rule includes the following payment and policy changes:

- A market basket increase of 3.0% 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 technology; CMS also finalized certain adjustments to the 3.0% market basket increase that result in a net operating payment update of 3.1% (before budget neutrality adjustments), including:
 - A multifactor productivity reduction required by the ACA of 0.4%; and
 - A 0.5% increase required under the Medicare Access and CHIP Reauthorization Act of 2015;
- Updates to the three factors used to determine the amount and distribution of Medicare uncompensated care disproportionate share ("UC-DSH") payments; in addition to adjusting the UC-DSH amounts, CMS will base the distribution of the FFY 2020 UC-DSH amounts on uncompensated care costs reported by hospitals in the 2015 cost reports, which reflects changes to the calculation of a hospital's share of the UC-DSH amounts by: (1) removing low income days; and (2) using a single year of uncompensated care cost in lieu of the three-year averaging methodology used in recent years;
- A 0.64% net increase in the capital federal MS-DRG rate;
- An increase in the cost outlier threshold from \$25,769 to \$26,552; and
- Changes in the calculation of the wage index areas that include:
 - Increasing the wage index for hospitals with a wage index below the 25th percentile and applying a uniform budget neutrality factor to the IPPS base rates to offset the estimated increase in IPPS payments to hospitals with wage index values below the 25th percentile;
 - A refinement to the calculation of the "rural floor" wage index; and
 - A one-year stop-loss transition for a hospital that experiences a decline of greater than 5% in its wage index.

According to CMS, the combined impact of the payment and policy changes in the Final IPPS Rule for operating costs will yield an average 2.8% increase in Medicare operating MS-DRG fee-for-service ("FFS") payments for hospitals in large urban areas (populations over one million), and an average 2.8% increase in operating MS-DRG FFS payments for proprietary hospitals in FFY 2020. We estimate that all of the payment and policy changes affecting operating MS-DRG payments, including those affecting Medicare UC-DSH amounts, will result in an estimated 1.4% increase in our annual Medicare FFS IPPS payments, which yields an estimated increase of approximately \$28 million. Because of the uncertainty associated with

various factors that may influence our future IPPS payments by individual hospital, including legislative, regulatory or legal actions, admission volumes, length of stay and case mix, we cannot provide any assurances regarding our estimate of the impact of the payment and policy changes.

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

On November 1, 2019, CMS released policy changes and payment rates for the Hospital Outpatient Prospective Payment System (“OPPS”) and Ambulatory Surgical Center (“ASC”) Payment System for calendar year (“CY”) 2020 (“Final OPPS/ASC Rule”). The Final OPPS/ASC Rule includes the following payment and policy changes:

- An estimated net increase of 2.6% for the OPPS rates based on an estimated market basket increase of 3.0% reduced by a multifactor productivity adjustment required by the ACA of 0.4%;
- A continuation of the reduced payment amount for separately payable drugs acquired with a discount under CMS’ 340B program (“340B Drugs”) equal to a rate of average sales price (“ASP”) minus 22.5%. CMS is also soliciting comments on alternative payment policies for 340B Drugs, as well as the appropriate remedy for CYs 2018 and 2019. CMS recently announced its intent to conduct a 340B hospital survey to collect drug acquisition cost data for CY 2018 and 2019. Such data may be used in setting the future Medicare payment amount for drugs acquired by 340B, and may be used to devise a remedy for prior years in the event that CMS does not prevail on appeal in the pending litigation discussed in greater detail below;
- A prior authorization process for five categories of services; and
- A 2.6% increase to the ASC payment rates.
- In the CY 2020 Proposed OPPS/ASC Rule, CMS proposed a policy that would require hospitals to post negotiated prices for certain services. CMS subsequently separated the proposal from the CY 2020 OPPS rulemaking, and in November 2019 issued a final rule that requires all hospitals to display payer-specific negotiated charges, minimum and maximum negotiated charges, and discounted cash prices for at least 300 “shoppable” services. The final rule is effective on January 1, 2021.

CMS projects that the combined impact of the payment and policy changes in the Final OPPS/ASC Rule will yield an average 1.3% increase in Medicare FFS OPPS payments for all hospitals, an average 1.2% increase in Medicare FFS OPPS payments for hospitals in large urban areas (populations over one million), and an average 2.1% increase in Medicare FFS OPPS payments for proprietary hospitals. Based on CMS’ estimates, the projected annual impact of the payment and policy changes in the Final OPPS/ASC Rule on our hospitals is an increase to Medicare FFS hospital outpatient revenues of approximately \$10 million, which represents an increase of approximately 1.6%. Because of the uncertainty associated with various factors that may influence our future OPPS payments, including legislative or legal actions, volumes and case mix, we cannot provide any assurances regarding our estimate of the impact of the payment and policy changes.

The Medicare Access and CHIP Reauthorization Act of 2015

The Medicare Access and CHIP Reauthorization Act of 2015 (“MACRA”) replaced the Medicare Sustainable Growth Rate methodology with a new system for establishing the annual updates to the MPFS beginning in 2019. The new payment system helps to link fee-for-service payments to quality and value with payment incentives and penalties. Additionally, the MACRA reduced the restoration of the 3.2% coding and document adjustment to hospital inpatient rates that was expected to be effective in FFY 2018 to 3.0%; as modified by the 21st Century Cures Act, the adjustment will be applied at the rate of 0.4588% for FFY 2018 and 0.5% for FFYs 2019 through 2023.

Less than 1% of the net operating revenue generated by our Hospital Operations and other segment during the year ended 2019 was related to the MPFS. We are unable to estimate the potential impact of the MACRA; however, the maximum incentive and penalty adjustments could result in an increase or decrease in our annual net revenues of approximately \$15 million. Additionally, we cannot predict the effect of the MACRA on our future operations, revenues and cash flows.

Payment and Policy Changes to the Medicare Physician Fee Schedule

On November 1, 2019, CMS issued a final rule that includes updates to payment policies, payment rates, quality provisions and other policies for services reimbursed under the MPFS for CY 2020. With the budget neutrality adjustment to account for changes in the relative value units required by law, the final MPFS conversion factor for 2020 will increase by approximately 0.14%. CMS estimates that the impact of the payment and policy changes in the final rule will result in no change in aggregate FFS MPFS payments across all specialties.

Medicaid DSH Reductions

On September 23, 2019, CMS issued a final rule for calculating the \$4 billion in reductions to state Medicaid DSH allotments for FFY 2020 and the \$8 billion for each subsequent year through 2025 required under current law. During the three months ended December 31, 2019, the President signed the Further Consolidated Appropriations Act, 2020 which delays through May 22, 2020 the FFY 2020 Medicaid DSH reduction that otherwise would have begun on October 1, 2019. If no further legislative action is taken, we expect our Medicaid DSH revenues to decrease by \$45 million for FFY 2020 and an incremental \$45 million for FFY 2021, and remain at that level through FFY 2025. We are unable to predict what legislative action, if any, Congress will ultimately take with respect to a further delay in the Medicaid DSH reductions and/or DSH allotment policies.

The American Recovery and Reinvestment Act of 2009

The American Recovery and Reinvestment Act of 2009 (“ARRA”) was enacted to stimulate the U.S. economy. One provision of ARRA provided temporary financial incentives to hospitals and physicians to become “meaningful users” of electronic health records (“EHR”). In addition to the expenditures we incur to qualify for these incentive payments, our operating expenses have increased and we anticipate will increase in the future as a result of these information system investments. Eligible hospitals must continue to demonstrate meaningful use of EHR technology every year to avoid payment reductions in subsequent years. These reductions, which are based on the market basket update, continue until a hospital achieves compliance.

The complexity of the changes required to our hospitals’ systems and the time required to complete the changes could result in some or all of our facilities not being fully compliant and subject to the payment penalties permitted under ARRA. Because of the uncertainties regarding the implementation of HIT, including CMS’ future EHR implementation regulations, we cannot provide any assurances regarding the effect of such changes on our hospital’s continued compliance or on our net revenues.

CMS Innovation Models

The CMS Innovation Center develops new payment and service delivery models in accordance with the requirements of Section 1115A of the Social Security Act. Additionally, Congress has defined – both through the Affordable Care Act and previous legislation – a number of specific demonstrations to be conducted by CMS. The CMS Innovation Center has a growing portfolio testing various payment and service delivery models that aim to achieve better care for patients, better health for communities and lower costs through improvement for our healthcare system. Participation in some of these models is voluntary; however, participation in certain bundled payment arrangements is mandatory for providers located in randomly selected geographic locations. Generally, the bundled payment models hold hospitals financially accountable for the quality and costs for an entire episode of care for a specific diagnosis or procedure from the date of the hospital admission or inpatient procedure through 90 days post-discharge, including services not provided by the hospital, such as physician, inpatient rehabilitation, skilled nursing and home health services. Under the mandatory models, hospitals are eligible to receive incentive payments or will be subject to payment reductions within certain corridors based on their performance against quality and spending criteria.

Significant Litigation

340B Litigation

The 340B program allows certain hospitals (i.e., only nonprofit organizations with specific federal designations and/or funding) to purchase separately payable drugs at discounted rates from drug manufacturers. In the final rule regarding OPSS payment and policy changes for CY 2018, CMS reduced the payment for 340B Drugs from average sales price (“ASP”) plus 6% to ASP minus 22.5% and made a corresponding budget-neutral increase to payments to all hospitals for other drugs and services reimbursed under the OPSS (the “340B Payment Adjustment”). In the final rule regarding OPSS payment and policy

changes for CY 2019 (“CY 2019 OPPTS Final Rule”), CMS continued the 340B Payment Adjustment. Certain hospital associations and hospitals commenced litigation challenging CMS’ authority to impose the 340B Payment Adjustment for CYs 2018 and 2019. During the three months ended June 30, 2019, the U.S. District Court for the District of Columbia (the “District Court”) held that the adoption of the 340B Payment Adjustment in the CY 2019 OPPTS Final Rule exceeded CMS’ statutory authority. This holding followed the District Court’s December 2018 conclusion that HHS exceeded its statutory authority in reducing the CY 2018 OPPTS for the 340B Payment Adjustment. The District Court did not grant a permanent injunction to the 340B Payment Adjustment, nor did it vacate the 2018 and 2019 rules. Also during the three months ended June 30, 2019, the District Court issued a Memorandum Opinion granting HHS’ motion for entry of final judgment, thus allowing HHS to proceed with a pending appeal of the District Court’s rulings at the U.S. Court of Appeals for the District of Columbia Circuit (the “Circuit Court”). During the three months ended December 31, 2019, a nationwide coalition of hospitals sued HHS to block implementation of the 340B rate cuts contained in the CY 2020 Final OPPTS/ASC Rule. We cannot predict the ultimate outcome of the 340B litigation; however, CMS’ remedy and/or an unfavorable outcome of the litigation could have an adverse effect on the Company’s net revenues and cash flows.

Medicare Disproportionate Share Hospital Litigation

Medicare makes additional payments to hospitals that treat a disproportionately high share of low-income patients. Prior to October 1, 2013, DSH payments were based on each hospital’s low income utilization for each payment year (the “Pre-ACA DSH Formula”). In the final rule regarding IPPS payment and policy changes for FFY 2005, CMS revised its policy on the calculation of one of the ratios used in the Pre-ACA DSH Formula. A group of hospitals challenged the policy change claiming that CMS failed to provide adequate notice and a comment period. The District Court vacated the rule. CMS appealed the ruling, and the Circuit Court affirmed the District Court’s decision. Since then, CMS has continued to use the vacated policy and was again met with legal challenges. In 2019, the U.S. Supreme Court (“SCOTUS”) upheld the Circuit Court’s decision that CMS’ continued use of the vacated policy is not legal. Although the SCOTUS decision applies only to the 2012 ratios for the plaintiff hospitals, it establishes a precedent that we believe will result in a favorable outcome in our pending Medicare DSH appeals for years 2005-2013; however, we cannot predict the timing or outcome of our appeals or when and how CMS will implement the SCOTUS decision. A favorable outcome of our DSH appeals could have a material impact on our future revenues and cash flows.

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 service revenues, including Medicare and Medicaid managed care programs, from our hospitals and related outpatient facilities during the years ended December 31, 2019, 2018 and 2017 was \$9.516 billion, \$9.213 billion and \$9.583 billion, respectively. Our top ten managed care payers generated 62% of our managed care net patient service revenues for the year ended December 31, 2019. National payers generated 43% of our managed care net patient service revenues for the year ended December 31, 2019. The remainder comes from regional or local payers. At December 31, 2019 and 2018, 65% and 61%, 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/or 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 December 31, 2019, a 3% increase or decrease in the estimated contractual allowance would impact the estimated reserves by approximately \$16 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 and payment levels. Contractual allowance estimates are periodically reviewed for accuracy by taking into consideration known contract terms, as well as payment history. 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 revenues. In addition, on a corporate-wide basis, we do not record any general provision for adjustments to estimated contractual allowances for managed care plans. Managed care accounts, net of contractual allowances recorded, are further reduced to their net realizable value through implicit price concessions based on historical collection trends for these payers and other factors that affect the estimation process.

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 benefited from solid year-over-year aggregate managed care pricing improvements for several years, we have seen these improvements moderate in recent years, and we believe the moderation could continue in future years. In the year ended December 31, 2019, our commercial managed care net inpatient revenue per admission from the hospitals and related outpatient facilities in our Hospital Operations and other segment was approximately 101% 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.

UNINSURED PATIENTS

Uninsured patients are patients who do not qualify for government programs payments, 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 uninsured 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 receivable, which include amounts due from uninsured patients, as well as co-pays, co-insurance amounts and deductibles owed to us by patients with insurance, pose significant collectability problems. At December 31, 2019 and 2018, approximately 4% and 6%, respectively, of our net accounts receivable for our Hospital Operations and other segment was self-pay. Further, a significant portion of our implicit price concessions relates to self-pay amounts. We provide revenue cycle management services through Conifer, which is subject to various statutes and regulations regarding consumer protection in areas including finance, debt collection and credit reporting activities. For additional information, see Item 1, Business — Regulations Affecting Conifer's Operations, of Part I of this 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 implicit price concessions in the aggregate, this is not the case at all hospitals. As a result, we have increased 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, co-insurance 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. 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 implicit price concessions based on historical collection trends for self-pay accounts and other factors that affect the estimation process.

We also provide financial assistance through our charity and uninsured discount programs to uninsured patients who are unable to pay for the healthcare services they receive. Our policy is not to pursue collection of amounts determined to qualify for financial assistance; 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. Some states have also developed provider fee or other supplemental payment programs to mitigate the shortfall of Medicaid reimbursement compared to the cost of caring for Medicaid patients.

The following table shows our estimated costs (based on selected operating expenses, which include salaries, wages and benefits, supplies and other operating expenses and which exclude the costs of our health plan businesses) of caring for our uninsured and charity patients in the years ended December 31, 2019, 2018 and 2017.

	Years Ended December 31,		
	2019	2018	2017
Estimated costs for:			
Uninsured patients	\$ 666	\$ 640	\$ 648
Charity care patients	156	124	121
Total	\$ 822	\$ 764	\$ 769

The initial expansion of health insurance coverage resulted in an increase in the number of patients using our facilities with 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 who are not permitted to enroll in a health insurance exchange or government healthcare insurance program.

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2019 COMPARED TO THE YEAR ENDED DECEMBER 31, 2018

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 years ended December 31, 2019 and 2018. We present metrics as a percentage of net operating revenues because a significant portion of our costs are variable.

	Years Ended December 31,		
	2019	2018	Increase (Decrease)
Net operating revenues:			
Hospital Operations and other	\$ 15,522	\$ 15,285	\$ 237
Ambulatory Care	2,158	2,085	73
Conifer	1,372	1,533	(161)
Inter-segment eliminations	(573)	(590)	17
Net operating revenues	18,479	18,313	166
Equity in earnings of unconsolidated affiliates	175	150	25
Operating expenses:			
Salaries, wages and benefits	8,704	8,634	70
Supplies	3,057	3,004	53
Other operating expenses, net	4,189	4,256	(67)
Depreciation and amortization	850	802	48
Impairment and restructuring charges, and acquisition-related costs	185	209	(24)
Litigation and investigation costs	141	38	103
Net gains on sales, consolidation and deconsolidation of facilities	15	(127)	142
Operating income	\$ 1,513	\$ 1,647	\$ (134)

	Years Ended December 31,		
	2019	2018	Increase (Decrease)
Net operating revenues	100.0%	100.0 %	— %
Equity in earnings of unconsolidated affiliates	0.9%	0.8 %	0.1 %
Operating expenses:			
Salaries, wages and benefits	47.1%	47.1 %	— %
Supplies	16.5%	16.4 %	0.1 %
Other operating expenses, net	22.6%	23.3 %	(0.7)%
Depreciation and amortization	4.6%	4.4 %	0.2 %
Impairment and restructuring charges, and acquisition-related costs	1.0%	1.1 %	(0.1)%
Litigation and investigation costs	0.8%	0.2 %	0.6 %
Net gains on sales, consolidation and deconsolidation of facilities	0.1%	(0.7)%	0.8 %
Operating income	8.2%	9.0 %	(0.8)%

Total net operating revenues increased by \$166 million, or 0.9%, for the year ended December 31, 2019 compared to the year ended December 31, 2018. Hospital Operations and other net operating revenues net of inter-segment eliminations increased by \$254 million, or 1.7%, for the year ended December 31, 2019 compared to the same period in 2018, primarily due to increased acuity and improved managed care pricing. Ambulatory Care net operating revenues increased by \$73 million, or 3.5%, for the year ended December 31, 2019 compared to the prior-year period. This growth was driven by an increase in same-facility net operating revenues of \$133 million and an increase from acquisitions of \$109 million, partially offset by a decrease of \$117 million due to the sale of Aspen and a decrease of \$52 million due to the deconsolidation of a facility. Conifer net operating revenues decreased by \$161 million, or 10.5%, for the year ended December 31, 2019 compared to 2018. Conifer revenues from third-party customers, which are not eliminated in consolidation, decreased \$144 million, or 15.3%, for the year ended December 31, 2019 compared to the prior-year period. Conifer revenues from third-party customers were negatively impacted by contract terminations related to the sales of customer hospitals, partially offset by the impact of the divestiture of former Tenet facilities that have now become third-party customers.

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 65 hospitals operated throughout the years ended December 31, 2019 and 2018. Our same-hospital information excludes the results of two Philadelphia-area hospitals, which we divested effective January 11, 2018, MacNeal Hospital, which we divested

effective March 1, 2018, Des Peres Hospital, which we divested effective May 1, 2018, and three Chicago-area hospitals, which we divested effective January 28, 2019. We present same-hospital data because we believe it provides investors with useful information regarding the performance of our hospitals and other operations that are comparable for the periods presented.

Selected Operating Expenses	Years Ended December 31,		
	2019	2018	Increase (Decrease)
Hospital Operations and other — Same-Hospital			
Salaries, wages and benefits	\$ 7,326	\$ 6,888	6.4 %
Supplies	2,602	2,484	4.8 %
Other operating expenses	3,578	3,377	6.0 %
Total	\$ 13,506	\$ 12,749	5.9 %
Ambulatory Care			
Salaries, wages and benefits	\$ 635	\$ 644	(1.4)%
Supplies	448	430	4.2 %
Other operating expenses	340	359	(5.3)%
Total	\$ 1,423	\$ 1,433	(0.7)%
Conifer			
Salaries, wages and benefits	\$ 727	\$ 863	(15.8)%
Supplies	4	5	(20.0)%
Other operating expenses	255	308	(17.2)%
Total	\$ 986	\$ 1,176	(16.2)%
Total			
Salaries, wages and benefits	\$ 8,688	\$ 8,395	3.5 %
Supplies	3,054	2,919	4.6 %
Other operating expenses	4,173	4,044	3.2 %
Total	\$ 15,915	\$ 15,358	3.6 %
Rent/lease expense⁽¹⁾			
Hospital Operations and other	\$ 240	\$ 222	8.1 %
Ambulatory Care	86	80	7.5 %
Conifer	11	17	(35.3)%
Total	\$ 337	\$ 319	5.6 %

⁽¹⁾ Included in other operating expenses.

RESULTS OF OPERATIONS BY SEGMENT

Our operations are reported in three segments:

- Hospital Operations and other, which is comprised of our acute care and specialty hospitals, ancillary outpatient facilities, urgent care centers, micro-hospitals and physician practices. As described in Note 5 to the accompanying Consolidated Financial Statements, certain of our facilities were classified as held for sale at December 31, 2019.
- Ambulatory Care, which is comprised of USPI's ambulatory surgery centers, urgent care centers, imaging centers and surgical hospitals (and also included nine facilities in the United Kingdom until we divested Aspen effective August 17, 2018).
- Conifer, which provides revenue cycle management and value-based care services to hospitals, healthcare systems, physician practices, employers and other customers.

Hospital Operations and Other Segment

The following tables show operating statistics of our continuing operations hospitals and related outpatient facilities on a same-hospital basis, unless otherwise indicated, which includes the results of our same 65 hospitals operated throughout the years ended December 31, 2019 and 2018. Our same-hospital information excludes the results of two Philadelphia-area hospitals, which we divested effective January 11, 2018, MacNeal Hospital, which we divested effective March 1, 2018, Des Peres Hospital, which we divested effective May 1, 2018, and three Chicago-area hospitals, which we divested effective January 28, 2019. We present same-hospital data because we believe it provides investors with useful information regarding the performance of our hospitals and other operations that are comparable for the periods presented. We present certain metrics on a per-adjusted-patient-admission and per-adjusted-patient day basis to show trends other than volume. We present certain metrics as a percentage of net operating revenues because a significant portion of our operating expenses are variable.

Admissions, Patient Days and Surgeries	Same-Hospital Continuing Operations		
	Years Ended December 31,		
	2019	2018	Increase (Decrease)
Number of hospitals (at end of period)	65	65	— (1)
Total admissions	683,641	668,120	2.3 %
Adjusted patient admissions ⁽²⁾	1,222,856	1,200,388	1.9 %
Paying admissions (excludes charity and uninsured)	642,303	627,674	2.3 %
Charity and uninsured admissions	41,338	40,446	2.2 %
Admissions through emergency department	489,570	462,921	5.8 %
Paying admissions as a percentage of total admissions	94.0%	93.9%	0.1 % (1)
Charity and uninsured admissions as a percentage of total admissions	6.0%	6.1%	(0.1)% (1)
Emergency department admissions as a percentage of total admissions	71.6%	69.3%	2.3 % (1)
Surgeries — inpatient	179,940	180,038	(0.1)%
Surgeries — outpatient	240,221	243,156	(1.2)%
Total surgeries	420,161	423,194	(0.7)%
Patient days — total	3,181,793	3,059,671	4.0 %
Adjusted patient days ⁽²⁾	5,572,035	5,403,457	3.1 %
Average length of stay (days)	4.65	4.58	1.5 %
Licensed beds (at end of period)	17,210	17,237	(0.2)%
Average licensed beds	17,215	17,240	(0.1)%
Utilization of licensed beds ⁽³⁾	50.6%	48.6%	2.0 % (1)

(1) The change is the difference between 2019 and 2018 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		
	Years Ended December 31,		
	2019	2018	Increase (Decrease)
Total visits	6,755,166	6,695,506	0.9 %
Paying visits (excludes charity and uninsured)	6,307,907	6,251,409	0.9 %
Charity and uninsured visits	447,259	444,097	0.7 %
Emergency department visits	2,561,805	2,535,102	1.1 %
Surgery visits	240,221	243,156	(1.2)%
Paying visits as a percentage of total visits	93.4%	93.4%	— % (1)
Charity and uninsured visits as a percentage of total visits	6.6%	6.6%	— % (1)

(1) The change is the difference between the 2019 and 2018 amounts shown.

Revenues	Same-Hospital Continuing Operations		
	Years Ended December 31,		
	2019	2018	Increase (Decrease)
Total segment net operating revenues ⁽¹⁾	\$ 14,918	\$ 14,201	5.0%
Selected revenue data – hospitals and related outpatient facilities			
Net patient service revenues ⁽¹⁾⁽²⁾	\$ 14,339	\$ 13,707	4.6%
Net patient service revenue per adjusted patient admission ⁽¹⁾⁽²⁾	\$ 11,726	\$ 11,419	2.7%
Net patient service revenue per adjusted patient day ⁽¹⁾⁽²⁾	\$ 2,573	\$ 2,537	1.4%

(1) Revenues are net of implicit price concessions.

(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.

Total Segment Selected Operating Expenses	Same-Hospital Continuing Operations		
	Years Ended December 31,		
	2019	2018	Increase (Decrease)
Salaries, wages and benefits as a percentage of net operating revenues	49.1%	48.5%	0.6 % ⁽¹⁾
Supplies as a percentage of net operating revenues	17.4%	17.5%	(0.1)% ⁽¹⁾
Other operating expenses as a percentage of net operating revenues	24.0%	23.8%	0.2 % ⁽¹⁾

(1) The change is the difference between the 2019 and 2018 amounts shown.

Revenues

Same-hospital net operating revenues increased \$717 million, or 5.0%, during the year ended December 31, 2019 compared to the year ended December 31, 2018, primarily due to volume growth, increased acuity and improved terms of our managed care contracts. Same-hospital admissions increased 2.3% in the year ended December 31, 2019 compared to the prior-year period. Same-hospital outpatient visits increased 0.9% in the year ended December 31, 2019 compared to the prior-year period.

The following table shows the consolidated net accounts receivable by payer at December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Medicare	\$ 189	\$ 229
Medicaid	69	74
Net cost report settlements receivable and valuation allowances	12	18
Managed care	1,618	1,467
Self-pay uninsured	25	47
Self-pay balance after insurance	76	94
Estimated future recoveries	162	148
Other payers	337	325
Total Hospital Operations and other	2,488	2,402
Ambulatory Care	253	191
Total discontinued operations	2	2
	\$ 2,743	\$ 2,595

When we have an unconditional right to payment, subject only to the passage of time, the right is treated as a receivable. Patient accounts receivable, including billed accounts and certain unbilled accounts, as well as estimated amounts due from third-party payers for retroactive adjustments, are receivables if our right to consideration is unconditional and only the passage of time is required before payment of that consideration is due. Estimated uncollectable amounts are generally considered implicit price concessions that are a direct reduction to patient accounts receivable rather than allowance for doubtful accounts. Amounts related to services provided to patients for which we have not billed and that do not meet the conditions of unconditional right to payment at the end of the reporting period are contract assets. For our Hospital Operations and other segment, our contract assets consist primarily of services that we have provided to patients who are still receiving inpatient care in our facilities at the end of the reporting period. Our Hospital Operations and other segment's contract assets are included in other current assets in the accompanying Consolidated Balance Sheet at December 31, 2019.

Collection of accounts receivable has been a key area of focus, particularly over the past several years. At December 31, 2019, our Hospital Operations and other segment collection rate on self-pay accounts was approximately 22.5%. Our self-pay collection rate includes payments made by patients, including co-pays, co-insurance amounts and deductibles paid by patients with insurance. Based on our accounts receivable from uninsured patients and co-pays, co-insurance amounts and deductibles owed to us by patients with insurance at December 31, 2019, a 10% decrease or increase in our self-pay collection rate, or approximately 2%, which we believe could be a reasonably likely change, would result in an unfavorable or favorable adjustment to patient accounts receivable of approximately \$10 million. There are various factors that can impact collection trends, such as changes in the economy, which in turn have an impact on unemployment rates and the number of uninsured and underinsured patients, the volume of patients through our emergency departments, the increased burden of co-pays and deductibles to be made by patients with insurance, and business practices related to collection efforts. These factors continuously change and can have an impact on collection trends and our estimation process.

Payment pressure from managed care payers also affects the collectability of our accounts receivable. 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 Hospital Operations and other segment collection rate from managed care payers was approximately 98.0% at December 31, 2019.

We manage our implicit price concessions 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 \$2.476 billion and \$2.384 billion at December 31, 2019 and 2018, respectively, excluding cost report settlements receivable and valuation allowances of \$12 million and \$18 million, respectively, at December 31, 2019 and 2018:

	December 31, 2019				Total
	Medicare	Medicaid	Managed Care	Indemnity, Self-Pay and Other	
0-60 days	91%	49%	56%	21%	51%
61-120 days	5%	21%	16%	14%	15%
121-180 days	2%	10%	10%	10%	9%
Over 180 days	2%	20%	18%	55%	25%
Total	100%	100%	100%	100%	100%

	December 31, 2018				Total
	Medicare	Medicaid	Managed Care	Indemnity, Self-Pay and Other	
0-60 days	89%	51%	60%	24%	54%
61-120 days	6%	24%	14%	15%	14%
121-180 days	2%	10%	8%	10%	8%
Over 180 days	3%	15%	18%	51%	24%
Total	100%	100%	100%	100%	100%

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 collections 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.

At December 31, 2019, we had a cumulative total of patient account assignments to Conifer of \$2.824 billion related to our continuing operations. 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 Conifer 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. 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 December 31, 2019 and 2018 by aging category for the hospitals currently in the program:

	December 31,	
	2019	2018
0-60 days	\$ 89	\$ 72
61-120 days	11	16
121-180 days	4	3
Over 180 days	11	5
Total	\$ 115	\$ 96

Salaries, Wages and Benefits

Same-hospital salaries, wages and benefits as a percentage of net operating revenues increased by 60 basis points to 49.1% in the year ended December 31, 2019 compared to the prior-year period. Same-hospital net operating revenues increased 5.0% in the year ended December 31, 2019 compared to the year ended December 31, 2018, and same-hospital salaries, wages and benefits increased by 6.4% in the 2019 period compared to the 2018 period. The change in same-hospital salaries, wages and benefits as a percentage of net operating revenues was primarily due to annual merit increases for certain of our employees, a greater number of employed physicians and increased incentive compensation expense, partially offset by decreased health benefits costs, improved workers' compensation experience and the impact of previously announced workforce reductions as part of our enterprise-wide cost reduction initiatives. Salaries, wages and benefits expense for the years ended December 31, 2019 and 2018 included stock-based compensation expense of \$30 million and \$25 million, respectively.

Supplies

Same-hospital supplies expense as a percentage of net operating revenues decreased by 10 basis points to 17.4% in the year ended December 31, 2019 compared to the 2018 period. Supplies expense was impacted by the benefits of the group-purchasing strategies and supplies-management services we utilize to reduce costs, partially offset by increased costs from certain higher acuity supply-intensive surgical services.

Other Operating Expenses, Net

Same-hospital other operating expenses as a percentage of net operating revenues increased by 20 basis points to 24.0% in the year ended December 31, 2019 compared to 23.8% in the 2018 period. Same-hospital other operating expenses increased by \$201 million, or 6.0%, for the year ended December 31, 2019 compared to the year ended December 31, 2018. The changes in other operating expenses included:

- increased medical fees of \$88 million;
- increased software costs of \$22 million;
- increased consulting and legal fees of \$23 million;
- decreased malpractice expense of \$6 million; and
- decreased gains on asset sales of \$21 million compared to the 2018 period primarily related to the sale of an equity method investment in 2018.

Same-hospital malpractice expense in the 2019 period included an unfavorable adjustment of approximately \$20 million from a 76 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 \$10 million from an 26 basis point increase in the interest rate in the 2018 period.

Ambulatory Care Segment

Our Ambulatory Care segment is comprised of USPI's ambulatory surgery centers, urgent care centers, imaging centers and surgical hospitals. Our Ambulatory Care segment also included nine facilities in the United Kingdom until we divested Aspen effective August 17, 2018. USPI operates its surgical facilities in partnership with local physicians and, in many of these facilities, a healthcare system partner. We hold an ownership interest in each facility, with each being operated through a separate legal entity in most cases. USPI 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 implicit price concessions); 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 USPI.

Our role as an owner and day-to-day manager provides us with significant influence over the operations of each facility. For many of the facilities our Ambulatory Care segment operates (108 of 346 facilities at December 31, 2019), 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. USPI controls 238 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 USPI is classified within "net income available 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 (loss) of each facility, which is based on the facility's net income (loss) and the percentage of the facility's outstanding equity interests owned by USPI; 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 implicit price concessions.

Our Ambulatory Care segment operating income is driven by the performance of all facilities USPI operates and by USPI's ownership interests in those facilities, but our individual revenue and expense line items contain only consolidated businesses, which represent 69% of those facilities. This translates to trends in consolidated operating income that often do not correspond with changes in consolidated revenues and expenses, which is why we disclose certain statistical and financial data on a pro forma systemwide basis that includes both consolidated and unconsolidated (equity method) facilities.

Year Ended December 31, 2019 Compared to the Year Ended December 31, 2018

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

Ambulatory Care Results of Operations	Years Ended December 31,		
	2019	2018	Increase (Decrease)
Net operating revenues	\$ 2,158	\$ 2,085	3.5 %
Equity in earnings of unconsolidated affiliates	\$ 160	\$ 140	14.3 %
Salaries, wages and benefits	\$ 635	\$ 644	(1.4)%
Supplies	\$ 448	\$ 430	4.2 %
Other operating expenses, net	\$ 340	\$ 359	(5.3)%

Our Ambulatory Care net operating revenues increased by \$73 million, or 3.5%, for the year ended December 31, 2019 compared to the year ended December 31, 2018. This growth was driven by an increase in same-facility net operating revenues of \$133 million and an increase from acquisitions of \$109 million, partially offset by a decrease of \$117 million due to the sale of Aspen and a decrease of \$52 million due to the deconsolidation of a facility.

Salaries, wages and benefits expense decreased by \$9 million, or 1.4%, for the year ended December 31, 2019 compared to the year ended December 31, 2018. The change was driven by a decrease of \$44 million due to the sale of Aspen and a decrease of \$13 million due to the deconsolidation of a facility, partially offset by an increase in same-facility salaries, wages and benefits expense of \$19 million and an increase from acquisitions of \$29 million.

Supplies expense increased by \$18 million, or 4.2%, for the year ended December 31, 2019 compared to the year ended December 31, 2018. The change was driven by an increase in same-facility supplies expense of \$29 million and an increase from acquisitions of \$28 million, partially offset by a decrease of \$25 million due to the sale of Aspen and a decrease of \$14 million due to the deconsolidation of a facility.

Other operating expenses decreased by \$19 million, or 5.3%, for the year ended December 31, 2019 compared to the year ended December 31, 2018. The change was driven by a decrease of \$32 million due to the sale of Aspen and a decrease of \$10 million due to the deconsolidation of a facility, partially offset by an increase in same-facility other operating expenses of \$3 million and an increase from acquisitions of \$20 million.

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	Year Ended December 31, 2019
Net revenues	6.1%
Cases	3.7%
Net revenue per case	2.2%

Joint Ventures with Healthcare System Partners

USPI's business model is to jointly own its facilities with local physicians and, in many of these facilities, a not-for-profit healthcare system partner. Accordingly, as of December 31, 2019, the majority of facilities in our Ambulatory Care segment are operated in this model.

Ambulatory Care Facilities	Year Ended December 31, 2019
Facilities:	
With a healthcare system partner	218
Without a healthcare system partner	128
Total facilities operated	346
Change from December 31, 2018	
Acquisitions	10
De novo	7
Dispositions/Mergers	(8)
Total increase in number of facilities operated	9

During the year ended December 31, 2019, we acquired controlling interests in two multi-specialty surgery centers in Virginia, multi-specialty surgery centers in Florida, Tennessee and Colorado, a surgical hospital in Texas, and a single-specialty endoscopy center in Florida. We paid cash totaling approximately \$15 million for these acquisitions. We also acquired a controlling interest in three multi-specialty surgery centers located in California and a single-specialty endoscopy center in Tennessee, as well as a multi-specialty surgery center in Pennsylvania in which we already had an equity method investment, for cash totaling \$4 million. All of these acquired facilities are jointly owned with local physicians, and a healthcare system partner is an owner in all of the facilities except the two facilities in Florida. Also during the year ended December 31, 2019, we acquired noncontrolling interests in two multi-specialty surgery centers and a single-specialty endoscopy center, all of which are located in New Jersey. We paid cash totaling approximately \$11 million for these ownership interests. All three of these facilities are jointly owned with local physicians and a healthcare system partner.

We also regularly engage in the purchase of equity interests with respect to our investments in unconsolidated affiliates and consolidated facilities that do not result in a change of control. These transactions are primarily the acquisitions of equity interests in ambulatory care facilities and the investment of additional cash in facilities that need capital for acquisitions, new

construction or other business growth opportunities. During the year ended December 31, 2019, we invested approximately \$14 million in such transactions.

Conifer Segment

Our Conifer segment generated net operating revenues of \$1.372 billion and \$1.533 billion during the years ended December 31, 2019 and 2018, respectively, a portion of which was eliminated in consolidation as described in Note 23 to the Consolidated Financial Statements. Conifer revenues from third-party customers, which are not eliminated in consolidation, decreased \$144 million, or 15.3%, for the year ended December 31, 2019 compared to the prior-year period. Conifer revenues from third-party customers were negatively impacted by contract terminations related to the sales of customer hospitals, partially offset by the impact of the divestiture of former Tenet facilities that have now become third-party customers.

Salaries, wages and benefits expense for Conifer decreased \$136 million, or 15.8%, in the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily due to the impact of previously announced workforce reductions as part of our enterprise-wide cost reduction initiatives.

Other operating expenses for Conifer decreased \$53 million, or 17.2%, in the year ended December 31, 2019 compared to the year ended December 31, 2018 primarily due to the impact of our enterprise-wide cost reduction initiatives.

Agreements document the current terms and conditions of various services Conifer provides to Tenet hospitals, as well as certain administrative services our Hospital Operations and other segment provides to Conifer; however, execution of a restructured services agreement between Conifer and Tenet is a condition to completion of the proposed spin-off. Conifer's contract with Tenet represented 41.8% of the net operating revenues Conifer recognized in the year ended December 31, 2019.

Consolidated

Impairment and Restructuring Charges, and Acquisition-Related Costs

During the year ended December 31, 2019, we recorded impairment and restructuring charges and acquisition-related costs of \$185 million, consisting of \$42 million of impairment charges, \$137 million of restructuring charges and \$6 million of acquisition-related costs. Impairment charges consisted of \$26 million of charges to write-down assets held for sale to their estimated fair value, less estimated costs to sell, for certain of our Memphis-area facilities and \$16 million of other impairment charges. Restructuring charges consisted of \$57 million of employee severance costs, \$28 million related to our Global Business Center in the Republic of the Philippines, \$6 million of contract and lease termination fees, and \$46 million of other restructuring costs. Acquisition-related costs consisted of \$6 million of transaction costs. Our impairment and restructuring charges and acquisition-related costs for the year ended December 31, 2019 were comprised of \$111 million from our Hospital Operations and other segment, \$18 million from our Ambulatory Care segment and \$56 million from our Conifer segment.

During the year ended December 31, 2018, we recorded impairment and restructuring charges and acquisition-related costs of \$209 million, consisting of \$77 million of impairment charges, \$115 million of restructuring charges and \$17 million of acquisition-related costs. Impairment charges included \$40 million for the write-down of buildings and other long-lived assets to their estimated fair values at two hospitals. Material adverse trends in our then recent estimates of future undiscounted cash flows of the hospitals indicated the carrying value of the hospitals' long-lived assets was not recoverable from the estimated future cash flows. We believe the most significant factors contributing to the adverse financial trends included reductions in volumes of insured patients, shifts in payer mix from commercial to governmental payers combined with reductions in reimbursement rates from governmental payers, and high levels of uninsured patients. As a result, we updated the estimate of the fair value of the hospitals' long-lived assets and compared the fair value estimate to the carrying value of the hospitals' long-lived assets. Because the fair value estimates were lower than the carrying value of the long-lived assets, an impairment charge was recorded for the difference in the amounts. The aggregate carrying value of assets held and used of the hospitals for which impairment charges were recorded was \$130 million at December 31, 2018 after recording the impairment charges. We also recorded \$24 million of charges to write-down assets held for sale to their estimated fair value, less estimated costs to sell, for certain of our Chicago-area facilities, \$9 million of charges to write-down assets held for sale to their estimated fair value, less estimated costs to sell, for Aspen and \$4 million of other impairment charges. Restructuring charges consisted of \$68 million of employee severance costs, \$17 million of contract and lease termination fees, and \$30 million of other restructuring costs. Acquisition-related costs consisted of \$10 million of transaction costs and \$7 million of acquisition integration charges. Our impairment and restructuring charges and acquisition-related costs for the year ended December 31, 2018 were comprised of \$141 million from our Hospital Operations and other segment, \$28 million from our Ambulatory Care segment and \$40 million from our Conifer segment.

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

Litigation and Investigation Costs

Litigation and investigation costs for the years ended December 31, 2019 and 2018 were \$141 million and \$38 million, respectively, primarily related to cost associated with significant legal proceedings and governmental investigations.

Net Gains(Losses) on Sales, Consolidation and Deconsolidation of Facilities

During the year ended December 31, 2019, we recorded net losses on sales, consolidation and deconsolidation of facilities of \$15 million, primarily comprised of a loss on sale of \$14 million related to the sale of three of our hospitals in the Chicago area, as well as other operations affiliated with the hospitals.

During the year ended December 31, 2018, we recorded net gains on sales, consolidation and deconsolidation of facilities of \$127 million, primarily comprised of gains of \$36 million from the sale of our health plan in California, \$90 million from the sale of MacNeal Hospital and other operations affiliated with the hospital in the Chicago area, \$11 million from the sales of our minority interests in four North Texas hospitals and \$12 million from the sale of Des Peres Hospital, physician practices and other hospital-affiliated operations in St. Louis, Missouri, as well as net gains on sales, consolidation and deconsolidation of \$8 million from our Ambulatory Care segment, partially offset by losses of \$21 million from the sale of our hospitals, physician practices and related assets in Philadelphia, Pennsylvania and the surrounding area, and \$10 million due to post-closing adjustments related to the sale of our hospitals, physician practices and related assets in Houston, Texas and the surrounding area.

Interest Expense

Interest expense for the year ended December 31, 2019 was \$985 million compared to \$1.004 billion for the year ended December 31, 2018.

Income Tax Expense

During the year ended December 31, 2019, we recorded income tax expense of \$153 million in continuing operations on pre-tax income of \$296 million compared to income tax expense of \$176 million in continuing operations on pre-tax income of \$639 million during the year ended December 31, 2018. The reconciliation between the amount of recorded income tax expense (benefit) and the amount calculated at the statutory federal tax rate is shown in the following table:

	Years Ended December 31,	
	2019	2018
Tax expense (benefit) at statutory federal rate of 21%	\$ 62	\$ 134
State income taxes, net of federal income tax benefit	20	23
Expired state net operating losses, net of federal income tax benefit	2	9
Tax attributable to noncontrolling interests	(79)	(70)
Nondeductible goodwill	4	8
Nondeductible executive compensation	6	4
Nondeductible litigation costs	7	—
Expired charitable contribution carryforward	8	—
Impact of decrease in federal tax rate on deferred taxes	—	(1)
Reversal of permanent reinvestment assumption and other adjustments related to divestiture of foreign subsidiary	—	(6)
Stock-based compensation tax deficiencies	4	5
Changes in valuation allowance	133	76
Change in tax contingency reserves, including interest	(14)	(1)
Prior-year provision to return adjustments and other changes in deferred taxes	(3)	(5)
Other items	3	—
Income tax expense	\$ 153	\$ 176

Net Income Available to Noncontrolling Interests

Net income available to noncontrolling interests was \$386 million for the year ended December 31, 2019 compared to \$355 million for the year ended December 31, 2018. Net income available (loss attributable) to noncontrolling interests in the 2019 period was comprised of \$(21) million related to our Hospital Operations and other segment, \$337 million related to our Ambulatory Care segment and \$70 million related to our Conifer segment. Of the portion related to our Ambulatory Care segment, \$10 million was related to the minority interests in USPI.

ADDITIONAL SUPPLEMENTAL NON-GAAP DISCLOSURES

The financial information provided throughout this report, including our 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, 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 attributable (income available) to noncontrolling interests, (3) income (loss) from discontinued operations, (4) income tax benefit (expense), (5) gain (loss) from early extinguishment of debt, (6) other non-operating expense, net, (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, (11) depreciation and amortization, and (12) income (loss) from divested and closed businesses (i.e., our health plan businesses). 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 measure is useful to investors and analysts because it presents additional information about the Company’s financial performance. Investors, analysts, Company management and the Company’s board of directors utilize this non-GAAP measure, in addition to GAAP measures, to track the Company’s financial and operating performance and compare the Company’s performance to 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 non-GAAP measures to evaluate management’s performance for the purpose of determining incentive compensation. 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 GAAP and other 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. The non-GAAP Adjusted EBITDA measure the Company utilizes may not be comparable to similarly titled measures reported by other companies. Because this measure excludes many items that are included in our financial statements, it does 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 following table 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 years ended December 31, 2019 and 2018:

	Years Ended December 31,	
	2019	2018
Net income available (loss attributable) to Tenet Healthcare Corporation common shareholders	\$ (232)	\$ 111
Less: Net income available to noncontrolling interests	(386)	(355)
Income from discontinued operations, net of tax	11	3
Income from continuing operations	143	463
Income tax expense	(153)	(176)
Gain (loss) from early extinguishment of debt	(227)	1
Other non-operating expense, net	(5)	(5)
Interest expense	(985)	(1,004)
Operating income	1,513	1,647
Litigation and investigation costs	(141)	(38)
Net gains (losses) on sales, consolidation and deconsolidation of facilities	(15)	127
Impairment and restructuring charges, and acquisition-related costs	(185)	(209)
Depreciation and amortization	(850)	(802)
Income (loss) from divested and closed businesses (i.e., the Company's health plan businesses)	(2)	9
Adjusted EBITDA	\$ 2,706	\$ 2,560
Net operating revenues	\$ 18,479	\$ 18,313
Less: Net operating revenues from health plans	1	14
Adjusted net operating revenues	\$ 18,478	\$ 18,299
Net income available (loss attributable) to Tenet Healthcare Corporation common shareholders as a % of net operating revenues	(1.3)%	0.6%
Adjusted EBITDA as % of adjusted net operating revenues (Adjusted EBITDA margin)	14.6 %	14.0%

RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2018 COMPARED TO THE YEAR ENDED DECEMBER 31, 2017

A discussion of the results of operations for the year ended December 31, 2018 compared to the year ended December 31, 2017 can be found in our Annual Report on Form 10-K for the year ended December 31, 2018.

LIQUIDITY AND CAPITAL RESOURCES

CASH REQUIREMENTS

Our obligations to make future cash payments under contracts, such as debt and lease agreements, and under contingent commitments, such as standby letters of credit and minimum revenue guarantees, are summarized in the table below, all as of December 31, 2019:

	Years Ended December 31,						
	Total	2020	2021	2022	2023	2024	Later Years
	(In Millions)						
Long-term debt ⁽¹⁾	\$ 19,077	\$ 895	\$ 898	\$ 3,579	\$ 2,480	\$ 3,000	\$ 8,225
Capital lease obligations ⁽¹⁾	387	143	96	38	10	9	91
Long-term non-cancelable operating leases ⁽¹⁾	1,264	159	180	160	140	121	504
Standby letters of credit	93	93	—	—	—	—	—
Guarantees ⁽²⁾	192	87	40	20	10	6	29
Asset retirement obligations	159	—	—	—	—	—	159
Academic affiliation agreements ⁽³⁾	73	38	18	17	—	—	—
Tax liabilities	5	—	—	—	—	—	5
Defined benefit plan obligations	531	19	23	23	23	23	420
Information technology contract services	1,172	278	291	241	213	139	10
Purchase orders	316	316	—	—	—	—	—
Total⁽⁴⁾	\$ 23,269	\$ 2,028	\$ 1,546	\$ 4,078	\$ 2,876	\$ 3,298	\$ 9,443

(1) Includes interest through maturity date/lease termination.

(2) Includes minimum revenue guarantees, primarily related to physicians under relocation agreements and physician groups that provide services at our hospitals, and operating lease guarantees.

(3) These agreements contain various rights and termination provisions.

(4) Professional liability and workers' compensation reserves, and our obligations under the Baylor Put/Call Agreement, as defined and described in Note 18 to our Consolidated Financial Statements, have been excluded from the table. At December 31, 2019, the current and long-term professional and general liability reserves included in our Consolidated Balance Sheet were \$330 million and \$585 million, respectively, and the current and long-term workers' compensation reserves included in our Consolidated Balance Sheet were \$40 million and \$124 million, respectively. Redeemable noncontrolling interests in USPI that are subject to the Baylor Put/Call Agreement totaled \$214 million at December 31, 2019.

Standby letters of credit are required principally by our insurers and various states to collateralize our workers' compensation programs pursuant to statutory requirements and as security to collateralize the deductible and self-insured retentions under certain of our professional and general liability insurance programs. The amount of collateral required is primarily dependent upon the level of claims activity and our creditworthiness. The insurers require the collateral in case we are unable to meet our obligations to claimants within the deductible or self-insured retention layers.

We consummated the following transactions affecting our long-term commitments in the year ended December 31, 2019:

- On August 26, 2019, we sold \$600 million aggregate principal amount of 4.625% senior secured first lien notes, which will mature on September 1, 2024 (the "2024 Senior Secured First Lien Notes"), \$2.1 billion aggregate principal amount of 4.875% senior secured first lien notes, which will mature on January 1, 2026 (the "2026 Senior Secured First Lien Notes") and \$1.5 billion aggregate principal amount of 5.125% senior secured first lien notes, which will mature on November 1, 2027 (the "2027 Senior Secured First Lien Notes"). The proceeds from the sales of these notes were used, after payment of fees and expenses, together with cash on hand and borrowings under our senior secured revolving credit facility, to fund the redemptions of all \$500 million aggregate principal amount of our outstanding 4.750% senior secured first lien notes due 2020, all \$1.8 billion aggregate principal amount of our outstanding 6.000% senior secured first lien notes due 2020, all \$850 million aggregate principal amount of our outstanding 4.500% senior secured first lien notes due 2021 and all \$1.05 billion aggregate principal amount of our outstanding 4.375% senior secured first lien notes due 2021. In connection with the redemptions, we recorded a loss from early extinguishment of debt of approximately \$180 million in the three months ended September 30, 2019, primarily related to the difference between the redemption prices and the par values of the notes, as well as the write-off of the associated unamortized issuance costs.

- On February 5, 2019, we sold \$1.5 billion aggregate principal amount of 6.250% senior secured second lien notes, which will mature on February 1, 2027 (the “2027 Senior Secured Second Lien Notes”). The proceeds from the sale of the 2027 Senior Secured Second Lien Notes were used, after payment of fees and expenses, together with cash on hand and borrowings under our senior secured revolving credit facility, to fund the redemption of all \$300 million aggregate principal amount of our outstanding 6.750% senior notes due 2020 and all \$750 million aggregate principal amount of our outstanding 7.500% senior secured second lien notes due 2022, as well as the repayment upon maturity of all \$468 million aggregate principal amount of our outstanding 5.500% senior unsecured notes due March 1, 2019. In connection with the redemptions, we recorded a loss from early extinguishment of debt of approximately \$47 million in the three months ended March 31, 2019, primarily related to the difference between the redemption prices and the par values of the notes, as well as the write-off of the associated unamortized issuance costs.

At December 31, 2019, using the last 12 months of Adjusted EBITDA, our ratio of total long-term debt, net of cash and cash equivalent balances, to Adjusted EBITDA was 5.35x. We anticipate this ratio will fluctuate from quarter to quarter based on earnings performance and other factors, including the use of our revolving credit facility as a source of liquidity and acquisitions that involve the assumption of long-term debt. We seek to manage this ratio and increase the efficiency of our balance sheet by following our business plan and managing our cost structure, including through possible asset divestitures, and through other changes in our capital structure. As part of our long-term objective to manage our capital structure, we may issue equity or convertible securities, and we may seek to retire, purchase, redeem or refinance some of our outstanding debt or equity securities, in each case subject to prevailing market conditions, our liquidity requirements, operating results, contractual restrictions and other factors. 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 this 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, 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 acquisitions of businesses. Capital expenditures were \$670 million, \$617 million and \$707 million in the years ended December 31, 2019, 2018 and 2017, respectively. We anticipate that our capital expenditures for continuing operations for the year ending December 31, 2020 will total approximately \$700 million to \$750 million, including \$136 million that was accrued as a liability at December 31, 2019. We have been granted a certificate of need, which is no longer subject to additional legal challenges or further appeals, to construct a 100-bed acute care hospital in Fort Mill, South Carolina. We are in the development and design stage for the new hospital, and we expect to submit our plans for approval to the South Carolina Department of Health and Environment Control this year. Once approved, the construction is expected to take up to two years and cost approximately \$150 million over the construction period.

Interest payments, net of capitalized interest, were \$946 million, \$976 million and \$939 million in the years ended December 31, 2019, 2018 and 2017, respectively. For the year ending December 31, 2020, we expect annual interest payments to be approximately \$935 million to \$945 million.

Income tax payments, net of tax refunds, were \$12 million, \$25 million and \$56 million in the years ended December 31, 2019, 2018 and 2017, respectively. At December 31, 2019, our carryforwards available to offset future taxable income consisted of (1) federal net operating loss (“NOL”) carryforwards of approximately \$600 million pre-tax expiring in 2032 to 2034, (2) general business credit carryforwards of approximately \$25 million expiring in 2023 through 2039, and (3) state NOL carryforwards of approximately \$3.5 billion expiring in 2020 through 2039 for which the associated deferred tax benefit, net of valuation allowance and federal tax impact, is \$25 million. Our ability to utilize NOL carryforwards to reduce future taxable income may be limited under Section 382 of the Internal Revenue Code if certain ownership changes in our company occur during a rolling three-year period. These ownership changes include purchases of common stock under share repurchase programs, the offering of stock by us, the purchase or sale of our stock by 5% shareholders, as defined in the Treasury regulations, or the issuance or exercise of rights to acquire our stock. If such ownership changes by 5% shareholders result in aggregate increases that exceed 50 percentage points during the three-year period, then Section 382 imposes an annual limitation on the amount of our taxable income that may be offset by the NOL carryforwards or tax credit carryforwards at the time of ownership change.

Periodic examinations of our tax returns by the Internal Revenue Service (“IRS”) or other taxing authorities could result in the payment of additional taxes. The IRS has completed audits of our tax returns for all tax years ended on or before December 31, 2007. All disputed issues with respect to these audits have been resolved and all related tax assessments

(including interest) have been paid. Our tax returns for years ended after December 31, 2007 and USPI's tax returns for years ended after December 31, 2015 remain subject to audit by the IRS.

SOURCES AND USES OF CASH

Our liquidity for the year ended December 31, 2019 was primarily derived from net cash provided by operating activities, cash on hand and borrowings under our revolving credit facility. We had \$262 million of cash and cash equivalents on hand at December 31, 2019 to fund our operations and capital expenditures, and our borrowing availability under our credit facility was \$1.499 billion based on our borrowing base calculation as of December 31, 2019.

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, as well as levels of implicit price concessions, due to shifts in payer mix and other factors.

Net cash provided by operating activities was \$1.233 billion for the year ended December 31, 2019 compared to \$1.049 billion for the year ended December 31, 2018. Key factors contributing to the change between the 2019 and 2018 periods include the following:

- An increase of \$29 million in payments on reserves for restructuring charges, acquisition-related costs, and litigation costs and settlements;
- Decreased cash receipts of \$13 million related to supplemental Medicaid programs in California and Texas;
- Lower interest payment of \$30 million in the 2019 period;
- Lower income tax payments of \$13 million in the 2019 period;
- A \$146 million increase in income from continuing operations before income taxes, gain (loss) from early extinguishment of debt, other non-operating expense, net, interest expense, net gains (losses) on sales, consolidation and deconsolidation of facilities, litigation and investigation costs, impairment and restructuring charges, and acquisition-related costs, depreciation and amortization and income (loss) from divested operations and closed businesses (i.e., our health plan businesses) in the year ended December 31, 2019 compared to the year ended December 31, 2018; and
- The timing of other working capital items.

Net cash used in investing activities was \$619 million for the year ended December 31, 2019 compared to \$115 million of net cash used in investing activities for the year ended December 31, 2018. The primary reason for the change was proceeds from sales of facilities and other assets of \$63 million in the 2019 period when we completed the sale of three hospitals and hospital-affiliated operations in the Chicago area compared to proceeds from sales of facilities and other assets of \$543 million in the 2018 period when we completed the sale of our hospitals, physician practices and related assets in the Philadelphia area, the sale of MacNeal Hospital and other operations affiliated with the hospital in the Chicago area, the sale of Des Peres Hospital in St. Louis, the sale of nine Aspen facilities in the United Kingdom, and the sale of certain assets and the related liabilities of our health plan in California. There was also a decrease in proceeds from sales of marketable securities, long-term investments and other assets of \$117 million in the 2019 period compared to the 2018 period primarily due to the sales of our minority interests in four North Texas hospitals in the 2018 period. Capital expenditures were \$670 million and \$617 million in the years ended December 31, 2019 and 2018, respectively.

Net cash used in financing activities was \$763 million for the year ended December 31, 2019 compared to \$1.134 billion for the year ended December 31, 2018. In 2019, we sold a total of \$5.7 billion aggregate principal amount of notes. The proceeds from the sales of these notes were used, after payment of fees and expenses, together with cash on hand and borrowings under our senior secured revolving credit facility, to fund the redemptions of a total of \$5.7 billion aggregate principal amount of notes. In connection with the redemptions, we recorded a loss from early extinguishment of debt of approximately \$227 million for the year ended December 31, 2019 primarily related to the difference between the redemption prices and the par values of the notes, as well as the write-off of the associated unamortized issuance costs. For additional information regarding our long-term debt, see Note 8 to the accompanying Consolidated Financial Statements. The 2019 amount also included \$70 million of cash paid for debt issuance costs related to these debt transactions. The 2018 amount included \$647 million related to purchases of noncontrolling interests, primarily our purchase of an additional 15% ownership interest in USPI and to settle the adjustment to the price we paid in 2017 based on actual 2017 financial results of USPI.

We have several structured payables arrangements that are a part of our strategy to make our procurement processes more efficient and cost effective. For the year ended December 31, 2019, we had approximately 2,050 vendors being paid by these programs, with an annual charge volume of approximately \$675 million. We do not expect these programs to result in any significant changes to our liquidity.

We record our equity securities and our debt securities classified as available-for-sale at fair market value. 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. We amended our senior secured revolving credit facility in September 2019 (as amended, the “Credit Agreement”) to provide, subject to borrowing availability, for revolving loans in an aggregate principal amount of up to \$1.5 billion, (from a previous limit of \$1.0 billion), with a \$200 million subfacility for standby letters of credit. Obligations under the Credit Agreement, which now has a scheduled maturity date of September 12, 2024, are guaranteed by substantially all of our domestic wholly owned hospital subsidiaries and are secured by a first-priority lien on the eligible inventory and accounts receivable owned by us and the subsidiary guarantors, including receivables for Medicaid supplemental payments as of the most recent amendment. At December 31, 2019, we were in compliance with all covenants and conditions in our Credit Agreement. At December 31, 2019, we had no cash borrowings outstanding under the Credit Agreement, and we had \$1 million of standby letters of credit outstanding. Based on our eligible receivables, \$1.499 billion was available for borrowing under the Credit Agreement at December 31, 2019.

Letter of Credit Facility. We have a letter of credit facility (as amended, the “LC Facility”) that provides for the issuance of standby and documentary 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 maturity date of the LC Facility is March 7, 2021. Obligations under the LC Facility are guaranteed and secured by a first-priority pledge of the capital stock and other ownership interests of certain of our wholly owned domestic hospital subsidiaries on an equal ranking basis with our senior secured first lien notes. At December 31, 2019, we were in compliance with all covenants and conditions in our LC Facility. At December 31, 2019, we had \$92 million of standby letters of credit outstanding under the LC Facility.

Senior Secured and Senior Unsecured Note Refinancing Transactions. In 2019, we sold a total of \$5.7 billion aggregate principal amount of notes. The proceeds from the sales of these notes were used, after payment of fees and expenses, together with cash on hand and borrowings under our senior secured revolving credit facility, to fund the redemptions of a total of \$5.7 billion aggregate principal amount of notes. For additional information regarding our long-term debt, see Note 8 to the accompanying 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 have caused, and in the future will cause, us to use our Credit Agreement as a source of liquidity. We believe that existing cash and cash equivalents on hand, borrowing 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, payments to joint venture partners, including those related to put and call arrangements, and other presently known operating needs.

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 and 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 own. In addition, liquidity could be adversely affected by a deterioration in our results of operations, including our ability to generate sufficient cash from operations, as well as by the various risks and uncertainties discussed in this section and other sections of this report, including any costs associated with 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 consolidated balance sheets. In addition, we do not have significant exposure to floating interest rates given that all of our current long-term indebtedness has fixed rates of interest except for any borrowings under our Credit Agreement.

OFF-BALANCE SHEET ARRANGEMENTS

We have no 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 \$195 million of standby letters of credit outstanding and guarantees at December 31, 2019.

RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 24 to the accompanying Consolidated Financial Statements for a discussion of recently issued accounting standards.

CRITICAL ACCOUNTING ESTIMATES

In preparing our Consolidated Financial Statements in conformity with GAAP, we must use estimates and assumptions that affect the amounts reported in our 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 cover the following areas:

- Recognition of net operating revenues, including contractual allowances and implicit price concessions;
- Accruals for general and professional liability risks;
- Impairment of long-lived assets;
- Impairment of goodwill; and
- Accounting for income taxes.

REVENUE RECOGNITION

We report net patient service revenues at the amounts that reflect the consideration we expect to be entitled to in exchange for providing patient care. These amounts are due from patients, third-party payers (including managed care payers and government programs) and others, and they include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, we bill our patients and third-party payers several days after the services are performed or shortly after discharge. Revenues are recognized as performance obligations are satisfied.

We determine performance obligations based on the nature of the services we provide. We recognize revenues for performance obligations satisfied over time based on actual charges incurred in relation to total expected charges. We believe that this method provides a faithful depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligations. Generally, performance obligations satisfied over time relate to patients in our hospitals receiving inpatient acute care services. We measure performance obligations from admission to the point when there are no further services required for the patient, which is generally the time of discharge. We recognize revenues for performance

obligations satisfied at a point in time, which generally relate to patients receiving outpatient services, when: (1) services are provided; and (2) we do not believe the patient requires additional services.

We determine the transaction price based on gross charges for services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with our *Compact*, and implicit price concessions provided primarily to uninsured patients. We determine our estimates of contractual adjustments and discounts based on contractual agreements, our discount policies and historical experience. We determine our estimate of implicit price concessions based on our historical collection experience with these classes of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. The financial statement effects of using this practical expedient are not materially different from an individual contract approach.

Revenues under the traditional fee-for-service Medicare and Medicaid programs are based primarily on prospective payment systems. Retrospectively determined cost-based revenues under these programs, which were more prevalent in earlier periods, and certain other payments, such as Indirect Medical Education, Direct Graduate Medical Education, disproportionate share hospital and bad debt expense reimbursement, which are based on our hospitals' cost reports, are estimated using historical trends and current factors. Cost report settlements under these programs are subject to audit by Medicare and Medicaid auditors and administrative and judicial review, and it can take several years until final settlement of such matters is determined and completely resolved. Because the laws, regulations, instructions and rule interpretations governing Medicare and Medicaid reimbursement are complex and change frequently, the estimates we record could change by material amounts.

We have a system and estimation process for recording Medicare net patient service revenue and estimated cost report settlements. As a result, we record accruals to reflect the expected final settlements on our cost reports. For filed cost reports, we record the accrual based on those cost reports and subsequent activity, and record a valuation allowance against those cost reports based on historical settlement trends. The accrual for periods for which a cost report is yet to be filed is recorded based on estimates of what we expect to report on the filed cost reports, and a corresponding valuation allowance is recorded as previously described. Cost reports generally must be filed within five months after the end of the annual cost reporting period. After the cost report is filed, the accrual and corresponding valuation allowance may need to be adjusted.

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/or 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 December 31, 2019, a 3% increase or decrease in the estimated contractual allowance would impact the estimated reserves by approximately \$16 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 and payment levels. Contractual allowance estimates are periodically reviewed for accuracy by taking into consideration known contract terms, as well as payment history. 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 revenues. In addition, on a corporate-wide basis, we do not record any general provision for adjustments to estimated contractual allowances for managed care plans. Managed care accounts, net of contractual allowances recorded, are further reduced to their net realizable value through implicit price concessions based on historical collection trends for these payers and other factors that affect the estimation process.

Generally, patients who are covered by third-party payers are responsible for related co-pays, co-insurance and deductibles, which vary in amount. We also provide services to uninsured patients and offer uninsured patients a discount from standard charges. We estimate the transaction price for patients with co-pays, co-insurance and deductibles and for those who are uninsured based on historical collection experience and current market conditions. Under our *Compact* and other uninsured discount programs, the discount offered to certain 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 at the time they are recorded through implicit price

concessions based on historical collection trends for self-pay accounts and other factors that affect the estimation process. There are various factors that can impact collection trends, such as changes in the economy, which in turn have an impact on unemployment rates and the number of uninsured and underinsured patients, the volume of patients through our emergency departments, the increased burden of co-pays, co-insurance amounts and deductibles to be made by patients with insurance, and business practices related to collection efforts. These factors continuously change and can have an impact on collection trends and our estimation process. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenues in the period of the change.

We have provided implicit price concessions, primarily to uninsured patients and patients with co-pays, co-insurance and deductibles. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts we expect to collect based on our collection history with similar patients. Although outcomes vary, our policy is to attempt to collect amounts due from patients, including co-pays, co-insurance and deductibles due from patients with insurance, at the time of service while complying with all federal and state statutes and regulations, including, but not limited to, the Emergency Medical Treatment and Active Labor Act (“EMTALA”). Generally, as required by EMTALA, patients may not be denied emergency treatment due to inability to pay. Therefore, services, including the legally required medical screening examination and stabilization of the patient, are performed without delaying to obtain insurance information. In non-emergency circumstances or for elective procedures and services, it is our policy to verify insurance prior to a patient being treated; however, there are various exceptions that can occur. Such exceptions can include, for example, instances where (1) we are unable to obtain verification because the patient’s insurance company was unable to be reached or contacted, (2) a determination is made that a patient may be eligible for benefits under various government programs, such as Medicaid or Victims of Crime, and it takes several days or weeks before qualification for such benefits is confirmed or denied, and (3) under physician orders we provide services to patients that require immediate treatment.

Based on our accounts receivable from uninsured patients and co-pays, co-insurance amounts and deductibles owed to us by patients with insurance at December 31, 2019, a 10% decrease or increase in our self-pay collection rate, or approximately 2%, which we believe could be a reasonably likely change, would result in an unfavorable or favorable adjustment to patient accounts receivable of approximately \$10 million.

ACCRUALS FOR GENERAL AND PROFESSIONAL LIABILITY RISKS

We accrue for estimated professional and general liability claims, to the extent not covered by insurance, when they are probable and can be reasonably estimated. We maintain reserves, which are based on modeled estimates for the portion of our professional liability risks, including incurred but not reported claims, to the extent we do not have insurance coverage. Our liability consists of estimates established based upon discounted calculations using several factors, including the number of expected claims, estimates of losses for these claims based on recent and historical settlement amounts, estimates of incurred but not reported claims based on historical experience, the timing of historical payments, and risk free discount rates used to determine the present value of projected payments. We consider the number of expected claims, average cost per claim and discount rate to be the most significant assumptions in estimating accruals for general and professional liabilities. Our liabilities are adjusted for new claims information in the period such information becomes known. Malpractice expense is recorded within other operating expenses in the accompanying Consolidated Statements of Operations.

Our estimated reserves for professional and general liability claims will change significantly if future trends differ from projected trends. We believe it is reasonably likely for there to be a 500 basis point increase or decrease in our frequency or severity trend. Based on our reserves and other information at December 31, 2019, a 500 basis point increase in our frequency trend would increase the estimated reserves by \$42 million, and a 500 basis point decrease in our frequency trend would decrease the estimated reserves by \$35 million. A 500 basis point increase in our severity trend would increase the estimated reserves by \$149 million, and a 500 basis point decrease in our severity trend would decrease the estimated reserves by \$118 million. Because our estimated reserves for future claim payments are discounted to present value, a change in our discount rate assumption could also have a significant impact on our estimated reserves. Our discount rate was 1.83% and 2.59% at December 31, 2019 and 2018, respectively. A 100 basis point increase or decrease in the discount rate would change the estimated reserves by \$23 million. In addition, because of the complexity of the claims, the extended period of time to settle the claims and the wide range of potential outcomes, our ultimate liability for professional and general liability claims could change materially from our current estimates.

The table below shows the case reserves and incurred but not reported and loss development reserves as of December 31, 2019 and 2018:

	December 31,	
	2019	2018
Case reserves	\$ 212	\$ 210
Incurred but not reported and loss development reserves	753	742
Total undiscounted reserves	\$ 965	\$ 952

Several actuarial methods, including the incurred, paid loss development and Bornhuetter-Ferguson methods, are applied to our historical loss data to produce estimates of ultimate expected losses and the resulting incurred but not reported and loss development reserves. These methods use our specific historical claims data related to paid losses and loss adjustment expenses, historical and current case reserves, reported and closed claim counts, and a variety of hospital census information. These analyses are considered in our determination of our estimate of the professional liability claims, including the incurred but not reported and loss development reserve estimates. The determination of our estimates involves subjective judgment and could result in material changes to our estimates in future periods if our actual experience is materially different than our assumptions.

Malpractice claims generally take up to five years to settle from the time of the initial reporting of the occurrence to the settlement payment. Accordingly, the percentage of undiscounted reserves at December 31, 2019 and 2018 representing unsettled claims was approximately 97% and 93%, respectively.

The following table, which includes both our continuing and discontinued operations, presents the amount of our accruals for professional and general liability claims and the corresponding activity therein:

	Years Ended December 31,	
	2019	2018
Accrual for professional and general liability claims, beginning of the year	\$ 882	\$ 854
Less losses recoverable from re-insurance and excess insurance carriers	(31)	(24)
Expense (income) related to: ⁽¹⁾		
Current year	192	223
Prior years	155	176
Expense (income) from discounting	20	(10)
Total incurred loss and loss expense	367	389
Paid claims and expenses related to:		
Current year	(8)	(3)
Prior years	(381)	(365)
Total paid claims and expenses	(389)	(368)
Plus losses recoverable from re-insurance and excess insurance carriers	86	31
Accrual for professional and general liability claims, end of year	\$ 915	\$ 882

(1) Total malpractice expense for continuing operations, including premiums for insured coverage and recoveries from third parties, was \$374 million and \$388 million in the years ended December 31, 2019 and 2018, respectively.

IMPAIRMENT OF LONG-LIVED ASSETS

We evaluate our long-lived assets for possible impairment annually or whenever events or changes in circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable from estimated future undiscounted cash flows. If the estimated future undiscounted cash flows are less than the carrying value of the assets, we calculate the amount of an impairment charge if the carrying value of the long-lived assets exceeds the fair value of the assets. The fair value of the assets is estimated based on appraisals, established market values of comparable assets or internal estimates of future net cash flows expected to result from the use and ultimate disposition of the asset. The estimates of these future cash flows are based on assumptions and projections we believe to be reasonable and supportable. They require our subjective judgments and take into account assumptions about revenue and expense growth rates. These assumptions may vary by type of facility and presume stable, improving or, in some cases, declining results at our hospitals, depending on their circumstances. If the presumed level of performance does not occur as expected, impairment may result.

We report long-lived assets to be disposed of at the lower of their carrying amounts or fair values less costs to sell. In such circumstances, our estimates of fair value are based on appraisals, established market prices for comparable assets or internal estimates of future net cash flows.

Fair value estimates can change by material amounts in subsequent periods. Many factors and assumptions can impact the estimates, including the following risks:

- future financial results of our hospitals, which can be impacted by volumes of insured patients and declines in commercial managed care patients, terms of managed care payer arrangements, our ability to collect amounts due from uninsured and managed care payers, loss of volumes as a result of competition, and our ability to manage costs such as labor costs, which can be adversely impacted by union activity and the shortage of experienced nurses;
- changes in payments from governmental healthcare programs and in government regulations such as reductions to Medicare and Medicaid payment rates resulting from government legislation or rule-making or from budgetary challenges of states in which we operate;
- how the hospitals are operated in the future; and
- the nature of the ultimate disposition of the assets.

During the year ended December 31, 2019, we recorded \$42 million of impairment charges, consisting of \$26 million of charges to write-down assets held for sale to their estimated fair value, less estimated costs to sell, for certain of our Memphis-area facilities and \$16 million of other impairment charges. Of the total impairment charges recognized for the year ended December 31, 2019, \$31 million related to our Hospital Operations and other segment, \$6 million related to our Ambulatory Care segment, and \$5 million related to our Conifer segment.

During the year ended December 31, 2018, we recorded \$77 million of impairment charges, consisting of \$40 million for the write-down of buildings and other long-lived assets to their estimated fair values at two hospitals, \$24 million of charges to write-down assets held for sale to their estimated fair value, less estimated costs to sell, for certain of our Chicago-area facilities, \$9 million of charges to write-down assets held for sale to their estimated fair value, less estimated costs to sell, for Aspen and \$4 million of other impairment charges. Of the total impairment charges recognized for the year ended December 31, 2018, \$67 million related to our Hospital Operations and other segment, \$9 million related to our Ambulatory Care segment, and \$1 million related to our Conifer segment.

In our most recent impairment analysis as of December 31, 2019, we had one asset group, including three hospitals and related operations, with an aggregate carrying value of long-lived assets of \$159 million whose estimated undiscounted future cash flows exceeded the carrying value of long-lived assets by approximately 50%. The estimated undiscounted future cash flows of these long-lived asset groups are not considered to be substantially in excess of cash flows necessary to recover the carrying values of their long-lived assets. Future adverse trends that necessitate changes in the estimates of undiscounted future cash flows could result in the estimated undiscounted future cash flows being less than the carrying values of the long-lived assets, which would require a fair value assessment, and if the fair value amount is less than the carrying value of the long-lived assets, material impairment charges could result.

IMPAIRMENT OF GOODWILL

Goodwill represents the excess of costs over the fair value of assets of businesses acquired. Goodwill and other intangible assets acquired in purchase business combinations and determined to have indefinite useful lives are not amortized, but instead are subject to impairment tests performed at least annually. For goodwill, we perform the test at the reporting unit level, as defined by applicable accounting standards, when events occur that require an evaluation to be performed or at least annually. If we determine the carrying value of goodwill is impaired, or if the carrying value of a business that is to be sold or otherwise disposed of exceeds its fair value, then we reduce the carrying value, including any allocated goodwill, to fair value. Estimates of fair value are based on appraisals, established market prices for comparable assets or internal estimates of future net cash flows and presume stable, improving or, in some cases, declining results at our hospitals or outpatient facilities, depending on their circumstances. If the presumed level of performance does not occur as expected, impairment may result.

At December 31, 2019, our continuing operations consisted of three reportable segments, Hospital Operations and other, Ambulatory Care and Conifer. Our segments are reporting units used to perform our goodwill impairment analysis. We completed our annual impairment tests for goodwill as of October 1, 2019.

The allocated goodwill balance related to our Hospital Operations and other segment totals \$2.908 billion. In our latest impairment analysis for the year ended December 31, 2019, the estimated fair value of our Hospital Operations and other segment exceeded the carrying value of long-lived assets, including goodwill, by approximately 35%.

The allocated goodwill balance related to our Ambulatory Care segment totals \$3.739 billion. For the Ambulatory Care segment, we performed a qualitative analysis and concluded that it was more likely than not that the fair value of the reporting unit exceeded its carrying value. Factors considered in the analysis included recent and estimated future operating trends.

The allocated goodwill balance related to our Conifer segment totals \$605 million. For the Conifer segment, we performed a qualitative analysis and concluded that it was more likely than not that the fair value of the reporting unit exceeded its carrying value. Factors considered in the analysis included recent and estimated future operating trends.

ACCOUNTING FOR INCOME TAXES

We account for income taxes using the asset and liability method. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Income tax receivables and liabilities and deferred tax assets and liabilities are recognized based on the amounts that more likely than not will be sustained upon ultimate settlement with taxing authorities.

Developing our provision for income taxes and analysis of uncertain tax positions requires significant judgment and knowledge of federal and state income tax laws, regulations and strategies, including the determination of deferred tax assets and liabilities and, if necessary, any valuation allowances that may be required for deferred tax assets.

We assess the realization of our deferred tax assets to determine whether an income tax valuation allowance is required. Based on all available evidence, both positive and negative, and the weight of that evidence to the extent such evidence can be objectively verified, we determine whether it is more likely than not that all or a portion of the deferred tax assets will be realized. The main factors that we consider include:

- Cumulative profits/losses in recent years, adjusted for certain nonrecurring items;
- Income/losses expected in future years;
- Unsettled circumstances that, if unfavorably resolved, would adversely affect future operations and profit levels;
- The availability, or lack thereof, of taxable income in prior carryback periods that would limit realization of tax benefits; and
- The carryforward period associated with the deferred tax assets and liabilities.

During the year ended December 31, 2019, the valuation allowance increased by \$133 million, including an increase of \$130 million due to limitations on the tax deductibility of interest expense, a decrease of \$2 million due to the expiration or worthlessness of unutilized state net operating loss carryovers, and an increase of \$5 million due to changes in expected realizability of deferred tax assets. The balance in the valuation allowance as of December 31, 2019 was \$281 million. During the year ended December 31, 2018, the valuation allowance increased by \$76 million, including an increase of \$89 million due to limitations on deductions of interest expense, a decrease of \$9 million due to the expiration or worthlessness of unutilized state net operating loss carryovers, and a decrease of \$4 million due to changes in expected realizability of deferred tax assets. The remaining balance in the valuation allowance at December 31, 2018 was \$148 million. Federal and state deferred tax assets relating to interest expense limitations under Internal Revenue Code Section 163(j) have a full valuation allowance because the interest expense carryovers are not expected to be utilized in the foreseeable future.

We consider many factors when evaluating our uncertain tax positions, and such judgments are subject to periodic review. Tax benefits associated with uncertain tax positions are recognized in the period in which one of the following conditions is satisfied: (1) the more likely than not recognition threshold is satisfied; (2) the position is ultimately settled through negotiation or litigation; or (3) the statute of limitations for the taxing authority to examine and challenge the position has expired. Tax benefits associated with an uncertain tax position are derecognized in the period in which the more likely than not recognition threshold is no longer satisfied.

While we believe we have adequately provided for our income tax receivables or liabilities and our deferred tax assets or liabilities, adverse determinations by taxing authorities or changes in tax laws and regulations could have a material adverse effect on our consolidated financial position, results of operations or cash flows.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following table presents information about certain of our market-sensitive financial instruments at December 31, 2019. 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,						Total	Fair Value
	2020	2021	2022	2023	2024	Thereafter		
	(Dollars in Millions)							
Fixed-rate long-term debt	\$ 171	\$ 112	\$ 2,851	\$ 1,903	\$ 2,486	\$ 7,414	\$ 14,937	\$ 15,893
Average effective interest rates	5.5%	5.6%	8.6%	7.3%	4.9%	5.7%	6.3%	

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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MANAGEMENT REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To Our Shareholders:

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended. Management assessed the effectiveness of Tenet’s internal control over financial reporting as of December 31, 2019. This assessment was performed under the supervision of and with the participation of management, including the chief executive officer and chief financial officer.

In making this assessment, management used criteria based on the framework in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on the assessment using the COSO framework, management concluded that Tenet’s internal control over financial reporting was effective as of December 31, 2019.

Tenet’s internal control over financial reporting as of December 31, 2019 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report, which is included herein. Deloitte & Touche LLP has also audited Tenet’s Consolidated Financial Statements as of and for the year ended December 31, 2019, and that firm’s audit report on such Consolidated Financial Statements is also included herein.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

/s/ RONALD A. RITTENMEYER

Ronald A. Rittenmeyer

Executive Chairman and Chief Executive Officer

February 24, 2020

/s/ DANIEL J. CANCELMI

Daniel J. Cancelmi

Executive Vice President and Chief Financial Officer

February 24, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Tenet Healthcare Corporation

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Tenet Healthcare Corporation and subsidiaries (the “Company”) as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2019, of the Company and our report dated February 24, 2020, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP
Dallas, Texas
February 24, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Tenet Healthcare Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Tenet Healthcare Corporation and subsidiaries (the “Company”) as of December 31, 2019 and 2018, the related consolidated statements of operations, other comprehensive income (loss), changes in equity, and cash flows for each of the three years in the period ended December 31, 2019, and the related notes and the consolidated financial statement schedule listed in the Index at Item 15 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2020, expressed an unqualified opinion on the Company’s internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Accounts Receivable and Net Operating Revenues— Refer to Notes 1, 3, and 15 to the financial statements

Critical Audit Matter Description

Management reports net patient service revenues and accounts receivable at the amounts that reflect the consideration to which they expect to be entitled for providing patient care. This transaction price is based on gross charges for services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Company’s Compact with Uninsured Patients, and implicit price concessions provided primarily to uninsured patients. The implicit price concessions are estimates developed by management based on their historical collection experience with these classes of patients using a portfolio approach.

Given the judgments necessary to estimate the implicit price concessions to determine the amount of net revenues recognized and the value of patient accounts receivable as a result of inherent subjectivity in collection trends from changes in the economy, patient volumes, amounts to be paid by patients with insurance and other factors, auditing such estimates involved especially subjective judgments.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to management's estimates of the implicit price concessions used to determine the value of net patient service revenues and accounts receivable included the following, among others:

- We tested the effectiveness of controls over net patient service revenues and the valuation of accounts receivable, including those over the historical collections data and management's analysis of their historical collection experience and judgments applied to develop their assumptions for implicit price concessions.
- We evaluated the methods and assumptions used by management to estimate the implicit price concessions by:
 - o Testing the underlying data that served as the basis for the implicit price concession rates developed by management, including the historical collections data within the classes of patients, to evaluate whether the inputs to management's estimate were reasonable.
 - o Comparing management's prior-year recorded balance to actual write-offs during the current year, and reviewing trends in implicit price concessions over time.
- We developed an independent estimate using historical collection data for each class of patients. We then compared the result to the implicit price concession estimate developed by management to evaluate the reasonableness of accounts receivable and revenues.

Property and Professional and General Liability Insurance – Professional and General Liability Reserves — Refer to Notes 1 and 16 to the financial statements

Critical Audit Matter Description

Management records an accrual for the portion of their professional and general liability risks, including incurred but not reported claims, for which they do not have insurance coverage and that are probable and can be reasonably estimated. This accrual is estimated based on internal and third-party modeled estimates of projected payments using case-specific facts and circumstances and the Company's historical claim loss reporting, claim development and settlement patterns, reported and closed claim counts, and a variety of hospital census information.

Given the subjectivity of estimating the projected liability of reported and unreported claims, auditing the professional and general liability reserves involved especially subjective judgment.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the professional and general liability reserves included the following, among others:

- We tested the effectiveness of controls related to the professional and general liability reserves, including those over the estimation of the projected liability of reported and unreported claims.
- We evaluated the methods and assumptions used by management to estimate the professional and general liability reserves by:
 - o Testing the underlying data that served as the basis for the internal and third-party actuarial analyses, including historical claims, to evaluate that the inputs to the actuarial estimates were reasonable.
 - o Comparing management's prior-year recorded balance to actual losses incurred during the current year.

With the assistance of our internal actuarial specialists, we developed an independent range of estimates of the professional and general liability reserves, using loss data, historical and industry claim development factors, among other factors, and compared our estimates to management's estimates.

/s/ DELOITTE & TOUCHE LLP

Dallas, Texas
February 24, 2020

We have served as the Company's auditor since 2007.

CONSOLIDATED BALANCE SHEETS
Dollars in Millions

	December 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 262	\$ 411
Accounts receivable	2,743	2,595
Inventories of supplies, at cost	310	305
Income tax receivable	10	21
Assets held for sale	387	107
Other current assets	1,369	1,197
Total current assets	5,081	4,636
Investments and other assets	2,369	1,456
Deferred income taxes	169	312
Property and equipment, at cost, less accumulated depreciation and amortization (\$5,498 at December 31, 2019 and \$5,221 at December 31, 2018)	6,878	6,993
Goodwill	7,252	7,281
Other intangible assets, at cost, less accumulated amortization (\$1,092 at December 31, 2019 and \$1,013 at December 31, 2018)	1,602	1,731
Total assets	\$ 23,351	\$ 22,409
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 171	\$ 182
Accounts payable	1,204	1,207
Accrued compensation and benefits	877	838
Professional and general liability reserves	330	216
Accrued interest payable	245	240
Liabilities held for sale	44	43
Other current liabilities	1,334	1,131
Total current liabilities	4,205	3,857
Long-term debt, net of current portion	14,580	14,644
Professional and general liability reserves	585	666
Defined benefit plan obligations	560	521
Deferred income taxes	27	36
Other long-term liabilities	1,405	578
Total liabilities	21,362	20,302
Commitments and contingencies		
Redeemable noncontrolling interests in equity of consolidated subsidiaries	1,506	1,420
Equity:		
Shareholders' equity:		
Common stock, \$0.05 par value; authorized 262,500,000 shares; 152,540,815 shares issued at December 31, 2019 and 150,897,143 shares issued at December 31, 2018	7	7
Additional paid-in capital	4,760	4,747
Accumulated other comprehensive loss	(257)	(223)
Accumulated deficit	(2,467)	(2,236)
Common stock in treasury, at cost, 48,344,195 shares at December 31, 2019 and 48,359,705 shares at December 31, 2018	(2,414)	(2,414)
Total shareholders' deficit	(371)	(119)
Noncontrolling interests	854	806
Total equity	483	687
Total liabilities and equity	\$ 23,351	\$ 22,409

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF OPERATIONS
Dollars in Millions, Except Per-Share Amounts

	Years Ended December 31,		
	2019	2018	2017
Net operating revenues:			
Net operating revenues before provision for doubtful accounts			\$ 20,613
Less: Provision for doubtful accounts			1,434
Net operating revenues	\$ 18,479	\$ 18,313	19,179
Equity in earnings of unconsolidated affiliates	175	150	144
Operating expenses:			
Salaries, wages and benefits	8,704	8,634	9,274
Supplies	3,057	3,004	3,085
Other operating expenses, net	4,189	4,256	4,561
Depreciation and amortization	850	802	870
Impairment and restructuring charges, and acquisition-related costs	185	209	541
Litigation and investigation costs	141	38	23
Net losses (gains) on sales, consolidation and deconsolidation of facilities	15	(127)	(144)
Operating income	1,513	1,647	1,113
Interest expense	(985)	(1,004)	(1,028)
Other non-operating expense, net	(5)	(5)	(22)
Gain (loss) from early extinguishment of debt	(227)	1	(164)
Income (loss) from continuing operations, before income taxes	296	639	(101)
Income tax expense	(153)	(176)	(219)
Income (loss) from continuing operations, before discontinued operations	143	463	(320)
Discontinued operations:			
Income from operations	15	4	—
Income tax expense	(4)	(1)	—
Income from discontinued operations	11	3	—
Net income (loss)	154	466	(320)
Less: Net income available to noncontrolling interests	386	355	384
Net income available (loss attributable) to Tenet Healthcare Corporation common shareholders	\$ (232)	\$ 111	\$ (704)
Amounts available (attributable) to Tenet Healthcare Corporation common shareholders			
Income (loss) from continuing operations, net of tax	\$ (243)	\$ 108	\$ (704)
Income from discontinued operations, net of tax	11	3	—
Net income available (loss attributable) to Tenet Healthcare Corporation common shareholders	\$ (232)	\$ 111	\$ (704)
Earnings (loss) per share available (attributable) to Tenet Healthcare Corporation common shareholders:			
Basic			
Continuing operations	\$ (2.35)	\$ 1.06	\$ (7.00)
Discontinued operations	0.11	0.03	—
	\$ (2.24)	\$ 1.09	\$ (7.00)
Diluted			
Continuing operations	\$ (2.35)	\$ 1.04	\$ (7.00)
Discontinued operations	0.11	0.03	—
	\$ (2.24)	\$ 1.07	\$ (7.00)
Weighted average shares and dilutive securities outstanding (in thousands):			
Basic	103,398	102,110	100,592
Diluted	103,398	103,881	100,592

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME (LOSS)
Dollars in Millions

	Years Ended December 31,		
	2019	2018	2017
Net income (loss)	\$ 154	\$ 466	\$ (320)
Other comprehensive income (loss):			
Adjustments for defined benefit plans	(52)	(29)	42
Amortization of net actuarial loss included in other non-operating expense, net	10	14	14
Unrealized gains (losses) on debt securities held as available-for-sale	—	—	6
Sale of foreign subsidiary	—	37	—
Foreign currency translation adjustments	—	(4)	15
Other comprehensive income (loss) before income taxes	(42)	18	77
Income tax benefit (expense) related to items of other comprehensive income (loss)	8	6	(23)
Total other comprehensive income (loss), net of tax	(34)	24	54
Comprehensive net income (loss)	120	490	(266)
Less: Comprehensive income attributable to noncontrolling interests	386	355	384
Comprehensive income available (loss attributable) to Tenet Healthcare Corporation common shareholders	\$ (266)	\$ 135	\$ (650)

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
Dollars in Millions,
Share Amounts in Thousands

Tenet Healthcare Corporation Shareholders' Equity									
	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Treasury Stock	Noncontrolling Interests	Total Equity	
	Shares Outstanding	Issued Par Amount						Total Equity	Total Equity
Balances at December 31, 2016	99,686	\$ 7	\$ 4,827	\$ (258)	\$ (1,742)	\$ (2,417)	\$ 665	\$ 1,082	
Net income (loss)	—	—	—	—	(704)	—	145	(559)	
Distributions paid to noncontrolling interests	—	—	—	—	—	—	(123)	(123)	
Other comprehensive income	—	—	—	54	—	—	—	54	
Accretion of redeemable noncontrolling interests	—	—	(33)	—	—	—	—	(33)	
Purchases (sales) of businesses and noncontrolling interests	—	—	4	—	—	—	(1)	3	
Cumulative effect of accounting change	—	—	—	—	56	—	—	56	
Stock-based compensation expense, tax benefit and issuance of common stock	1,286	—	61	—	—	(2)	—	59	
Balances at December 31, 2017	100,972	7	4,859	(204)	(2,390)	(2,419)	686	539	
Net income	—	—	—	—	111	—	165	276	
Distributions paid to noncontrolling interests	—	—	—	—	—	—	(148)	(148)	
Other comprehensive income	—	—	—	24	—	—	—	24	
Accretion of redeemable noncontrolling interests	—	—	(173)	—	—	—	—	(173)	
Purchases of businesses and noncontrolling interests	—	—	3	—	—	—	103	106	
Cumulative effect of accounting change	—	—	—	(43)	43	—	—	—	
Stock-based compensation expense, tax benefit and issuance of common stock	1,565	—	58	—	—	5	—	63	
Balances at December 31, 2018	102,537	7	4,747	(223)	(2,236)	(2,414)	806	687	
Net income (loss)	—	—	—	—	(232)	—	194	(38)	
Distributions paid to noncontrolling interests	—	—	—	—	—	—	(162)	(162)	
Other comprehensive loss	—	—	—	(34)	—	—	—	(34)	
Accretion of redeemable noncontrolling interests	—	—	(18)	—	—	—	—	(18)	
Purchases (sales) of businesses and noncontrolling interests	—	—	(7)	—	—	—	16	9	
Cumulative effect of accounting change	—	—	—	—	1	—	—	1	
Stock-based compensation expense, tax benefit and issuance of common stock	1,660	—	38	—	—	—	—	38	
Balances at December 31, 2019	104,197	\$ 7	\$ 4,760	\$ (257)	\$ (2,467)	\$ (2,414)	\$ 854	\$ 483	

See accompanying Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Dollars in Millions

	Years Ended December 31,		
	2019	2018	2017
Net income (loss)	\$ 154	\$ 466	\$ (320)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	850	802	870
Provision for doubtful accounts	—	—	1,434
Deferred income tax expense	137	150	200
Stock-based compensation expense	42	46	59
Impairment and restructuring charges, and acquisition-related costs	185	209	541
Litigation and investigation costs	141	38	23
Net losses (gains) on sales, consolidation and deconsolidation of facilities	15	(127)	(144)
Loss (gain) from early extinguishment of debt	227	(1)	164
Equity in earnings of unconsolidated affiliates, net of distributions received	(32)	(12)	(18)
Amortization of debt discount and debt issuance costs	35	45	44
Pre-tax income from discontinued operations	(15)	(4)	—
Other items, net	(15)	(21)	(18)
Changes in cash from operating assets and liabilities:			
Accounts receivable	(247)	(134)	(1,448)
Inventories and other current assets	(94)	17	(35)
Income taxes	8	(3)	(38)
Accounts payable, accrued expenses and other current liabilities	36	(152)	(10)
Other long-term liabilities	3	(102)	26
Payments for restructuring charges, acquisition-related costs, and litigation costs and settlements	(192)	(163)	(125)
Net cash used in operating activities from discontinued operations, excluding income taxes	(5)	(5)	(5)
Net cash provided by operating activities	1,233	1,049	1,200
Cash flows from investing activities:			
Purchases of property and equipment — continuing operations	(670)	(617)	(707)
Purchases of businesses or joint venture interests, net of cash acquired	(25)	(113)	(50)
Proceeds from sales of facilities and other assets — continuing operations	63	543	827
Proceeds from sales of facilities and other assets — discontinued operations	17	—	—
Proceeds from sales of marketable securities, long-term investments and other assets	82	199	36
Purchases of marketable securities and equity investments	(62)	(148)	(81)
Other long-term assets	(24)	15	(10)
Other items, net	—	6	6
Net cash provided by (used in) investing activities	(619)	(115)	21
Cash flows from financing activities:			
Repayments of borrowings under credit facility	(2,640)	(950)	(970)
Proceeds from borrowings under credit facility	2,640	950	970
Repayments of other borrowings	(6,131)	(312)	(4,139)
Proceeds from other borrowings	5,719	23	3,795
Debt issuance costs	(70)	—	(62)
Distributions paid to noncontrolling interests	(307)	(288)	(258)
Proceeds from sale of noncontrolling interests	21	20	31
Purchases of noncontrolling interests	(11)	(647)	(729)
Proceeds from exercise of stock options and employee stock purchase plan	12	16	7
Other items, net	4	54	29
Net cash used in financing activities	(763)	(1,134)	(1,326)
Net decrease in cash and cash equivalents	(149)	(200)	(105)
Cash and cash equivalents at beginning of period	411	611	716
Cash and cash equivalents at end of period	\$ 262	\$ 411	\$ 611
Supplemental disclosures:			

Interest paid, net of capitalized interest	\$	(946)	\$	(976)	\$	(939)
Income tax payments, net	\$	(12)	\$	(25)	\$	(56)

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Tenet Healthcare Corporation (together with our subsidiaries, referred to herein as “Tenet,” “we” or “us”) is a diversified healthcare services company headquartered in Dallas, Texas. Through an expansive care network that includes USPI Holding Company, Inc. (“USPI”), at December 31, 2019, we operated 65 hospitals and over 500 other healthcare facilities, including surgical hospitals, ambulatory surgery centers, urgent care and imaging centers, and other care sites and clinics. We hold noncontrolling interests in 109 of these facilities, which are recorded using the equity method of accounting. We also operate Conifer Health Solutions, through our Conifer Holdings, Inc. (“Conifer”) subsidiary, which provides revenue cycle management and value-based care services to hospitals, health systems, physician practices, employers and other customers.

Effective June 16, 2015, we completed a transaction that combined our freestanding ambulatory surgery and imaging center assets with the surgical facility assets of United Surgical Partners International, Inc. into our joint venture, USPI. In April 2016, we paid \$127 million to purchase additional shares, which increased our ownership interest in USPI from 50.1% to approximately 56.3%. In July 2017, we paid \$716 million for the purchase of additional shares and the final adjustment to the 2016 purchase price, which increased our ownership interest in USPI to 80.0%. In April 2018, we paid approximately \$630 million for the purchase of an additional 15% ownership interest in USPI and the final adjustment to the 2017 purchase price, which increased our ownership interest in USPI to 95%.

Basis of Presentation

Our Consolidated Financial Statements include the accounts of Tenet and its wholly owned and majority-owned subsidiaries. We eliminate intercompany accounts and transactions in consolidation, and we include the results of operations of businesses that are newly acquired in purchase transactions from their dates of acquisition. We account for significant investments in other affiliated companies using the equity method. Unless otherwise indicated, all financial and statistical data included in these notes to our Consolidated Financial Statements relate to our continuing operations, with dollar amounts expressed in millions (except per-share amounts).

Effective January 1, 2019, we adopted the Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-02, “Leases (Topic 842)” (“ASU 2016-02”) using the modified retrospective transition approach as of the period of adoption. Our financial statements for periods prior to January 1, 2019 were not modified for the application of the new lease accounting standard. The main difference between the guidance in ASU 2016-02 and previous accounting principles generally accepted in the United States of America (“GAAP”) is the recognition of lease assets and lease liabilities on the balance sheet by lessees for those leases classified as operating leases under previous GAAP. Upon adoption of ASU 2016-02, we recorded \$822 million of right-of-use assets, net of deferred rent, associated with operating leases in investments and other assets in our consolidated balance sheet, \$147 million of current liabilities associated with operating leases in other current liabilities in our consolidated balance sheet and \$715 million of long-term liabilities associated with operating leases in other long-term liabilities in our consolidated balance sheet. We also recognized \$1 million of cumulative effect adjustment that decreased accumulated deficit at January 1, 2019.

Effective January 1, 2018, we adopted the FASB ASU 2014-09, “Revenue from Contracts with Customers (Topic 606)” (“ASU 2014-09”) using a modified retrospective method of application to all contracts existing on January 1, 2018. The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For our Hospital Operations and other and Ambulatory Care segments, the adoption of ASU 2014-09 resulted in changes to our presentation and disclosure of revenue primarily related to uninsured or underinsured patients. Prior to the adoption of ASU 2014-09, a significant portion of our provision for doubtful accounts related to uninsured patients, as well as co-pays, co-insurance amounts and deductibles owed to us by patients with insurance. Under ASU 2014-09, the estimated uncollectable amounts due from these patients are generally considered implicit price concessions that are a direct reduction to net operating revenues, with a corresponding material reduction in the amounts presented separately as provision for doubtful accounts. For the year ended December 31, 2018, we recorded approximately \$1.422 billion of implicit price concessions as a direct reduction of net operating revenues that would have been recorded as provision for doubtful accounts prior to the adoption of ASU 2014-09. At January 1, 2018, we reclassified \$171 million of revenues related to patients who were still receiving inpatient care in our facilities at that date from accounts receivable, less allowance for doubtful accounts, to contract assets, which are included in other current assets in the accompanying

Consolidated Balance Sheet at December 31, 2018. The adoption of ASU 2014-09 also resulted in changes to our presentation and disclosure of customer contract assets and liabilities and the assessment of variable consideration under customer contracts, which are further discussed in Note 4.

Also effective January 1, 2018, we early adopted ASU 2018-02, “Income Statement – Reporting Comprehensive Income (Topic 220)” (“ASU 2018-02”), which allows a reclassification from accumulated other comprehensive income to retained earnings for stranded income tax effects resulting from the Tax Cuts and Jobs Act (the “Tax Act”) and requires certain disclosures about stranded income tax effects. We applied the amendments in ASU 2018-02 in the period of adoption, resulting in a reclassification that decreased accumulated deficit and increased accumulated other comprehensive loss by \$36 million of stranded income tax effects in the year ended December 31, 2018.

In addition, we adopted ASU 2016-01, “Financial Instruments – Overall (Subtopic 825-10) Recognition and Measurement of Financial Assets and Financial Liabilities” (“ASU 2016-01”) effective January 1, 2018, which supersedes the guidance to classify equity securities with readily determinable fair values into different categories (that is, trading or available-for-sale) and require equity securities (including other ownership interests, such as partnerships, unincorporated joint ventures and limited liability companies) to be measured at fair value with changes in the fair value recognized through net income. Upon adoption of ASU 2016-01 on January 1, 2018, we recorded a cumulative effect adjustment to decrease accumulated deficit by \$7 million for unrealized gains on equity securities.

Certain prior-year amounts have been reclassified to conform to current year presentation. In our accompanying Consolidated Statements of Operations, electronic health record incentives have been reclassified to other operating expenses, net, as they are no longer significant enough to present separately. In our accompanying Consolidated Statements of Cash Flows, purchases of marketable securities have been reclassified from other items, net within cash flows from investing activities to purchases of marketable securities and equity investments.

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America (“GAAP”), requires us to make estimates and assumptions that affect the amounts reported in our 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. Although we believe all adjustments considered necessary for a fair presentation have been included, 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.

Translation of Foreign Currencies

During the year ended December 31, 2019, we formed our Global Business Center (“GBC”) in the Republic of the Philippines. The GBC’s accounts are measured in its local currency (the Philippine peso) and then translated into U.S. dollars. We divested European Surgical Partners Limited (“Aspen”) in August 2018; prior to that time, Aspen’s accounts were measured in its local currency (the pound sterling) and then translated into U.S. dollars. All assets and liabilities denominated in foreign currency are translated using the current rate of exchange at the balance sheet date. Results of operations denominated in foreign currency are 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

ASU 2014-09 was issued to clarify the principles for recognizing revenue, to remove inconsistencies and weaknesses in revenue recognition requirements, and to provide a more robust framework for addressing revenue issues. Our adoption of ASU 2014-09 was accomplished using a modified retrospective method of application, and our accounting policies related to revenues were revised accordingly effective January 1, 2018, as discussed below.

We recognize net operating revenues in the period in which we satisfy our performance obligations under contracts by transferring services to our customers. Net operating revenues are recognized in the amounts we expect to be entitled to, which are the transaction prices allocated for the distinct services. Net operating revenues for our Hospital Operations and other and Ambulatory Care segments primarily consist of net patient service revenues, 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* (“*Compact*”) and other uninsured discount and charity programs. Net operating revenues for our Conifer segment primarily consist of revenues from providing revenue cycle management services to healthcare systems, as well as individual hospitals, physician practices, self-insured organizations, health plans and other entities.

Net Patient Service Revenues—We report net patient service revenues at the amounts that reflect the consideration we expect to be entitled to in exchange for providing patient care. These amounts are due from patients, third-party payers (including managed care payers and government programs) and others, and they include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations. Generally, we bill our patients and third-party payers several days after the services are performed or shortly after discharge. Revenues are recognized as performance obligations are satisfied.

We determine performance obligations based on the nature of the services we provide. We recognize revenues for performance obligations satisfied over time based on actual charges incurred in relation to total expected charges. We believe that this method provides a faithful depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligations. Generally, performance obligations satisfied over time relate to patients in our hospitals receiving inpatient acute care services. We measure performance obligations from admission to the point when there are no further services required for the patient, which is generally the time of discharge. We recognize revenues for performance obligations satisfied at a point in time, which generally relate to patients receiving outpatient services, when: (1) services are provided; and (2) we do not believe the patient requires additional services.

Because our patient service performance obligations relate to contracts with a duration of less than one year, we have elected to apply the optional exemption provided in ASC 606-10-50-14(a) and, therefore, we are not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

We determine the transaction price based on gross charges for services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with our *Compact*, and implicit price concessions provided primarily to uninsured patients. We determine our estimates of contractual adjustments and discounts based on contractual agreements, our discount policies and historical experience. We determine our estimate of implicit price concessions based on our historical collection experience with these classes of patients using a portfolio approach as a practical expedient to account for patient contracts as collective groups rather than individually. The financial statement effects of using this practical expedient are not materially different from an individual contract approach.

Gross charges are retail charges. They are not the same as actual pricing, and they generally do not reflect what a hospital is ultimately paid and, therefore, are not displayed in our consolidated statements of operations. Hospitals are typically paid amounts that are negotiated with insurance companies or are set by the government. Gross charges are used to calculate Medicare outlier payments and to determine certain elements of payment under managed care contracts (such as stop-loss payments). Because Medicare requires that a hospital’s gross charges be the same for all patients (regardless of payer category), gross charges are what hospitals charge all patients prior to the application of discounts and allowances.

Revenues under the traditional fee-for-service Medicare and Medicaid programs are based primarily on prospective payment systems. Retrospectively determined cost-based revenues under these programs, which were more prevalent in earlier periods, and certain other payments, such as Indirect Medical Education, Direct Graduate Medical Education, disproportionate share hospital and bad debt expense reimbursement, which are based on our hospitals’ cost reports, are estimated using historical trends and current factors. Cost report settlements under these programs are subject to audit by Medicare and Medicaid auditors and administrative and judicial review, and it can take several years until final settlement of such matters is determined and completely resolved. Because the laws, regulations, instructions and rule interpretations governing Medicare and Medicaid reimbursement are complex and change frequently, the estimates we record could change by material amounts.

We have a system and estimation process for recording Medicare net patient service revenue and estimated cost report settlements. As a result, we record accruals to reflect the expected final settlements on our cost reports. For filed cost reports, we record the accrual based on those cost reports and subsequent activity, and record a valuation allowance against those cost reports based on historical settlement trends. The accrual for periods for which a cost report is yet to be filed is recorded based on estimates of what we expect to report on the filed cost reports, and a corresponding valuation allowance is recorded as

previously described. Cost reports generally must be filed within five months after the end of the annual cost reporting period. After the cost report is filed, the accrual and corresponding valuation allowance may need to be adjusted.

Settlements with third-party payers for retroactive revenue adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care using the most likely outcome method. These settlements are estimated based on the terms of the payment agreement with the payer, correspondence from the payer and our historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews and investigations.

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/or 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. Contractual allowance estimates are periodically reviewed for accuracy by taking into consideration known contract terms, as well as payment history. 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 revenues. In addition, on a corporate-wide basis, we do not record any general provision for adjustments to estimated contractual allowances for managed care plans. Managed care accounts, net of contractual allowances recorded, are further reduced to their net realizable value through implicit price concessions based on historical collection trends for these payers and other factors that affect the estimation process.

We know of no claims, disputes or unsettled matters with any payer that would materially affect our revenues for which we have not adequately provided in the accompanying Consolidated Financial Statements.

Generally, patients who are covered by third-party payers are responsible for related co-pays, co-insurance and deductibles, which vary in amount. We also provide services to uninsured patients and offer uninsured patients a discount from standard charges. We estimate the transaction price for patients with co-pays, co-insurance and deductibles and for those who are uninsured based on historical collection experience and current market conditions. Under our *Compact* and other uninsured discount programs, the discount offered to certain 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 at the time they are recorded through implicit price concessions based on historical collection trends for self-pay accounts and other factors that affect the estimation process. There are various factors that can impact collection trends, such as changes in the economy, which in turn have an impact on unemployment rates and the number of uninsured and underinsured patients, the volume of patients through our emergency departments, the increased burden of co-pays, co-insurance amounts and deductibles to be made by patients with insurance, and business practices related to collection efforts. These factors continuously change and can have an impact on collection trends and our estimation process. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to net patient service revenues in the period of the change.

We have provided implicit price concessions, primarily to uninsured patients and patients with co-pays, co-insurance and deductibles. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts we expect to collect based on our collection history with similar patients. Although outcomes vary, our policy is to attempt to collect amounts due from patients, including co-pays, co-insurance and deductibles due from patients with insurance, at the time of service while complying with all federal and state statutes and regulations, including, but not limited to, the Emergency Medical Treatment and Active Labor Act ("EMTALA"). Generally, as required by EMTALA, patients may not be denied emergency treatment due to inability to pay. Therefore, services, including the legally required medical screening examination and stabilization of the patient, are performed without delaying to obtain insurance information. In non-emergency circumstances or for elective procedures and services, it is our policy to verify insurance prior to a patient being treated; however, there are various exceptions that can occur. Such exceptions can include, for example, instances where (1) we are unable to obtain verification because the patient's insurance company was unable to be reached or contacted, (2) a determination is made that a patient may be eligible for benefits under various government programs, such as

Medicaid or Victims of Crime, and it takes several days or weeks before qualification for such benefits is confirmed or denied, and (3) under physician orders we provide services to patients that require immediate treatment.

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. Patient advocates from Conifer's Medical Eligibility Program 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.

Conifer Revenues—Our Conifer segment recognizes revenue from its contracts when Conifer's performance obligations are satisfied, which is generally as services are rendered. Revenue is recognized in an amount that reflects the consideration to which Conifer expects to be entitled.

At contract inception, Conifer assesses the services specified in its contracts with customers and identifies a performance obligation for each distinct contracted service. Conifer identifies the performance obligations and considers all the services provided under the contract. Conifer generally considers the following distinct services as separate performance obligations:

- revenue cycle management services;
- value-based care services;
- patient communication and engagement services;
- consulting services; and
- other client-defined projects.

Conifer's contracts generally consist of fixed-price, volume-based or contingency-based fees. Conifer's long-term contracts typically provide for Conifer to deliver recurring monthly services over a multi-year period. The contracts are typically priced such that Conifer's monthly fee to its customer represents the value obtained by the customer in the month for those services. Such multi-year service contracts may have upfront fees related to transition or integration work performed by Conifer to set up the delivery for the ongoing services. Such transition or integration work typically does not result in a separately identifiable obligation; thus, the fees and expenses related to such work are deferred and recognized over the life of the related contractual service period. Revenue for fixed-priced contracts is typically recognized at the time of billing unless evidence suggests that the revenue is earned or Conifer's obligations are fulfilled in a different pattern. Revenue for volume-based contracts is typically recognized as the services are being performed at the contractually billable rate, which is generally a percentage of collections or a percentage of client net patient revenue.

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 \$262 million and \$411 million at December 31, 2019 and 2018, respectively. At December 31, 2019 and 2018, our book overdrafts were \$246 million and \$288 million, respectively, which were classified as accounts payable.

At December 31, 2019 and 2018, \$176 million and \$177 million, respectively, of total cash and cash equivalents in the accompanying Consolidated Balance Sheets were intended for the operations of our captive insurance subsidiaries, and \$2 million and \$8 million, respectively, of total cash and cash equivalents in the accompanying Consolidated Balance Sheets were intended for the operations of our health plan-related businesses.

At December 31, 2019, 2018 and 2017, we had \$136 million, \$135 million and \$117 million, respectively, of property and equipment purchases accrued for items received but not yet paid. Of these amounts, \$119 million, \$114 million and \$79 million, respectively, were included in accounts payable.

During the years ended December 31, 2019, 2018 and 2017, we recorded non-cancellable capital (finance) leases of \$141 million, \$149 million and \$162 million, respectively, primarily for equipment.

Investments in Debt and Equity Securities

Prior to the adoption of ASU 2016-01 on January 1, 2018, we classified investments in debt and equity securities as either available-for-sale, held-to-maturity or as part of a trading portfolio. We carried securities classified as available-for-sale at fair value. We reported their unrealized gains and losses, net of taxes, as accumulated other comprehensive income (loss) unless we determined that a loss was other-than-temporary, at which point we would record a loss in our consolidated statements of operations. We included realized gains or losses in our consolidated statements of operations based on the specific identification method.

Subsequent to the adoption of ASU 2016-01 on January 1, 2018, we classify investments in debt securities as either available-for-sale, held-to-maturity or as part of a trading portfolio, but these classifications are no longer applicable to equity securities. At December 31, 2019, we had no significant investments in debt securities classified as either held-to-maturity or trading. We carry debt securities classified as available-for-sale at fair value. We report their unrealized gains and losses, net of taxes, as accumulated other comprehensive income (loss) unless we determine that a loss is other-than-temporary, at which point we would record a loss in our consolidated statements of operations. We carry equity securities at fair value, and we report their unrealized gains and losses in other non-operating expense, net, in our consolidated statements of operations. We include realized gains or losses in our consolidated statements of operations based on the specific identification method.

Investments in Unconsolidated Affiliates

We control 238 of the facilities within our Ambulatory Care segment and, therefore, consolidate their results. We account for many of the facilities our Ambulatory Care segment operates (108 of 346 at December 31, 2019), as well as additional companies in which our Hospital Operations and other segment holds ownership interests, under the equity method as investments in unconsolidated affiliates and report only our share of net income as equity in earnings of unconsolidated affiliates in the accompanying Consolidated Statements of Operations. Summarized financial information for these equity method investees is included in the following table; among the equity method investees are four North Texas hospitals in which we held minority interests and that were operated by our Hospital Operations and other segment through the divestiture of these investments effective March 1, 2018. We recorded a gain of \$11 million in the year ended December 31, 2018 due to the sales of our minority interest in these hospitals. For investments acquired during the reported periods, amounts reflect 100% of the investee's results beginning on the date of our acquisition of the investment.

	December 31, 2019	December 31, 2018	December 31, 2017
Current assets	\$ 1,180	\$ 842	\$ 805
Noncurrent assets	\$ 1,042	\$ 662	\$ 1,223
Current liabilities	\$ (372)	\$ (313)	\$ (354)
Noncurrent liabilities	\$ (739)	\$ (430)	\$ (389)
Noncontrolling interests	\$ (579)	\$ (530)	\$ (490)

	Years Ended December 31,		
	2019	2018	2017
Net operating revenues	\$ 2,680	\$ 2,469	\$ 2,907
Net income	\$ 765	\$ 599	\$ 558
Net income attributable to the investees	\$ 499	\$ 372	\$ 363

Our equity method investment that contributes the most to our equity in earnings of unconsolidated affiliates is Texas Health Ventures Group, LLC ("THVG"), which is operated by USPI. THVG represented \$79 million of the total \$175 million equity in earnings of unconsolidated affiliates we recognized for the year ended December 31, 2019, \$70 million of the total \$150 million equity in earnings of unconsolidated affiliates we recognized for the year ended December 31, 2018 and \$69 million of the total \$144 million equity in earnings of unconsolidated affiliates we recognized for the year ended December 31, 2017.

Property and Equipment

Additions and improvements to property and equipment exceeding established minimum amounts with a useful life greater than one year are capitalized at cost. Expenditures for maintenance and repairs are charged to expense as incurred. We use the straight-line method of depreciation for buildings, building improvements and equipment. The estimated useful life for buildings and improvements is primarily 15 to 40 years, and for equipment three to 15 years. Newly constructed hospitals are usually depreciated over 50 years. Interest costs related to construction projects are capitalized. In the years ended December 31, 2019, 2018 and 2017, capitalized interest was \$11 million, \$7 million and \$15 million, respectively.

We evaluate our long-lived assets for possible impairment annually or whenever events or changes in circumstances indicate that the carrying amount of the asset, or related group of assets, may not be recoverable from estimated future undiscounted cash flows. If the estimated future undiscounted cash flows are less than the carrying value of the assets, we calculate the amount of an impairment if the carrying value of the long-lived assets exceeds the fair value of the assets. The fair value of the assets is estimated based on appraisals, established market values of comparable assets or internal estimates of future net cash flows expected to result from the use and ultimate disposition of the asset. The estimates of these future cash flows are based on assumptions and projections we believe to be reasonable and supportable. They require our subjective judgments and take into account assumptions about revenue and expense growth rates. These assumptions may vary by type of facility and presume stable, improving or, in some cases, declining results at our hospitals or outpatient facilities, depending on their circumstances.

We report long-lived assets to be disposed of at the lower of their carrying amounts or fair values less costs to sell. In such circumstances, our estimates of fair value are based on appraisals, established market prices for comparable assets or internal estimates of future net cash flows.

Leases

ASU 2016-02 was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Our adoption of ASU 2016-02 was accomplished using a modified retrospective method of application, and our accounting policies related to leases were revised accordingly effective January 1, 2019, as discussed below.

We determine if an arrangement is a lease at inception of the contract. Our right-of-use assets represent our right to use the underlying assets for the lease term and our lease liabilities represent our obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. We use our estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments. For our Hospital Operations and other and Conifer segments, we estimate our incremental borrowing rates for our portfolio of leases using documented rates included in our recent equipment finance leases or, if applicable, recent secured debt issuances that correspond to various lease terms. We also give consideration to information obtained from our bankers, our secured debt fair value and publicly available data for instruments with similar characteristics. For our Ambulatory Care segment, we estimate an incremental borrowing rate for each center by utilizing historical and projected financial data, estimating a hypothetical credit rating using publicly available market data and adjusting the market data to reflect the effects of collateralization.

Our operating leases are primarily for real estate, including off-campus outpatient facilities, medical office buildings, and corporate and other administrative offices, as well as medical and office equipment. Our finance leases are primarily for medical equipment and information technology and telecommunications assets. Our real estate lease agreements typically have initial terms of five to 10 years, and our equipment lease agreements typically have initial terms of three years. We do not record leases with an initial term of 12 months or less (“short-term leases”) in our consolidated balance sheets.

Our real estate leases may include one or more options to renew, with renewals that can extend the lease term from five to 10 years. The exercise of lease renewal options is at our sole discretion. In general, we do not consider renewal options to be reasonably likely to be exercised, therefore, renewal options are generally not recognized as part of our right-of-use assets and lease liabilities. Certain leases also include options to purchase the leased property. The useful life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise. The majority of our medical equipment leases have terms of three years with a bargain purchase option that is reasonably certain of exercise, so these assets are depreciated over their useful life, typically ranging from five to seven years. Similarly, some of our leases of information technology and telecommunications assets include a transfer of title and, therefore, have useful lives of 15 years.

Certain of our lease agreements for real estate include payments based on actual common area maintenance expenses and others include rental payments adjusted periodically for inflation. These variable lease payments are recognized in other operating expenses, net, but are not included in the right-of-use asset or liability balances. Our lease agreements do not contain any material residual value guarantees, restrictions or covenants.

We have elected the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. We have also elected the practical

expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases.

Goodwill and Other Intangible Assets

Goodwill represents the excess of costs over the fair value of assets of businesses acquired. Goodwill and other intangible assets acquired in purchase business combinations and determined to have indefinite useful lives are not amortized, but instead are subject to impairment tests performed at least annually. For goodwill, we perform the test at the reporting unit level when events occur that require an evaluation to be performed or at least annually. If we determine the carrying value of goodwill is impaired, or if the carrying value of a business that is to be sold or otherwise disposed of exceeds its fair value, we reduce the carrying value, including any allocated goodwill, to fair value. Estimates of fair value are based on appraisals, established market prices for comparable assets or internal estimates of future net cash flows and presume stable, improving or, in some cases, declining results at our hospitals, depending on their circumstances.

Other intangible assets consist of capitalized software costs, which are amortized on a straight-line basis over the estimated useful life of the software, which ranges from three to 15 years, costs of acquired management and other contract service rights, most of which have indefinite lives, and miscellaneous intangible assets.

Accruals for General and Professional Liability Risks

We accrue for estimated professional and general liability claims, when they are probable and can be reasonably estimated. The accrual, which includes an estimate for incurred but not reported claims, is updated each quarter based on a model of projected payments using case-specific facts and circumstances and our historical loss reporting, development and settlement patterns and is discounted to its net present value using a risk-free discount rate of 1.83% at December 31, 2019 and 2.59% at December 31, 2018. To the extent that subsequent claims information varies from our estimates, the liability is adjusted in the period such information becomes available. Malpractice expense is presented within other operating expenses in the accompanying Consolidated Statements of Operations.

Income Taxes

We account for income taxes using the asset and liability method. This approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Income tax receivables and liabilities and deferred tax assets and liabilities are recognized based on the amounts that more likely than not will be sustained upon ultimate settlement with taxing authorities.

Developing our provision for income taxes and analysis of uncertain tax positions requires significant judgment and knowledge of federal and state income tax laws, regulations and strategies, including the determination of deferred tax assets and liabilities and, if necessary, any valuation allowances that may be required for deferred tax assets.

We assess the realization of our deferred tax assets to determine whether an income tax valuation allowance is required. Based on all available evidence, both positive and negative, and the weight of that evidence to the extent such evidence can be objectively verified, we determine whether it is more likely than not that all or a portion of the deferred tax assets will be realized. The main factors that we consider include:

- Cumulative profits/losses in recent years, adjusted for certain nonrecurring items;
- Income/losses expected in future years;
- Unsettled circumstances that, if unfavorably resolved, would adversely affect future operations and profit levels;
- The availability, or lack thereof, of taxable income in prior carryback periods that would limit realization of tax benefits; and
- The carryforward period associated with the deferred tax assets and liabilities.

We consider many factors when evaluating our uncertain tax positions, and such judgments are subject to periodic review. Tax benefits associated with uncertain tax positions are recognized in the period in which one of the following conditions is satisfied: (1) the more likely than not recognition threshold is satisfied; (2) the position is ultimately settled through negotiation or litigation; or (3) the statute of limitations for the taxing authority to examine and challenge the position

has expired. Tax benefits associated with an uncertain tax position are derecognized in the period in which the more likely than not recognition threshold is no longer satisfied.

Segment Reporting

We primarily operate acute care hospitals and related healthcare facilities. Our Hospital Operations and other segment generated 81%, 80% and 82% of our net operating revenues net of implicit price concessions and provision for doubtful accounts in the years ended December 31, 2019, 2018 and 2017, respectively. At December 31, 2019, each of our markets related to our general hospitals reported directly to our president and chief operating officer. Major decisions, including capital resource allocations, are made at the consolidated level, not at the market or hospital level.

Our Hospital Operations and other segment is comprised of our acute care and specialty hospitals, ancillary outpatient facilities, urgent care centers, micro-hospitals and physician practices. As described in Note 5, certain of our facilities were classified as held for sale in the accompanying Consolidated Balance Sheet at December 31, 2019. Our Ambulatory Care segment is comprised of the operations of USPI and included nine Aspen facilities in the United Kingdom until their divestiture effective August 17, 2018. Our Conifer segment provides revenue cycle management and value-based care services to hospitals, health systems, physician practices, employers and other customers. 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.

Costs Associated With Exit or Disposal Activities

We recognize costs associated with exit (including restructuring) or disposal activities when they are incurred and can be measured at fair value, rather than at the date of a commitment to an exit or disposal plan.

NOTE 2. EQUITY

Noncontrolling Interests

Our noncontrolling interests balances at December 31, 2019 and 2018 in the accompanying Consolidated Statements of Changes in Equity were comprised of \$114 million and \$112 million, respectively, from our Hospital Operations and other segment, and \$740 million and \$694 million, respectively, from our Ambulatory Care segment. Our net income attributable to noncontrolling interests for the years ended December 31, 2019, 2018 and 2017 were comprised of \$16 million, \$8 million and \$11 million, respectively, from our Hospital Operations and other segment, and \$178 million, \$157 million and \$134 million, respectively, from our Ambulatory Care segment.

NOTE 3. ACCOUNTS RECEIVABLE

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

	December 31, 2019	December 31, 2018
Continuing operations:		
Patient accounts receivable	\$ 2,567	\$ 2,427
Estimated future recoveries	162	148
Net cost reports and settlements receivable and valuation allowances	12	18
	<u>2,741</u>	<u>2,593</u>
Discontinued operations	2	2
Accounts receivable, net	<u>\$ 2,743</u>	<u>\$ 2,595</u>

Accounts that are pursued for collection through Conifer's business offices are maintained on our hospitals' books and reflected in patient accounts receivable. Patient accounts receivable, including billed accounts and certain unbilled accounts, as well as estimated amounts due from third-party payers for retroactive adjustments, are receivables if our right to consideration is unconditional and only the passage of time is required before payment of that consideration is due. Estimated uncollectable amounts are generally considered implicit price concessions that are a direct reduction to patient accounts receivable rather than allowance for doubtful accounts.

We had \$316 million and \$213 million of receivables recorded in other current assets and investments and other assets, respectively, and \$115 million and \$57 million of payables recorded in other current liabilities and other long-term liabilities, respectively, in the accompanying Consolidated Balance Sheet at December 31, 2019 related to California's provider

fee program. We had \$278 million and \$231 million of receivables recorded in other current assets and investments and other assets, respectively, and \$100 million and \$42 million of payables recorded in other current liabilities and other long-term liabilities, respectively, in the accompanying Consolidated Balance Sheet at December 31, 2018 related to California’s provider fee program.

We also provide financial assistance through our charity and uninsured discount programs to uninsured patients who are unable to pay for the healthcare services they receive. Our policy is not to pursue collection of amounts determined to qualify for financial assistance; 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. Some states have also developed provider fee or other supplemental payment programs to mitigate the shortfall of Medicaid reimbursement compared to the cost of caring for Medicaid patients.

The following table shows our estimated costs (based on selected operating expenses, which include salaries, wages and benefits, supplies and other operating expenses and which exclude the costs of our health plan businesses) of caring for our uninsured and charity patients in the years ended December 31, 2019, 2018 and 2017.

	Years Ended December 31,		
	2019	2018	2017
Estimated costs for:			
Uninsured patients	\$ 666	\$ 640	\$ 648
Charity care patients	156	124	121
Total	<u>\$ 822</u>	<u>\$ 764</u>	<u>\$ 769</u>

NOTE 4. CONTRACT BALANCES

Hospital Operations and Other Segment

Amounts related to services provided to patients for which we have not billed and that do not meet the conditions of unconditional right to payment at the end of the reporting period are contract assets. For our Hospital Operations and other segment, our contract assets consist primarily of services that we have provided to patients who are still receiving inpatient care in our facilities at the end of the reporting period. Our Hospital Operations and other segment’s contract assets are included in other current assets in the accompanying Consolidated Balance Sheet at December 31, 2019. The opening and closing balances of contract assets for our Hospital Operations and other segment are as follows:

December 31, 2018	\$ 169
December 31, 2019	170
Increase/(decrease)	\$ 1
January 1, 2018	\$ 171
December 31, 2018	169
Increase/(decrease)	\$ (2)

Approximately 85% of our Hospital Operations and other segment’s contract assets meet the conditions for unconditional right to payment and are reclassified to patient receivables within 90 days.

Conifer Segment

Conifer enters into contracts with customers to sell revenue cycle management and other services, such as value-based care, consulting and project services. The payment terms and conditions in our customer contracts vary. In some cases, customers are invoiced in advance and (for other than fixed-price fee arrangements) a true-up to the actual fee is included on a subsequent invoice. In other cases, payment is due in arrears. In addition, some contracts contain performance incentives, penalties and other forms of variable consideration. When the timing of Conifer’s delivery of services is different from the timing of payments made by the customers, Conifer recognizes either unbilled revenue (performance precedes contractual right to invoice the customer) or deferred revenue (customer payment precedes Conifer service performance). In the following table, customers that prepay prior to obtaining control/benefit of the service are represented by deferred contract revenue until the performance obligations are satisfied. Unbilled revenue represents arrangements in which Conifer has provided services to and the customer has obtained control/benefit of services prior to the contractual invoice date. Contracts with payment in arrears are recognized as receivables in the month the service is performed.

The opening and closing balances of Conifer’s receivables, contract asset, and current and long-term contract liabilities are as follows:

	Receivables	Contract Asset- Unbilled Revenue	Contract Liability- Current Deferred Revenue	Contract Liability- Long-Term Deferred Revenue
December 31, 2018	\$ 42	\$ 11	\$ 61	\$ 20
December 31, 2019	26	11	61	18
Increase/(decrease)	\$ (16)	\$ —	\$ —	\$ (2)
January 1, 2018	\$ 89	\$ 10	\$ 80	\$ 21
December 31, 2018	42	11	61	20
Increase/(decrease)	\$ (47)	\$ 1	\$ (19)	\$ (1)

The difference between the opening and closing balances of Conifer’s contract assets and contract liabilities are primarily related to prepayments for those customers who are billed in advance, changes in estimates related to metric-based services, and up-front integration services that are typically not distinct and are, therefore, recognized over the performance obligation period to which they relate. Our Conifer segment’s receivables and contract assets are reported as part of other current assets in our accompanying Consolidated Balance Sheets, and our Conifer segment’s current and long-term contract liabilities are reported as part of other current liabilities and other long-term liabilities, respectively, in our accompanying Consolidated Balance Sheets.

The amount of revenue Conifer recognized in the years ended December 31, 2019 and 2018 that was included in the opening current deferred revenue liability was \$61 million and \$72 million, respectively. This revenue consists primarily of prepayments for those customers who are billed in advance, changes in estimates related to metric-based services, and up-front integration services that are recognized over the services period.

Contract Costs

We have elected to apply the practical expedient provided by FASB Accounting Standards Codification 340-40-25-4 and expense as incurred the incremental customer contract acquisition costs for contracts in which the amortization period of the asset is one year or less. However, incremental costs incurred to obtain and fulfill customer contracts for which the amortization period of the asset is longer than one year, which consist primarily of Conifer deferred contract setup costs, are capitalized and amortized on a straight-line basis over the lesser of their estimated useful lives or the term of the related contract. During the years ended December 31, 2019, 2018 and 2017, we recognized amortization expense of \$5 million, \$11 million and 10 million, respectively. At December 31, 2019 and 2018, the unamortized customer contract costs were \$25 million and \$28 million, respectively, and are presented as part of investments and other assets in the accompanying Consolidated Balance Sheets.

NOTE 5. ASSETS AND LIABILITIES HELD FOR SALE

In the three months ended December 31, 2019, two of our hospitals and other operations in the Memphis area met the criteria to be classified as held for sale. As a result, we have classified these assets totaling \$387 million as “assets held for sale” in current assets and the related liabilities of \$44 million as “liabilities held for sale” in current liabilities in the accompanying Consolidated Balance Sheet at December 31, 2019. We recorded impairment charges of \$26 million in the year ended December 31, 2019 for the write-down of the assets held for sale to their estimated fair value, less estimated costs to sell, as a result of the planned divestiture of these assets.

Assets and liabilities classified as held for sale at December 31, 2019 were comprised of the following:

Accounts receivable	\$	108
Other current assets		24
Investments and other long-term assets		6
Property and equipment		184
Other intangible assets		23
Goodwill		42
Current liabilities		(35)
Long-term liabilities		(9)
Net assets held for sale	\$	343

In the three months ended March 31, 2019, we completed the sale of three of our hospitals in the Chicago area, as well as other operations affiliated with the hospitals; these assets and liabilities were classified as held for sale beginning in the three months ended December 31, 2017. Related to this transaction, we recorded a loss on sale of \$14 million in the year ended December 31, 2019, and impairment charges of \$24 million and \$73 million in the years ended December 31, 2018 and December 31, 2017, respectively, for the write-down of the assets held for sale to their estimated fair value, less estimated costs to sell.

The following table provides information on significant components of our business that have been recently disposed of or are classified as held for sale at December 31, 2019:

	Years Ended December 31,		
	2019	2018	2017
Significant disposals:			
Loss from continuing operations, before income taxes			
Chicago area (includes a \$14 million loss on sale in the 2019 period, \$24 million of impairment charges in the 2018 period and \$73 million of impairment charges in the 2017 period)	\$ (19)	\$ (41)	\$ (82)
Total	\$ (19)	\$ (41)	\$ (82)
Significant planned divestitures classified as held for sale:			
Income from continuing operations, before income taxes			
Memphis area (includes \$26 million of impairment charges in the 2019 period)	\$ 8	\$ 23	\$ 33
Total	\$ 8	\$ 23	\$ 33

NOTE 6. IMPAIRMENT AND RESTRUCTURING CHARGES, AND ACQUISITION-RELATED COSTS

We recognized impairment charges on long-lived assets in 2019, 2018 and 2017 because the fair values of those assets or groups of assets indicated that the carrying amount was not recoverable. The fair value estimates were derived from appraisals, established market values of comparable assets, or internal estimates of future net cash flows. These fair value estimates can change by material amounts in subsequent periods. Many factors and assumptions can impact the estimates, including the future financial results of the hospitals, how the hospitals are operated in the future, changes in healthcare industry trends and regulations, and the nature of the ultimate disposition of the assets. In certain cases, these fair value estimates assume the highest and best use of hospital assets in the future to a market place participant is other than as a hospital. In these cases, the estimates are based on the fair value of the real property and equipment if utilized other than as a hospital. The impairment recognized does not include the costs of closing the hospitals or other future operating costs, which could be substantial. Accordingly, the ultimate net cash realized from the hospitals, should we choose to sell them, could be significantly less than their impaired value.

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 December 31, 2019, our continuing operations consisted of three reportable segments, Hospital Operations and other, Ambulatory Care and Conifer. Our segments are reporting units used to perform our goodwill impairment analysis. We completed our annual impairment tests for goodwill as of October 1, 2019.

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, such as the establishment of offshore support operations at our GBC in the Republic of the Philippines that we began in the year ended December 31, 2019. Certain restructuring and acquisition-related costs are based on estimates. Changes in estimates are recognized as they occur.

Year Ended December 31, 2019

During the year ended December 31, 2019, we recorded impairment and restructuring charges and acquisition-related costs of \$185 million, consisting of \$42 million of impairment charges, \$137 million of restructuring charges and \$6 million of acquisition-related costs. Impairment charges consisted of \$26 million of charges to write-down assets held for sale to their estimated fair value, less estimated costs to sell, for certain of our Memphis-area facilities and \$16 million of other impairment charges. Of the total impairment charges recognized for the year ended December 31, 2019, \$31 million related to our Hospital Operations and other segment, \$6 million related to our Ambulatory Care segment, and \$5 million related to our Conifer segment. Restructuring charges consisted of \$57 million of employee severance costs, \$28 million related to our GBC in the Republic of the Philippines, \$6 million of contract and lease termination fees, and \$46 million of other restructuring costs. Acquisition-related costs consisted of \$6 million of transaction costs.

Year Ended December 31, 2018

During the year ended December 31, 2018, we recorded impairment and restructuring charges and acquisition-related costs of \$209 million, consisting of \$77 million of impairment charges, \$115 million of restructuring charges and \$17 million of acquisition-related costs. Impairment charges included \$40 million for the write-down of buildings and other long-lived assets to their estimated fair values at two hospitals. Material adverse trends in our then recent estimates of future undiscounted cash flows of the hospitals indicated the carrying value of the hospitals' long-lived assets was not recoverable from the estimated future cash flows. We believe the most significant factors contributing to the adverse financial trends included reductions in volumes of insured patients, shifts in payer mix from commercial to governmental payers combined with reductions in reimbursement rates from governmental payers, and high levels of uninsured patients. As a result, we updated the estimate of the fair value of the hospitals' long-lived assets and compared the fair value estimate to the carrying value of the hospitals' long-lived assets. Because the fair value estimates were lower than the carrying value of the long-lived assets, an impairment charge was recorded for the difference in the amounts. The aggregate carrying value of assets held and used of the hospitals for which impairment charges were recorded was \$130 million at December 31, 2018 after recording the impairment charges. We also recorded \$24 million of charges to write-down assets held for sale to their estimated fair value, less estimated costs to sell, for certain of our Chicago-area facilities, \$9 million of charges to write-down assets held for sale to their estimated fair value, less estimated costs to sell, for Aspen and \$4 million of other impairment charges. Of the total impairment charges recognized for the year ended December 31, 2018, \$67 million related to our Hospital Operations and other segment, \$9 million related to our Ambulatory Care segment, and \$1 million related to our Conifer segment. Restructuring charges consisted of \$68 million of employee severance costs, \$17 million of contract and lease termination fees, and \$30 million of other restructuring costs. Acquisition-related costs consisted of \$10 million of transaction costs and \$7 million of acquisition integration charges.

Year Ended December 31, 2017

During the year ended December 31, 2017, we recorded impairment and restructuring charges and acquisition-related costs of \$541 million, consisting of \$402 million of impairment charges, \$117 million of restructuring charges and \$22 million of acquisition-related costs. Impairment charges consisted of \$364 million of charges to write-down assets held for sale to their estimated fair value, less estimated costs to sell, for Aspen, our Philadelphia-area facilities and certain of our Chicago-area facilities, \$31 million for the impairment of two equity method investments and \$7 million to write-down intangible assets. Of the total impairment charges recognized for the year ended December 31, 2017, \$337 million related to our Hospital Operations and other segment, \$63 million related to our Ambulatory Care segment, and \$2 million related to our Conifer segment. Restructuring charges consisted of \$82 million of employee severance costs, \$15 million of contract and lease termination fees, and \$20 million of other restructuring costs. Acquisition-related costs consisted of \$6 million of transaction costs and \$16 million of acquisition integration charges.

NOTE 7. LEASES

The following table presents the components of our right-of-use assets and liabilities related to leases and their classification in our Consolidated Balance Sheet at December 31, 2019:

Component of Lease Balances	Classification in Consolidated Balance Sheet	December 31, 2019
Assets:		
Operating lease assets	Investments and other assets	\$ 912
Finance lease assets	Property and equipment, at cost, less accumulated depreciation and amortization	407
Total leased assets		\$ 1,319
Liabilities:		
Operating lease liabilities:		
Current	Other current liabilities	\$ 159
Long-term	Other long-term liabilities	858
Total operating lease liabilities		1,017
Finance lease liabilities:		
Current	Current portion of long-term debt	143
Long-term	Long-term debt, net of current portion	182
Total finance lease liabilities		325
Total lease liabilities		\$ 1,342

The following table presents the components of our lease expense and their classification in our Consolidated Statement of Operations for the year ended December 31, 2019:

Component of Lease Expense	Classification on Consolidated Statements of Operations	Year Ended December 31, 2019
Operating lease expense	Other operating expenses, net	\$ 211
Finance lease expense:		
Amortization of leased assets	Depreciation and amortization	85
Interest on lease liabilities	Interest expense	15
Total finance lease expense		100
Variable and short term-lease expense	Other operating expenses, net	133
Total lease expense		\$ 444

The weighted-average lease terms and discount rates for operating and finance leases are presented in the following table:

	December 31, 2019
Weighted-average remaining lease term (years)	
Operating leases	7.8
Finance leases	5.4
Weighted-average discount rate	
Operating leases	5.6%
Finance leases	5.5%

Cash flow and other information related to leases is included in the following table:

	Year Ended December 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash outflows from operating leases	\$ 197
Operating cash outflows from finance leases	\$ 18
Financing cash outflows from finance leases	\$ 151
Right-of-use assets obtained in exchange for lease obligations:	

Operating leases	\$	249
Finance leases	\$	141

Future maturities of lease liabilities at December 31, 2019 are presented in the following table:

	Operating Leases	Finance Leases	Total
2020	\$ 159	\$ 143	\$ 302
2021	180	96	276
2022	160	38	198
2023	140	10	150
2024	121	9	130
Later years	504	91	595
Total lease payments	1,264	387	1,651
Less: Imputed interest	247	62	309
Total lease obligations	1,017	325	1,342
Less: Current obligations	159	143	302
Long-term lease obligations	\$ 858	\$ 182	\$ 1,040

Future maturities of lease liabilities at December 31, 2018, prior to our adoption of ASU 2016-02, are presented in the following table:

	Total	Years Ending December 31,					Later Years
		2019	2020	2021	2022	2023	
Capital lease obligations	\$ 425	\$ 140	\$ 95	\$ 57	\$ 37	\$ 21	\$ 75
Long-term non-cancelable operating leases	\$ 932	\$ 171	\$ 151	\$ 133	\$ 113	\$ 92	\$ 272

Rental expense under operating leases, including short-term leases, was \$326 million and \$340 million in the years ended December 31, 2018 and 2017, respectively. Included in rental expense for each of these periods was sublease income of \$11 million and \$14 million, respectively, which was recorded as a reduction of rental expense.

NOTE 8. LONG-TERM DEBT

The table below shows our long-term debt as of December 31, 2019 and 2018:

	December 31, 2019	December 31, 2018
Senior unsecured notes:		
5.500% due 2019	\$ —	\$ 468
6.750% due 2020	—	300
8.125% due 2022	2,800	2,800
6.750% due 2023	1,872	1,872
7.000% due 2025	478	478
6.875% due 2031	362	362
Senior secured first lien notes:		
4.750% due 2020	—	500
6.000% due 2020	—	1,800
4.500% due 2021	—	850
4.375% due 2021	—	1,050
4.625% due 2024	1,870	1,870
4.625% due 2024	600	—
4.875% due 2026	2,100	—
5.125% due 2027	1,500	—
Senior secured second lien notes:		
7.500% due 2022	—	750
5.125% due 2025	1,410	1,410
6.250% due 2027	1,500	—
Finance leases and mortgage notes	445	500
Unamortized issue costs and note discounts	(186)	(184)
Total long-term debt	14,751	14,826
Less current portion	171	182

Long-term debt, net of current portion

\$ 14,580

\$ 14,644

Credit Agreement

We amended our senior secured revolving credit facility in September 2019 (as amended, the “Credit Agreement”) to provide, subject to borrowing availability, for revolving loans in an aggregate principal amount of up to \$1.5 billion, (from a previous limit of \$1.0 billion), with a \$200 million subfacility for standby letters of credit. Obligations under the Credit Agreement, which now has a scheduled maturity date of September 12, 2024, are guaranteed by substantially all of our domestic wholly owned hospital subsidiaries and are secured by a first-priority lien on the eligible inventory and accounts receivable owned by us and the subsidiary guarantors, including receivables for Medicaid supplemental payments as of the most recent amendment. 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 (“LIBOR”) 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 inventory and accounts receivable, including self-pay accounts. At December 31, 2019, we were in compliance with all covenants and conditions in our Credit Agreement. At December 31, 2019, we had no cash borrowings outstanding under the Credit Agreement, and we had \$1 million of standby letters of credit outstanding. Based on our eligible receivables, \$1.499 billion was available for borrowing under the Credit Agreement at December 31, 2019.

Letter of Credit Facility

We have a letter of credit facility (as amended, the “LC Facility”) that provides for the issuance of standby and documentary 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 maturity date of the LC Facility is March 7, 2021. Obligations under the LC Facility are guaranteed and secured by a first-priority pledge of the capital stock and other ownership interests of certain of our wholly owned domestic hospital subsidiaries on an equal ranking basis with our senior secured first lien notes.

Drawings under any letter of credit issued under the LC Facility that we have not reimbursed within three business days after notice thereof accrue interest at a base rate plus a margin equal to 0.50% per annum. An unused commitment fee is payable at an initial rate of 0.25% per annum with a step up to 0.375% per annum should our secured debt-to-EBITDA ratio equal or exceed 3.00 to 1.00 at the end of any fiscal quarter. A fee on the aggregate outstanding amount of issued but undrawn letters of credit accrues at a rate of 1.50% 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 December 31, 2019, we were in compliance with all covenants and conditions in our LC Facility. At December 31, 2019, we had \$92 million of standby letters of credit outstanding under the LC Facility.

Senior Secured Notes and Senior Unsecured Notes

On August 26, 2019, we sold \$600 million aggregate principal amount of 4.625% senior secured first lien notes, which will mature on September 1, 2024 (the “2024 Senior Secured First Lien Notes”), \$2.1 billion aggregate principal amount of 4.875% senior secured first lien notes, which will mature on January 1, 2026 (the “2026 Senior Secured First Lien Notes”) and \$1.5 billion aggregate principal amount of 5.125% senior secured first lien notes, which will mature on November 1, 2027 (the “2027 Senior Secured First Lien Notes”). We will pay interest on the 2024 Senior Secured First Lien Notes semi-annually in arrears on March 1 and September 1 of each year, which payments will commence on March 1, 2020. We will pay interest on the 2026 Senior Secured First Lien Notes semi-annually in arrears on January 1 and July 1 of each year, which payments will commence on January 1, 2020. We will pay interest on the 2027 Senior Secured First Lien Notes semi-annually in arrears on May 1 and November 1 of each year, which payments will commence on May 1, 2020. The proceeds from the sales of these notes were used, after payment of fees and expenses, together with cash on hand and borrowings under our senior secured revolving credit facility, to fund the redemptions of all \$500 million aggregate principal amount of our outstanding 4.750% senior secured first lien notes due 2020, all \$1.8 billion aggregate principal amount of our outstanding 6.000% senior secured first lien notes due 2020, all \$850 million aggregate principal amount of our outstanding 4.500% senior secured first lien notes due 2021 and all \$1.05 billion aggregate principal amount of our outstanding 4.375% senior secured first lien notes due 2021. In connection with the redemptions, we recorded a loss from early extinguishment of debt of approximately \$180 million in the three months ended September 30, 2019, primarily related to the difference between the redemption prices and the par values of the notes, as well as the write-off of the associated unamortized issuance costs.

On February 5, 2019, we sold \$1.5 billion aggregate principal amount of 6.250% senior secured second lien notes, which will mature on February 1, 2027 (the “2027 Senior Secured Second Lien Notes”). We will pay interest on the 2027 Senior Secured Second Lien Notes semi-annually in arrears on February 1 and August 1 of each year, which payments commenced on August 1, 2019. The proceeds from the sale of the 2027 Senior Secured Second Lien Notes were used, after payment of fees and expenses, together with cash on hand and borrowings under our senior secured revolving credit facility, to

fund the redemption of all \$300 million aggregate principal amount of our outstanding 6.750% senior notes due 2020 and all \$750 million aggregate principal amount of our outstanding 7.500% senior secured second lien notes due 2022, as well as the repayment upon maturity of all \$468 million aggregate principal amount of our outstanding 5.500% senior unsecured notes due March 1, 2019. In connection with the redemptions, we recorded a loss from early extinguishment of debt of approximately \$47 million in the three months ended March 31, 2019, primarily related to the difference between the redemption prices and the par values of the notes, as well as the write-off of the associated unamortized issuance costs.

In December 2018 and November 2018, we purchased \$22 million and \$10 million, respectively, of aggregate principal amount of our 5.500% senior unsecured notes due 2019 for \$22 million and \$10 million, respectively.

In August 2018, we purchased \$38 million aggregate principal amount of our 6.875% senior unsecured notes due 2031 for \$36 million, including \$1 million in accrued and unpaid interest through the dates of purchase.

In May 2018, we purchased \$30 million aggregate principal amount of our 6.875% senior unsecured notes due 2031 for \$28 million. In connection with the purchase, we recorded a loss from early extinguishment of debt of \$1 million in the three months ended June 30, 2018, primarily related to the write-off of associated unamortized note discount and issuance costs, partially offset by the difference between the purchase price and the par value of the notes.

In March 2018, we purchased \$28 million aggregate principal amount of our 6.750% senior unsecured notes due 2023 and \$22 million aggregate principal amount of our 7.000% senior unsecured notes due 2025 for \$51 million, including \$1 million in accrued and unpaid interest through the dates of purchase. In connection with these purchases, we recorded a loss from early extinguishment of debt of \$1 million in the three months ended March 31, 2018, primarily related to the write-off of associated unamortized issuance costs.

On June 14, 2017, we sold \$830 million aggregate principal amount of our 4.625% senior secured first lien notes, which will mature on July 15, 2024 (the "2024 Secured First Lien Notes"). The proceeds from the sale of the 2024 Secured First Lien Notes were used, after payment of fees and expenses, together with cash on hand, to deposit with the trustee an amount sufficient to fund the redemption of all \$900 million in aggregate principal amount of our outstanding floating rate senior secured notes due 2020 (the "2020 Floating Rate Notes") on July 14, 2017, thereby fully discharging the 2020 Floating Rate Notes as of June 14, 2017. In connection with the redemption, we recorded a loss from early extinguishment of debt of \$26 million in the three months ended June 30, 2017, primarily related to the difference between the redemption price and the par value of the notes, as well as the write-off of associated unamortized note discounts and issuance costs.

Also on June 14, 2017, THC Escrow Corporation III ("Escrow Corp."), a Delaware corporation established for the purpose of issuing the securities referred to in this paragraph, issued \$1.040 billion in aggregate principal amount of 4.625% senior secured first lien notes due 2024 (the "Escrow Secured First Lien Notes"), \$1.410 billion in aggregate principal amount of 5.125% senior secured second lien notes due 2025 (the "Escrow Secured Second Lien Notes") and \$500 million in aggregate principal amount of 7.000% senior unsecured notes due 2025 (the "Escrow Unsecured Notes").

On July 14, 2017, we (i) assumed Escrow Corp.'s obligations with respect to the Escrow Secured Second Lien Notes and (ii) effected a mandatory exchange of all outstanding Escrow Secured First Lien Notes for a like principal amount of our newly issued 2024 Secured First Lien Notes. The proceeds from the sale of the Escrow Secured Second Lien Notes and Escrow Secured First Lien Notes were released from escrow on July 14, 2017 and were used, after payment of fees and expenses, to finance our redemption on July 14, 2017 of \$1.041 billion aggregate principal amount of our outstanding 6.250% senior secured notes due 2018 and \$1.100 billion aggregate principal amount of our outstanding 5.000% senior unsecured notes due 2019.

On August 1, 2017, we assumed Escrow Corp.'s obligations with respect to the Escrow Unsecured Notes. The proceeds from the sale of the Escrow Unsecured Notes were released from escrow on August 1, 2017 and were used, after payment of fees and expenses, to finance our redemption on August 1, 2017 of \$500 million aggregate principal amount of our outstanding 8.000% senior unsecured notes due 2020.

On September 11, 2017, we redeemed the remaining \$250 million aggregate principal amount of our outstanding 8.000% senior unsecured notes due 2020 using cash on hand.

As a result of the redemption activities in the three months ended September 30, 2017 discussed above, we recorded a loss from early extinguishment of debt of \$138 million in the period, primarily related to the difference between the redemption price and the par value of the notes, as well as the write-off of associated unamortized note discounts and issuance costs.

All of our senior secured notes are guaranteed by certain of our wholly owned domestic hospital company subsidiaries and secured by a pledge of the capital stock and other ownership interests of those subsidiaries on either a first lien or second lien basis, as indicated in the table above. All of our senior secured notes and the related subsidiary guarantees are our and the subsidiary guarantors' senior secured obligations. All of our senior secured notes rank equally in right of payment with all of our other senior secured indebtedness. Our senior secured notes rank senior to any subordinated indebtedness that we or such subsidiary guarantors may incur; they are effectively senior to our and such subsidiary guarantors' existing and future unsecured indebtedness and other liabilities to the extent of the value of the collateral securing the notes and the subsidiary guarantees; they are effectively subordinated to our and such subsidiary guarantors' obligations under our Credit Agreement to the extent of the value of the collateral securing borrowings thereunder; and they are structurally subordinated to all obligations of our non-guarantor subsidiaries.

The indentures setting forth the terms of our senior secured notes contain provisions governing our ability to redeem the notes and the terms by which we may do so. At our option, we may redeem our senior secured notes, in whole or in part, at any time at a redemption price equal to 100% of the principal amount of the notes redeemed plus the make-whole premium set forth in the related indenture, together with accrued and unpaid interest thereon, if any, to the redemption date. Certain series of the senior secured notes may also be redeemed, in whole or in part, at certain redemption prices set forth in the applicable indentures, together with accrued and unpaid interest. In addition, we may be required to purchase for cash all or any part of each series of our senior secured notes upon the occurrence of a change of control (as defined in the applicable indentures) for a cash purchase price of 101% of the aggregate principal amount of the notes, plus accrued and unpaid interest.

All of our senior unsecured notes are general unsecured senior debt obligations that rank equally in right of payment with all of our other unsecured senior indebtedness, but are effectively subordinated to our senior secured notes described above, the obligations of our subsidiaries and any obligations under our Credit Agreement to the extent of the value of the collateral. We may redeem any series of our senior unsecured notes, in whole or in part, at any time at a redemption price equal to 100% of the principal amount of the notes redeemed, plus a make-whole premium specified in the applicable indenture, if any, together with accrued and unpaid interest to the redemption date.

Covenants

Credit Agreement. Our Credit Agreement contains customary covenants for an asset-backed facility, including a minimum fixed charge coverage ratio to be met if the designated excess availability under the revolving credit facility falls below \$150 million, as well as limits on debt, asset sales and prepayments of certain other debt. The Credit Agreement also includes a provision, which we believe is customary in receivables-backed credit facilities, that gives our lenders the right to require that proceeds of collections of substantially all of our consolidated accounts receivable be applied directly to repay outstanding loans and other amounts that are due and payable under the Credit Agreement at any time that unused borrowing availability under the revolving credit facility is less than \$150 million for three consecutive business days or if an event of default has occurred and is continuing thereunder. In that event, we would seek to re-borrow under the Credit Agreement to satisfy our operating cash requirements. Our ability to borrow under the Credit Agreement is subject to conditions that we believe are customary in revolving credit facilities, including that no events of default then exist.

Senior Secured Notes. The indentures governing our senior secured notes contain covenants that, among other things, restrict our ability and the ability of our subsidiaries to incur liens, consummate asset sales, enter into sale and lease-back transactions or consolidate, merge or sell all or substantially all of our or their assets, other than in certain transactions between one or more of our wholly owned subsidiaries. These restrictions, however, are subject to a number of exceptions and qualifications. In particular, there are no restrictions on our ability or the ability of our subsidiaries to incur additional indebtedness, make restricted payments, pay dividends or make distributions in respect of capital stock, purchase or redeem capital stock, enter into transactions with affiliates or make advances to, or invest in, other entities (including unaffiliated entities). In addition, the indentures governing our senior secured notes contain a covenant that neither we nor any of our subsidiaries will incur secured debt, unless at the time of and after giving effect to the incurrence of such debt, the aggregate amount of all such secured debt (including the aggregate principal amount of senior secured notes outstanding and any outstanding borrowings under our Credit Agreement at such time) does not exceed the amount that would cause the secured debt ratio (as defined in the indentures) to exceed 4.0 to 1.0.

Senior Unsecured Notes. The indentures governing our senior unsecured notes contain covenants and conditions that have, among other requirements, limitations on (1) liens on "principal properties" and (2) sale and lease-back transactions with respect to principal properties. A principal property is defined in the senior unsecured notes indentures as a hospital that has an asset value on our books in excess of 5% of our consolidated net tangible assets, as defined in such indentures. The above limitations do not apply, however, to (1) debt that is not secured by principal properties or (2) debt that is secured by principal

properties if the aggregate of such secured debt does not exceed 15% of our consolidated net tangible assets, as further described in the indentures. The senior unsecured notes indentures also prohibit the consolidation, merger or sale of all or substantially all assets unless no event of default would result after giving effect to such transaction.

Future Maturities

Future long-term debt maturities, including finance lease obligations, as of December 31, 2019 are as follows:

	Years Ending December 31,						Later Years
	Total	2020	2021	2022	2023	2024	
Long-term debt, including finance lease obligations	\$ 14,937	\$ 171	\$ 112	\$ 2,851	\$ 1,903	\$ 2,486	\$ 7,414

NOTE 9. GUARANTEES

Consistent with our policy on physician relocation and recruitment, we provide income guarantee agreements to certain physicians who agree to relocate to fill a community need in the service area of one of our hospitals and commit to remain in practice in the area for a specified period of time. Under such agreements, we are required to make payments to the physicians in excess of the amounts they earn in their practices up to the amount of the income guarantee. The income guarantee periods are typically 12 months. If a physician does not fulfill his or her commitment period to the community, which is typically three years subsequent to the guarantee period, we seek recovery of the income guarantee payments from the physician on a prorated basis. We also provide revenue collection guarantees to hospital-based physician groups providing certain services at our hospitals with terms generally ranging from one to three years.

At December 31, 2019, 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 \$133 million. We had a total liability of \$107 million recorded for these guarantees included in other current liabilities at December 31, 2019.

At December 31, 2019, 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 \$25 million. Of the total, \$8 million relates to the obligations of consolidated subsidiaries, which obligations are recorded in the accompanying Consolidated Balance Sheet at December 31, 2019.

NOTE 10. EMPLOYEE BENEFIT PLANS

Share-Based Compensation Plans

In recent years, we have granted options and restricted stock units to certain of our employees and directors pursuant to our stock incentive plans. 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 in the future, and the fair value of the restricted stock unit is based on our share price on the grant date. Typically, options and time-based restricted stock units vest one-third on each of the first three anniversary dates of the grant; however, certain special retention awards may have different vesting terms. In addition, we grant performance-based options and performance-based restricted stock units that vest subject to the achievement of specified performance goals within a specified time frame. At December 31, 2019, assuming outstanding performance-based restricted stock units and options for which performance has not yet been determined will achieve target performance, approximately 8.2 million shares of common stock were available under our 2019 Stock Incentive Plan for future stock option grants and other equity incentive awards, including restricted stock units.

The accompanying Consolidated Statements of Operations for the years ended December 31, 2019, 2018 and 2017 include \$42 million, \$46 million and \$59 million, respectively, of pre-tax compensation costs related to our stock-based compensation arrangements. The table below shows certain stock option and restricted stock unit grants and other awards that comprise the stock-based compensation expense recorded in the year ended December 31, 2019. Compensation cost is measured by the fair value of the awards on their grant dates and is recognized over the requisite service period of the awards, whether or not the awards had any intrinsic value during the period.

Grant Date	Awards	Exercise Price Per Share	Fair Value Per Share at Grant Date	Stock-Based Compensation Expense for Year Ended December 31, 2019
	(In Thousands)			(In Millions)
Stock Options:				
February 27, 2019	210	\$ 28.26	\$ 12.49	\$ 1
February 28, 2018	442	\$ 20.60	\$ 8.83	1
March 1, 2017	821	\$ 18.99	\$ 8.52	1
Restricted Stock Units:				
July 9, 2019	94		\$ 18.55	1
May 3, 2019	100		\$ 16.18	2
February 27, 2019	800		\$ 28.26	9
January 31, 2019	318		\$ 21.99	2
June 28, 2018	51		\$ 34.61	1
March 29, 2018	293		\$ 24.25	4
February 28, 2018	204		\$ 20.60	2
March 1, 2017	383		\$ 18.99	2
August 25, 2014	456		\$ 59.90	3
Other grants				2
USPI Management Equity Plan				11
			\$	42

Pursuant to the terms of our stock-based compensation plans, awards granted under the plan vest and may be exercised as determined by the human resources committee of our board of directors. In the event of a change in control, the human resources committee of our board of directors may, at its sole discretion without obtaining shareholder approval, accelerate the vesting or performance periods of the awards.

Stock Options

The following table summarizes stock option activity during the years ended December 31, 2019, 2018 and 2017:

	Options	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value	Weighted Average Remaining Life
			(In Millions)	
Outstanding at December 31, 2016	1,435,921	\$ 22.87		
Granted	1,396,307	18.24		
Exercised	(20,400)	4.56		
Forfeited/Expired	(247,006)	24.37		
Outstanding at December 31, 2017	2,564,822	\$ 20.35		
Granted	635,196	21.33		
Exercised	(619,849)	18.19		
Forfeited/Expired	(317,426)	35.30		
Outstanding at December 31, 2018	2,262,743	\$ 19.12		
Granted	230,713	28.28		
Exercised	(306,427)	18.05		
Forfeited/Expired	(226,037)	20.21		
Outstanding at December 31, 2019	1,960,992	\$ 20.24	\$ 35	6.1 years
Vested and expected to vest at December 31, 2019	1,960,992	\$ 20.24	\$ 35	6.1 years
Exercisable at December 31, 2019	454,360	\$ 17.26	\$ 9	2.7 years

There were 306,427 stock options exercised during the year ended December 31, 2019 with an aggregated intrinsic value of approximately \$3 million, and 619,849 stock options exercised in 2018 with an aggregate intrinsic value of approximately \$4 million. There were 230,713 performance-based stock options granted in the year ended December 31, 2019, and 635,196 performance-based stock options granted in the year ended 2018. On March 29, 2019, we granted an aggregate of 7,862 performance-based stock options to a senior officer. The options will all vest on the third anniversary of the grant date, subject to the achievement of a closing stock price of at least \$36.05 (a 25% premium above the March 29, 2019 grant-date closing stock price of \$28.84) for at least 20 consecutive trading days within three years of the grant date, and will expire on the tenth anniversary of the grant date. On February 27, 2019, we granted to certain of our senior officers an aggregate of 222,851

performance-based stock options. The options will all vest on the third anniversary of the grant date, subject to the achievement of a closing stock price of at least \$35.33 (a 25% premium above the February 27, 2019 grant-date closing stock price of \$28.26) for at least 20 consecutive trading days within three years of the grant date, and will expire on the tenth anniversary of the grant date.

On May 31, 2018, we granted new senior officers 31,184 performance-based stock options. The options will all vest on the third anniversary of the grant date, subject to achieving a closing stock price of at least \$44.29 (a 25% premium above the May 31, 2018 grant-date closing stock price of \$35.43) for at least 20 consecutive trading days within three years of the grant date, and will expire on the tenth anniversary of the grant date. On February 28, 2018, we granted to certain of our senior officers an aggregate of 604,012 performance-based stock options. The stock options will all vest on the third anniversary of the grant date because, in the three months ended June 30, 2018, the requirement that our stock close at a price of at least \$25.75 (a 25% premium above the February 28, 2018 grant-date closing stock price of \$20.60) for at least 20 consecutive trading days within three years of the grant date was met; these options will expire on the tenth anniversary of the grant date.

At December 31, 2019, there were \$4 million of total unrecognized compensation costs related to stock options. These costs are expected to be recognized over a weighted average period of 1.6 years.

The weighted average estimated fair value of stock options we granted during the years ended December 31, 2019 and 2018 was \$12.50 and \$9.16 per share, respectively. These fair values were calculated based on each grant date, using a Monte Carlo simulation with the following assumptions:

	February 27, 2019	February 28, 2018
Expected volatility	48%	46%
Expected dividend yield	0%	0%
Expected life	6.2 years	6.2 years
Expected forfeiture rate	0%	0%
Risk-free interest rate	2.53%	2.72%

The expected volatility used for the 2019 and 2018 Monte Carlo simulations incorporates historical volatility based on an analysis of historical prices of our stock. The expected volatility reflects the historical volatility for a duration consistent with the expected life of the options; it does not consider the implied volatility from open-market exchanged options due to the limited trading activity and the transient nature of factors impacting our stock price volatility. The historical share-price volatility for 2019 and 2018 excludes the movements in our stock price for the period from August 15, 2017 through November 30, 2017 due to impact that the announcement of the departure of certain board members and officers, as well as reports that we were exploring a potential sale of the company, had on our stock price during that time. The risk-free interest rates are based on zero-coupon United States Treasury yields in effect at the date of grant consistent with the expected exercise time frames.

The following table summarizes information about our outstanding stock options at December 31, 2019:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number of Options	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
\$16.43 to \$19.759	1,224,289	5.2 years	\$ 18.14	408,526	\$ 16.43
\$19.76 to \$35.430	736,703	7.5 years	23.74	45,834	24.63
	1,960,992	6.1 years	\$ 20.24	454,360	\$ 17.26

As of December 31, 2019, 61.2% of all our outstanding options were held by current employees and 38.8% were held by former employees. Of our outstanding options, 100% were in-the-money, that is, they had exercise price less than the \$38.03 market price of our common stock on December 31, 2019. There were no options out-of-the-money.

	In-the-Money Options		Out-of-the-Money Options		All Options	
	Outstanding	% of Total	Outstanding	% of Total	Outstanding	% of Total
Current employees	1,199,274	61.2%	—	—%	1,199,274	61.2%
Former employees	761,718	38.8%	—	—%	761,718	38.8%
Totals	1,960,992	100.0%	—	—%	1,960,992	100.0%
% of all outstanding options	100.0%		—%		100.0%	

Restricted Stock Units

The following table summarizes restricted stock unit activity during the years ended December 31, 2019, 2018 and 2017:

	Restricted Stock Units		Weighted Average Grant Date Fair Value Per Unit
Unvested at December 31, 2016	3,174,533	\$	38.75
Granted	714,018		18.25
Vested	(1,397,953)		35.50
Forfeited	(236,610)		32.13
Unvested at December 31, 2017	2,253,988	\$	35.20
Granted	765,184		24.74
Vested	(995,331)		32.63
Forfeited	(139,711)		36.01
Unvested at December 31, 2018	1,884,130	\$	32.25
Granted	1,481,021		27.87
Vested	(1,562,191)		36.45
Forfeited	(339,461)		24.74
Unvested at December 31, 2019	1,463,499	\$	25.08

In the year ended December 31, 2019, we granted an aggregate of 1,481,021 restricted stock units. Of these, 337,848 will vest and be settled ratably over a three-year period from the grant date, 566,172 will vest and be settled ratably over 9 quarterly periods from the grant date, and 353,354 will vest and be settled on the third anniversary of the grant date. In addition, in May 2019, we made an annual grant of 100,444 restricted stock units to our non-employee directors for the 2019-2020 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. The board of directors appointed two new members, one in August 2019 and one in October 2019. We made initial grants totaling 5,569 restricted stock units to these directors, as well as prorated annual grants totaling 13,257 restricted stock units. Both the initial grants and the annual grants vested immediately, however, the initial grants settle upon separation from the board, while the annual grants settle on the third anniversary of the grant date. We also granted 7,427 additional restricted stock units that vested and settled immediately as a result of our level of achievement with respect to a performance goal on a 2013 grant and 96,950 additional restricted stock units as a result of our level of achievement with respect to a performance goal on 2014 grants.

In the year ended December 31, 2018, we granted 765,184 restricted stock units, of which 288,325 will vest and be settled ratably over a three-year period from the grant date, 339,806 will vest and be settled ratably over two-year period from the grant date, and 60,963 will vest and be settled on the third anniversary of the grant date. In addition, in May 2018, we made an annual grant of 54,198 restricted stock units to our non-employee directors for the 2018-2019 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. Because the board of directors appointed two new members in May 2018, we made initial grants totaling 3,670 restricted stock units to these directors, as well as prorated annual grants totaling 12,154 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 anniversary of the grant date. In addition, we granted 6,068 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 2018 to 2020. 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 6,068 units granted, depending on our level of achievement with respect to the performance goals.

As of December 31, 2019, there were \$25 million of total unrecognized compensation costs related to restricted stock units. These costs are expected to be recognized over a weighted average period of 1.6 years.

USPI Management Equity Plan

As described in Note 25, USPI's prior equity compensation plan was terminated in February 2020, and in accordance with the terms of that plan, all vested options or shares of USPI stock acquired upon exercise of an option will be repurchased by USPI at their estimated fair value. At December 31, 2019, USPI maintained a separate management equity plan whereby it had granted non-qualified options to purchase nonvoting shares of USPI's outstanding common stock to eligible plan participants, allowing the recipient to participate in incremental growth in the value of USPI from the applicable grant date.

Under this plan, the total pool of options consisted of approximately 10% of USPI's fully diluted outstanding common stock. Options had an exercise price equal to the estimated fair market value of USPI's common stock on the date of grant. The option awards were structured such that they had a three or four year vesting period in which half of the award vested in equal pro-rata amounts over the applicable vesting period and the remaining half vested at the end of the applicable three or four year period. Any unvested awards were forfeited upon the participant's termination of service with USPI, and vested options were required to have been exercised within 90 days of termination. Once an award was exercised and the requisite holding period met, the participant was eligible to sell the underlying shares to USPI at their estimated fair market value. Payment for USPI's purchase of any eligible nonvoting common shares could be made in cash or in shares of Tenet's common stock. The accompanying Consolidated Statement of Operations for the years ended December 2019, 2018 and 2017 includes \$11 million, \$18 million and \$13 million, respectively, of pre-tax compensation costs related to USPI's management equity plan.

Employee Stock Purchase Plan

We have an employee stock purchase plan under which we are currently authorized to issue up to 5,062,500 shares of common stock to our eligible employees. As of December 31, 2019, there were approximately 3.0 million shares available for issuance under our employee stock purchase plan. Under the terms of the plan, eligible employees may elect to have between 1% and 10% of their base earnings withheld each quarter to purchase shares of our common stock. Shares are purchased at a price equal to 95% of the closing price on the last day of the quarter. The plan requires a one-year holding period for all shares issued. The holding period does not apply upon termination of employment. Under the plan, no individual may purchase, in any year, shares with a fair market value in excess of \$25,000. The plan is currently not considered to be compensatory.

We sold the following numbers of shares under our employee stock purchase plan in the years ended December 31, 2019, 2018 and 2017:

	Years Ended December 31,		
	2019	2018	2017
Number of shares	215,422	228,045	395,957
Weighted average price	\$ 24.44	\$ 22.96	\$ 17.28

Employee Retirement Plans

Substantially all of our employees, upon qualification, are eligible to participate in one of our defined contribution 401(k) plans. Under the plans, employees may contribute a portion of their eligible compensation, and we match such contributions annually up to a maximum percentage for participants actively employed, as defined by the plan documents. Employer matching contributions will vary by plan. Plan expenses, primarily related to our contributions to the plans, were \$127 million, \$99 million and \$128 million for the years ended December 31, 2019, 2018 and 2017, respectively. Such amounts are reflected in salaries, wages and benefits in the accompanying Consolidated Statements of Operations.

We maintain three frozen non-qualified defined benefit pension plans ("SERPs") that provide supplemental retirement benefits to certain of our current and former executives. These plans are not funded, and plan obligations for these plans are paid from our working capital. Pension benefits are generally based on years of service and compensation. Upon completing the acquisition of Vanguard Health Systems, Inc. on October 1, 2013, we assumed a frozen qualified defined benefit plan ("DMC Pension Plan") covering substantially all of the employees of our Detroit market that were hired prior to June 1, 2003. The benefits paid under the DMC Pension Plan are primarily based on years of service and final average earnings. During the year ended December 31, 2019, the Society of Actuaries issued a new mortality base table (Pri-2012), which we incorporated into the estimates of our defined benefit plan obligations at December 31, 2019. During the years ended December 31, 2019 and 2018, the Society of Actuaries issued new mortality improvement scales (MP-2019 and MP-2018, respectively), which we incorporated into the estimates of our defined benefit plan obligations at December 31, 2019 and 2018. These changes to our mortality assumptions decreased our projected benefit obligations as of December 31, 2019 and 2018 by approximately \$14 million and \$4 million, respectively. The following tables summarize the balance sheet impact, as well as the benefit obligations, funded status and rate assumptions associated with the SERPs and the DMC Pension Plan based on actuarial valuations prepared as of December 31, 2019 and 2018:

	December 31,	
	2019	2018
Reconciliation of funded status of plans and the amounts included in the Consolidated Balance Sheets:		
Projected benefit obligations ⁽¹⁾		
Beginning obligations	\$ (1,301)	\$ (1,455)
Service cost	—	(2)
Interest cost	(58)	(56)
Actuarial gain (loss)	(132)	90
Benefits paid	123	122
Special termination benefit costs	(1)	—
Ending obligations	(1,369)	(1,301)
Fair value of plans assets		
Beginning plan assets	731	850
Gain (loss) on plan assets	128	(65)
Employer contribution	33	47
Benefits paid	(102)	(101)
Ending plan assets	790	731
Funded status of plans	\$ (579)	\$ (570)
Amounts recognized in the Consolidated Balance Sheets consist of:		
Other current liability	\$ (19)	\$ (49)
Other long-term liability	\$ (560)	\$ (521)
Accumulated other comprehensive loss	\$ 323	\$ 281
SERP Assumptions:		
Discount rate	3.50%	4.50%
Compensation increase rate	3.00%	3.00%
Measurement date	December 31, 2019	December 31, 2018
DMC Pension Plan Assumptions:		
Discount rate	3.60%	4.62%
Compensation increase rate	Frozen	Frozen
Measurement date	December 31, 2019	December 31, 2018

(1) The accumulated benefit obligation at December 31, 2019 and 2018 was approximately \$1.367 billion and \$1.299 billion, respectively.

The components of net periodic benefit costs and related assumptions are as follows:

	Years Ended December 31,		
	2019	2018	2017
Service costs	\$ —	\$ 2	\$ 2
Interest costs	58	56	62
Expected return on plan assets	(46)	(54)	(50)
Amortization of net actuarial loss	10	14	14
Special termination benefit costs	1	—	—
Net periodic benefit cost	\$ 23	\$ 18	\$ 28
SERP Assumptions:			
Discount rate	4.50%	3.75%	4.25%
Long-term rate of return on assets	n/a	n/a	n/a
Compensation increase rate	3.00%	3.00%	3.00%
Measurement date	January 1, 2019	January 1, 2018	January 1, 2017
Census date	January 1, 2019	January 1, 2018	January 1, 2017
DMC Pension Plan Assumptions:			
Discount rate	4.62%	4.00%	4.42%
Long-term rate of return on assets	6.50%	6.50%	6.50%
Compensation increase rate	Frozen	Frozen	Frozen

Measurement date	January 1, 2019	January 1, 2018	January 1, 2017
Census date	January 1, 2019	January 1, 2018	January 1, 2017

Net periodic benefit costs for the current year are based on assumptions determined at the valuation date of the prior year for the SERPs and the DMC Pension Plan. As a result of the adoption of ASU 2017-07 discussed in Note 1, we

recognized service costs in salaries, wages and benefits expense, and recognized other components of net periodic benefit cost in other non-operating expense, net, in the accompanying Consolidated Statements of Operations.

We recorded gain (loss) adjustments of \$(42) million, \$(15) million and \$56 million in other comprehensive income (loss) in the years ended December 31, 2019, 2018 and 2017, respectively, to recognize changes in the funded status of our SERPs and the DMC Pension Plan. Changes in the funded status are recorded as a direct increase or decrease to shareholders' equity through accumulated other comprehensive loss. Net actuarial gains (losses) of \$(52) million, \$(29) million and \$42 million were recognized during the years ended December 31, 2019, 2018 and 2017, respectively, and the amortization of net actuarial loss of \$10 million, \$14 million and \$14 million for the years ended December 31, 2019, 2018 and 2017, respectively, were recognized in other comprehensive income (loss). Cumulative net actuarial losses of \$323 million, \$281 million and \$266 million as of December 31, 2019, 2018 and 2017, respectively, and unrecognized prior service costs of less than \$1 million as of each of the years ended December 31, 2019, 2018 and 2017 have not yet been recognized as components of net periodic benefit cost.

To develop the expected long-term rate of return on plan assets assumption, the DMC Pension Plan considers the current level of expected returns on risk-free investments (primarily government bonds), the historical level of risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns on each asset class. The expected return for each asset class is then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio. The weighted-average asset allocations by asset category as of December 31, 2019, were as follows:

Asset Category	Target	Actual
Cash and cash equivalents	2%	2%
U.S. government obligations	—%	2%
Equity securities	65%	64%
Debt securities	33%	32%
Alternative investments	—%	—%

The DMC Pension Plan assets are invested in separately managed portfolios using investment management firms. The objective for all asset categories is to maximize total return without assuming undue risk exposure. The DMC Pension Plan maintains a well-diversified asset allocation that best meets these objectives. The DMC Pension Plan assets are largely comprised of equity securities, which include companies with various market capitalization sizes in addition to international and convertible securities. Cash and cash equivalents are comprised of money market funds. Debt securities include domestic and foreign government obligations, corporate bonds, and mortgage-backed securities. Under the investment policy of the DMC Pension Plan, investments in derivative securities are not permitted for the sole purpose of speculating on the direction of market interest rates. Included in this prohibition are leveraging, shorting, swaps, futures, options, forwards and similar strategies.

In each investment account, the DMC Pension Plan investment managers are responsible for monitoring and reacting to economic indicators, such as gross domestic product, consumer price index and U.S. monetary policy that may affect the performance of their account. The performance of all managers and the aggregate asset allocation are formally reviewed on a quarterly basis, with a rebalancing of the asset allocation occurring at least once per year. The current asset allocation objective is to maintain a certain percentage with each class allowing for a 10% deviation from the target.

The following tables summarize the DMC Pension Plan assets measured at fair value on a recurring basis as of December 31, 2019 and 2018, aggregated by the level in the fair value hierarchy within which those measurements are determined. 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 for similar assets, 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.

	December 31, 2019		Level 1		Level 2		Level 3	
Cash and cash equivalents	\$	37	\$	37	\$	—	\$	—
U.S. government obligations		9		9		—		—
Equity securities		461		461		—		—
Fixed income funds		283		283		—		—
Futures contracts		—		—		—		—
	\$	790	\$	790	\$	—	\$	—

	December 31, 2018		Level 1		Level 2		Level 3	
Cash and cash equivalents	\$	33	\$	33	\$	—	\$	—
U.S. government obligations		9		9		—		—
Equity securities		423		423		—		—
Fixed income funds		262		262		—		—
Futures contracts	\$	4	\$	4				
	\$	731	\$	731	\$	—	\$	—

The following table presents the estimated future benefit payments to be made from the SERPs and the DMC Pension Plan, a portion of which will be funded from plan assets, for the next five years and in the aggregate for the five years thereafter:

	Total	Years Ending December 31,					Five Years Thereafter
		2020	2021	2022	2023	2024	
Estimated benefit payments	\$ 876	\$ 85	\$ 87	\$ 89	\$ 89	\$ 90	\$ 436

The SERP and DMC Pension Plan obligations of \$579 million at December 31, 2019 are classified in the accompanying Consolidated Balance Sheet as an other current liability (\$19 million) and defined benefit plan obligations (\$560 million) based on an estimate of the expected payment patterns. We expect to make total contributions to the plans of approximately \$19 million for the year ending December 31, 2020.

NOTE 11. PROPERTY AND EQUIPMENT

The principal components of property and equipment are shown in the following table. Prior to the adoption of ASU 2016-02 effective January 1, 2019, assets under capital leases were included with buildings and improvements and with equipment in the following table.

	December 31,	
	2019	2018
Land	\$ 602	\$ 613
Buildings and improvements	6,856	6,920
Construction in progress	184	199
Equipment	4,173	4,482
Finance lease assets	561	—
	12,376	12,214
Accumulated depreciation and amortization	(5,498)	(5,221)
Net property and equipment	\$ 6,878	\$ 6,993

Property and equipment is stated at cost, less accumulated depreciation and amortization and impairment write-downs related to assets held and used.

NOTE 12. GOODWILL AND OTHER INTANGIBLE ASSETS

The following table provides information on changes in the carrying amount of goodwill, which is included in the accompanying Consolidated Balance Sheets as of 2019 and 2018:

	2019	2018
Hospital Operations and other		
As of January 1:		
Goodwill	\$ 5,410	\$ 5,406
Accumulated impairment losses	(2,430)	(2,430)
Total	2,980	2,976
Goodwill acquired during the year and purchase price allocation adjustments	—	1
Goodwill related to assets held for sale and disposed or deconsolidated facilities	(72)	3
Total	\$ 2,908	\$ 2,980
As of December 31:		
Goodwill	\$ 5,338	\$ 5,410
Accumulated impairment losses	(2,430)	(2,430)
Total	\$ 2,908	\$ 2,980
	2019	2018
Ambulatory Care		
As of January 1:		
Goodwill	\$ 3,696	\$ 3,437
Accumulated impairment losses	—	—
Total	3,696	3,437
Goodwill acquired during the year and purchase price allocation adjustments	43	219
Goodwill related to assets held for sale and disposed or deconsolidated facilities	—	40
Total	\$ 3,739	\$ 3,696
As of December 31:		
Goodwill	\$ 3,739	\$ 3,696
Accumulated impairment losses	—	—
Total	\$ 3,739	\$ 3,696
	2019	2018
Conifer		
As of January 1:		
Goodwill	\$ 605	\$ 605
Accumulated impairment losses	—	—
Total	605	605
Goodwill acquired during the year and purchase price allocation adjustments	—	—
Total	\$ 605	\$ 605
As of December 31:		
Goodwill	\$ 605	\$ 605
Accumulated impairment losses	—	—
Total	\$ 605	\$ 605

The following table provides information regarding other intangible assets, which are included in the accompanying Consolidated Balance Sheets as of 2019 and 2018:

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
At December 31, 2019:			
Capitalized software costs	\$ 1,616	\$ (912)	\$ 704
Trade names	102	—	102
Contracts	869	(94)	775
Other	107	(86)	21
Total	\$ 2,694	\$ (1,092)	\$ 1,602
At December 31, 2018:			
Capitalized software costs	\$ 1,667	\$ (858)	\$ 809
Trade Names	102	—	102
Contracts	871	(76)	795
Other	104	(79)	25
Total	\$ 2,744	\$ (1,013)	\$ 1,731

Estimated future amortization of intangibles with finite useful lives as of December 31, 2019 is as follows:

	Total	Years Ending December 31,					Later Years
		2020	2021	2022	2023	2024	
Amortization of intangible assets	\$ 1,037	\$ 156	\$ 142	\$ 130	\$ 122	\$ 104	\$ 383

We recognized amortization expense of \$188 million, \$185 million and \$172 million in the accompanying Consolidated Statements of Operations for the years ended December 31, 2019, 2018 and 2017, respectively.

NOTE 13. INVESTMENTS AND OTHER ASSETS

The principal components of investments and other assets in the accompanying Consolidated Balance Sheets are as follows:

	December 31,	
	2019	2018
Marketable securities	\$ 2	\$ 40
Equity investments in unconsolidated healthcare entities	978	956
Total investments	980	996
Cash surrender value of life insurance policies	36	30
Long-term deposits	59	44
California provider fee program receivables	213	231
Operating lease assets	912	—
Land held for expansion, other long-term receivables and other assets	169	155
Investments and other assets	\$ 2,369	\$ 1,456

Our policy is to classify investments in debt securities that may be needed for cash requirements as “available-for-sale.” In doing so, the carrying values of debt instruments are adjusted at the end of each accounting period to their market values through a credit or charge to other comprehensive income (loss), net of taxes.

NOTE 14. ACCUMULATED OTHER COMPREHENSIVE LOSS

Our accumulated other comprehensive loss is comprised of the following:

	December 31,	
	2019	2018
Adjustments for defined benefit plans	\$ (257)	\$ (223)
Accumulated other comprehensive loss	\$ (257)	\$ (223)

The tax benefits allocated to the adjustments for our defined benefit plans was approximately \$8 million for the year ended December 31, 2019, and the tax benefits allocated to the adjustments for our defined benefit plans and foreign currency translation adjustments were approximately \$3 million and \$3 million,

respectively, for the year ended December 31, 2018. As

discussed in Note 1, we recorded cumulative effect adjustments of \$36 million and \$7 million upon the adoptions of ASU 2018-02 and ASU 2016-01, respectively, effective January 1, 2018.

NOTE 15. NET OPERATING REVENUES

Net operating revenues for our Hospital Operations and other and Ambulatory Care segments primarily consist of net patient service revenues, principally for patients covered by Medicare, Medicaid, managed care and other health plans, as well as certain uninsured patients under our *Compact* and other uninsured discount and charity programs. Net operating revenues for our Conifer segment primarily consist of revenues from providing revenue cycle management services to healthcare systems, as well as individual hospitals, physician practices, self-insured organizations, health plans and other entities.

The table below shows our sources of net operating revenues less provision for doubtful accounts and implicit price concessions from continuing operations:

	Years Ended December 31,		
	2019	2018	2017
Hospital Operations and other:			
Net patient service revenues from hospitals and related outpatient facilities			
Medicare	\$ 2,888	\$ 2,882	\$ 3,243
Medicaid	1,193	1,294	1,304
Managed care	9,516	9,213	9,583
Uninsured	92	96	91
Indemnity and other	679	596	608
Total	14,368	14,081	14,829
Other revenues ⁽¹⁾	1,154	1,204	1,431
Hospital Operations and other total prior to inter-segment eliminations	15,522	15,285	16,260
Ambulatory Care	2,158	2,085	1,940
Conifer	1,372	1,533	1,597
Inter-segment eliminations	(573)	(590)	(618)
Net operating revenues	\$ 18,479	\$ 18,313	\$ 19,179

⁽¹⁾ Primarily physician practices revenues.

Adjustments for prior-year cost reports and related valuation allowances, principally related to Medicare and Medicaid, increased revenues in the years ended December 31, 2019, 2018 and 2017 by \$27 million, \$24 million and \$35 million, respectively. Estimated cost report settlements and valuation allowances are included in accounts receivable in the accompanying Consolidated Balance Sheets (see Note 3). We believe that we have made adequate provision for any adjustments that may result from final determination of amounts earned under all the above arrangements with Medicare and Medicaid.

The table below shows the composition of net operating revenues for our Ambulatory Care segment:

	Years Ended December 31,		
	2019	2018	2017
Net patient service revenues	\$ 2,040	\$ 1,965	\$ 1,816
Management fees	95	92	93
Revenue from other sources	23	28	31
Net operating revenues	\$ 2,158	\$ 2,085	\$ 1,940

The table below shows the composition of net operating revenues for our Conifer segment:

	Years Ended December 31,		
	2019	2018	2017
Revenue cycle services – Tenet	\$ 556	\$ 568	\$ 583
Revenue cycle services – other customers	713	855	891
Other services – Tenet	17	22	35
Other services – other customers	86	88	88
Net operating revenues	\$ 1,372	\$ 1,533	\$ 1,597

Other services represent approximately 8% of Conifer’s revenue and include value-based care services, consulting services and other client-defined projects.

Performance Obligations

The following table includes Conifer’s revenue that is expected to be recognized in the future related to performance obligations that are unsatisfied, or partially unsatisfied, at the end of the reporting period. The amounts in the table primarily consist of revenue cycle management fixed fees, which are typically recognized ratably as the performance obligation is satisfied. The estimated revenue does not include volume or contingency based contracts, performance incentives, penalties or other variable consideration that is considered constrained. Conifer’s contract with Catholic Health Initiatives (“CHI”), a minority interest owner of Conifer Health Solutions, LLC, represents the majority of the fixed-fee revenue related to remaining performance obligations. Conifer’s contract term with CHI ends December 31, 2032.

	Total	Years Ending December 31,					
		2020	2021	2022	2023	2024	Later Years
Performance obligations	\$ 7,347	\$ 601	\$ 598	\$ 598	\$ 597	\$ 550	\$ 4,403

NOTE 16. 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. For the policy period April 1, 2019 through March 31, 2020, we have coverage totaling \$850 million per occurrence, after deductibles and exclusions, with annual aggregate sub-limits of \$100 million for floods, \$200 million for earthquakes and a per-occurrence sub-limit of \$200 million for named windstorms with no annual aggregate. With respect to fires and other perils, excluding floods, earthquakes and named windstorms, the total \$850 million limit of coverage per occurrence applies. Deductibles are 5% of insured values up to a maximum of \$40 million for California earthquakes, \$25 million for floods and named windstorms, and 2% of insured values for New Madrid fault earthquakes, with a maximum per claim deductible of \$25 million. Floods and certain other covered losses, including fires and other perils, have a minimum deductible of \$1 million.

Professional and General Liability Reserves

We are self-insured for the majority of our professional and general liability claims and purchase insurance from third-parties to cover catastrophic claims. At December 31, 2019 and 2018, the aggregate current and long-term professional and general liability reserves in the accompanying Consolidated Balance Sheets were \$915 million and \$882 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 1.83%, 2.59% and 2.33% at December 31, 2019, 2018 and 2017, respectively.

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 Consolidated Statements of Operations is malpractice expense of \$374 million, \$388 million and \$303 million for the years ended December 31, 2019, 2018 and 2017, respectively, of which \$155 million, \$176 million and \$61 million, respectively, related to adverse development for prior years.

NOTE 17. CLAIMS AND LAWSUITS

We operate in a highly regulated and litigious industry. 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. We are also subject to class action lawsuits, employment-related claims and other legal actions in the ordinary course of business. Some of these actions may involve large demands, as well as substantial defense costs. We cannot predict the outcome of current or future legal actions against us or the effect that judgments or settlements in such matters may have on us.

We are also subject to a non-prosecution agreement (“NPA”). If we fail to comply with this agreement, we could be subject to criminal prosecution, substantial penalties and exclusion from participation in federal healthcare programs, any of which could adversely impact our business, financial condition, results of operations or cash flows.

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, but are subject to significant uncertainty regarding numerous factors that could affect the ultimate loss levels. 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. Given the inherent uncertainties involved in these matters, especially those involving governmental agencies, and the indeterminate damages sought in some of these matters, there is significant uncertainty as to the ultimate liability we may incur from these matters, and an adverse outcome in one or more of these matters could be material to our results of operations or cash flows for any particular reporting period.

Shareholder Derivative Litigation

In January 2017, the Dallas County District Court consolidated two previously disclosed shareholder derivative lawsuits filed on behalf of the Company by purported shareholders of the Company’s common stock against current and former officers and directors into a single matter captioned *In re Tenet Healthcare Corporation Shareholder Derivative Litigation*. The plaintiffs filed a consolidated shareholder derivative petition in February 2017. The consolidated shareholder derivative petition alleged that false or misleading statements or omissions concerning the Company’s financial performance and compliance policies, specifically with respect to the previously disclosed civil qui tam litigation and parallel criminal investigation of the Company and certain of its subsidiaries (together, the “Clinica de la Mama matters”), caused the price of the Company’s common stock to be artificially inflated. In addition, the plaintiffs alleged that the defendants violated GAAP by failing to disclose an estimate of the possible loss or a range of loss related to the Clinica de la Mama matters. The plaintiffs claimed that they did not make demand on the Company’s board of directors to bring the lawsuit because such a demand would have been futile. In May 2018, the judge in the consolidated shareholder derivative litigation entered an order lifting the previous year-long stay of the matter and, in July 2018, the defendants filed pleadings seeking dismissal of the lawsuit. In October 2018, the judge granted defendants’ motion to dismiss, but also agreed to give the plaintiffs 30 days to replead their complaint. In January 2019, the court issued a final judgment and order of dismissal after the plaintiffs elected not to replead. In February 2019, the plaintiffs filed an appeal of the court’s ruling that dismissal was appropriate because the plaintiffs failed to adequately plead that a pre-suit demand on the Company’s board of directors, a precondition to their action, should be excused as futile. The parties’ appellate briefs have been filed, and oral arguments were held on February 5, 2020. The parties are awaiting the court’s ruling. The defendants intend to continue to vigorously contest the plaintiffs’ allegations in this matter.

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 alleged those hospital systems, including our 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 sought unspecified damages (subject to trebling under federal law), interest, costs and attorneys’ fees. In January 2019, the district court issued an opinion denying the plaintiffs’ motion for class certification. The

plaintiffs' subsequent appeal of the district court's decision to the U.S. Court of Appeals for the Fifth Circuit was denied in March 2019. In April 2019, the appellate court denied the plaintiffs' request for additional review of the district court's ruling, and we learned in August 2019 that the plaintiffs did not request further review by the U.S. Supreme Court. The plaintiffs advised the court that they were proceeding on behalf of the three named individuals. On November 20, 2019, at court-ordered mediation, the parties entered into a confidential settlement to resolve the three plaintiffs' individual claims for an immaterial amount. In January 2020, the parties executed a settlement agreement, which the court approved, and the case was dismissed.

Government Investigation of Detroit Medical Center

Detroit Medical Center ("DMC") is subject to an ongoing investigation by the U.S. Attorney's Office for the Eastern District of Michigan and the U.S. Department of Justice ("DOJ") for potential violations of the Stark law, the Medicare and Medicaid anti-kickback and anti-fraud and abuse amendments codified under Section 1128B(b) of the Social Security Act (the "Anti-kickback Statute"), and the federal False Claims Act ("FCA") related to DMC's employment of nurse practitioners and physician assistants ("Mid-Level Practitioners") from 2006 through 2017. As previously disclosed, a media report was published in August 2017 alleging that 14 Mid-Level Practitioners were terminated by DMC earlier in 2017 due to compliance concerns. We are cooperating with the investigation and continue to produce documents on a schedule agreed upon with the DOJ. Because the government's review is in its preliminary stages, we are unable to determine the potential exposure, if any, at this time.

Oklahoma Surgical Hospital Qui Tam Action

In May 2016, a relator filed a qui tam lawsuit under seal in the Western District of Oklahoma against, among other parties, (i) Oklahoma Center for Orthopaedic & Multispecialty Surgery ("OCOM"), a surgical hospital jointly owned by USPI, a healthcare system partner and physicians, (ii) Southwest Orthopaedic Specialists, an independent physician practice group, (iii) Tenet, and (iv) other related entities and individuals. The complaint alleges various violations of the FCA, the Anti-kickback Statute, the Stark law and the Oklahoma Medicaid False Claims Act. In May 2018, Tenet and its affiliates learned that they were parties to the suit when the court unsealed the complaint and the DOJ declined to intervene with respect to the issues involving Tenet, USPI, OCOM and individually named employees. In June 2018, the relator filed an amended complaint more fully describing the claims and adding additional defendants. Tenet, USPI, OCOM and individually named employees filed motions to dismiss the case in October 2018, but the court has not yet ruled on the motions. The litigation is currently stayed while the parties work to finalize the resolution described below.

Pursuant to the obligations under our NPA, we reported the unsealed qui tam action to the DOJ and began investigating the claims contained in the amended complaint and cooperating fully with the DOJ. We began discussing potential resolution of these matters with the DOJ and the Office of Inspector General of the U.S. Department of Health and Human Services ("OIG") during the three months ended September 30, 2019.

In October 2019, we reached an agreement in principle with the DOJ to resolve the qui tam lawsuit and related investigations for approximately \$66 million, subject to further approvals by the DOJ and other government agencies. In the three months ended September 30, 2019, we established a reserve of \$68 million for this matter, which includes an estimate of the relator's attorney's fees and certain other costs to be paid by us. In the three months ended December 31, 2019, we increased the reserve for this matter by an additional \$1 million to reflect updated information on the other costs to be paid by us. Any final resolution remains subject to negotiation and final approval of a settlement agreement with the DOJ and any other definitive documentation required by OIG or other government agencies. We believe this could be completed as early as the second quarter of 2020, at which time the monetary component of the resolution would be paid.

Other Matters

On July 1, 2019, certain of the entities that purchased the operations of Hahnemann University Hospital and St. Christopher's Hospital for Children in Philadelphia from us commenced Chapter 11 bankruptcy proceedings. As previously disclosed in our Form 8-K filed September 1, 2017, the purchasers assumed our funding obligations under the Pension Fund for Hospital and Health Care Employees of Philadelphia and Vicinity (the "Fund"), a pension plan related to the operations at Hahnemann University Hospital and, pursuant to rules under the Employee Retirement Income Security Act of 1974, as amended, under certain circumstances we could become liable for withdrawal liability in the event a withdrawal is triggered with respect to the Fund. In July 2019, the Fund notified us of a withdrawal liability assessment of approximately \$63 million. We dispute and are contesting this assessment in accordance with applicable law.

We are also subject to 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 following table presents reconciliations of the beginning and ending liability balances in connection with legal settlements and related costs recorded in continuing operations during the years ended December 31, 2019, 2018 and 2017. No amounts were recorded in discontinued operations in the 2019, 2018 and 2017 periods.

	Balances at Beginning of Period		Litigation and Investigation Costs		Cash Payments		Other		Balances at End of Period
Year Ended December 31, 2019	\$ 8	\$	141	\$	(55)	\$	(8)	\$	86
Year Ended December 31, 2018	\$ 12	\$	38	\$	(41)	\$	(1)	\$	8
Year Ended December 31, 2017	\$ 12	\$	23	\$	(23)	\$	—	\$	12

For the years ended December 31, 2019, 2018 and 2017, we recorded net costs of \$141 million, \$38 million and \$23 million, respectively, in connection with significant legal proceedings and governmental investigations.

NOTE 18. REDEEMABLE NONCONTROLLING INTERESTS IN EQUITY OF CONSOLIDATED SUBSIDIARIES

As part of the acquisition of United Surgical Partners International, Inc., we entered into a put/call agreement (the “Put/Call Agreement”) with respect to the equity interests in USPI held by our joint venture partners. In April 2016, we paid \$127 million to purchase shares put to us according to the Put/Call Agreement, which increased our ownership interest in USPI to approximately 56.3%. On May 1, 2017, we amended and restated the Put/Call Agreement to provide for, among other things, the acceleration of our acquisition of certain shares of USPI. Under the terms of the amendment, we paid Welsh Carson, on July 3, 2017, \$716 million for the purchase of these shares, which increased our ownership interest in USPI to 80.0%, as well as the final adjustment to the 2016 purchase price. In April 2018, we paid \$630 million for the purchase of an additional 15% ownership interest in USPI and the final adjustment to the 2017 purchase price, which increased our ownership interest in USPI to 95%.

In addition, we entered into a separate put call agreement (the “Baylor Put/Call Agreement”) with Baylor University Medical Center (“Baylor”) that contains put and call options with respect to the 5% ownership interest in USPI held by Baylor. Each year starting in 2021, Baylor may put up to one-third of their total shares in USPI held as of April 1, 2017. In each year that Baylor does not put the full 33.3% of USPI’s shares allowable, we may call the difference between the number of shares Baylor put and the maximum number of shares they could have put that year. In addition, the Baylor Put/Call Agreement contains a call option pursuant to which we have the ability to acquire all of Baylor’s ownership interest by 2024. We have the ability to choose whether to settle the purchase price for the Baylor put/call in cash or shares of our common stock.

Based on the nature of these put/call structures, the minority shareholders’ interests in USPI are classified as redeemable noncontrolling interests in the accompanying Consolidated Balance Sheets at December 31, 2019 and 2018.

The following table shows the changes in redeemable noncontrolling interests in equity of consolidated subsidiaries during the years ended 2019 and 2018:

	December 31,	
	2019	2018
Balances at beginning of period	\$ 1,420	\$ 1,866
Net income	192	190
Distributions paid to noncontrolling interests	(145)	(142)
Accretion of redeemable noncontrolling interests	18	173
Purchases and sales of businesses and noncontrolling interests, net	21	(667)
Balances at end of period	\$ 1,506	\$ 1,420

Our redeemable noncontrolling interests balances at December 31, 2019 and 2018 in the table above were comprised of \$383 million and \$431 million, respectively, from our Hospital Operations and other segment, \$777 million and \$713 million, respectively, from our Ambulatory Care segment, and \$346 million and \$276 million, respectively, from our Conifer segment. Our net income (loss) attributable to redeemable noncontrolling interests for the years ended December 31, 2019 and 2018 respectively, in the accompanying Consolidated Statements of Operations were comprised of \$(37) million and \$(25) million, respectively, from our Hospital Operations and other segment, \$159 million and \$151 million, respectively, from our Ambulatory Care segment, and \$70 million and \$64 million, respectively, from our Conifer segment.

NOTE 19. INCOME TAXES

The provision for income taxes for continuing operations for the years ended December 31, 2019, 2018 and 2017 consists of the following:

	Years Ended December 31,		
	2019	2018	2017
Current tax expense (benefit):			
Federal	\$ (6)	\$ (6)	\$ (4)
State	26	33	23
	<u>20</u>	<u>27</u>	<u>19</u>
Deferred tax expense (benefit):			
Federal	134	159	202
State	(1)	(10)	(2)
	<u>133</u>	<u>149</u>	<u>200</u>
	<u>\$ 153</u>	<u>\$ 176</u>	<u>\$ 219</u>

A reconciliation between the amount of reported income tax expense and the amount computed by multiplying income (loss) from continuing operations before income taxes by the statutory federal income tax rate is shown below. State income tax expense for the year ended December 31, 2019 includes \$2 million of expense related to the write-off of expired or worthless unutilized state net operating loss carryforwards and other deferred tax assets for which a full valuation allowance had been provided in prior years. A corresponding tax benefit of \$2 million is included for the year ended December 31, 2019 to reflect the reduction in the valuation allowance. Foreign pre-tax loss for the years ended December 31, 2019 and 2018 was \$6 million.

	Years Ended December 31,		
	2019	2018	2017
Tax expense (benefit) at statutory federal rate of 21% in 2019 and 2018 (35% in 2017)	\$ 62	\$ 134	\$ (35)
State income taxes, net of federal income tax benefit	20	23	4
Expired state net operating losses, net of federal income tax benefit	2	9	28
Tax attributable to noncontrolling interests	(79)	(70)	(113)
Nondeductible goodwill	4	8	109
Nondeductible executive compensation	6	4	—
Nondeductible litigation costs	7	—	—
Expired charitable contribution carryforward	8	—	—
Impact of decrease in federal tax rate on deferred taxes	—	(1)	246
Reversal of permanent reinvestment assumption and other adjustments related to divestiture of foreign subsidiary	—	(6)	(30)
Stock-based compensation tax deficiencies	4	5	15
Changes in valuation allowance (including impact of decrease in federal tax rate)	133	76	—
Change in tax contingency reserves, including interest	(14)	(1)	(6)
Prior-year provision to return adjustments and other changes in deferred taxes	(3)	(5)	4
Other items	3	—	(3)
Income tax expense	<u>\$ 153</u>	<u>\$ 176</u>	<u>\$ 219</u>

In December 2017, the President signed into law the Tax Cuts and Jobs Act (the “Tax Act”). The Tax Act amended the Internal Revenue Code to reduce tax rates and modify policies, credits and deductions for individuals and businesses. For businesses, the Tax Act made broad and complex changes to the U.S. tax code, including but not limited to (1) reducing the corporate federal tax rate from a maximum of 35% to a flat 21% rate effective January 1, 2018, (2) repealing the corporate alternative minimum tax (“AMT”) and changing how existing AMT credits may be realized, (3) creating a new limitation on the deductibility of interest expense, (4) allowing full expensing of certain capital expenditures, and (5) denying deductions for

performance-based compensation paid to certain key executives. International provisions in the Tax Act have not had, and are not expected to have, a material impact on the Company's taxes.

As a result of the reduction in the corporate income tax rate from 35% to 21% under the Tax Act, we revalued our net deferred tax assets at December 31, 2017, resulting in a reduction in the value of our net deferred tax assets by approximately \$251 million. For the year ended December 31, 2017, we recorded \$252 million as a provisional estimate of the impact of the Tax Act, including the decrease in the corporate income tax rate from 35% to 21%. Approximately \$6 million of the total \$252 million increase in income tax expense is included in the net change in valuation allowance, with the remaining \$246 million shown in the table above. During the year ended December 31, 2018, we recorded \$1 million of tax benefit upon finalizing our accounting for the income tax effects of the Tax Act based on actual 2017 federal and state income tax filings.

Deferred income taxes reflect the tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for income tax purposes. The following table discloses those significant components of our deferred tax assets and liabilities, including any valuation allowance:

	December 31, 2019		December 31, 2018	
	Assets	Liabilities	Assets	Liabilities
Depreciation and fixed-asset differences	\$ —	\$ 282	\$ —	\$ 297
Reserves related to discontinued operations and restructuring charges	14	—	24	—
Receivables (doubtful accounts and adjustments)	165	—	155	—
Accruals for retained insurance risks	195	—	205	—
Intangible assets	—	356	—	341
Other long-term liabilities	35	—	39	—
Benefit plans	274	—	255	—
Other accrued liabilities	45	—	32	—
Investments and other assets	—	95	—	83
Interest expense limitation	219	—	89	—
Net operating loss carryforwards	179	—	266	—
Stock-based compensation	19	—	24	—
Other items	45	34	88	32
	1,190	767	1,177	753
Valuation allowance	(281)	—	(148)	—
	\$ 909	\$ 767	\$ 1,029	\$ 753

Below is a reconciliation of the deferred tax assets and liabilities and the corresponding amounts reported in the accompanying Consolidated Balance Sheets.

	December 31,	
	2019	2018
Deferred income tax assets	\$ 169	\$ 312
Deferred tax liabilities	(27)	(36)
Net deferred tax asset	\$ 142	\$ 276

During the year ended December 31, 2019, the valuation allowance increased by \$133 million, including an increase of \$130 million due to limitations on the tax deductibility of interest expense, a decrease of \$2 million due to the expiration or worthlessness of unutilized state net operating loss carryovers, and an increase of \$5 million due to changes in expected realizability of deferred tax assets. The balance in the valuation allowance as of December 31, 2019 was \$281 million. During the year ended December 31, 2018, the valuation allowance increased by \$76 million, including an increase of \$89 million due to limitations on deductions of interest expense, a decrease of \$9 million due to the expiration or worthlessness of unutilized state net operating loss carryovers, and a decrease of \$4 million due to changes in expected realizability of deferred tax assets. The remaining balance in the valuation allowance at December 31, 2018 was \$148 million. During the year ended December 31, 2017, we had no net change in the valuation allowance, but there was a decrease of \$28 million due to the expiration or worthlessness of unutilized state net operating loss carryovers, an increase of \$6 million due to the decrease in the federal tax rate, and an increase of \$22 million due to changes in expected realizability of deferred tax assets. The remaining balance in the valuation allowance as of December 31, 2017 was \$72 million. Federal and state deferred tax assets relating to interest expense limitations under Internal Revenue Code Section 163(j) have a full valuation allowance because the interest expense carryovers are not expected to be utilized in the foreseeable future.

We account for uncertain tax positions in accordance with ASC 740-10-25, which prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected

to be taken in income tax returns. The following table summarizes the total changes in unrecognized tax benefits in continuing operations during the years ended December 31, 2019, 2018 and 2017. There were no such changes in discontinued operations. The additions and reductions for tax positions include the impact of items for which the ultimate deductibility is highly certain, but for which there is uncertainty about the timing of such deductions. Such amounts include unrecognized tax benefits that have impacted deferred tax assets and liabilities at December 31, 2019, 2018 and 2017.

	Continuing Operations
Balance At December 31, 2016	\$ 35
Additions for prior-year tax positions	31
Reductions for tax positions of prior years	(15)
Reductions due to a lapse of statute of limitations	(5)
Balance At December 31, 2017	\$ 46
Reductions due to a lapse of statute of limitations	(1)
Balance At December 31, 2018	\$ 45
Reductions due to a lapse of statute of limitations	(14)
Balance At December 31, 2019	\$ 31

The total amount of unrecognized tax benefits as of December 31, 2019 was \$31 million, of which \$29 million, if recognized, would affect our effective tax rate and income tax expense (benefit) from continuing operations. Income tax expense in the year ended December 31, 2019 includes a benefit of \$11 million in continuing operations attributable to a decrease in our estimated liabilities for uncertain tax positions, net of related deferred tax effects. The total amount of unrecognized tax benefits as of December 31, 2018 was \$45 million, of which \$43 million, if recognized, would affect our effective tax rate and income tax expense (benefit) from continuing operations. Income tax expense in the year ended December 31, 2018 includes a benefit of \$1 million in continuing operations attributable to a decrease in our estimated liabilities for uncertain tax positions, net of related deferred tax effects. The total amount of unrecognized tax benefits as of December 31, 2017 was \$46 million, of which \$44 million, if recognized, would affect our effective tax rate and income tax expense (benefit) from continuing operations. Income tax expense in the year ended December 31, 2017 includes a benefit of \$5 million in continuing operations attributable to a decrease in our estimated liabilities for uncertain tax positions, net of related deferred tax effects.

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 as of December 31, 2019 were zero.

The Internal Revenue Service (“IRS”) has completed audits of our tax returns for all tax years ended on or before December 31, 2007. All disputed issues with respect to these audits have been resolved and all related tax assessments (including interest) have been paid. Our tax returns for years ended after December 31, 2007 and USPI’s tax returns for years ended after December 31, 2015 remain subject to audit by the IRS.

As of December 31, 2019, no significant changes in unrecognized federal and state tax benefits are expected 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.

At December 31, 2019, our carryforwards available to offset future taxable income consisted of (1) federal net operating loss (“NOL”) carryforwards of approximately \$600 million pre-tax expiring in 2032 to 2034, (2) general business credit carryforwards of approximately \$25 million expiring in 2023 through 2039, and (3) state NOL carryforwards of approximately \$3.5 billion expiring in 2020 through 2039 for which the associated deferred tax benefit, net of valuation allowance and federal tax impact, is \$25 million. Our ability to utilize NOL carryforwards to reduce future taxable income may be limited under Section 382 of the Internal Revenue Code if certain ownership changes in our company occur during a rolling three-year period. These ownership changes include purchases of common stock under share repurchase programs, the offering of stock by us, the purchase or sale of our stock by 5% shareholders, as defined in the Treasury regulations, or the issuance or exercise of rights to acquire our stock. If such ownership changes by 5% shareholders result in aggregate increases that exceed 50 percentage points during the three-year period, then Section 382 imposes an annual limitation on the amount of our taxable income that may be offset by the NOL carryforwards or tax credit carryforwards at the time of ownership change.

NOTE 20. EARNINGS (LOSS) PER COMMON SHARE

The following table is a reconciliation of the numerators and denominators of our basic and diluted earnings (loss) per common share calculations for our continuing operations for the years ended December 31, 2019, 2018 and 2017. Net income available (loss attributable) to our common shareholders is expressed in millions and weighted average shares are expressed in thousands.

	Net Income Available (Loss Attributable) to Common Shareholders (Numerator)	Weighted Average Shares (Denominator)	Per-Share Amount
Year Ended December 31, 2019			
Net loss attributable to Tenet Healthcare Corporation common shareholders for basic loss per share	\$ (243)	103,398	\$ (2.35)
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	\$ (243)	103,398	\$ (2.35)
Year Ended December 31, 2018			
Net income available to Tenet Healthcare Corporation common shareholders for basic earnings per share	\$ 108	102,110	\$ 1.06
Effect of dilutive stock options, restricted stock units and deferred compensation units	—	1,771	(0.02)
Net income available to Tenet Healthcare Corporation common shareholders for diluted earnings per share	\$ 108	103,881	\$ 1.04
Year Ended December 31, 2017			
Net loss attributable to Tenet Healthcare Corporation common shareholders for basic loss per share	\$ (704)	100,592	\$ (7.00)
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	\$ (704)	100,592	\$ (7.00)

All potentially dilutive securities were excluded from the calculation of diluted loss per share for the years ended December 31, 2019 and 2017 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 years ended December 31, 2019 and 2017, 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 1,457 and 788 for the years ended December 31, 2019 and 2017, respectively.

NOTE 21. FAIR VALUE MEASUREMENTS

Our non-financial assets and liabilities not permitted or required to be measured at fair value on a recurring basis typically relate to long-lived assets held and used, long-lived assets held for sale and goodwill. We are required to provide additional disclosures about fair value measurements as part of our financial statements for each major category of assets and liabilities measured at fair value on a non-recurring basis. The following tables present this information and 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, which generally are not applicable to non-financial assets and liabilities. Fair values determined by Level 2 inputs utilize data points that are observable, such as definitive sales agreements, appraisals or established market values of comparable assets. 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, such as internal estimates of future cash flows.

	December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-lived assets held for sale	\$ 387	\$ —	\$ 387	\$ —

	December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-lived assets held for sale	\$ 39	\$ —	\$ 39	\$ —
Long-lived assets held and used	\$ 130	\$ —	\$ 130	\$ —

As described in Note 6, in the year ended December 31, 2019, we recorded impairment charges in continuing operations of \$26 million to write-down assets held for sale to their estimated fair value, less estimated costs to sell, for certain of our Memphis-area facilities and \$16 million of other impairment charges. In the year ended December 31, 2018, we recorded impairment charges in continuing operations of \$40 million for the write-down of buildings and other long-lived assets to their estimated fair values at two hospitals. We also recorded \$24 million to write-down assets held for sale to their estimated fair value, less estimated costs to sell, for certain of our Chicago-area facilities, as well as \$9 million of impairment charges to write-down assets held for sale to their estimated fair value, less estimated costs to sell, for Aspen and \$4 million related to other impairment charges.

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 December 31, 2019 and 2018, the estimated fair value of our long-term debt was approximately 106.4% and 97.3%, respectively, of the carrying value of the debt.

NOTE 22. ACQUISITIONS

During the year ended December 31, 2019, we acquired ten outpatient businesses (all of which are owned by USPI), and various physician practices. The fair value of the consideration conveyed in the acquisitions (the “purchase price”) was \$25 million.

During the year ended December 31, 2018, we acquired ten outpatient businesses (all of which are owned by USPI), three off-campus emergency departments and various physician practices. The fair value of the consideration conveyed in the acquisitions (the “purchase price”) was \$113 million.

During the year ended December 31, 2017, we acquired eight outpatient businesses (all of which are owned by USPI) and various physician practices. The fair value of the consideration conveyed in the acquisitions (the “purchase price”) was \$50 million.

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 allocated over those fair values is recorded as goodwill. The purchase price allocations for certain acquisitions completed in 2019 is preliminary. 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 2019 acquisitions; therefore, those purchase price allocations are subject to adjustment once the valuations are completed.

Preliminary or final purchase price allocations for all the acquisitions made during the years ended December 31, 2019, 2018 and 2017 are as follows:

	2019	2018	2017
Current assets	\$ 16	\$ 6	\$ 7
Property and equipment	20	19	9
Other intangible assets	4	9	8
Goodwill	43	220	91
Other long-term assets, including previously held equity method investments	24	(18)	(3)
Current liabilities	(16)	—	(8)
Long-term liabilities	(35)	(15)	(2)
Redeemable noncontrolling interests in equity of consolidated subsidiaries	(18)	(21)	(29)
Noncontrolling interests	(7)	(85)	(18)
Cash paid, net of cash acquired	(25)	(113)	(50)
Gains on consolidations	\$ 6	\$ 2	\$ 5

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. The goodwill total of \$43 million from acquisitions completed during the year ended December 31, 2019 was recorded in our Ambulatory Care segment. Approximately \$6 million, \$10 million and \$6 million in transaction costs related to prospective and closed acquisitions were expensed during the years ended December 31, 2019, 2018 and 2017, respectively, and are included in impairment and restructuring charges, and acquisition-related costs in the accompanying Consolidated Statements of Operations.

During the years ended December 31, 2019, 2018 and 2017, we recognized gains totaling \$6 million, \$2 million and \$5 million, respectively, associated with stepping up our ownership interests in previously held equity investments, which we began consolidating after we acquired controlling interests.

NOTE 23. 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 Hospital Operations and other segment is comprised of our acute care and specialty hospitals, ancillary outpatient facilities, urgent care centers, micro-hospitals and physician practices. As described in Note 5, certain of our facilities were classified as held for sale in the accompanying Consolidated Balance Sheet at December 31, 2019. At December 31, 2019, our subsidiaries operated 65 hospitals serving primarily urban and suburban communities in nine states.

Our Ambulatory Care segment is comprised of the operations of USPI and included nine Aspen facilities in the United Kingdom until their divestiture effective August 17, 2018. At December 31, 2019, USPI had interests in 260 ambulatory surgery centers, 39 urgent care centers operated under the CareSpot brand, 23 imaging centers and 24 surgical hospitals in 27 states. At December 31, 2019, we owned 95% of USPI.

Our Conifer segment provides revenue cycle management and value-based care services to hospitals, healthcare systems, physician practices, employers and other customers. At December 31, 2019, Conifer provided services to approximately 660 Tenet and non-Tenet hospitals and other clients nationwide. In 2012, we entered into agreements documenting the terms and conditions of various services Conifer provides to Tenet hospitals, as well as certain administrative services our Hospital Operations and other segment provides to Conifer. The pricing terms for the services provided by each party to the other under these contracts were based on estimated third-party pricing terms in effect at the time the agreements were signed. At December 31, 2019, we owned 76.2% of Conifer Health Solutions, LLC, which is the principal subsidiary of Conifer Holdings, Inc.

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

	December 31, 2019	December 31, 2018	December 31, 2017
Assets:			
Hospital Operations and other	\$ 16,182	\$ 15,684	\$ 16,466
Ambulatory Care	6,195	5,711	5,822
Conifer	974	1,014	1,097
Total	\$ 23,351	\$ 22,409	\$ 23,385
Years Ended December 31,			
	2019	2018	2017
Capital expenditures:			
Hospital Operations and other	\$ 572	\$ 527	\$ 625
Ambulatory Care	75	68	60
Conifer	23	22	22
Total	\$ 670	\$ 617	\$ 707
Net operating revenues:			
Hospital Operations and other total prior to inter-segment eliminations	\$ 15,522	\$ 15,285	\$ 16,260
Ambulatory Care	2,158	2,085	1,940
Conifer			
Tenet	573	590	618
Other clients	799	943	979
Total Conifer revenues	1,372	1,533	1,597
Inter-segment eliminations	(573)	(590)	(618)
Total	\$ 18,479	\$ 18,313	\$ 19,179
Equity in earnings of unconsolidated affiliates:			
Hospital Operations and other	\$ 15	\$ 10	\$ 4
Ambulatory Care	160	140	140
Total	\$ 175	\$ 150	\$ 144
Adjusted EBITDA:			
Hospital Operations and other	\$ 1,425	\$ 1,411	\$ 1,462
Ambulatory Care	895	792	699
Conifer	386	357	283
Total	\$ 2,706	\$ 2,560	\$ 2,444
Depreciation and amortization:			
Hospital Operations and other	\$ 733	\$ 685	\$ 736
Ambulatory Care	72	68	84
Conifer	45	49	50
Total	\$ 850	\$ 802	\$ 870
Adjusted EBITDA	\$ 2,706	\$ 2,560	\$ 2,444
Income (loss) from divested and closed businesses (i.e., the Company's health plan businesses)	(2)	9	(41)
Depreciation and amortization	(850)	(802)	(870)
Impairment and restructuring charges, and acquisition-related costs	(185)	(209)	(541)
Litigation and investigation costs	(141)	(38)	(23)
Interest expense	(985)	(1,004)	(1,028)
Gain (loss) from early extinguishment of debt	(227)	1	(164)

Other non-operating expense, net	(5)	(5)	(22)
Net gains (losses) on sales, consolidation and deconsolidation of facilities	(15)	127	144
Income (loss) from continuing operations, before income taxes	\$ 296	\$ 639	\$ (101)

NOTE 24. RECENT ACCOUNTING STANDARDS

Recently Issued Accounting Standards

In August 2018, the FASB issued ASU 2018-13, “Fair Value Measurement (Topic 820) Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement” (“ASU 2018-13”), which applies to all entities that are required to make disclosures about recurring or nonrecurring fair value measurements. The amendments in ASU 2018-13, which remove, modify or add certain disclosure requirements as part of the FASB’s disclosure framework project to improve the effectiveness of the notes to the financial statements, are effective for us beginning in 2020. The adoption of this guidance will not impact our financial position, results of operations or cash flows.

Also in August 2018, the FASB issued ASU 2018-14, “Compensation – Retirement Benefits – Defined Benefit Plans –General (Subtopic 715-20) Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans” (“ASU 2018-14”), which applies to all employers that sponsor defined benefit pension or other postretirement plans. The amendments in ASU 2018-14, which remove, modify or add certain disclosure requirements as part of the FASB’s disclosure framework project to improve the effectiveness of the notes to the financial statements, are effective for us beginning in 2021. The adoption of this guidance will not impact our financial position, results of operations or cash flows.

Additionally, the FASB issued ASU 2018-15, “Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40) Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract” (“ASU 2018-14”), which applies to all entities that are a customer in a hosting arrangement that is a service contract. The amendments in ASU 2018-14, which align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software, are effective for us beginning in 2020. We do not expect adoption of this guidance to have a material effect on our financial position, results of operations or cash flows.

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments—Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments” (“ASU 2016-13”), which applies to entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments in ASU 2016-13 require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. We will adopt ASU 2016-13 effective January 1, 2020 using the modified retrospective transition approach as of the period of adoption by recording a cumulative effect adjustment to increase accumulated deficit by \$15 million to \$20 million. We do not expect the adoption to have a material effect on our financial position, results of operations or cash flow.

Recently Adopted Accounting Standards

Effective January 1, 2019, as further discussed in Note 1, we adopted ASU 2016-02 using the modified retrospective transition approach as of the period of adoption.

Effective January 1, 2018, as further discussed in Note 1, we adopted ASU 2014-09 and ASU 2016-01, and we early adopted ASU 2018-02. Also effective January 1, 2018, we adopted ASU 2016-15, “Statement of Cash Flows (Topic 230) Classification of Certain Cash Receipts and Cash Payments” and ASU 2016-18, “Statement of Cash Flows (Topic 230) Restricted Cash,” both of which were applied using a retrospective transition method to each period presented and did not have any effect on our statements of cash flows.

Effective January 1, 2017, as further discussed in Note 1, we adopted ASU 2016-09 and early adopted ASU 2017-07. We also early adopted ASU 2017-04, “Intangibles – Goodwill and Other (Topic 350)” (“ASU 2017-04”) for our annual goodwill impairment tests for the year ended December 31, 2017. The amendments in ASU 2017-04 modified the concept of impairment from the condition that exists when the carrying amount of goodwill exceeds its implied fair value to the condition that exists when the carrying amount of a reporting unit exceeds its fair value. An entity no longer determines goodwill impairment by calculating the implied fair value of goodwill by assigning the fair value of a reporting unit to all of its assets and liabilities as if that reporting unit had been acquired in a business combination. Because these amendments eliminate Step 2 from the goodwill impairment test, they should reduce the cost and complexity of evaluating goodwill for impairment. Our adoption of ASU 2017-04 did not affect our financial position, results of operations or cash flows.

NOTE 25. SUBSEQUENT EVENT

Termination of USPI Management Equity Plan and Adoption of USPI Restricted Stock Plan

As described in Note 10, USPI previously maintained a management equity plan whereby it had granted non-qualified options to purchase nonvoting shares of USPI's outstanding common stock to eligible plan participants. In February 2020, the plan and all unvested options granted under the plan were terminated in accordance with the terms of the plan. In the first quarter of 2020, USPI will repurchase all vested options and all shares of USPI stock acquired upon exercise of an option. All participants in the plan will receive fair market value for any such vested options or shares; all unvested options under the plan were canceled. USPI will pay approximately \$35 million to eligible plan participants in connection with the repurchase of eligible securities. Also in February 2020, USPI adopted a new restricted stock plan whereby USPI will grant shares of restricted non-voting common stock to eligible plan participants.

SUPPLEMENTAL FINANCIAL INFORMATION**SELECTED QUARTERLY FINANCIAL DATA
(UNAUDITED)**

	Year Ended December 31, 2019			
	First	Second	Third	Fourth
Net operating revenues	\$ 4,545	\$ 4,560	\$ 4,568	\$ 4,806
Net income (loss)	\$ 65	\$ 112	\$ (152)	\$ 129
Net income available (loss attributable) to Tenet Healthcare Corporation common shareholders	\$ (19)	\$ 17	\$ (232)	\$ 2
Earnings (loss) per share available (attributable) to Tenet Healthcare Corporation common shareholders:				
Basic	\$ (0.18)	\$ 0.17	\$ (2.24)	\$ 0.02
Diluted	\$ (0.18)	\$ 0.16	\$ (2.24)	\$ 0.02
	Year Ended December 31, 2018			
	First	Second	Third	Fourth
Net operating revenues	\$ 4,699	\$ 4,506	\$ 4,489	\$ 4,619
Net income	\$ 191	\$ 108	\$ 65	\$ 102
Net income available (loss attributable) to Tenet Healthcare Corporation common shareholders	\$ 99	\$ 26	\$ (9)	\$ (5)
Earnings (loss) per share available (attributable) to Tenet Healthcare Corporation common shareholders:				
Basic	\$ 0.98	\$ 0.25	\$ (0.09)	\$ (0.04)
Diluted	\$ 0.96	\$ 0.25	\$ (0.09)	\$ (0.04)

Quarterly operating results 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; trends in patient accounts receivable collectability and associated implicit price concessions; fluctuations in interest rates; levels of malpractice insurance expense and settlement trends; 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; gains (losses) on sales, consolidation and deconsolidation of facilities; 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 (losses) from early extinguishment of debt; and changes in occupancy levels and patient volumes. Factors that affect service mix, revenue mix, patient volumes and, thereby, the results of operations at our hospitals and related healthcare facilities include, but are not limited to: changes in federal and state healthcare regulations; 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, satisfaction, retention and attrition; advances in technology and treatments that reduce length of stay; local healthcare competitors; utilization pressure by managed care organizations, as well as managed care contract negotiations or terminations; hospital performance data on quality measures and patient satisfaction, as well as standard charges for services; any unfavorable publicity about us, or our joint venture partners, that impacts our relationships with physicians and patients; and changing consumer behavior, including with respect to the timing of elective procedures. These considerations apply to year-to-year comparisons as well.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. 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 Exchange Act, as of the end of the period covered by this report. 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.

Management's report on internal control over financial reporting is set forth on page 79 and is incorporated herein by reference. The independent registered public accounting firm that audited the financial statements included in this report has issued an attestation report on our internal control over financial reporting as set forth on page 80 herein.

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information required by this Item is hereby incorporated by reference to our definitive proxy statement in accordance with General Instruction G(3) to Form 10-K. Information concerning our Standards of Conduct, by which all of our employees and officers, including our chief executive officer, chief financial officer and principal accounting officer, are required to abide appears under Item 1, Business – Compliance and Ethics, of Part I of this report.

ITEM 11. EXECUTIVE COMPENSATION

Information required by this Item is hereby incorporated by reference to our definitive proxy statement in accordance with General Instruction G(3) to Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information required by this Item is hereby incorporated by reference to our definitive proxy statement in accordance with General Instruction G(3) to Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this Item is hereby incorporated by reference to our definitive proxy statement in accordance with General Instruction G(3) to Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information required by this Item is hereby incorporated by reference to our definitive proxy statement in accordance with General Instruction G(3) to Form 10-K.

PART IV.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

FINANCIAL STATEMENTS

The Consolidated Financial Statements and notes thereto can be found on pages 83 through 129.

FINANCIAL STATEMENT SCHEDULES

Schedule II—Valuation and Qualifying Accounts (included on page 141).

All other schedules and financial statements of the Registrant are omitted because they are not applicable or not required or because the required information is included in the Consolidated Financial Statements or notes thereto.

FINANCIAL STATEMENTS REQUIRED BY RULE 3-09 OF REGULATION S-X

The consolidated financial statements of Texas Health Ventures Group, L.L.C. and subsidiaries (“THVG”), which are included due to the significance of the equity in earnings of unconsolidated affiliates we recognized from our investment in THVG for the years ended December 31, 2019, 2018 and 2017 can be found on pages F-1 through F-20.

All other schedules and financial statements of THVG are omitted because they are not applicable or not required or because the required information is included in the Consolidated Financial Statements or notes thereto.

EXHIBITS

Unless otherwise indicated, the following exhibits are filed with this report:

- (3) Articles of Incorporation and Bylaws
 - (a) [Amended and Restated Articles of Incorporation of the Registrant, as amended and restated May 8, 2008 \(Incorporated by reference to Exhibit 3\(a\) to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2008, filed August 5, 2008\)](#)
 - (b) [Certificate of Change Pursuant to NRS 78.209, filed with the Nevada Secretary of State effective October 10, 2012 \(Incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K filed October 11, 2012\)](#)
 - (c) [Amended and Restated Bylaws of the Registrant, as amended and restated effective January 3, 2019 \(Incorporated by reference to Exhibit 3.1 to Registrant's Current Report on Form 8-K filed January 7, 2019\)](#)
- (4) Instruments Defining the Rights of Security Holders, Including Indentures
 - (a) [Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934](#)
 - (b) [Indenture, dated as of November 6, 2001, between the Registrant and The Bank of New York, as trustee \(Incorporated by reference to Exhibit 4.1 to Registrant's Current Report on Form 8-K filed November 9, 2001\)](#)
 - (c) [Third Supplemental Indenture, dated as of November 6, 2001, between the Registrant and The Bank of New York, as trustee, relating to 6.875% Senior Notes due 2031 \(Incorporated by reference to Exhibit 4.4 to Registrant's Current Report on Form 8-K filed November 9, 2001\)](#)
 - (d) [Indenture, dated as of September 27, 2013, among THC Escrow Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee, relating to 8.125% Senior Notes due 2022 \(Incorporated by reference to Exhibit 4.3 to Registrant's Current Report on Form 8-K filed October 1, 2013\)](#)
 - (e) [Supplemental Indenture, dated as of October 1, 2013, among the Registrant, certain of its subsidiaries and The Bank of New York Mellon Trust Company, N.A., as trustee, relating to 8.125% Senior Notes due 2022 \(Incorporated by reference to Exhibit 4.4 to Registrant's Current Report on Form 8-K filed October 1, 2013\)](#)
 - (f) [Indenture, dated as of June 16, 2015, between THC Escrow Corporation II and The Bank of New York Mellon Trust Company, N.A., as trustee, relating to 6.750% Senior Notes due 2023 \(Incorporated by reference to Exhibit 4.3 to Registrant's Current Report on Form 8-K filed June 16, 2015\)](#)
 - (g) [Supplemental Indenture, dated as of June 16, 2015, between the Registrant and The Bank of New York Mellon Trust Company, N.A., as trustee, relating to 6.750% Senior Notes due 2023 \(Incorporated by reference to Exhibit 4.4 to Registrant's Current Report on Form 8-K filed June 16, 2015\)](#)
 - (h) [Twenty-Ninth Supplemental Indenture, dated as of June 14, 2017, among the Registrant, The Bank of New York Mellon Trust Company, N.A., as successor trustee to The Bank of New York, and the guarantors party thereto, relating to 4.625% Senior Secured First Lien Notes due 2024 \(Incorporated by reference to Exhibit 4.2 to Registrant's Current Report on Form 8-K filed June 16, 2017\)](#)
 - (i) [Senior Secured First Lien Notes Indenture, dated as of June 14, 2017, between THC Escrow Corporation III and The Bank of New York Mellon Trust Company, N.A., as trustee, relating to 4.625% Senior Secured First Lien Notes due 2024 \(Incorporated by reference to Exhibit 4.3 to Registrant's Current Report on Form 8-K filed June 16, 2017\)](#)
 - (j) [Senior Secured Second Lien Notes Indenture, dated as of June 14, 2017, between THC Escrow Corporation III and The Bank of New York Mellon Trust Company, N.A., as trustee, relating to 5.125% Senior Secured Second Lien Notes due 2025 \(Incorporated by reference to Exhibit 4.4 to Registrant's Current Report on Form 8-K filed June 16, 2017\)](#)
 - (k) [Unsecured Notes Indenture, dated as of June 14, 2017, between THC Escrow Corporation III and The Bank of New York Mellon Trust Company, N.A., as trustee, relating to 7.000% Senior Notes due 2025 \(Incorporated by reference to Exhibit 4.5 to Registrant's Current Report on Form 8-K filed June 16, 2017\)](#)

- (l) [Supplemental Indenture, dated as of July 14, 2017, among the Registrant, certain of its subsidiaries and The Bank of New York Mellon Trust Company, N.A. relating to 5.125% Senior Secured Second Lien Notes Due 2025 \(Incorporated by reference to Exhibit 4.4 to Registrant's Current Report on Form 8-K filed July 17, 2017\)](#)
 - (m) [Supplemental Indenture, dated as of August 1, 2017, among the Registrant and The Bank of New York Mellon Trust Company, N.A. relating to 7.000% Senior Notes Due 2025 \(Incorporated by reference to Exhibit 4.5 to Registrant's Current Report on Form 8-K filed August 2, 2017\)](#)
 - (n) [Thirtieth Supplemental Indenture, dated as of February 5, 2019, among the Registrant, The Bank of New York Mellon Trust Company, N.A., as successor trustee to The Bank of New York, and the guarantors party thereto, relating to 6.250% Senior Secured Second Lien Notes due 2027 \(Incorporated by reference to Exhibit 4.2 to Registrant's Current Report on Form 8-K filed February 6, 2019\)](#)
 - (o) [Thirty-First Supplemental Indenture, dated as of August 26, 2019, among the Registrant, the guarantors party thereto and The Bank of New York Mellon Trust Company, N.A. relating to 4.625% Senior Secured First Lien Notes due 2024 \(Incorporated by reference to Exhibit 4.2 to Registrant's Current Report on Form 8-K filed August 26, 2019\)](#)
 - (p) [Thirty-Second Supplemental Indenture, dated as of August 26, 2019, among the Registrant, the guarantors party thereto and The Bank of New York Mellon Trust Company, N.A. relating to 4.875% Senior Secured First Lien Notes due 2026 \(Incorporated by reference to Exhibit 4.3 to Registrant's Current Report on Form 8-K filed August 26, 2019\)](#)
 - (q) [Thirty-Third Supplemental Indenture, dated as of August 26, 2019, among the Registrant, the guarantors party thereto and The Bank of New York Mellon Trust Company, N.A. relating to 5.125% Senior Secured First Lien Notes due 2027 \(Incorporated by reference to Exhibit 4.4 to Registrant's Current Report on Form 8-K filed August 26, 2019\)](#)
- (10) Material Contracts
- (a) [Amended and Restated Credit Agreement, dated as of October 19, 2010, among the Registrant, the lenders and issuers party thereto, Citicorp USA, Inc., as administrative agent, Bank of America, N.A., as syndication agent, Citigroup Global Markets Inc. and Banc of America Securities LLC, as joint lead arrangers, and the joint bookrunners and co-documentation agents named therein \(Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed October 20, 2010\)](#)
 - (b) [Amendment No. 1, dated as of November 29, 2011, to that certain Amended and Restated Credit Agreement, dated as of October 19, 2010, among the Registrant, the lenders and issuers party thereto, Citicorp USA, Inc., as administrative agent, Bank of America, N.A., as syndication agent, Citigroup Global Markets Inc. and Banc of America Securities LLC, as joint lead arrangers, and the joint bookrunners and co-documentation agents named therein \(Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed December 1, 2011\)](#)
 - (c) [Amendment No. 2, dated as of January 23, 2014, to that certain Amended and Restated Credit Agreement, dated as of October 19, 2010, among the Registrant, the lenders and issuers party thereto, Citicorp USA, Inc., as administrative agent, Bank of America, N.A., as syndication agent, Citigroup Global Markets Inc. and Banc of America Securities LLC, as joint lead arrangers, and the joint bookrunners and co-documentation agents named therein \(Incorporated by reference to Exhibit 10\(c\) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2013, filed February 24, 2014\)](#)
 - (d) [Amendment No. 3, dated as of December 4, 2015, to that certain Amended and Restated Credit Agreement, dated as of October 19, 2010, among the Registrant, the lenders and issuers party thereto and Citicorp USA, Inc., as administrative agent \(Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed December 9, 2015\)](#)
 - (e) [Amendment No. 4, dated as of September 12, 2019, to that certain Amended and Restated Credit Agreement, dated as of October 19, 2010, among the Registrant, the lenders and issuers party thereto and Citicorp USA, Inc., as administrative agent \(Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed September 13, 2019\)](#)
 - (f) [Letter of Credit Facility Agreement, dated as of March 7, 2014, among the Registrant, certain financial institutions party thereto from time to time as letter of credit participants and issuers, and Barclays Bank PLC, as administrative agent \(Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed March 10, 2014\)](#)

- (g) [Amendment No. 1, dated as of September 15, 2016, to the Letter of Credit Facility Agreement, dated as of March 7, 2014, among the Registrant, certain financial institutions party thereto from time to time as letter of credit participants and issuers, and Barclays Bank PLC, as administrative agent \(Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K dated filed September 16, 2016\)](#)
- (h) [Amendment No. 3, dated as of September 12, 2019, to the Letter of Credit Facility Agreement, dated as of March 7, 2014, by and among the Registrant, the LC participants and issuers party thereto and Barclays Bank PLC, as administrative agent \(Incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K filed September 13, 2019\)](#)
- (i) [Guaranty, dated as of March 7, 2014, among Barclays Bank PLC, as administrative agent and the guarantors party thereto \(Incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K filed March 10, 2014\)](#)
- (j) [Stock Pledge Agreement, dated as of March 3, 2009, by and among the Registrant, as pledgor, The Bank of New York Mellon Trust Company, N.A., as collateral trustee, and the other pledgors party thereto \(Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed March 5, 2009\)](#)
- (k) [First Amendment to Stock Pledge Agreement, dated as of May 8, 2009, by and among the Registrant, as pledgor, The Bank of New York Mellon Trust Company, N.A., as collateral trustee, and the other pledgors party thereto \(Incorporated by reference to Exhibit 10\(h\) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2015, filed February 22, 2016\)](#)
- (l) [Second Amendment to Stock Pledge Agreement, dated as of June 15, 2009, by and among the Registrant, as pledgor, The Bank of New York Mellon Trust Company, N.A., as collateral trustee, and the other pledgors party thereto \(Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed June 16, 2009\)](#)
- (m) [Third Amendment to Stock Pledge Agreement, dated as of March 7, 2014, by and among the Registrant, as pledgor, The Bank of New York Mellon Trust Company, N.A., as collateral trustee, and the other pledgors party thereto \(Incorporated by reference to Exhibit 10\(j\) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2015, filed February 22, 2016\)](#)
- (n) [Fourth Amendment to Stock Pledge Agreement, dated as of March 23, 2015, by and among the Registrant, as pledgor, The Bank of New York Mellon Trust Company, N.A., as collateral trustee, and the other pledgors party thereto \(Incorporated by reference to Exhibit 10\(k\) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2015, filed February 22, 2016\)](#)
- (o) [Fifth Amendment to Stock Pledge Agreement, dated as of December 1, 2016, by and among the Registrant, as pledgor, The Bank of New York Mellon Trust Company, N.A., as collateral trustee, and the other pledgors party thereto \(Incorporated by reference to Exhibit 10\(m\) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2018, filed February 25, 2019\)](#)
- (p) [Sixth Amendment to Stock Pledge Agreement, dated as of June 14, 2017, by and among the Registrant, as pledgor, The Bank of New York Mellon Trust Company, N.A., as collateral trustee, and the other pledgors party thereto \(Incorporated by reference to Exhibit 10\(n\) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2018, filed February 25, 2019\)](#)
- (q) [Seventh Amendment to Stock Pledge Agreement, dated as of February 5, 2019, by and among the Registrant, as pledgor, The Bank of New York Mellon Trust Company, N.A., as collateral trustee, and the other pledgors party thereto \(Incorporated by reference to Exhibit 10\(o\) to Registrant's Annual Report on Form 10-K for the year December 31, 2018, filed February 25, 2019\)](#)
- (r) [Collateral Trust Agreement, dated as of March 3, 2009, by and among the Registrant, as pledgor, The Bank of New York Mellon Trust Company, N.A., as collateral trustee, and the other pledgors party thereto \(Incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K filed March 5, 2009\)](#)
- (s) [Exchange and Registration Rights Agreement, dated as of August 26, 2019, among the Registrant, the guarantors party thereto and Barclays Capital Inc. as representative of the other initial purchasers of the 2024 First Lien Notes named therein \(Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed August 26, 2019\)](#)

- (t) [Exchange and Registration Rights Agreement, dated as of August 26, 2019, among the Registrant, the guarantors party thereto and Barclays Capital Inc. as representative of the other initial purchasers of the 2026 First Lien Notes named therein \(Incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K filed August 26, 2019\)](#)
- (u) [Exchange and Registration Rights Agreement, dated as of August 26, 2019, among the Registrant, the guarantors party thereto and Barclays Capital Inc. as representative of the other initial purchasers of the 2027 First Lien Notes named therein \(Incorporated by reference to Exhibit 10.3 to Registrant's Current Report on Form 8-K filed August 26, 2019\)](#)
- (v) [Settlement Agreement among the United States of America, acting through the United States Department of Justice and on behalf of the Office of Inspector General of the Department of Health and Human Services, the State of Georgia, the State of South Carolina, the Registrant, Tenet HealthSystem Medical, Inc., Tenet HealthSystem GB, Inc. n/k/a Atlanta Medical Center, Inc., North Fulton Medical Center, Inc., Tenet HealthSystem Spalding, Inc. n/k/a Spalding Regional Medical Center, Inc., and Hilton Head Health System, L.P., and Ralph D. Williams \(Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed October 3, 2016\)](#)
- (w) [Non-Prosecution Agreement among Tenet HealthSystem Medical, Inc., the United States Department of Justice and the United States Attorney's Office for the Northern District of Georgia \(Incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K filed October 3, 2016\)](#)
- (x) [First Amendment to Non-Prosecution Agreement between Tenet HealthSystem Medical, Inc. and the United States Department of Justice \(Incorporated by reference to Exhibit 10\(a\) to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, filed August 6, 2018\)](#)
- (y) [Support Agreement, dated March 23, 2018, between the Registrant and Glenview Capital Management, LLC, Glenview Capital Partners, L.P., Glenview Capital Master Fund, Ltd., Glenview Institutional Partners, L.P., Glenview Offshore Opportunity Master Fund, Ltd. and Glenview Capital Opportunity Fund \(Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed March 26, 2018\)](#)
- (z) [Employment Agreement, dated March 24, 2018, by and between the Registrant and Ronald A. Rittenmeyer \(Incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K filed March 26, 2018\)*](#)
- (aa) [Amendment No. 1 to Employment Agreement, dated February 27, 2019 \(Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed March 1, 2019\)*](#)
- (bb) [Employment Agreement, dated November 27, 2018, by and between the Registrant and Saumya Sutaria, M.D. \(Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed November 30, 2018\)*](#)
- (cc) [Letter from the Registrant to Daniel J. Cancelmi, dated September 6, 2012 \(Incorporated by reference to Exhibit 10\(c\) to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, filed November 7, 2012\)*](#)
- (dd) [Letter from the Registrant to Audrey Andrews, dated January 22, 2013 \(Incorporated by reference to Exhibit 10\(m\) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2012, filed February 26, 2013\)*](#)
- (ee) [Retirement, General Release, and Consulting Agreement, dated as of June 19, 2019, by and between Tenet Business Services Corporation and Keith B. Pitts \(Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed June 21, 2019\)*](#)
- (ff) [Tenet Fourth Amended and Restated Executive Severance Plan, as amended and restated effective August 8, 2018 \(Incorporated by reference to Exhibit 10\(bb\) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2018, filed on February 25, 2019\)*](#)
- (gg) [Tenet Healthcare Corporation Tenth Amended and Restated Supplemental Executive Retirement Plan, as amended and restated effective April 1, 2018 \(Incorporated by reference to Exhibit 10\(cc\) Registrant's Annual Report on Form 10-K for the year ended December 31, 2018, filed on February 25, 2019\)*](#)
- (hh) [Ninth Amended and Restated Tenet 2001 Deferred Compensation Plan, as amended and restated effective May 9, 2012 \(Incorporated by reference to Exhibit 10\(g\) to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, filed November 7, 2012\)*](#)

- (ii) [Sixth Amended and Restated Tenet 2006 Deferred Compensation Plan, as amended and restated effective January 1, 2020*](#)
- (ij) [Sixth Amended and Restated Tenet Healthcare 2008 Stock Incentive Plan, as amended and restated effective March 10, 2016 \(Incorporated by reference to Exhibit 10\(a\) to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, filed August 1, 2016\)*](#)
- (kk) [Forms of Award used to evidence \(i\) initial grants of restricted stock units to directors, \(ii\) annual grants of restricted stock units to directors, \(iii\) grants of stock options to executives, and \(iv\) grants of restricted stock units to executives, all under the Amended and Restated Tenet Healthcare 2008 Stock Incentive Plan \(Incorporated by reference to Exhibit 10\(aa\) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2008, filed February 24, 2009\)*](#)
- (ll) [Forms of Award used to evidence \(i\) grants of cash-based long-term performance awards, \(ii\) grants of non-qualified stock option performance awards and \(iii\) grants of restricted stock unit awards under the Sixth Amended and Restated Tenet Healthcare 2008 Stock Incentive Plan \(Incorporated by reference to Exhibit 10\(hh\) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2017, filed February 26, 2018\)*](#)
- (mm) [Terms and Conditions of Non-Qualified Stock Option Performance Awards granted to Ronald A. Rittenmeyer under the Tenet Healthcare 2008 Stock Incentive Plan \(Incorporated by reference to Exhibit 10\(c\) to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, filed November 7, 2017\)*](#)
- (nn) [Terms and Conditions of Restricted Stock Unit Award granted to Ronald A. Rittenmeyer under the Tenet Healthcare 2008 Stock Incentive Plan \(Incorporated by reference to Exhibit 10\(c\) to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, filed April 30, 2018\)*](#)
- (oo) [Terms and Conditions of Restricted Stock Unit Award granted to Ronald A. Rittenmeyer on June 29, 2018 under the Tenet Healthcare 2008 Stock Incentive Plan \(Incorporated by reference to Exhibit 10\(b\) to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018, filed August 6, 2018\)*](#)
- (pp) [Terms and Conditions of Restricted Stock Unit Award granted to Ronald A. Rittenmeyer on February 27, 2019 under the Tenet Healthcare 2008 Stock Incentive Plan*](#)
- (qq) [Terms and Conditions of Restricted Stock Unit Award granted to Saumya Sutaria, M.D. on January 31, 2019 under the Tenet Healthcare 2008 Stock Incentive Plan*](#)
- (rr) [Terms and Conditions of Restricted Stock Unit Award granted to Saumya Sutaria, M.D. on February 27, 2019 under the Tenet Healthcare 2008 Stock Incentive Plan*](#)
- (ss) [Tenet Healthcare 2019 Stock Incentive Plan \(Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed May 3, 2019\)*](#)
- (tt) [Forms of Award used to evidence \(i\) initial grants of restricted stock units to directors and \(ii\) annual grants of restricted stock units to directors, each under the Tenet Healthcare 2019 Stock Incentive Plan*](#)
- (uu) [Tenet Special RSU Deferral Plan \(Incorporated by reference to Exhibit 10\(d\) to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, filed May 5, 2009\)*](#)
- (vv) [Fourth Amended Tenet Healthcare Corporation Annual Incentive Plan, amended and restated effective as of February 27, 2019 \(Incorporated by reference to Exhibit 10.2 to Registrant's Current Report on Form 8-K filed March 1, 2019\)*](#)
- (ww) [Eighth Amended and Restated Tenet Executive Retirement Account, as amended and restated effective as of April 26, 2019 \(Incorporated by reference to Exhibit 10\(c\) to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, filed August 5, 2019\)*](#)
- (xx) [Form of Indemnification Agreement entered into with each of the Registrant's directors \(Incorporated by reference to Exhibit 10\(a\) to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2005, filed November 1, 2005\)](#)
- (21) [Subsidiaries of the Registrant](#)
- (23) Consents
 - (a) [Consent of Deloitte & Touche LLP](#)

(b) [Consent of PricewaterhouseCoopers LLP](#)

(31) Rule 13a-14(a)/15d-14(a) Certifications

(a) [Certification of Ronald A. Rittenmeyer, Executive Chairman and Chief Executive Officer](#)

(b) [Certification of Daniel J. Cancelmi, Executive Vice President and Chief Financial Officer](#)

(32) [Section 1350 Certifications of Ronald A. Rittenmeyer, Executive Chairman and Chief Executive Officer, and Daniel J. Cancelmi, Executive Vice President and Chief Financial Officer](#)

(101 SCH) Inline XBRL Taxonomy Extension Schema Document

(101 CAL) Inline XBRL Taxonomy Extension Calculation Linkbase Document

(101 DEF) Inline XBRL Taxonomy Extension Definition Linkbase Document

(101 LAB) Inline XBRL Taxonomy Extension Label Linkbase Document

(101 PRE) Inline XBRL Taxonomy Extension Presentation Linkbase Document

(101 INS) Inline XBRL Taxonomy Extension Instance Document

(104) Cover Page Interactive Data File - formatted in Inline XBRL (included in Exhibit 101)

* Management contract or compensatory plan or arrangement.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: February 24, 2020 By: /s/ R. SCOTT RAMSEY
R. Scott Ramsey
Senior Vice President, Controller
(Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: February 24, 2020 By: /s/ RONALD A. RITTENMEYER
Ronald A. Rittenmeyer
Executive Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: February 24, 2020 By: /s/ DANIEL J. CANCELMI
Daniel J. Cancelmi
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: February 24, 2020 By: /s/ R. SCOTT RAMSEY
R. Scott Ramsey
Senior Vice President, Controller
(Principal Accounting Officer)

Date: February 24, 2020 By: /s/ LLOYD J. AUSTIN, III
Lloyd J. Austin, III
Director

Date: February 24, 2020 By: /s/ JAMES L. BIERMAN
James L. Bierman
Director

Date: February 24, 2020 By: /s/ RICHARD FISHER
Richard Fisher
Director

Date: February 24, 2020 By: /s/ MEGHAN M. FITZGERALD
Meghan M. FitzGerald, DrPH
Director

Date: February 24, 2020 By: /s/ J. ROBERT KERREY
J. Robert Kerrey
Director

Date: February 24, 2020 By: /s/ CHRIS LYNCH
Chris Lynch
Director

Date: February 24, 2020 By: /s/ RICHARD MARK
Richard Mark
Director

Date: February 24, 2020 By: /s/ TAMMY ROMO
Tammy Romo
Director

Date: February 24, 2020 By: /s/ NADJA WEST, M.D.
Nadja West, M.D.
Director

SCHEDULE II—VALUATION AND QUALIFYING ACCOUNTS
(In Millions)

	Balance at Beginning of Period	Costs and Expenses⁽¹⁾⁽²⁾	Deductions⁽³⁾	Other Items⁽⁴⁾⁽⁵⁾	Balance at End of Period
Allowance for doubtful accounts:					
Year ended December 31, 2019	\$ —	\$ —	\$ —	\$ —	\$ —
Year ended December 31, 2018	\$ 898	\$ —	\$ —	\$ (898)	\$ —
Year ended December 31, 2017	\$ 1,031	\$ 1,434	\$ (1,445)	\$ (122)	\$ 898
Valuation allowance for deferred tax assets:					
Year ended December 31, 2019	\$ 148	\$ 133	\$ —	\$ —	\$ 281
Year ended December 31, 2018	\$ 72	\$ 76	\$ —	\$ —	\$ 148
Year ended December 31, 2017	\$ 72	\$ —	\$ —	\$ —	\$ 72

(1) Includes amounts recorded in discontinued operations.

(2) Before considering recoveries on accounts or notes previously written off.

(3) Accounts written off.

(4) Acquisition and divestiture activity in 2017.

(5) Allowance for doubtful accounts eliminated in 2018 upon adoption of new accounting standard ASC 606.

TEXAS HEALTH VENTURES GROUP, L.L.C. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
CONTENTS

Audited Financial Statements

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Report of Independent Auditors

To the Board of Trustees of Baylor Scott & White Holdings

We have audited the accompanying consolidated financial statements of Texas Health Ventures Group, L.L.C. and its subsidiaries, which comprise the consolidated balance sheets as of June 30, 2019 and 2018, and the related consolidated statements of income, changes in equity and cash flows for each of the three years in the period ended June 30, 2019.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Texas Health Ventures Group, L.L.C. and its subsidiaries as of June 30, 2019 and 2018, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2019 in accordance with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers LLP

Dallas, Texas
November 1, 2019

TEXAS HEALTH VENTURES GROUP, L.L.C. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS – AS OF JUNE 30, 2019 AND 2018
(in thousands)

	2019	2018
ASSETS		
CURRENT ASSETS:		
Cash	\$ 23,703	\$ 29,041
Funds due from USPI	101,282	114,408
Patient receivables, net of allowance for doubtful accounts of \$60,631 at June 30, 2018	111,579	107,426
Supplies	27,017	26,070
Prepaid and other current assets	13,951	8,533
Total current assets	<u>277,532</u>	<u>285,478</u>
NON-CURRENT ASSETS:		
Property and equipment, net (Note 2)	234,423	238,054
Restricted cash	1,300	4,439
Investments in unconsolidated affiliates (Note 3)	6,837	6,987
Goodwill and intangible assets, net (Note 5)	432,000	431,828
Other	279	505
Total assets	<u>\$ 952,371</u>	<u>\$ 967,291</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable, including funds due to USPI of \$10,747 and \$16,014 at June 30, 2019 and 2018, respectively	\$ 78,658	\$ 87,153
Accrued expenses and other	47,092	43,163
Current portion of long-term obligations (Note 6)	23,249	19,789
Total current liabilities	<u>148,999</u>	<u>150,105</u>
NON-CURRENT LIABILITIES:		
Long-term obligations, net of current portion (Note 6)	161,930	174,228
Other liabilities	18,080	17,159
Total liabilities	<u>329,009</u>	<u>341,492</u>
COMMITMENTS AND CONTINGENCIES (Notes 6, 7, 8 and 9)		
NONCONTROLLING INTERESTS - REDEEMABLE	170,640	172,416
EQUITY:		
Members' equity	419,847	419,870
Noncontrolling interests – nonredeemable	32,875	33,513
Total equity	<u>452,722</u>	<u>453,383</u>
Total liabilities and equity	<u>\$ 952,371</u>	<u>\$ 967,291</u>

See accompanying notes to consolidated financial statements.

TEXAS HEALTH VENTURES GROUP, L.L.C. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED JUNE 30, 2019, 2018 AND 2017

(in thousands)

	2019	2018	2017
REVENUES:			
Net patient service revenue	\$ 1,216,601	\$ 1,204,516	\$ 1,073,887
Less provision for doubtful accounts	—	34,636	27,135
Net patient service revenue less provision for doubtful accounts	1,216,601	1,169,880	1,046,752
Other revenue	3,268	3,653	3,038
Total revenues	1,219,869	1,173,533	1,049,790
Equity in earnings of unconsolidated affiliates (Note 3)	4,458	5,065	3,965
OPERATING EXPENSES:			
Salaries, benefits, and other employee costs	302,202	277,721	244,798
Medical services and supplies	307,784	284,386	249,158
Management and royalty fees (Note 8)	46,362	41,973	38,530
Professional fees	7,700	8,679	7,785
Purchased services	64,169	56,829	47,549
Other operating expenses	146,303	137,252	121,832
Provision for doubtful accounts	—	25,244	22,503
Depreciation and amortization	39,962	31,829	28,605
Total operating expenses	914,482	863,913	760,760
Operating income	309,845	314,685	292,995
NONOPERATING INCOME (EXPENSES):			
Interest expense	(15,698)	(14,091)	(15,586)
Interest income (Note 8)	1,032	711	492
Other (expenses)/income, net	(32)	1,059	(1,825)
Net income before income taxes	295,147	302,364	276,076
Income taxes	(5,698)	(5,099)	(5,036)
Net income	289,449	297,265	271,040
Net income attributable to noncontrolling interests - redeemable	(141,348)	(143,580)	(134,905)
Net income attributable to noncontrolling interests - nonredeemable	(5,280)	(8,648)	(8,229)
Net income attributable to THVG	\$ 142,821	\$ 145,037	\$ 127,906

See accompanying notes to consolidated financial statements.

TEXAS HEALTH VENTURES GROUP, L.L.C. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

FOR THE YEARS ENDED JUNE 30, 2019, 2018 AND 2017

(in thousands)

	Total Equity	Members' Equity			Noncontrolling Interests - Nonredeemable
		USP	BUMC	Total Members' Equity	
Balance at June 30, 2016	\$ 313,308	\$ 138,185	\$ 138,746	\$ 276,931	\$ 36,377
Net income	136,135	63,825	64,081	127,906	8,229
Distributions to members	(129,002)	(60,778)	(61,022)	(121,800)	(7,202)
Contributions from members	13,571	6,772	6,799	13,571	—
Purchase of noncontrolling interests	(1,160)	(718)	(720)	(1,438)	278
Sale of noncontrolling interests	2,406	451	453	904	1,502
Balance at June 30, 2017	335,258	147,737	148,337	296,074	39,184
Net income	153,685	72,373	72,664	145,037	8,648
Distributions to members	(132,424)	(63,076)	(63,329)	(126,405)	(6,019)
Contributions from members	102,545	51,169	51,376	102,545	—
Purchase of noncontrolling interests	(5,456)	674	676	1,350	(6,806)
Sale of noncontrolling interests	(225)	633	636	1,269	(1,494)
Balance at June 30, 2018	453,383	209,510	210,360	419,870	33,513
Net income	148,101	71,268	71,553	142,821	5,280
Distributions to members	(145,615)	(69,990)	(70,270)	(140,260)	(5,355)
Purchase of noncontrolling interests	(5,526)	(2,270)	(2,280)	(4,550)	(976)
Sale of noncontrolling interests	2,379	981	985	1,966	413
Balance at June 30, 2019	\$ 452,722	\$ 209,499	\$ 210,348	\$ 419,847	\$ 32,875

See accompanying notes to consolidated financial statements.

TEXAS HEALTH VENTURES GROUP, L.L.C. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019, 2018 AND 2017
(in thousands)

	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 289,449	\$ 297,265	\$ 271,040
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for doubtful accounts	—	59,880	49,638
Depreciation and amortization	39,962	31,829	28,605
Amortization of debt issue costs	12	5	5
Equity in earnings of unconsolidated affiliates, net of distributions received	150	156	645
Loss/(gain) on sale of assets	251	(2)	405
Changes in operating assets and liabilities, net of effects from purchases of new businesses:			
Increase in patient receivables	(4,153)	(62,006)	(47,022)
(Increase)/Decrease in supplies, prepaid, and other assets	(6,363)	(4,639)	3,362
Increase in accounts payable, accrued expenses, and other liabilities	7,657	7,980	11,890
Net cash provided by operating activities	326,965	330,468	318,568
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of new businesses and equity interests, net of cash received of \$0, \$925, and \$0 for 2019, 2018 and 2017, respectively	—	925	(3,853)
Purchases of property and equipment	(46,465)	(47,693)	(16,950)
Sale of property and equipment	170	206	1,233
Change in deposits and notes receivables	35	(44)	(5)
Other investing activities	(284)	13	751
Change in funds due from United Surgical Partners, Inc.	13,126	(21,158)	(10,416)
Net cash used in investing activities	(33,418)	(67,751)	(29,240)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from debt obligations	\$ 11,500	\$ 26,078	\$ 10,183
Payments on debt obligations	(21,829)	(49,029)	(19,364)
Distributions to noncontrolling interest owners	(145,796)	(144,265)	(144,576)
Purchases of noncontrolling interests	(12,792)	(8,215)	(5,447)
Sales of noncontrolling interests	7,153	9,609	18,445
Contribution from members	—	20,925	—
Distributions to members	(140,260)	(126,405)	(121,800)
Net cash used in financing activities	(302,024)	(271,302)	(262,559)
(Decrease)/increase in cash and restricted cash	(8,477)	(8,585)	26,769
Cash and restricted cash, beginning of period	33,480	42,065	15,296
Cash and restricted cash, end of period	\$ 25,003	\$ 33,480	\$ 42,065
SUPPLEMENTAL INFORMATION:			
Cash paid for interest	\$ 15,776	\$ 13,991	\$ 15,642
Cash paid for income taxes	\$ 5,222	\$ 5,076	\$ 4,525
NONCASH TRANSACTIONS:			
Assets acquired under capital leases	\$ 1,472	\$ 32,033	\$ 4,791
(Decrease)/Increase in accounts payable due to property and equipment received but not paid	(10,764)	12,322	44
Tyler acquisition	—	81,620	—
Centennial acquisition	—	—	13,571
RECONCILIATION OF CASH AND RESTRICTED CASH:			
	2019	2018	2017

Cash at beginning of period	\$ 29,041	\$ 32,105	\$ 15,296
Restricted cash at beginning of period	4,439	9,960	—
Cash and restricted cash at beginning of period	<u>\$ 33,480</u>	<u>\$ 42,065</u>	<u>\$ 15,296</u>
Cash at end of period	\$ 23,703	\$ 29,041	\$ 32,105
Restricted cash at end of period	1,300	4,439	9,960
Cash and restricted cash at end of period	<u>\$ 25,003</u>	<u>\$ 33,480</u>	<u>\$ 42,065</u>

See accompanying notes to consolidated financial statements.

TEXAS HEALTH VENTURES GROUP, L.L.C. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business

Texas Health Ventures Group, L.L.C. and subsidiaries (THVG or the Company), a Texas limited liability company, was formed on January 21, 1997, for the primary purpose of developing, acquiring, and operating ambulatory surgery centers and related entities. THVG is a joint venture between Baylor University Medical Center (BUMC), an affiliate of Baylor Scott & White Holdings (BSW Holdings), who owns 50.1% of THVG, and USP North Texas, Inc. (USP), a Texas corporation and consolidated subsidiary of United Surgical Partners International, Inc. (USPI), who owns 49.9% of THVG. USPI is a subsidiary of Tenet Healthcare Corporation (Tenet). BSW Holdings and its controlled affiliates are referred collectively herein as “BSWH”. THVG’s fiscal year ends June 30. Fiscal years of THVG’s subsidiaries end December 31; however, the financial information of these subsidiaries included in these consolidated financial statements is as of June 30, 2019 and 2018, and for the years ended, June 30, 2019, 2018, and 2017.

THVG owns equity interests in and operates ambulatory surgery centers, surgical hospitals, and related businesses in Texas. At June 30, 2019, THVG operated thirty-three facilities (the Facilities) under management contracts, thirty-two of which are consolidated for financial reporting purposes and one of which is accounted for under the equity method. THVG also has one consolidated facility and one equity method investment in a facility that does not fall under a management contract. In addition, THVG holds an equity method investment in one partnership that owns the real estate used by one of the Facilities.

THVG has been funded by capital contributions from its members and by cash distributions from the Facilities. The board of managers, which is controlled by BSWH, initiates requests for capital contributions. The Facilities’ operating agreements provide that cash flows available for distribution will be distributed, at least quarterly, to THVG and other owners of the Facilities.

THVG’s operating agreement provides that the board of managers determine, on at least a quarterly basis, if THVG should make a cash distribution based on a comparison of THVG’s excess cash on hand versus current and anticipated needs, including, without limitation, needs for operating expenses, debt service, acquisitions, and a reasonable contingency reserve. The terms of THVG’s operating agreement provide that any distributions, whether driven by operating cash flows or by other sources, such as the distribution of noncash assets or distributions in the event THVG liquidates, are to be shared according to each member’s overall ownership level in THVG.

Change in Reporting Entity

From January 1, 2016 to March 1, 2018, a consolidated BUMC subsidiary, BT East Dallas JV, LLP, a separate partnership with Tenet, had a 60% controlling interest in Texas Regional Medical Center, LLC (Sunnyvale). On March 1, 2018, that partnership was restructured and Sunnyvale was combined with THVG upon contribution by the Company’s members. On March 1, 2018, USP paid BUMC and Tenet approximately \$4,100,000 each for its interest in Sunnyvale resulting in THVG owning a controlling 62% interest.

The transfer of ownership interests in Sunnyvale qualified as a common control transaction as defined by Accounting Standards Codification (ASC) 250-10-45-21 as BSWH held a controlling interest in the hospital before the transaction and continued to hold a controlling interest subsequent to the transaction. As a result, the commonly controlled entities, inclusive of Sunnyvale, which historically were not presented together were considered to be a different reporting entity. This change in reporting entity, which took place in prior year financial statements, required retrospective combination of the entities for all periods presented as if the combination had been in effect since inception of common control. For the period prior to Sunnyvale’s contribution into THVG, net income attributable to non-controlling interest was calculated at the percentage used for the previous joint venture, 40%. The Company’s historical consolidated balance sheets and related statements of income, changes in equity, and of cash flows and related disclosures, included Sunnyvale starting with BUMC’s acquisition of Sunnyvale on January 1, 2016. The effect of the change to Net income attributable to THVG for the years ended 2018 and 2017 was approximately \$2,900,000 and \$1,800,000, respectively.

Basis of Accounting

THVG maintains its books and records on the accrual basis of accounting, and the consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States.

TEXAS HEALTH VENTURES GROUP, L.L.C. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS- continued

Principles of Consolidation

The consolidated financial statements include the financial statements of THVG and its wholly owned subsidiaries and other entities that THVG controls. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management of THVG to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents

THVG considers all highly liquid instruments with original maturities when purchased of three months or less to be cash equivalents. There were no cash equivalents at June 30, 2019 or 2018. Under the Company's cash management system, checks issued but not presented to the bank may result in book cash overdraft balances for accounting purposes. The Company reclassifies book overdrafts to accounts payable reflecting the reinstatement of liabilities cleared in the bookkeeping process. Changes in accounts payable, including those caused by book overdrafts, are reflected as an adjustment to reconcile net income to net cash provided by operating activities in the consolidated statements of cash flows. Book overdrafts included in accounts payable were approximately \$22,212,000 and \$24,118,000, as of June 30, 2019 and 2018, respectively.

Restricted Cash

THVG holds cash that is restricted as collateral for use in servicing certain of its outstanding debt agreements and ongoing construction projects. Restricted cash balances were approximately \$1,300,000 and \$4,439,000 as of June 30, 2019 and 2018, respectively, and are classified as non-current, consistent with the nature of their intended use based on the restrictions.

Concentration of Credit Risk

Government-related programs (i.e. Medicare and Medicaid) represent the only concentrated groups of payors from which THVG has significant outstanding receivables, and management does not believe there is any significant or unusual level of credit risk associated with these receivables. Commercial and managed care receivables consist of receivables from various payors involved in diverse activities and subject to differing economic conditions, and do not represent a significant concentrated credit risk to THVG.

Supplies

Supplies, consisting primarily of pharmaceuticals and medical supplies inventories, are stated at the lower of cost or net realizable value, which approximates market value, and are expensed as used.

Property and Equipment

Property and equipment are initially recorded at cost or, when acquired as part of a business combination, at fair value at the date of acquisition. Depreciation is calculated on the straight line method over the estimated useful lives of the assets. Upon retirement or disposal of assets, the asset and accumulated depreciation accounts are adjusted accordingly, and any gain or loss is reflected in earnings or losses of the respective period. Maintenance costs and repairs are expensed as incurred; significant renewals and betterments are capitalized.

Assets held under capital leases are classified as property and equipment and amortized using the straight line method over the shorter of the useful lives or the lease terms, and the related obligations are recorded as debt. Amortization of property and equipment held under capital leases and leasehold improvements is included in depreciation and amortization expense in the consolidated statements of income.

THVG records operating lease expense on a straight-line basis unless another systematic and rational allocation is more representative of the time pattern in which the leased property is physically employed. THVG amortizes leasehold improvements, including amounts funded by landlord incentives or allowances, for which the related deferred rent is amortized as a reduction of lease expense, over the shorter of their economic lives or the lease term.

Investments in Unconsolidated Affiliates

Investments in unconsolidated affiliates in which THVG exerts significant influence, but has less than a controlling ownership are accounted for under the equity method. THVG exerts significant influence in the operations of its unconsolidated affiliates through representation on the governing bodies of the investees and additionally, with respect to the Facilities, through contracts to manage the operations of the investees.

Equity in earnings of unconsolidated affiliates consists of THVG's share of the profits and losses generated from its noncontrolling equity investments. Because these operations are central to THVG's business strategy, equity in earnings of unconsolidated affiliates is classified as a component of operating income in the accompanying consolidated statements of income.

Goodwill

Goodwill represents the excess purchase price over the estimated fair value of net identifiable assets acquired and liabilities assumed from purchased businesses. Goodwill is not amortized but is instead tested for impairment annually, and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. The qualitative assessment includes a determination by management based on qualitative factors as to whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. If management determines that based on these factors it is more likely than not that the fair value of the reporting unit is less than its carrying value, the Company assesses its goodwill based on the two-step fair value approach.

To measure the amount of an impairment loss, a two-step method is used. In the first step, THVG compares the fair value of each reporting unit to its carrying value. If the fair value of the reporting unit exceeds the carrying value of the net assets assigned to that unit, goodwill is not impaired and THVG is not required to perform further testing. If the carrying value of the net assets assigned to the reporting unit exceeds the fair value of the reporting unit, then THVG must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit's goodwill. If the carrying value of a reporting unit's goodwill exceeds its implied fair value, then THVG records an impairment loss equal to the difference. Any impairment would be recognized as a charge to income from operations and a reduction in the carrying value of goodwill.

We estimate the fair value of the reporting unit using the market and income approaches. Goodwill is required to be reported at the reporting unit level and we have concluded that THVG represents a single reporting unit. To determine the fair value of the reporting unit, we use the income approach (present value of discounted cash flows) with further corroboration from the market approach (evaluation of market multiples and/or data from third-party valuation specialists). We apply judgment in determining the fair value of our reporting unit which is dependent on significant assumptions and estimates regarding expected future cash flows, terminal value, changes in working capital requirements, and discount rates. The factor most sensitive to change with respect to THVG's discounted cash flow analyses is the estimated future cash flows of the reporting unit which is, in turn, sensitive to THVG's estimates of future revenue growth and margins for these businesses. If actual revenue growth and/or margins are lower than estimated, the impairment test results could differ. Although we believe that our estimates are reasonable and consistent with market participant assumptions, actual results could differ from these estimates.

A qualitative analysis of the goodwill balance was performed in March of 2019 and 2018 and no such impairments were identified. A quantitative analysis was performed in March 2017 and no such impairment was identified.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset, or related groups of assets, may not be fully recoverable from estimated future cash flows. In the event of impairment, measurement of the amount of impairment may be based on appraisal, fair values of similar assets, or estimates of future undiscounted cash flows resulting from use and ultimate disposition of the asset. No such impairment was identified in 2019, 2018, or 2017.

Fair Value of Financial Instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in an orderly transaction between market participants to sell the asset or transfer the liability. The Company uses fair value measurements based on quoted prices in active markets for identical assets or liabilities (Level 1), significant other observable inputs (Level 2) or unobservable inputs (Level 3), depending on the nature of the item being valued. The Company does not have financial assets or liabilities measured at fair value on a recurring basis at June 30, 2019 and 2018. The carrying amounts of cash, restricted cash, funds due from United

TEXAS HEALTH VENTURES GROUP, L.L.C. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS- continued

Surgical Partners, Inc., accounts receivable, and accounts payable approximate fair value because of the short maturity of these instruments.

The fair value of the Company's long-term debt is determined by Level 2 inputs which are an estimation of the discounted future cash flows of the debt at rates currently quoted or offered to a comparable company for similar debt instruments of comparable maturities by its lenders. At June 30, 2019, the aggregate carrying amount and estimated fair value of notes payable to financial institutions are approximately \$52,438,000 and \$46,424,000, respectively. At June 30, 2018, the aggregate carrying amount and estimated fair value of long-term debt were approximately \$54,482,000 and \$47,865,000, respectively.

Revenue Recognition

Effective July 1, 2018, THVG adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, "Revenue from Contracts with Customers (Topic 606)" and related clarifying standards ("ASC 606") using a modified retrospective method of application to all contracts which were not completed as of July 1, 2018. The core principle of the guidance in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The adoption of ASU 2014-09 resulted in changes to the presentation and disclosure of amounts the Company previously classified as a provision for doubtful accounts in line with the guidance set forth by ASC 605, "Revenue Recognition". A significant portion of amounts previously recorded within the provision for doubtful accounts relate to self-pay patients, co-pays, co-insurance amounts, and deductibles owed to it by patients with insurance. Under ASU 2014-09, the estimated uncollectible amounts due from these patients are generally considered implicit price concessions that are a direct reduction to net patient service revenues. For the year ended June 30, 2019, THVG recorded \$66,277,000 of implicit price concessions as a direct reduction of net patient service revenues that would have been recorded within the Company's provision for doubtful accounts prior to the adoption of ASU 2014-09. THVG's accounting policies related to revenues were revised to reflect the adoption of ASC 2014-09 effective July 1, 2018. There was no impact to net accounts receivable on the balance sheet for the year ended June 30, 2019 related to the adoptions of ASC 2014-09.

All subsidiaries of THVG, except for Sunnyvale, assessed the ability of each patient to pay prior to providing service; therefore the estimate of uncollectible amounts related to these entities was presented within the provision for doubtful accounts in the operating expenses section of the consolidated statements of income prior to the adoption of ASU 2014-09. Sunnyvale does not assess the ability to pay prior to providing service, and as such, the related estimate of uncollectible amounts for this entity was presented within the provision for doubtful accounts as a component of total revenues prior to the adoption of ASU 2014-09. Under ASU 2014-09, all estimated uncollectible amounts whether ability to pay is assessed prior to providing service or not, are accounted for as a direct reduction to net patient service revenues.

THVG has agreements with third-party payors that provide for payments to THVG at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amount from patients and third-party payors (including managed care payors and government programs) for services rendered. Amounts recorded as net patient service revenue include estimated contractual adjustments under reimbursement agreements with third party payors, discounts provided to uninsured patients in accordance with the Company's policy, and implicit price concessions. The Company determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Company bases its estimate of implicit price concessions on historical collection experience using a portfolio approach, as a practical expedient, rather than arriving at an individualized estimate for each patient service encounter. The financial statement effects of using this practical expedient are not material as compared to estimating implicit price concessions on an individual basis. Contractual adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Net patient service revenue is reported at the amount that reflects consideration to which THVG expects to be entitled in exchange for providing patient care. These amounts are due from patients, third party payors (including managed care payors and government programs) and others. Generally, THVG collects co-payments from patients at the time of service. After the service is complete, THVG prepares a final bill for the patient and third-party payor. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Company. Revenue for performance obligations satisfied over time generally relates to inpatient acute care services and is recognized based on actual charges incurred in relation to total expected (or actual) charges. Revenue for performance obligations satisfied at a point in time generally relate to patients receiving outpatient services, when: (1) services are provided; and (2) we do not believe the patient requires additional services.

TEXAS HEALTH VENTURES GROUP, L.L.C. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS- continued

Any unsatisfied or partially unsatisfied performance obligations primarily relate to in-house patients receiving inpatient acute care services as of the end of the reporting period. Based on the average length of stays, the performance obligations for these contracts have a duration of less than one year and are completed when patients are discharged, which generally occurs within days or weeks of the end of the reporting period. Because all of its performance obligations relate to contracts with a duration of less than one year, THVG has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

The composition of net patient service revenue by primary payor for the year ended June 30, 2019 is as follows:

Managed care	\$	896,828
Medicare		230,274
Medicaid		14,342
Indemnity, self-pay, and other		75,157
	\$	1,216,601

For facilities licensed as hospitals, federal regulations require the submission of annual cost reports covering medical costs and expenses associated with services provided to program beneficiaries. Medicare and Medicaid cost report settlements are estimated in the period services are provided to beneficiaries. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is a reasonable possibility that recorded estimates with respect to the ten THVG facilities licensed as hospitals may change as interpretations are clarified. These initial estimates are revised as needed until final cost reports are settled.

The Company provides charity care to patients who are financially unable to pay for the health care services they receive. The determination of charity care is generally made at the time of admission, or shortly thereafter. However, events after discharge could change the ability of patients to pay. The discount amount is generally based on household income compared to the Federal Poverty Limit for the year. The Company's charity policy is intended to satisfy the requirements in Section 501(r) of the Internal Revenue Code of 1986, as amended, regarding financial assistance and emergency medical care policies, limitations on charges to persons eligible for financial assistance, and reasonable billing and collection efforts. The Company's policy is not to pursue collection of amounts determined to qualify as charity care; therefore, the Company does not report these amounts in net patient care revenues.

The Company's estimated costs (based on the selected operating expenses, which include allocated personnel costs, supplies, other operating expenses, and management fee) of caring for charity care patients for the years ended June 30, 2019, 2018, and 2017, was approximately \$15,000,000, \$7,800,000, and \$6,100,000, respectively.

Income Taxes

No amounts for federal income taxes have been reflected in the accompanying consolidated financial statements because the federal tax effects of THVG's activities accrue to the individual members.

The Texas franchise tax applies to all THVG entities and is reflected in the accompanying consolidated statements of income. The tax is calculated on a margin base and is therefore reflected in THVG's consolidated statements of income for the years ended June 30, 2019, 2018, and 2017 as income tax.

THVG follows the provisions of ASC 740 "Income Taxes" which prescribes a single model to address uncertainty in tax positions and clarifies the accounting for income taxes by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements.

As of June 30, 2019 and 2018, THVG had no gross unrecognized tax benefits. THVG files a partnership income tax return in the U.S. federal jurisdiction and a franchise tax return in the state of Texas. THVG is no longer subject to U.S. federal income tax examination for years prior to 2015 and no longer subject to state and local income tax examination for years prior to 2014. THVG has identified Texas as a "major" state taxing jurisdiction. THVG does not expect or anticipate a significant change over the next twelve months in the unrecognized tax benefits.

THVG's policy for recording interest and penalties associated with income tax matters is to record such items to income tax expense in the consolidated statements of income. There are no interest and penalties for the years ended June 30, 2019, 2018, and 2017.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

Other Comprehensive Income

THVG does not have any items that qualify for treatment as other comprehensive income, therefore THVG's net income equals other comprehensive income.

Recently Adopted Accounting Pronouncements

In November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230), Restricted Cash," to clarify how entities should present restricted cash and restricted cash equivalents in the statement of cash flows. The new guidance requires amounts generally described as restricted cash and restricted cash equivalents be included with *Cash and cash equivalents* when reconciling the total beginning and ending amounts for the periods shown on the statement of cash flows. The new guidance requires retrospective application and is effective for THVG's annual reporting period beginning July 1, 2018. The adoption of this guidance resulted in an increase of approximately \$5,500,000 in 2018 to previously reported net cash used in investing activities and a decrease of approximately \$10,000,000 in 2017 to previously reported net cash used in financing activities and a corresponding decrease and increase, respectively, to previously reported Increase in cash (which is now captioned Increase in cash and restricted cash, pursuant to the adoption of this guidance). In addition, as noted above, we added a reconciliation of cash, cash equivalents, and restricted cash to the consolidated statements of cash flows.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments," to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. In addition, the standard clarifies when cash receipts and cash payments have aspects of more than one class of cash flows and cannot be separated, classification will depend on the predominant source or use. The new guidance requires retrospective application and was effective for our annual reporting period beginning July 1, 2018. The adoption of this accounting standard did not have a material impact on the cash flow statements.

As further described within the "Revenue Recognition" section above, we adopted ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and related clarifying standards ("ASC 606"), on revenue recognition using the modified retrospective method.

Recently Issued Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-15, "*Intangibles - Goodwill and Other - Internal-Use Software (Topic 220)*". The ASU is intended to improve the recognition and measurement of financial instruments. The new guidance aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). This ASU is effective for public entities for fiscal years beginning after December 15, 2019, with early adoption permitted. The Company is currently evaluating the impact of this ASU.

In June 2016, November 2018, April 2019, and May 2019, FASB issued ASU 2016-13, "*Financial Instruments-Credit Losses (Topic 326)*"; ASU 2018-19, "*Codification Improvements to Topic 326, Financial Instruments - Credit Losses*"; ASU 2019-04, "*Codification Improvements to Topic 326, Financial Instruments-Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments*"; and ASU 2019-05, "*Financial Instruments-Credit Losses (Topic 326)*", respectively. The current standard delays the recognition of a credit loss on a financial asset until the loss is probable of occurring. These ASU's remove the requirement that a credit loss be probable of occurring for it to be recognized. Instead these ASU's require entities to use historical experience, current conditions, and reasonable and supportable forecasts to estimate their future expected credit losses. The provisions of these ASU's are effective for fiscal years beginning after December 15, 2020. The Company is currently evaluating the impact of these ASU's.

In January 2017, FASB issued ASU 2017-04, "*Simplifying the Test for Goodwill Impairment.*" This ASU eliminates Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. The provisions of ASU 2017-04 are effective for fiscal years beginning after December 15, 2019, and interim periods within those years for public business entities. The adoption of ASU 2017-01 is not expected to have a material impact on the Company.

TEXAS HEALTH VENTURES GROUP, L.L.C. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS- continued

In February 2016, FASB issued ASU 2016-02, “Leases (Topic 842)” (“ASU 2016-02”), and has subsequently issued supplemental and/or clarifying ASU’s (collectively “ASC 842”), which affects any entity that enters into a lease (as that term is defined in ASC 842), with some specified scope exceptions. The main difference between the guidance in ASC 842 and current GAAP is the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under current GAAP. Recognition of these assets and liabilities will have a material impact to our consolidated balance sheet upon adoption. In transition, the lease standard is required to be applied to leases in existence as of the date of initial application using a modified retrospective transition approach, which includes a number of optional practical expedients. This guidance is effective for the Company on July 1, 2019, and the Company will elect to use the modified retrospective method as of the period of adoption rather than the earliest period presented meaning that its consolidated financial statements for periods prior to July 1, 2019 will not be modified for the application of the new lease accounting standard. The Company will elect the three packaged transitional practical expedients under ASC 842-10-65-1(f) and the practical expedient that allows lessees to choose to not separate lease and non-lease components by class of underlying asset. At July 1, 2019, the Company is expecting to increase its consolidated assets by approximately \$260,000,000 to \$275,000,000 and the liabilities by approximately \$275,000,000 to \$290,000,000 related to on-balance sheet recognition of operating lease assets and liabilities.

2. PROPERTY AND EQUIPMENT

At June 30, 2019 and 2018, property and equipment and related accumulated depreciation and amortization consisted of the following (in thousands):

	Estimated Useful Lives	2019	2018
Land	—	\$ 1,697	\$ 1,719
Buildings and leasehold improvements	5-25 years	272,270	258,161
Equipment	3-15 years	226,032	203,672
Furniture and fixtures	5-15 years	10,455	10,547
Construction in progress		1,250	6,397
		511,704	480,496
Less accumulated depreciation		(277,281)	(242,442)
Net property and equipment		\$ 234,423	\$ 238,054

At June 30, 2019 and 2018, assets recorded under capital lease arrangements included in property and equipment consisted of the following (in thousands):

	2019	2018
Buildings	\$ 142,519	\$ 143,139
Equipment and furniture	3,367	2,060
	145,886	145,199
Less accumulated depreciation	(65,786)	(56,162)
Net property and equipment under capital leases	\$ 80,100	\$ 89,037

3. INVESTMENTS IN SUBSIDIARIES AND UNCONSOLIDATED AFFILIATES

THVG’s investments in consolidated subsidiaries and unconsolidated affiliates consisted of the following:

Legal Name	Facility	City	Percentage Owned		
			June 30, 2019	June 30, 2018	June 30, 2017
Consolidated subsidiaries ⁽¹⁾ :					
DeSoto Surgicare, Ltd.	North Texas Surgery Center	Desoto	55.2%	52.1%	52.1%
Metroplex Surgicare Partners, Ltd.	Baylor Surgicare at Bedford	Bedford	65.8	65.8	65.8
Baylor Surgicare at North Dallas, LLC	Baylor Surgicare at North Dallas	Dallas	56.9	56.9	56.6

TEXAS HEALTH VENTURES GROUP, L.L.C. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS- continued

Legal Name	Facility	City	Percentage Owned		
			June 30, 2019	June 30, 2018	June 30, 2017
Fort Worth Surgicare Partners, Ltd.	Baylor Surgical Hospital of Fort Worth	Fort Worth	51.7	50.7	50.1
Denton Surgicare Partners, Ltd.	Baylor Surgicare at Denton	Denton	50.5	50.5	50.5
Garland Surgicare Partners, Ltd.	Baylor Surgicare at Garland	Garland	50.1	50.1	50.1
University Surgical Partners of Dallas, L.L.P. ⁽²⁾	N/A	Dallas	68.6	68.1	66.5
Dallas Surgical Partners, L.L.C.	Baylor Surgicare	Dallas	50.4	54.6	58.9
MSH Partners, L.L.C.	Baylor Medical Center at Uptown	Dallas	34.9	34.9	33.5
North Central Surgical Center, L.L.P.	North Central Surgery Center	Dallas	35.2	34.4	33.4
Grapevine Surgicare Partners, Ltd.	Baylor Surgicare at Grapevine	Grapevine	53.9	53.5	55.2
Frisco Medical Center, L.L.P.	Baylor Scott & White Medical Center - Frisco	Frisco	51.9	50.5	50.4
Physicians Center of Fort Worth, L.L.P.	Baylor Surgicare at Fort Worth I & II	Fort Worth	53.3	54.0	54.1
Bellaire Outpatient Surgery Center, L.L.P.	Baylor Surgicare at Oakmont	Fort Worth	26.4	25.8	26.1
Park Cities Surgery Center, L.L.C.	Park Cities Surgery Center	Dallas	50.1	50.1	50.1
Trophy Club Medical Center, L.P.	Baylor Medical Center at Trophy Club	Fort Worth	50.8	50.7	50.3
Rockwall/Heath Surgery Center, L.L.P.	Baylor Surgicare at Heath	Heath	—	—	61.9
North Garland Surgery Center, L.L.P.	Baylor Surgicare at North Garland	Garland	54.5	54.3	52.1
Rockwall Ambulatory Surgery Center, L.L.P.	Rockwall Surgery Center	Rockwall	54.7	54.7	53.3
Baylor Surgicare at Plano, L.L.C.	Baylor Surgicare at Plano	Plano	50.1	50.1	50.1
Arlington Orthopedic and Spine Hospitals, LLC	Baylor Orthopedic and Spine Hospital at Arlington	Arlington	50.1	50.1	50.1
Baylor Surgicare at Granbury, LLC	Baylor Surgicare at Granbury	Granbury	51.2	51.2	51.2
Metrocrest Surgery Center, L.L.C.	Baylor Surgicare at Carrollton	Carrollton	51.0	53.5	53.5
Baylor Surgicare at Mansfield, L.L.C.	Baylor Surgicare at Mansfield	Mansfield	50.4	50.1	50.1
Tuscan Surgery Center, L.L.C.	Tuscan Surgery Center at Las Colinas	Las Colinas	53.7	55.5	57.3
Lone Star Endoscopy Center, L.L.C.	Lone Star Endoscopy	Keller	51.0	51.0	51.0
Baylor Surgicare at Plano Parkway, L.L.C.	Baylor Surgicare at Plano Parkway	Plano	51.0	51.0	51.0
Texas Endoscopy Centers, LLC	Texas Endoscopy	Plano/Allen	51.0	51.0	51.0
Heritage Park Surgical Hospital, LLC	Baylor Scott & White Surgical Hospital - Sherman	Sherman	52.6	52.5	52.5
Centennial ASC, LLC	Frisco Centennial Surgery Center	Frisco	50.2	50.2	50.4
Baylor Surgicare at Baylor Plano, LLC	Baylor Plano Campus	Plano	26.5	25.3	25.3
Texas Spine and Joint Hospital, LLC	Texas Spine and Joint	Tyler	54.6	54.5	—
Baylor Surgicare at Blue Star, LLC	Frisco Star	Frisco	26.5	25.8	—
Texas Regional Medical Center, LLC	Sunnyvale Hospital	Sunnyvale	62.8	62.1	60.3
SPC at the Star, LLC	SPC at the Star	Frisco	51.9	50.5	50.4

TEXAS HEALTH VENTURES GROUP, L.L.C. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS- continued

Legal Name	Facility	City	Percentage Owned		
			June 30, 2019	June 30, 2018	June 30, 2017
Unconsolidated affiliates:					
Denton Surgicare Real Estate, Ltd. ⁽³⁾		n/a	49.0	49.0	49.0
Irving-Coppell Surgical Hospital, L.L.P.	Irving-Coppell Surgical Hospital	Irving	19.4	19.3	19.6
MCSH Real Estate Investors, Ltd. ⁽³⁾		n/a	2.0	2.0	2.0
Fusionetics, LLC	Fusionetics	Frisco	15.0	15.8	15.8

- List excludes holding companies, which are wholly-owned by the Company and hold the Company's investments in the Facilities.
- Partnership that has investment in North Central Surgical Center, Baylor Surgicare, and Baylor Medical Center at Uptown.
- These entities are not surgical facilities and do not have ownership in any surgical facilities.

On August 2, 2017, Texas Health Venture Texas Spine, LLC, a wholly-owned subsidiary of THVG, completed its acquisition of Texas Spine and Joint Hospital, LLC (Tyler), resulting in a 50.25% controlling interest. The consideration of \$40,900,000 and \$40,700,000 was paid to the sellers by BSWH and USP, respectively. From the date of contribution to June 30, 2018, THVG recognized approximately \$98,600,000 of total revenues and approximately \$5,800,000 of net income from Tyler. For the twelve months ended June 30, 2019, THVG recognized approximately \$117,600,000 of total revenues and approximately \$12,000,000 of net income from Tyler.

On February 1, 2017, BSWH and USP contributed their respective ownership interests in Centennial ASC, LLC (Centennial) to THVG, resulting in THVG owning a 50.42% controlling interest. The value of the contributions from BSWH and USP was approximately \$6,799,000 and \$6,772,000, respectively. From the date of contribution to June 30, 2017, THVG recognized approximately \$4,400,000 of total revenues and approximately \$1,000,000 of net income from Centennial. For the twelve months ended June 30, 2018, THVG recognized approximately \$10,300,000 of total revenues and approximately \$2,300,000 of net income from Centennial. For the twelve months ended June 30, 2019, THVG recognized approximately \$11,600,000 of total revenues and approximately \$2,900,000 of net income from Centennial.

The following table summarizes the recorded values of the assets and liabilities as of the respective contribution date (in thousands):

	Tyler	Centennial
Cash and cash equivalents	\$ 925	\$ —
Current assets	15,703	3,690
Long-term assets	18,276	1,079
Goodwill	111,831	19,290
Total assets acquired	146,735	24,059
Current liabilities	10,127	585
Long-term liabilities	4,378	—
Total liabilities assumed	14,505	585
Noncontrolling interests	50,610	9,903
Net assets acquired	\$ 81,620	\$ 13,571

The assets and liabilities were accounted for at their respective fair values at the date of acquisition. Noncontrolling interests (NCI) are valued upon acquisition with a discount to reflect lack of control and marketability by the NCI holders. These fair value measurements are determined by Level 2 inputs. The resulting goodwill is attributed to expected synergies from combining operations. The results of these contributed facilities are included in THVG's consolidated financial statements from the respective dates of contribution.

The following table presents the unaudited pro forma results as if THVG had acquired Tyler and Centennial on July 1, 2016 (in thousands). The pro forma results are not necessarily indicative of the results of operations that would have occurred if the acquisitions were completed on the date indicated, nor is indicative of the future operating results of THVG.

TEXAS HEALTH VENTURES GROUP, L.L.C. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS- continued

	Year Ended June 30,		
	2019	2018	2017
Total revenues	\$ 1,219,869	\$ 1,178,160	\$ 1,158,708
Net income attributable to THVG	\$ 142,821	\$ 143,420	\$ 133,111

4. NONCONTROLLING INTERESTS

The Company controls and therefore consolidates the results of 33 of its 35 facilities at June 30, 2019. Similar to its investments in unconsolidated affiliates, the Company regularly engages in the purchase and sale of equity interests with respect to its consolidated subsidiaries that do not result in a change of control. These transactions are accounted for as equity transactions, as they are undertaken among the Company, its consolidated subsidiaries, and noncontrolling interests, and their cash flow effects are classified within financing activities.

During the fiscal year ended June 30, 2019, the Company purchased and sold equity interests in various consolidated subsidiaries in the amounts of approximately \$12,792,000 and \$7,153,000, respectively. During the fiscal year ended June 30, 2018, the Company purchased and sold equity interests in various consolidated subsidiaries in the amounts of approximately \$8,215,000 and \$9,609,000, respectively. During the fiscal year ended June 30, 2017, the Company purchased and sold equity interests in various consolidated subsidiaries in the amounts of approximately \$5,447,000 and \$18,445,000, respectively. The basis difference between the Company's carrying amount and the proceeds received or paid in each transaction is recorded as an adjustment to the Company's equity. The impact of these transactions is summarized as follows (in thousands):

	Year Ended June 30,		
	2019	2018	2017
Net income attributable to the Company	\$ 142,821	\$ 145,037	\$ 127,906
Net transfers to the noncontrolling interests:			
(Decrease)/increase in the Company's equity for (losses)/gains related to purchase of subsidiaries' equity interests	(4,550)	1,350	(1,438)
Increase in the Company's equity for gains related to sales of subsidiaries' equity interests	1,966	1,269	904
Net transfers to noncontrolling interests	(2,584)	2,619	(534)
Change in equity from net income attributable to the Company and net transfers to noncontrolling interests	\$ 140,237	\$ 147,656	\$ 127,372

TEXAS HEALTH VENTURES GROUP, L.L.C. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS- continued

Upon the occurrence of various fundamental regulatory changes, the Company could be obligated, under the terms of its investees' partnership and operating agreements, to purchase some or all of the noncontrolling interests related to the Company's consolidated subsidiaries. As a result, these noncontrolling interests are not included as part of the Company's equity and are carried as noncontrolling interests-redeemable on the Company's consolidated balance sheets. The activity in noncontrolling interests-redeemable for the years ended June 30, 2019, 2018, and 2017 is summarized below (in thousands):

Balance, June 30, 2016	\$	89,927
Net income attributable to noncontrolling interests		134,905
Distributions to noncontrolling interests		(137,373)
Purchases of noncontrolling interests		(3,631)
Sales of noncontrolling interests		15,415
Noncontrolling interests attributable to business acquisition		9,904
Balance, June 30, 2017		<u>109,147</u>
Net income attributable to noncontrolling interests		143,580
Distributions to noncontrolling interests		(138,245)
Purchases of noncontrolling interests		(2,512)
Sales of noncontrolling interests		9,836
Noncontrolling interests attributable to business acquisition		50,610
Balance, June 30, 2018	\$	<u>172,416</u>
Net income attributable to noncontrolling interests		141,348
Distributions to noncontrolling interests		(140,441)
Purchases of noncontrolling interests		(7,457)
Sales of noncontrolling interests		4,774
Balance, June 30, 2019	\$	<u><u>170,640</u></u>

5. GOODWILL AND INTANGIBLES

The following is a summary of changes in the carrying amount of goodwill for the years ended June 30, 2019 and 2018 (in thousands):

Balance, June 30, 2017	\$	319,777
Additions:		
Tyler Spine and Joint		111,831
Balance, June 30, 2018		<u>431,608</u>
Additions:		—
Balance, June 30, 2019	\$	<u><u>431,608</u></u>

Goodwill additions resulting from business combinations are recorded and assigned to the parent and noncontrolling interests. There were no transactions in 2019 resulting in a change in goodwill.

6. LONG-TERM OBLIGATIONS

At June 30, 2019 and 2018, long-term obligations consisted of the following (in thousands):

	<u>2019</u>	<u>2018</u>
Capital lease obligations (Note 7)	\$ 132,741	\$ 139,535
Notes payable to financial institutions	52,438	54,482
Total long-term obligations	185,179	194,017
Less current portion	(23,249)	(19,789)
Long-term obligations, less current portion	<u>\$ 161,930</u>	<u>\$ 174,228</u>

TEXAS HEALTH VENTURES GROUP, L.L.C. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS- continued

The aggregate maturities of notes payable for each of the five years subsequent to June 30, 2019 and thereafter are as follows (in thousands):

2020	\$	14,822
2021		11,200
2022		10,443
2023		7,994
2024		4,561
Thereafter		3,418
Total long-term obligations	\$	<u>52,438</u>

The Facilities have notes payable to financial institutions which mature at various dates through 2025 and accrue interest at fixed and variable rates ranging from 2% to 8%. The weighted average interest rate of the notes as of June 30, 2019 was 4%. The payment terms of the notes payable generally require monthly payments, with some agreements having quarterly payments. Each note is collateralized by certain assets of the respective facility. Many of the notes contain various restrictive covenants, including financial covenants that limit THVG's ability and the ability of the Facilities to borrow money or guarantee other indebtedness, grant liens, make investments, sell assets, and pay dividends. The Company believes it is in accordance with all of the covenants as of June 30, 2019.

Capital lease obligations are collateralized by underlying real estate or equipment and have interest rates ranging from 1% to 13%.

7. LEASES

The Facilities lease various office equipment, medical equipment, and office space under a number of operating lease agreements, which expire at various times through the year 2032. Such leases do not involve contingent rentals, nor do they contain significant renewal or escalation clauses. Office leases generally require the Facilities to pay all executory costs (such as property taxes, maintenance, and insurance).

Minimum future payments under noncancelable leases with remaining terms in excess of one year as of June 30, 2019 are as follows (in thousands):

		Capital Leases	Operating Leases
Year ending June 30:			
	2020 \$	20,565	\$ 39,576
	2021	20,858	37,875
	2022	19,994	36,542
	2023	19,432	34,991
	2024	20,073	33,399
Thereafter		106,914	163,108
Total minimum lease payments		207,836	<u>\$ 345,491</u>
Amount representing interest		(75,095)	
Total principal payments	\$	<u>132,741</u>	

Total rent expense under operating leases was approximately \$51,417,000, \$48,190,000, and \$39,445,000 for the years ended June 30, 2019, 2018, and 2017, respectively, and is included in other operating expenses in the accompanying consolidated statements of income.

8. RELATED-PARTY TRANSACTIONS

THVG operates the Facilities under management and royalty contracts, and THVG in turn is managed by BSWH and USP, resulting in THVG incurring management and royalty fee expense payable to BSWH and USP in amounts equal to the management and royalty fee income THVG receives from the Facilities. THVG's management and royalty fee income from the facilities it consolidates for financial reporting purposes eliminates in consolidation with the facilities' expense and therefore is not included

TEXAS HEALTH VENTURES GROUP, L.L.C. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS- continued

in THVG's consolidated revenues. THVG's management and royalty fee income from facilities which are not consolidated was \$600,000 for years ended June 30, 2019, 2018, and 2017, and is included in other revenue in the accompanying consolidated statements of income.

The management and royalty fee expense to BSWH and USP was approximately \$46,362,000, \$41,973,000, and \$38,530,000 for the years ended June 30, 2019, 2018, and 2017, respectively, and is reflected in operating expenses in THVG's consolidated statements of income. Of the total, 64.3% and 1.7% represent management fees paid to USP and BSWH, respectively, and 34% represents royalty fees paid to BSWH.

Under the management and royalty agreements, the Facilities pay THVG an amount ranging from 5.0% to 7.0% of their net patient service revenue annually, subject, in some cases, to an annual cap.

In addition, a subsidiary of USPI pays certain expenses, primarily related to insurance premiums, data warehousing, and accounts payables processing, on behalf of THVG which are recorded within the operating expenses section of the accompanying consolidated statements of income. These expenses amounted to \$45,940,000, \$57,553,000, and \$44,004,000 for the years ended June 30, 2019, 2018, and 2017, respectively.

USPI holds funds through an arrangement with THVG by which cash on hand at certain of THVG's bank accounts is swept to USPI on a daily basis. USPI pays THVG interest income at the Federal Reserve Prime rate less 2.5% of the average daily balance and the Facilities 0.25% of the average daily balance. Amounts held by USPI on behalf of THVG and the Facilities, shown in Funds due from United Surgical Partners, Inc. on the accompanying consolidated balance sheets, totaled approximately \$101,282,000 and \$114,408,000 at June 30, 2019 and 2018, respectively. Accrued expenses that USPI paid on behalf of THVG, shown in Accounts payable on the accompanying consolidated balance sheets, totaled approximately \$10,747,000 and \$16,014,000 at June 30, 2019 and 2018, respectively. The interest income associated with this arrangement amounted to approximately \$1,032,000, \$711,000, and \$492,000 for the years ended June 30, 2019, 2018, and 2017, respectively.

9. COMMITMENTS AND CONTINGENCIES**Financial Guarantees**

THVG guarantees portions of the indebtedness of its investees to third-parties, which could potentially require THVG to make maximum aggregate payments totaling approximately \$3,482,000. Of the total, approximately \$2,168,000 relates to the obligations of two consolidated subsidiaries whose capital lease obligations are included in THVG's consolidated balance sheets and related disclosures, and approximately \$1,312,000 relates to obligations of two consolidated subsidiaries whose operating lease obligations are not included in THVG's consolidated balance sheets.

These arrangements (a) consist of guarantees of real estate and equipment financing and lease obligations, (b) are collateralized by all, or a portion of, the investees' assets, (c) require payments by THVG in the event of a default by the investee primarily obligated under the financing, (d) expire as the underlying debt matures at various dates through 2025, or earlier if certain performance targets are met, and (e) provide no recourse for THVG to recover any amounts from third-parties. The aggregate fair value of the guarantee liabilities was not material to the consolidated financial statements and, therefore, no amounts were recorded at June 30, 2019 related to these guarantees. When THVG incurs guarantee obligations that are disproportionately greater than the guarantees provided by the investee's other owners, THVG charges the investee a fair market value fee based on the value of the contingent liability THVG is assuming.

Litigation and Professional Liability Claims

In their normal course of business, the Facilities are subject to claims and lawsuits relating to patient treatment. THVG believes that its liability for damages resulting from such claims and lawsuits is adequately covered by insurance or is adequately provided for in its consolidated financial statements. USPI, on behalf of THVG and each of the Facilities, maintains professional liability insurance that provides coverage on a claims-made basis of \$1,000,000 per incident and \$15,000,000 in annual aggregate amount with retroactive provisions upon policy renewal. Certain of THVG's insurance policies have deductibles and contingent premium arrangements. Based on historical claims activity associated with litigation and professional liability matters, the Company believes its insurance coverage is appropriate and existing exposure related to known and incurred but not reported claims is negligible. Additionally, from time to time, THVG may be named as a party to other legal claims and proceedings in the ordinary course of business. THVG is not aware of any such claims or proceedings that have more than a remote chance of having a material adverse impact on THVG.

TEXAS HEALTH VENTURES GROUP, L.L.C. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS- continued

10. SUBSEQUENT EVENTS

THVG regularly engages in exploratory discussions or enters into letters of intent with various entities regarding possible joint ventures, development, or other transactions. These possible joint ventures, developments of new facilities, or other transactions are in various stages of negotiation.

THVG has performed an evaluation of subsequent events through November 1, 2019, which is the date the consolidated financial statements were available to be issued. There have been no material subsequent events requiring financial statement disclosure after the balance sheet date.

**DESCRIPTION OF SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF
THE SECURITIES EXCHANGE ACT OF 1934**

As of December 31, 2019, Tenet Healthcare Corporation (the “Company,” “we,” “our” or “us”) has two classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”): (1) common stock; and (2) 6.875% Senior Notes due 2031 (“Senior Notes”).

Description of Common Stock

The following description of our common stock is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to our Amended and Restated Articles of Incorporation (the “Articles of Incorporation”) and our Amended and Restated Bylaws (the “Bylaws”), each of which is incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4(a) is a part. We encourage you to read our Articles of Incorporation, our Bylaws and the applicable provisions of Chapter 78 of the *Nevada Revised Statutes*, for additional information.

Authorized Capital Shares

Our authorized capital shares consist of 1,050,000,000 shares of common stock, \$0.05 par value, and 2,500,000 shares of preferred stock, \$0.15 par value. Outstanding shares of our common stock are not subject to redemption and are non-assessable.

Voting Rights

Holders of our common stock are entitled to one vote per share on all matters voted on by the stockholders, including the election of directors. Our common stock does not have cumulative voting rights. The affirmative vote of a majority of the holders of all outstanding shares, voting together and not by class, is required to approve any merger or consolidation or the sale of substantially all of our assets.

Special Meetings

Special meetings of the stockholders, for any purpose or purposes whatsoever, (a) may be called at any time by the Chairman of the board, the Chief Executive Officer, or the board of directors, and (b) shall be called by the Secretary of the Company upon the written request of one or more stockholders having Net Long Beneficial Ownership (as defined in the Bylaws) of at least 25% of all outstanding shares of our common stock.

Dividend Rights

From time to time, our board of directors may declare, and we may pay, dividends or other distributions on our outstanding shares in the manner and on the terms and conditions provided by the laws of the State of Nevada and the Articles of Incorporation, subject to any contractual restrictions to which we are then subject.

Liquidation Rights

In the event of a liquidation, dissolution or winding-up of our company, holders of common stock are entitled to share equally and ratably in the assets of our company, if any, remaining after the payment of all debts and liabilities of our company and the liquidation preference of any outstanding preferred stock.

Amendments to Bylaws

Subject to the right of the stockholders to adopt, amend or restate, or repeal the Bylaws, our board of directors may adopt, amend or repeal any of the Bylaws, except as otherwise provided in the Bylaws, by the affirmative vote of a majority of directors.

Advance Notice Requirements

The Bylaws establish advance notice procedures with regard to stockholder proposals relating to the nomination of candidates for election as directors or other business to be brought before meetings of our stockholders. These procedures provide that notice of stockholder proposals of these kinds must be timely given in writing to the Secretary of the Company before the meeting at which the action is to be taken. Generally, to be timely, a stockholder's notice to the Secretary must be delivered to or mailed and received at the Company's corporate headquarters by the close of business not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of stockholders; provided, however, that in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, or if no annual meeting was held in the preceding year, notice by the stockholder in order to be timely must be so received not later than the close of business on the tenth day following the day on which the Company makes a public announcement of the date of the annual meeting. The notice must contain certain information specified in the Bylaws.

Written Consent by Stockholders

Any action that may be taken at any meeting of the stockholders, except election or removal of directors, may be taken without a meeting only if authorized by a writing signed by stockholders owning all of the shares of common stock entitled to vote on the action.

Other Rights and Preferences

The holders of our common stock do not have any conversion or subscription rights, and their preemptive rights are limited as provided under Nevada law. The rights, preferences and privileges of holders of our common stock are subject to any series of preferred stock that we may issue in the future.

Listing; Transfer Agent

Our common stock is listed on New York Stock Exchange ("NYSE") under the trading symbol "THC". Our transfer agent and registrar is Computershare.

Description of the Senior Notes

General

The Senior Notes were issued pursuant to an Indenture, dated as of November 6, 2001 (the “Base Indenture”), as supplemented with respect to the Senior Notes by the Third Supplemental Indenture, dated as of November 6, 2001 (the “Supplemental Indenture” and, together with the Base Indenture, the “Indenture”), between us and The Bank of New York Mellon Trust Company, N.A., as successor to The Bank of New York, as trustee. Each of the Base Indenture and the Supplemental Indenture is incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4(a) is a part. The terms of the Senior Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended. The Senior Notes are subject to all such terms, and you should refer to the Indenture and the Trust Indenture Act for a statement thereof. The following description of the Senior Notes is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to the Indenture, including the definitions therein of terms used below. As used in this “Description of the Senior Notes,” the terms the “Company,” “we,” “our” and “us” refer to Tenet Healthcare Corporation and not to any of our subsidiaries.

The Senior Notes have been issued in fully registered form, in denominations of \$1,000 and integral multiples thereof, registered in the name of Cede & Co., a nominee of The Depository Trust Company, or DTC. See “—Global Notes” below. The paying agent, registrar and transfer agent for the Senior Notes will be the corporate trust department of the trustee in New York, New York. Payment of principal will be made at maturity in immediately payable funds against surrender to the trustee.

We may from time to time, without giving notice to or seeking the consent of the holders of the Senior Notes, issue notes having the same ranking and the same interest rate, maturity and other terms as the Senior Notes. Any additional notes having such similar terms, together with the Senior Notes previously outstanding, will constitute a single series of notes under the Indenture.

Principal Amount; Maturity

The Senior Notes were offered in the aggregate principal amount of \$450 million and have a maturity date of November 15, 2031. At December 31, 2019, \$362 million aggregate principal amount of the Senior Notes remains outstanding.

Interest

Interest on the Senior Notes accrues at a rate of 6.875% per annum and is payable semi-annually in arrears on May 15 and November 15 of each year to holders of record on the immediately preceding May 1 and November 1. Payments commenced on May 15, 2002. Interest on the Senior Notes accrues from the most recent date to which interest has been paid.

Interest on the Senior Notes is computed on the basis of a 360-day year comprised of twelve 30-day months. Principal, premium, if any, and interest on the Senior Notes is payable at our office or agency maintained for such purpose within the City and State of New York or, at our option, payment of interest may be made by check mailed to the holders of the Senior Notes at their respective addresses set forth in the register of holders of the Senior Notes; provided that all payments with respect to Senior Notes as to which the holders have given wire transfer instructions to the paying agent on or prior to the relevant record date will be required to be made by wire transfer of immediately available funds to the accounts specified by such holders. Until otherwise designated by us, our office or agency in New York will be the office of the trustee maintained for such purpose.

Optional Redemption

The Senior Notes are redeemable, in whole or in part, at any time, at our option, at a redemption price equal to the greater of:

- 100% of the principal amount of the Senior Notes being redeemed, or
- the sum of the present values of the remaining scheduled payments of principal and interest thereon, excluding accrued and unpaid interest to the date of redemption, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months), at the Adjusted Treasury Rate, plus 35 basis points,

plus, in either of the above cases, accrued and unpaid interest thereon to, but not including, the redemption date. The Senior Notes will not be subject to any mandatory sinking fund.

“Adjusted Treasury Rate” means, with respect to any redemption date:

- the yield, under the heading that represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities,” for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the Remaining Life, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounded to the nearest month); or
- if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, calculated using a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

The Adjusted Treasury Rate shall be calculated on the third business day preceding the redemption date.

“Comparable Treasury Issue” means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Senior Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of those Senior Notes (“Remaining Life”).

“Comparable Treasury Price” means, with respect to any redemption date, (1) the average of five Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (2) if the Independent Investment Banker obtains fewer than five such Reference Treasury Dealer Quotations, the average of all such quotations.

“Independent Investment Banker” means one of the Reference Treasury Dealers appointed by us.

“Reference Treasury Dealer” means:

- each of Credit Suisse Securities (USA) LLC, Citigroup Global Markets Inc. and J.P. Morgan Securities LLC and their respective successors; provided that, if any of the foregoing ceases to be a primary U.S. Government securities dealer in New York City (a “Primary Treasury Dealer”), we will substitute another Primary Treasury Dealer; and
- any other Primary Treasury Dealer selected by us.

“Reference Treasury Dealer Quotation” means, with respect to each Reference Treasury Dealer and any redemption date, the average, as determined by the Independent Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by such Reference Treasury Dealer at 5:00 p.m., New York City time, on the third business day preceding such redemption date.

If less than all of the Senior Notes are to be redeemed at any time, selection of notes for redemption will be made by the trustee in compliance with the requirements of the principal national securities exchange, if any, on which the notes to be redeemed are then listed, or, if the Senior Notes are not so listed, on a pro rata basis, by lot or by such method as the trustee deems fair and appropriate; provided that notes with a principal amount of \$1,000 will not be redeemed in part.

We will mail a notice of redemption at least 30 but not more than 60 days before the redemption date to each holder of the Senior Notes to be redeemed. If the Senior Notes are to be redeemed in part only, the notice of redemption that relates to such notes will state the portion of the principal amount thereof to be redeemed. A new note in principal amount equal to the unredeemed portion thereof will be issued in the name of the holder thereof upon cancellation of the original note.

Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on the Senior Notes or portions thereof called for redemption.

Priority

The Base Indenture does not limit the aggregate principal amount of debt securities that may be issued thereunder. As permitted under the terms of the Base Indenture, we have issued, and may in the future issue, other debt securities under the Base Indenture constituting one or more separate series. The Senior Notes are general unsecured senior debt obligations that rank equally in right of payment with all of our other existing and future unsecured senior indebtedness, but are effectively subordinated to our senior secured notes, the obligations of our subsidiaries and any obligations under our credit facilities to the extent of the value of the collateral.

Limitations on Us and Our Subsidiaries

Limitations on Liens. The Indenture provides that, except as described under “—Exception to Limitations” below, neither we nor any of our subsidiaries will issue, incur, create, assume or guarantee any debt secured by liens, mortgages, pledges, charges, security interests or other encumbrances upon any principal property (which means each of our hospitals that has a book value in excess of 5% of our consolidated net tangible assets), unless the Senior Notes will be secured equally and ratably with, or prior to, such debt. This restriction will not apply to:

- liens securing the purchase price or cost of construction of property or additions, substantial repairs, alterations or improvements, if the debt and the liens are incurred within 12 months of the acquisition, the completion of construction and full operation or the completion of such additions, repairs, alterations or improvement;
- liens existing on property at the time of its acquisition by us or our subsidiaries or on the property of an entity at the time of the acquisition of such entity by us or our subsidiaries, provided that the liens were in existence prior to the closing of, and not incurred in contemplation of, such acquisition and, in the case of the acquisition of an entity, the liens do not extend to any assets other than those of the entity acquired;
- liens in favor of us or a consolidated subsidiary;
- liens existing on the date of the Supplemental Indenture;
- certain liens to governmental entities;

- liens incurred within 90 days (or any longer period, not in excess of one year, as permitted by law), after acquisition of the related property arising solely in connection with the transfer of tax benefits in accordance with Section 168(f)(8) of the Internal Revenue Code;
- any substitution or replacement of any lien referred to above, provided that the property encumbered by any substitute or replacement lien is substantially similar in nature to and no greater in value than the property encumbered by the lien that is being replaced; and
- any extension, renewal or replacement of any lien referred to above, provided the amount secured is not increased and it relates to the same property.

Limitations on Sale and Lease-Back Transactions. The Indenture provides that, except as described under “—Exception to Limitations” below, neither we nor any of our subsidiaries will enter into any sale and lease-back transaction with respect to any principal property with another person, other than us or one of our consolidated subsidiaries, unless:

- we or any of our subsidiaries could incur debt secured by a lien on the property to be leased without securing the Senior Notes;
- the lease is for three years or less; or
- within 120 days, we apply the greater of the net proceeds of the sale of the leased property or the fair value of the leased property to the acquisition, construction, addition, repair, alteration or improvement of a principal property or the voluntary retirement of our long-term debt.

Exception to Limitations. Notwithstanding the two covenants described above, we and any of our subsidiaries may issue, incur, create, assume or guarantee debt secured by liens or enter into any sale and lease-back transaction that would otherwise be subject to the restrictions on liens and sale and lease-back transactions described above, provided that (i) the aggregate amount of all our debt subject to the restriction on liens described above plus (ii) the aggregate attributable debt in respect of sale and lease-back transactions that is subject to the restriction on sale and lease-back transactions above, does not exceed 15% of our consolidated net tangible assets.

Consolidation, Merger and Sale of Assets. The Indenture provides that we may not consolidate with, or sell, convey or lease all or substantially all of our properties and assets to, or merge with or into, any other person, unless:

- we are the surviving corporation or the successor is a corporation organized and validly existing under the laws of any U.S. domestic jurisdiction and expressly assumes the due and punctual payment of the principal of and interest on all the Senior Notes and the due and punctual performance and observation of our covenants and obligations under the Indenture; and
- immediately after giving effect to the transaction, no event of default, and no event which, after notice or lapse of time or both would become an event of default has occurred and is continuing under the Indenture.

Events of Default

Under the Indenture, each of the following constitutes an event of default with respect to the Senior Notes:

- failure to pay the principal of or premium, if any, on the Senior Notes, at maturity or otherwise;
- failure to pay any interest on the Senior Notes when due, continued for 30 days;
- failure to perform, or the breach of, any of our covenants or warranties in the Indenture or the Senior Notes, continued for 90 days after written notice; or
- events of bankruptcy, insolvency or reorganization with respect to us.

In addition to the events of default set forth above, an event of default will be deemed to have occurred with respect to the Senior Notes the event of a failure to pay at maturity or the acceleration of our indebtedness having an aggregate principal amount in excess of the greater of \$25 million or 5% of our consolidated net tangible assets under the terms of the instrument under which that indebtedness is issued or secured if that indebtedness is not discharged or the acceleration is not annulled within 10 days after written notice.

If any event of default with respect to the Senior Notes occurs and is continuing, either the trustee or the holders of at least 25% in principal amount of the Senior Notes then outstanding, by written notice to us and to the trustee, may declare the principal amount of the Senior Notes to be due and payable immediately. Notwithstanding the foregoing, in the case of an event of default arising from certain events of bankruptcy, insolvency or reorganization, all outstanding Senior Notes will automatically and without any action by the trustee or any holder, become immediately due and payable. After any such acceleration, but before a judgment or decree based on such acceleration, the holders of a majority in aggregate principal amount of the Senior Notes then outstanding may, under certain circumstances, rescind and annul such acceleration if all events of default, other than the non-payment of accelerated principal of or interest on the Senior Notes, have been cured or waived as provided in the Indenture.

Subject to the provisions of the Indenture relating to the duties of the trustee in case an event of default occurs and is continuing, the trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the holders, unless such holders have offered to the trustee reasonable indemnity. Subject to such provisions for the indemnification of the trustee, the holders of a majority in aggregate principal amount of Senior Notes then outstanding will have the right to direct the time, method and place of conducting any proceedings for any remedy available to the trustee or exercising any trust or power conferred on the trustee with respect to the Senior Notes.

No holder of a Senior Note will have any right to institute any proceeding with respect to the Indenture, or for the appointment of a receiver or a trustee, or for any other remedy thereunder, unless:

- such holder has previously given the trustee written notice of a continuing event of default with respect to the Senior Notes;
- the holders of at least 25% in the aggregate principal amount of the Senior Notes then outstanding have made written request, and such holder or holders have offered reasonable indemnity, to the trustee to institute such proceedings as trustee; and
- the trustee has failed to institute such proceeding and the trustee has not received from the holders of a majority in aggregate principal amount of the Senior Notes then outstanding a direction inconsistent with such request within 60 days after such notice, request and offer.

Such limitations, however, do not apply to a suit instituted by a holder of a Senior Note for the enforcement of payment of the principal of or interest on such Senior Note on or after its due date.

Defeasance and Covenant Defeasance

We may elect, at our option at any time, to have the provisions of the Indenture relating to defeasance and discharge of indebtedness and to defeasance of certain restrictive covenants applied to the Senior Notes.

Defeasance and Discharge. The Indenture provides that, upon the exercise of our option, we will be discharged from all our obligations with respect to Senior Notes (except for certain obligations to exchange or register the transfer of notes, to replace stolen, lost or mutilated notes, to maintain paying agencies and to hold moneys for payment in trust), subject to the conditions precedent below.

Defeasance of Certain Covenants. The Indenture provides that, upon the exercise of our option with respect to the Senior Notes, we may omit to comply with certain restrictive covenants, including those described under

“—Limitations on Us and Our Subsidiaries” above, and the occurrence of certain events of default will be deemed not to be or result in an event of default, in each case with respect to the Senior Notes, subject to the conditions precedent below.

In each case, the defeasance provision will be subject to our depositing in trust for the benefit of the holders of the Senior Notes to be defeased money or U.S. government obligations, or both, which, through the payment of principal and interest in respect thereof in accordance with their terms, will provide money in an amount sufficient to pay the principal of and any premium and interest on such notes on the stated maturity in accordance with the terms of the Indenture and the Senior Notes. We will also be required, among other things, to deliver to the trustee an opinion of counsel to the effect that holders of such notes will not recognize gain or loss for federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to federal income tax on the same amount, in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge were not to occur.

In the event we exercised this option with respect to any Senior Notes and such notes were declared due and payable because of the occurrence of any event of default, the amount of money and U.S. government obligations so deposited in trust would be sufficient to pay amounts due on such notes at the time of their respective stated maturities but may not be sufficient to pay amounts due on such notes upon any acceleration resulting from such event of default. In such case, we would remain liable for such payments.

Amendment, Supplement and Waiver

Except as provided in the next two succeeding paragraphs, the Indenture or the Senior Notes may be amended or supplemented with the consent of the holders of at least a majority in principal amount of the Senior Notes then outstanding (including consents obtained in connection with a tender offer or exchange offer for such notes), and any existing default or compliance with certain restrictive provisions of the Indenture may be waived with the consent of the holders of a majority in principal amount of the then outstanding Senior Notes (including consents obtained in connection with a tender offer or exchange offer for such notes).

Without the consent of each holder affected, an amendment or waiver may not (with respect to any Senior Notes held by a non-consenting holder):

- reduce the principal of or change the fixed maturity of any Senior Note;
- reduce the rate of or change the time for payment of interest on any Senior Note;
- waive a default or event of default in the payment of principal of or premium, if any, or interest on the Senior Notes (except a rescission of acceleration of the applicable notes by the holders of at least a majority in aggregate principal amount thereof and a waiver of the payment default that resulted from such acceleration);
- change the place of payment of any Senior Note or make any Senior Note payable in money other than that stated in such note;
- impair the right to institute suit for the enforcement of any payment on or with respect to any Senior Note;
- make any change in the provisions of the Indenture relating to waivers of past defaults or the rights of holders of Senior Notes to receive payments of principal of or premium, if any, or interest on such notes;
- reduce the principal amount of Senior Notes whose holders must consent to an amendment, supplement or waiver; or
- make any change in the foregoing amendment and waiver provisions, except to increase the required percentage or to provide that other provisions of the Indenture cannot be modified or waived without the consent of the holder of each outstanding Senior Note.

Notwithstanding the foregoing, without the consent of any holder of Senior Notes, we, together with the trustee, may amend or supplement the Indenture to:

- cure any ambiguity, defect or inconsistency, provided that such action does not adversely affect the holders in any material respect;
- provide for uncertificated notes in addition to or in place of certificated notes;
- evidence the assumption of our obligations to holders of Senior Notes in the case of a merger, consolidation or sale of assets pursuant to the covenant described under the caption “—Limitations on Us and Our Subsidiaries—Consolidation, Merger and Sale of Assets”;
- add covenants for the benefit of the holders of the Senior Notes or to surrender any right or power conferred upon us;
- make any change that does not adversely affect the legal rights under the Indenture of any such holder in any material respect;
- add any additional events of default for the benefit of the holders of the Senior Notes;
- secure the Senior Notes;
- establish the form or terms of other series of debt securities as permitted under the Indenture;
- comply with requirements of the Securities and Exchange Commission in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act; or
- appoint a successor trustee.

Except in certain limited circumstances, we will be entitled to set any day as a record date for the purpose of determining the holders of Senior Notes entitled to give or take any direction, notice, consent, waiver or other action or to vote on any action under the Indenture, in the manner and subject to the limitations provided in the Indenture. In certain limited circumstances, the trustee will be entitled to set a record date for action by holders. If a record date is set for any action to be taken by holders, such action may be taken only by persons who are holders of outstanding Senior Notes on the record date. To be effective, the action must be taken by holders of the requisite principal amount of the Senior Notes within a specified period following the record date. For any particular record date, this period will be 180 days or such shorter period as may be specified by us (or the trustee, if it set the record date), and may be shortened or lengthened from time to time, but not beyond 180 days.

The Trustee

The Bank of New York Mellon Trust Company, N.A., as successor trustee to The Bank of New York, is the trustee under the Indenture. The corporate trust office of the trustee is located in New York, New York.

We maintain banking relations with affiliates of The Bank of New York Mellon Trust Company, N.A. The Bank of New York Mellon Trust Company, N.A. has also served from time to time as escrow agent under escrow agreements to which we are party. In addition, The Bank of New York Mellon Trust Company, N.A. is the trustee under other indentures pursuant to which we have issued debt. Pursuant to the Trust Indenture Act of 1939, as amended, should a default occur with respect to the Senior Notes, the trustee would be required to eliminate any conflicting interest as defined in the Trust Indenture Act of 1939, as amended, or resign as trustee with respect to the Senior Notes within 90 days of such default unless such default were cured, duly waived or otherwise eliminated.

The trustee may resign at any time or may be removed by us. If the trustee resigns, is removed or becomes incapable of acting as trustee or if a vacancy occurs in the office of the trustee for any cause, a successor trustee shall be

appointed in accordance with the provisions of the Indenture. The Indenture provides that in case an event of default occurs (and is not cured), the trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any holder of Senior Notes, unless such holder has offered to the trustee security and indemnity satisfactory to it against any loss, liability or expense.

Global Notes

The Senior Notes have been issued in the form of one or more registered notes in book-entry form, referred to as global notes. Each such global note is registered in the name of a nominee of DTC, as depositary, and has been deposited with The Bank of New York Mellon Trust Company, N.A., as custodian therefor. Interest in each such global note is not exchangeable for certificated notes in definitive, fully registered form, except in the limited circumstances described below. We will be entitled, along with the trustee and any other agent, to treat DTC or its nominee, as the case may be, as the sole owner and holder of the global notes for all purposes.

So long as DTC or its nominee or a common depositary is the registered holder of a global note, DTC or such nominee or common depositary, as the case may be, will be considered the sole owner and holder of such global note, and of the Senior Notes represented thereby, for all purposes under the Indenture and the Senior Notes and the beneficial owners of Senior Notes will be entitled only to those rights and benefits afforded to them in accordance with DTC's regular operating procedures. Upon specified written instructions of a DTC participant, DTC will have its nominee assist its participants in the exercise of certain holders' rights, such as a demand for acceleration or an instruction to the trustee. Except as provided below, owners of beneficial interests in a global note will not be entitled to have Senior Notes represented by a global note registered in their names, will not receive or be entitled to receive physical delivery of Senior Notes in certificated form and will not be considered the registered holders thereof under the Indenture.

Ownership of beneficial interests in a global note will be limited to DTC participants or persons who hold interests through DTC participants. Ownership of beneficial interests in a global note is shown on, and the transfer of those ownership interests are effected through, records maintained by DTC or its nominee (with respect to interests of participants) or by any such participant (with respect to interests of persons held by such participants on their behalf). Payments, transfers, exchanges and other matters relating to beneficial interests in a global note may be subject to various policies and procedures adopted by DTC from time to time. None of the Company, the trustee or any of their agents will have any responsibility or liability for any aspect of DTC's or any DTC participant's records relating to, or for payments made on account of, beneficial interest in any global note, or for maintaining, supervising or reviewing any records relating to such beneficial interests.

Interests in a global note will be exchanged for Senior Notes in certificated form if:

- DTC notifies us that it is unwilling or unable to continue as a depositary for such global note or has ceased to be qualified to act as such or if at any time such depositary ceases to be a clearing agency registered under the Exchange Act, and we have not appointed a successor depositary within 90 days;
- an event of default under the Indenture with respect to the Senior Notes has occurred and is continuing; or
- we, in our sole discretion, determine at any time that the Senior Notes will no longer be represented by a global note.

Upon the occurrence of such an event, owners of beneficial interests in such global note will receive physical delivery of Senior Notes in certificated form. All certificated notes issued in exchange for an interest in a global note

or any portion thereof will be registered in such names as DTC directs. Such notes will be issued in minimum denominations of \$1,000 and integral multiples thereof and will be in registered form only, without coupons.

No beneficial owner of an interest in a global note will be able to transfer that interest except in accordance with DTC's applicable procedures, in addition to those under the Indenture and the Senior Notes.

Investors may hold their interest in a global note directly through DTC if they are participants or indirectly through organizations that are DTC participants. Accordingly, although owners who hold Senior Notes through DTC participants will not possess notes in definitive form, the participants provide a mechanism by which holders of Senior Notes will receive payments and will be able to transfer their interests.

The holder of a certificated note may transfer such note, subject to compliance with the provisions of such legend, by surrendering it at (i) the office or agency maintained by us for such purpose in the Borough of Manhattan, The City of New York, which initially will be the office of the trustee maintained for such purpose or (ii) the office of any transfer agent we appoint.

We will make all payments of principal and interest on the Senior Notes in immediately available funds so long as the Senior Notes are maintained in the form of global notes.

Governing Law

The Indenture and the Senior Notes provide that they are governed by, and interpreted in accordance with, the internal laws of the State of New York.

Listing

The Senior Notes are listed on the NYSE under the trading symbol "THC31".

TENET

SIXTH AMENDED AND RESTATED

TENET 2006 DEFERRED

COMPENSATION

PLAN

As Amended and Restated Effective as of January 1, 2020

**SIXTH AMENDED AND RESTATED
TENET 2006 DEFERRED COMPENSATION PLAN**

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**SIXTH AMENDED AND RESTATED
TENET 2006 DEFERRED COMPENSATION PLAN**

**ARTICLE I
PREAMBLE AND PURPOSE**

1.1 Preamble. Tenet Healthcare Corporation (the "**Company**") previously adopted the Tenet 2006 Deferred Compensation Plan (the "**Plan**") to permit the Company and its participating Affiliates, as defined herein (collectively, the "**Employer**"), to attract and retain a select group of management or highly compensated employees and Directors, as defined herein. The Plan replaced the Tenet 2001 Deferred Compensation Plan (the "**2001 DCP**") and compensation and bonus deferrals and employer contributions made to the 2001 DCP during the 2005 Plan Year (*i.e.*, January 1, through December 31) were transferred to the Plan and will be administered pursuant to its terms.

Pursuant to the First Amended and Restated Plan, the Company amended and restated the Plan effective December 31, 2008 to (a) reflect that compensation and bonus deferrals and employer contributions made to the 2001 DCP have been transferred to the Plan and will be administered pursuant to its terms, (b) permit participants to elect before December 31, 2008 pursuant to transition relief issued under section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**") to receive an in-service withdrawal of amounts deemed invested in stock units in 2009 or a subsequent year, (c) modify the fixed return investment option to provide that interest will be credited based on one hundred and twenty percent (120%) of the long-term applicable federal rate as opposed to the current provision which credits interest based on the prime rate of interest less one percent (1%), (d) reduce the employer matching contribution effective January 1, 2009, (e) comply with final regulations issued under section 409A of the Code and (f) make certain other design changes. This amended and restated Plan was known as the First Amended and Restated Tenet 2006 Deferred Compensation Plan.

The Company further amended the Plan, through the adoption of the Second Amended and Restated Plan, effective as of May 9, 2012, to add certain Change of Control provisions and revise certain termination event definitions.

The Company amended and restated the Plan to increase the employer matching contribution under the Plan to conform with the matching contribution provided under the Company's tax-qualified section 401(k) plan and to incorporate certain administrative changes adopted with respect to the Plan since its prior restatement. That amended and restated Plan was known as the Third Amended and Restated Tenet 2006 Deferred Compensation Plan.

The Retirement Plans Administration Committee ("**RPAC**") subsequently amended the Plan effective January 1, 2015 to provide that an "Affiliate" will be determined based on an ownership percentage of greater than fifty percent (50%).

The RPAC again amended and restated the Plan effective November 30, 2015 to incorporate the terms of its prior amendment, clarify that only physicians and A-Team members that provide services to Baptist Health Centers LLC ("**BHC**") and are paid from a Tenet payroll will be eligible to participate in the Plan and reflect that the name of the

Compensation Committee has changed to the "**Human Resources Committee.**" Such amended and restated Plan was known as the Fourth Amended and Restated Tenet 2006 Deferred Compensation Plan.

Effective January 1, 2019, the RPAC amended and restated the Plan to remove reaching the compensation limit on elective deferrals under the Company's tax-qualified section 401(k) plan as a trigger that allows participation in the Plan and to authorize BHC to be a participating employer in the Plan with respect to its physician employees. Such amended and restated Plan was known as the Fifth Amended and Restated Tenet 2006 Deferred Compensation Plan.

By this instrument, the RPAC desires to amend and restate the Plan effective January 1, 2020 to (i) allow Participants to elect to receive an in-service withdrawal of Base Deferrals and Bonus Deferrals in the form of installments over two (2) to five (5) years, (ii) permit participants to elect to defer the payment of in-service withdrawals and termination distributions and/or change the form of payment for in-service withdrawals of Base Deferrals and Bonus Deferrals and termination distributions (but not the medium of distribution (i.e., cash or stock)); provided, payment is postponed for at least five (5) calendar years; and (iii) provide that all distributions to a Beneficiary are paid as a lump sum. This amended and restated Plan will be known as the Sixth Amended and Restated Tenet 2006 Deferred Compensation Plan.

The Employer may adopt one or more domestic trusts to serve as a possible source of funds for the payment of benefits under this Plan.

- 1.2 Purpose.** Through this Plan, the Employer intends to permit the deferral of compensation and to provide additional benefits to Directors and a select group of management or highly compensated employees of the Employer. Accordingly, it is intended that this Plan will not constitute a "qualified plan" subject to the limitations of section 401(a) of the Code, nor will it constitute a "funded plan," for purposes of such requirements. It also is intended that this Plan will be exempt from the participation and vesting requirements of Part 2 of Title I of the Employee Retirement Income Security Act of 1974, as amended (the "**Act**"), the funding requirements of Part 3 of Title I of the Act, and the fiduciary requirements of Part 4 of Title I of the Act by reason of the exclusions afforded plans that are unfunded and maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees.

End of Article I

ARTICLE II
DEFINITIONS AND CONSTRUCTION

- 2.1 Definitions.** When a word or phrase appears in this Plan with the initial letter capitalized, and the word or phrase does not commence a sentence, the word or phrase will generally be a term defined in this Section 2.1. The following words and phrases with the initial letter capitalized will have the meaning set forth in this Section 2.1, unless a different meaning is required by the context in which the word or phrase is used.
- (a) **"Account"** means one or more of the bookkeeping accounts maintained by the Company or its agent on behalf of a Participant, as described in more detail in Section 4.5. A Participant's Account may be divided into one or more **"Cash Accounts"** or **"Stock Unit Accounts"** as defined in Section 4.5.
 - (b) **"Act"** means the Employee Retirement Income Security Act of 1974, as amended from time to time.
 - (c) **"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; provided, however that for purposes of determining if an entity is an Affiliate under sections 414(b) or (c) of the Code ownership will be determined based on an ownership percentage of greater than fifty percent (50%).
 - (d) **"Alternate Payee"** means any spouse, former spouse, child, or other dependent of a Participant who is recognized by a DRO as having a right to receive all, or a portion of, the benefits payable under the Plan with respect to such Participant.
 - (e) **"Annual Incentive Plan Award"** means the amount payable to an employee each year, if any, under the Company's Annual Incentive Plan, as the same may be amended, restated, modified, renewed or replaced from time to time.
 - (f) **"Base Deferral"** means the Compensation deferral made by a Participant pursuant to Section 4.2(a).
 - (g) **"Base with Match Deferral"** means the Base with Match Deferral made pursuant to Section 4.2(c).
 - (h) **"Beneficiary"** means the person designated by the Participant to receive a distribution of his benefits under the Plan upon the death of the Participant. If the Participant is married, his spouse will be his Beneficiary, unless his spouse consents in writing to the designation of an alternate Beneficiary. In the event that a Participant fails to designate a Beneficiary, or if the Participant's Beneficiary does not survive the Participant, the Participant's Beneficiary will be his surviving spouse, if any, or if the Participant does not have a surviving spouse, his estate. The term "Beneficiary" also will mean a Participant's spouse or former spouse who is entitled to all or a

portion of a Participant's benefit pursuant to Section 6.1. For this purpose a spouse means a legal spouse, including a same sex spouse.

- (i) **"Board"** means the Board of Directors of the Company.
- (j) **"Bonus"** means (i) a bonus paid to a Participant in the form of an Annual Incentive Plan award, (ii) a performance-based bonus payment to a Participant pursuant to an employment or similar agreement, or (iii) any other bonus payment designated by the RPAC as an eligible bonus under the Plan. As of the Effective Date, the quarterly bonuses paid to physician Employees of BHC will be an eligible bonus under the Plan.
- (k) **"Bonus Deferral"** means the Bonus deferral made by a Participant pursuant to Section 4.2(b). A Participant may also defer a portion of his Bonus as a Bonus with Match Deferral pursuant to Section 4.2(c).
- (l) **"Bonus with Match Deferral"** means the Bonus with Match Deferral made pursuant to Section 4.2(d).
- (m) **"Cause"** means
 - (i) with respect to any event not occurring on or within two (2) years after a Change of Control, except as provided otherwise in a separate severance agreement or plan in which the Participant participates:
 - (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 job duties in accordance with Company policies,
 - (H) a material violation of Company policy that causes harm to the Company or an Affiliate, or
 - (I) other wrongful conduct of a similar nature and degree.

A failure to meet or achieve business objectives, as defined by the Company, will not be considered Cause so long as the Participant has devoted his best efforts and attention to the achievement of those objectives.

- (ii) With respect to any event occurring on or within two (2) years after a Change of Control, except as provided otherwise in a separate severance agreement or plan in which the Participant participates:
 - (A) any intentional act or misconduct materially injurious to the Company or any Affiliate, financial or otherwise, but not limited to, misappropriation or fraud, embezzlement or conversion by the Participant of the Company's or any Affiliate's property in connection with the Participant's employment with the Company or an Affiliate,
 - (B) Any willful act or omission constituting a material breach by the Participant of a fiduciary duty,
 - (C) A final, non-appealable order in a proceeding before a court of competent jurisdiction or a final order in an administrative proceeding finding that the Participant committed any willful misconduct or criminal activity (excluding minor traffic violations or other minor offenses), which commission is materially inimical to the interests of the Company or any Affiliate, whether for his personal benefit or in connection with his duties for the Company or an Affiliate,
 - (D) The conviction (or plea of no contest) of the Participant for any felony,
 - (E) Material failure or refusal to perform his job duties in accordance with Company policies (other than resulting from the Participant's disability as defined by Company policies), or
 - (F) A material violation of Company policy that causes material harm to the Company or an Affiliate.

A failure to meet or achieve business objectives, as defined by the Company, will not be considered Cause so long as the Participant has devoted his reasonable efforts and attention to the achievement of those objectives. For purposes of this Section, no act or failure to act on the part of the Participant will be deemed "willful", "intentional" or "knowing" if it was undertaken in reasonable reliance on the advice of counsel or at the instruction of the Company, including but not limited to the Board, a committee of the Board or the Chief Executive Officer ("**CEO**") of the Company, or was due primarily to an error in judgment or negligence, but will be deemed "willful", "intentional" or "knowing" only if done or omitted to be done by the Participant not in good faith and without reasonable belief that the Participant's action or omission was in the best interest of the Company.

- (iii) A Participant will not be deemed to have been terminated for Cause, under either this Section 2.1(m)(i) or 2.1(m)(ii) 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 Human Resources Committee with respect to any Participant who is employed as the CEO, by the CEO (or an individual acting in such capacity or possessing such authority on an interim basis)

with respect to any other Participant except a Hospital Chief Executive Officer ("**Hospital CEO**") and by the Chief Operating Officer of the Company (the "**COO**") with respect to any Participant who is employed as a Hospital CEO. 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 Human Resources 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. If the Participant disagrees with such determination, the Participant may file a claim contesting such determination pursuant to Article VIII within thirty (30) days after his receipt of such written determination finding that Cause exists.

(n) "**Change of Control**" means the occurrence of one of the following:

- (i) A "change in the ownership of the Company" which will occur on the date that any one person, or more than one person acting as a group within the meaning of section 409A of the Code, acquires, directly or indirectly, whether in a single transaction or series of related transactions, ownership of stock in the Company that, together with stock held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company ("**Ownership Control**"). However, if any one person or more than one person acting as a group, has previously acquired ownership of more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company, the acquisition of additional stock by the same person or persons will not be considered a "change in the ownership of the Company" (or to cause a "change in the effective control of the Company" within the meaning of Section 2.1(n)(ii) below). Further, an increase in the effective percentage of stock owned by any one person, or persons acting as a group, as a result of a transaction in which the Company acquires its stock in exchange for cash or property will be treated as an acquisition of stock for purposes of this paragraph; provided, that for purposes of this Section 2.1(n)(i), the following acquisitions of Company stock will not constitute a Change of Control:
 - (A) any acquisition, whether in a single transaction or series of related transactions, by any employee benefit plan (or related trust) sponsored or maintained by the Company or an Affiliate which results in such employee benefit plan obtaining "Ownership Control" of the Company or
 - (B) any acquisition, whether in a single transaction or series of related transactions, by the Company which results in the Company acquiring stock of the Company representing "Ownership Control" or

- (C) any acquisition, whether in a single transaction or series of related transactions, after which those persons who were owners of the Company's stock immediately before such transaction(s) own more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company (or if after the consummation of such transaction(s) the Company (or another entity into which the Company is merged into or otherwise combined, such the Company does not survive such transaction(s)) is a direct or indirect subsidiary of another entity which itself is not a subsidiary of an entity, then the more than fifty percent (50%) ownership test will be applied to the voting securities of such other entity) in substantially the same percentages as their respective ownership of the Company immediately before such transaction(s).

This Section 2.1(n)(i) applies either when there is a transfer of the stock of the Company (or issuance of stock) and stock in the Company remains outstanding after the transaction or when there is a transfer of the stock of the Company (including a merger or similar transaction) and stock in the Company does not remain outstanding after the transaction.

- (ii) A "change in the effective control of the Company" which will occur on the date that either (A) or (B) occurs:

- (A) any one person, or more than one person acting as a group within the meaning of section 409A of the Code, acquires (taking into consideration any prior acquisitions during the twelve (12) month period ending on the date of the most recent acquisition by such person or persons), directly or indirectly, ownership of stock of the Company possessing thirty-five percent (35%) or more of the total voting power of the stock of the Company (not considering stock owned by such person or group before such twelve (12) month period) (*i.e.*, such person or group must acquire within a twelve (12) month period stock possessing at least thirty-five percent (35%) of the total voting power of the stock of the Company) ("**Effective Control**"), except for (i) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or an Affiliate which results in such employee benefit plan obtaining "Effective Control" of the Company or (ii) any acquisition by the Company. The occurrence of "Effective Control" under this Section 2.1(n)(ii)(A) may be nullified by a vote of that number of the members of the Board of Directors of the Company ("Board"), that exceeds two-thirds (2/3) of the independent members of the Board, which vote must occur before the time, if any, that a "change in the effective control of the Company" has occurred under Section 2.1(n)(ii)(B) below. In the event of such a supermajority vote, such transaction or series of related transactions will not be treated as an event constituting "Effective Control". For avoidance of doubt, the Plan provides that in the event of the occurrence of the acquisition of ownership of stock of the Company that reaches or exceeds the thirty-five percent (35%) ownership threshold described above, if

more than two-thirds (2/3) of the independent members of the Board take action to resolve that such an acquisition is not a "change in the effective control of the Company" and a majority of the members of the Board have not been replaced as provided under Section 2.1(n)(ii)(B) below, then such Board action will be final and no "Effective Control" will be deemed to have occurred for any purpose under the Plan.

- (B) a majority of the members of the Board are replaced during any twelve (12) month period by directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of the appointment or election.

For purposes of a "change in the effective control of the Company," if any one person, or more than one person acting as a group, is considered to effectively control the Company within the meaning of this Section 2.1(n)(ii), the acquisition of additional control of the Company by the same person or persons is not considered a "change in the effective control of the Company," or to cause a "change in the ownership of the Company" within the meaning of Section 2.1(n)(i) above.

- (iii) A sale, exchange, lease, disposition or other transfer of all or substantially all of the assets of the Company.
- (iv) A liquidation or dissolution of the Company that is approved by a majority of the Company's stockholders.

For purposes of this Section 2.1(n), the provisions of section 318(a) of the Code regarding the constructive ownership of stock will apply to determine stock ownership; provided, that, stock underlying unvested options (including options exercisable for stock that is not substantially vested) will not be treated as owned by the individual who holds the option.

- (o) "**Code**" means the Internal Revenue Code of 1986, as amended from time to time.
- (p) "**Company**" means Tenet Healthcare Corporation.
- (q) "**Compensation**" means base salaries, commissions, and certain other amounts of cash compensation payable to the Participant during the Plan Year, including draws paid to physician Employees of BHC. Compensation will **exclude** cash bonuses, foreign service pay, hardship withdrawal allowances and any other pay intended to reimburse the employee for the higher cost of living outside the United States, Annual Incentive Plan Awards, automobile allowances, housing allowances, relocation payments, deemed income, income payable under stock incentive plans, insurance premiums, and other imputed income, pensions, retirement benefits, and contributions to and payments from the 401(k) Plan and this Plan or any other nonqualified retirement plan maintained by the Employer. The term "Compensation" for Directors will mean any cash compensation from retainers, meeting fees and committee fees paid during the Plan Year.

- (r) **"Compensation and Bonus Deferrals"** means the Base Deferrals, Bonus Deferrals, Base with Match Deferrals, Bonus with Match Deferrals, and/or Discretionary Deferrals made pursuant to Section 4.2 of the Plan.
- (s) **"Director"** means a member of the Board who is not an employee.
- (t) **"Discretionary Contribution"** means the contribution made by the Employer on behalf of a Participant as described in Section 4.4(b).
- (u) **"Discretionary Deferral"** means the Compensation deferral described in Section 4.2(d) made by a Participant.
- (v) **"DRO"** means a domestic relations order that is a judgment, decree, or order (including one that approves a property settlement agreement) that relates to the provision of child support, alimony payments or marital property rights to a spouse, former spouse, child or other dependent of a Participant and is rendered under a state (within the meaning of section 7701(a)(10) of the Code) domestic relations law (including a community property law) and that:
 - (i) Creates or recognizes the existence of an Alternate Payee's right to, or assigns to an Alternate Payee the right to receive all or a portion of the benefits payable with respect to a Participant under the Plan;
 - (ii) Does not require the Plan to provide any type or form of benefit, or any option, not otherwise provided under the Plan;
 - (iii) Does not require the Plan to provide increased benefits (determined on the basis of actuarial value);
 - (iv) Does not require the payment of benefits to an Alternate Payee that are required to be paid to another Alternate Payee under another order previously determined to be a DRO; and
 - (v) Clearly specifies: the name and last known mailing address of the Participant and of each Alternate Payee covered by the DRO; the amount or percentage of the Participant's benefits to be paid by the Plan to each such Alternate Payee, or the manner in which such amount or percentage is to be determined; the number of payments or payment periods to which such order applies; and that it is applicable with respect to this Plan.
- (w) **"Effective Date"** means January 1, 2020, except as provided otherwise herein.
- (x) **"Election"** means the Participant's written, on-line or telephonic elections with respect to deferrals, requested investment crediting rates and distributions under this Plan.
- (y) **"Eligible Person"** means (i) each Employee who is paid from a Tenet payroll and eligible for a Bonus as defined in Section 2.1(j) for the applicable Plan Year, and (ii) each Director. In addition, the term "Eligible Person" will include any Employee designated as an Eligible Person by the RPAC. As provided in Section 3.1, the

RPAC or Plan Administrator may at any time, in its sole and absolute discretion, limit the classification of Employees who are eligible to participate in the Plan for a Plan Year, limit the enrollment period during which an Eligible Person may enroll in the Plan to the Open Enrollment Period and/or modify or terminate an Eligible Person's participation in the Plan through Exhibit A without the need for an amendment to the Plan.

- (z) "**Employee**" means each select member of management or highly compensated employee receiving remuneration, or who is entitled to remuneration, for services rendered to the Employer, in the legal relationship of employer and employee.
- (aa) "**Employer**" means the Company and each Affiliate who with the consent of the Senior Vice President, Human Resources or Plan Administrator has adopted the Plan as a participating employer. An Affiliate may evidence its adoption of the Plan either by a formal action of its governing body or by commencing deferrals and taking other administrative actions with respect to this Plan on behalf of its employees. An entity will cease to be a participating employer as of the date such entity ceases to be an Affiliate or the date specified by the Company.
- (bb) "**Employer Contribution**" means a Matching Contribution and/or Discretionary Contribution.
- (cc) "**Fair Market Value**" means the closing price of a share of Stock on the New York Stock Exchange on the date as of which fair market value is to be determined.
- (dd) "**Five Percent Owner**" means any person who owns (or is considered as owning within the meaning of section 318 of the Code (as modified by section 416(i)(1)(B)(iii) of the Code)) more than five percent (5%) of the outstanding stock of the Company or an Affiliate or stock possessing more than five percent (5%) of the total combined voting power of all stock of the Company or an Affiliate. The rules of sections 414(b), (c) and (m) of the Code will not apply for purposes of applying these ownership rules. Thus, this ownership test will be applied separately with respect to the Company and each Affiliate.
- (ee) "**401(k) Plan**" means the Company's 401(k) Retirement Savings Plan, as such plan may be amended, restated, modified, renewed or replaced from time to time.
- (ff) "**Human Resources Committee**" means the Human Resources Committee of the Board (or any predecessor or successor to such committee in name or form), which has the authority to amend and terminate the Plan as provided in Article X. The Human Resources Committee also will be responsible for determining the amount of the Discretionary Contribution, if any, to be made by the Employer
- (gg) "**Key Employee**" means any employee or former employee (including any deceased employee) who at any time during the Plan Year was:
 - (i) an officer of the Company or an Affiliate having compensation of greater than one hundred thirty thousand dollars (\$130,000) (as adjusted under section 416(i)(1) of the Code for Plan Years beginning after December 31, 2002);

- (ii) a Five Percent Owner; or
- (iii) a One Percent Owner having compensation of more than one hundred fifty thousand dollars (\$150,000).

For purposes of the preceding paragraphs, the Company has elected to determine the compensation of an officer or One Percent Owner in accordance with section 1.415(c)-2(d)(4) of the Treasury Regulations (*i.e.*, W-2 wages plus amounts that would be includible in wages except for an election under section 125(a) of the Code (regarding cafeteria plan elections) under section 132(f) of the Code (regarding qualified transportation fringe benefits) or section 402(e)(3) of the Code (regarding section 401(k) plan deferrals)) without regard to the special timing rules and special rules set forth, respectively, in sections 1.415(c)-2(e) and 2(g) of the Treasury Regulations.

The determination of Key Employees will be based upon a twelve (12) month period ending on December 31 of each year (*i.e.*, the identification date). Employees that are Key Employees during such twelve (12) month period will be treated as Key Employees for the twelve (12) month period beginning on the first day of the fourth month following the end of the twelve (12) month period (*i.e.*, since the identification date is December 31, then the twelve (12) month period to which it applies begins on the next following April 1).

The determination of who is a Key Employee will be made in accordance with section 416(i)(1) of the Code and other guidance of general applicability issued thereunder. For purposes of determining whether an employee or former employee is an officer, a Five Percent Owner or a One Percent Owner, the Company and each Affiliate will be treated as a separate employer (*i.e.*, the controlled group rules of sections 414(b), (c), (m) and (o) of the Code will not apply). Conversely, for purposes of determining whether the one hundred thirty thousand dollar (\$130,000) adjusted limit on compensation is met under the officer test described in Section 2.1(gg)(i), compensation from the Company and all Affiliates will be taken into account (*i.e.*, the controlled group rules of sections 414(b), (c), (m) and (o) of the Code will apply). Further, in determining who is an officer under the officer test described in Section 2.1(gg)(i), no more than fifty (50) employees of the Company or its Affiliates (*i.e.*, the controlled group rules of sections 414(b), (c), (m) and (o) of the Code will apply) will be treated as officers. If the number of officers exceeds fifty (50), the determination of which employees or former employees are officers will be determined based on who had the largest annual compensation from the Company and Affiliates for the Plan Year. For the avoidance of doubt, for purposes of this Section 2.1(gg) the controlled group rules under sections 414(b) and (c) of the Code will be applied based on the normal ownership percentage of greater than eighty percent (80%) rather than the fifty percent (50%) standard used in the definition of Affiliate.

- (hh) **"Matching Contribution"** means the contribution made by the Employer pursuant to Section 4.4(a) on behalf of a Participant who makes Base with Match Deferrals and/or Bonus with Match Deferrals to the Plan as described in Section 4.2(c).

- (ii) **"One Percent Owner"** means any person who would be described as a Five Percent Owner if "one percent (1%)" were substituted for "five percent (5%)" each place where it appears therein.
- (jj) **"Open Enrollment Period"** means the period occurring each year during which an Eligible Person may make his elections to defer his Compensation, Bonus and RSUs for a subsequent Plan Year pursuant to Article IV. Open Enrollment Periods will occur in accordance with section 409A of the Code (*i.e.*, no later than December 31st of each year with respect to Compensation, no later than June 30 of each year with respect to Bonus and either before or within thirty (30) days after the date of grant with respect to RSUs). Different Open Enrollment Periods may apply with respect to different groups of Eligible Persons. An Employee who is not an Eligible Person at the time of the Open Enrollment Period, but who is expected to become an Eligible Person during the next Plan Year, may be permitted to enroll in the Plan during the Open Enrollment Period with his Election becoming effective at the time he becomes an Eligible Person with respect to Compensation, Bonus and RSUs earned after such date.
- (kk) **"Participant"** means each Eligible Person who has been designated for participation in this Plan and has made an Election and each Employee or former Employee (or Director or former Director) whose participation in this Plan has not terminated (*i.e.*, the individual still has amounts credited to his Account).
- (ll) **"Participant Deferral"** means a Base Deferral, Base with Match Deferral, Bonus Deferral, Bonus with Match Deferral, RSU Deferral and/or Discretionary Deferral.
- (mm) **"Plan"** means the Sixth Amended and Restated Tenet 2006 Deferred Compensation Plan as set forth in this document and as the same may be amended from time to time.
- (nn) **"Plan Administrator"** means the individual or entity appointed by the RPAC to handle the day-to-day administration of the Plan, including but not limited to determining a Participant's eligibility for benefits and the amount of such benefits and complying with all applicable reporting and disclosure obligations imposed on the Plan. If the RPAC does not appoint an individual or entity as Plan Administrator, the RPAC will serve as the Plan Administrator.
- (oo) **"Plan Year"** means the fiscal year of this Plan, which will commence on January 1 each year and end on December 31 of such year.
- (pp) **"RPAC"** means the Retirement Plans Administration Committee of the Company established by the Human Resources Committee of the Board, and whose members have been appointed by such Human Resources Committee. The RPAC will have the responsibility to administer the Plan and make final determinations regarding claims for benefits, as described in Article VIII. In addition, the RPAC has limited amendment authority over the Plan as provided in Section 10.2.
- (qq) **"RSU Deferral"** means the RSU deferral made by a Participant pursuant to Section 4.3.

- (rr) **"RSU"** means the restricted stock units awarded under the SIP.
- (ss) **"Scheduled In-Service Withdrawal"** means a distribution elected by the Participant pursuant to Section 4.2 or Section 4.3 for an in-service withdrawal of amounts of Base Deferrals, Bonus Deferrals and/or RSU Deferrals made in a given Plan Year, and earnings or losses attributable to such amounts, as reflected in the Participant's Election for such Plan Year.
- (tt) **"Scheduled Withdrawal Date"** means the distribution date elected by the Participant for a Scheduled In-Service Withdrawal.
- (uu) **"SIP"** means the Company's Stock Incentive Plan.
- (vv) **"Special Enrollment Period"** means, subject to Section 3.1(b) and Section 3.1(c), a period of no more than thirty (30) days after an Employee is employed by the Employer (or a Director is elected to the Board) or an Employee is transferred to the status of an Eligible Person provided that such Employee does not already participate in another plan of the Employer that would be aggregated with the Plan and advised of his eligibility to participate in the Plan during which the Eligible Person may make an Election to defer Compensation and RSUs earned after such Election pursuant to Article IV. If the Employee becomes an Eligible Person before June 30, he may make an Election to defer Bonus earned after such Election to the extent permitted by the Plan Administrator. For purposes of determining an Eligible Person's initial eligibility, an Eligible Person, who incurs a Termination of Employment and is reemployed and eligible to participate in the Plan at a date which is more than twenty-four (24) months after such Termination of Employment, will be treated as being initially eligible to participate in the Plan on such reemployment. The Plan Administrator may also designate certain periods as Special Enrollment Periods to the extent permitted under section 409A of the Code.
- (ww) **"Stock"** means the common stock, par value \$0.05 per share, of the Company.
- (xx) **"Stock Unit"** means a non-voting, non-transferable unit of measurement that is deemed for bookkeeping and distribution purposes only to represent one outstanding share of Stock.
- (yy) **"Termination of Employment"** means (i) with respect to an Employee, the date that such Employee ceases performing services for the Employer and its Affiliates in the capacity of an employee or a reduction in employment or other provision of services that qualifies as a separation from service under Code section 409A and (ii) with respect to a Director, the date that such Director ceases to provide services to the Company as a member of the Board or otherwise or a reduction in employment or other provision of services that qualifies as a separation from service under Code section 409A. For this purpose an Employee who is on a leave of absence that exceeds six (6) months and who does not have statutory or contractual reemployment rights with respect to such leave, will be deemed to have incurred a Termination of Employment on the first day of the seventh (7th) month of such leave. An Employee who transfers employment from an Employer to an Affiliate, regardless

of whether such Affiliate has adopted the Plan as a participating employer, will not incur a Termination of Employment.

- (zz) **"Trust"** means the rabbi trust established with respect to the Plan, the assets of which are to be used for the payment of benefits under the Plan.
- (aaa) **"Trustee"** means the individual or entity appointed to serve as trustee of any trust established as a possible source of funds for the payment of benefits under this Plan as provided in Section 7.1. After the occurrence of a Change of Control, the Trustee must be independent of any successor to the Company or any affiliate of such successor.
- (bbb) **"2001 DCP"** means the Tenet 2001 Deferred Compensation Plan which was in effect before the enactment of section 409A of the Code. All pre-2005 employee deferrals and employer contributions under the 2001 DCP were fully vested as of January 31, 2004 and as such are not subject to the provisions of section 409A of the Code. All 2005 employee deferrals and employer contributions under the 2001 DCP are subject to, and were made in accordance with, the requirements of section 409A of the Code and such employee deferrals and employer contributions were transferred to and will be administered under this Plan. No employee deferrals or employer contributions will be made to the 2001 DCP after 2005.
- (ccc) **"Unforeseeable Emergency"** means (i) a severe financial hardship to the Participant resulting from an illness or accident of the Participant, his spouse or his dependent (as defined under section 152(a) of the Code), (ii) a loss of the Participant's property due to casualty, or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant, as determined by the Plan Administrator in its sole and absolute discretion in accordance with the requirements of section 409A of the Code.

2.2 Construction. If any provision of this Plan is determined to be for any reason invalid or unenforceable, the remaining provisions of this Plan will continue in full force and effect. All of the provisions of this Plan will be construed and enforced in accordance with the laws of the State of Texas and will be administered according to the laws of such state, except as otherwise required by the Act, the Code or other applicable federal law.

The term "delivered to the RPAC or Plan Administrator," as used in this Plan, will include delivery to a person or persons designated by the RPAC or Plan Administrator, as applicable, for the disbursement and the receipt of administrative forms. Delivery will be deemed to have occurred only when the form or other communication is actually received.

Headings and subheadings are for the purpose of reference only and are not to be considered in the construction of this Plan. The pronouns "he," "him" and "his" used in the Plan will also refer to similar pronouns of the female gender unless otherwise qualified by the context.

End of Article II

**ARTICLE III
PARTICIPATION AND FORFEITABILITY OF BENEFITS**

3.1 Eligibility and Participation.

- (a) **Determination of Eligibility.** It is intended that eligibility to participate in the Plan will be limited to Eligible Persons, as determined by the RPAC, in its sole and absolute discretion. During the Open Enrollment Period, each Eligible Person will be contacted and informed that he may elect to defer portions of his Compensation, Bonus and/or RSUs by making an Election. An Eligible Person will become a Participant by completing an Election during an Open Enrollment Period pursuant to Section 4.1. Eligibility to become a Participant for any Plan Year will not entitle an Eligible Person to continue as an active Participant for any subsequent Plan Year.
- (b) **Limits on Eligibility.** The RPAC or Plan Administrator may at any time, in its sole and absolute discretion, limit the classification of Employees eligible to participate in the Plan and/or limit the period of such Employee's enrollment to an Open Enrollment Period and to not permit such Employee to enroll during a Special Enrollment Period. In addition, the RPAC may limit or terminate an Eligible Person's participation in the Plan; provided, that no such termination will result in a cancellation of Compensation and Bonus Deferrals or RSU Deferrals for the remainder of a Plan Year in which an Election to make such deferrals is in effect. Any action taken by the RPAC or Plan Administrator that limits the classification of Employees eligible to participate in the Plan, limits the time of an Employee's enrollment in the Plan or modifies or terminates an Eligible Person's participation in the Plan will be set forth in Exhibit A attached hereto. Exhibit A may be modified from time to time without a formal amendment to the Plan, in which case a revised Exhibit A will be attached hereto.

An Employee who takes an Unforeseeable Emergency distribution pursuant to Section 5.4 of this Plan will have his Compensation and Bonus Deferrals and RSU Deferrals under this Plan suspended for the remainder of the Plan Year in which such distribution occurs. This mid-year suspension provision will also apply with respect to an Unforeseeable Emergency distribution made pursuant to 5.4 of the 2001 DCP. In addition, an Employee who takes an Unforeseeable Emergency distribution under either the 2001 DCP or this Plan will be ineligible to participate in the Plan for purposes of making Compensation and Bonus Deferrals and RSU Deferrals and receiving a Matching Contribution for the Plan Year following the year in which such distribution occurs.

- (c) **Initial Eligibility.** If an Eligible Person is employed or elected to the Board during the Plan Year or promoted or transferred into an eligible position and designated by the RPAC to be a Participant for such year, such Eligible Person will be eligible to elect to participate in the Plan during a Special Enrollment Period, unless determined otherwise by the Plan Administrator pursuant to Section 3.1(b), in which case, such Eligible Person will be permitted to enroll in the Plan during the next Open Enrollment Period. For purposes of determining an Eligible Person's initial

eligibility, an Eligible Person, who incurs a Termination of Employment and is reemployed and eligible to participate in the Plan at a date which is more than twenty-four (24) months after such Termination of Employment, will be treated as being initially eligible to participate in the Plan on such reemployment. Designation as a Participant for the Plan Year in which he is employed or elected to the Board or promoted will not entitle the Eligible Person to continue as an active Participant for any subsequent Plan Year.

- (d) **Loss of Eligibility Status.** A Participant under this Plan who separates from employment with the Employer, or who ceases to be a Director, or who transfers to an ineligible employment position will continue as an inactive Participant under this Plan until the Participant has received payment of all amounts payable to him under this Plan. In the event that a Participant ceases to be an Eligible Person during the Plan Year, such Participant's Compensation and Bonus Deferrals and RSU Deferrals will continue through the remainder of the Plan Year, but the Participant will not be permitted to make such deferrals for the following Plan Year unless he again becomes an Eligible Person and makes a deferral Election pursuant to Section 3.1(a). An Eligible Person who ceases active participation in the Plan because the Eligible Person is no longer described as a Participant pursuant to this Section 3.1, or because he ceases making deferrals of Compensation, Bonuses or RSUs, will continue as an inactive Participant under this Plan until he has received payment of all amounts payable to him under this Plan. An inactive Participant will continue to have his Accounts adjusted pursuant to Section 4.6 based on his investment crediting rate elections until such Accounts have been paid in full.

- 3.2 Forfeitability of Benefits.** Except as provided in Section 6.1, a Participant will at all times have a nonforfeitable right to amounts credited to his Account pursuant to Section 4.5. As provided in Section 7.2, however, each Participant will be only a general creditor of the Company and/or his Employer with respect to the payment of any benefit under this Plan.

End of Article III

ARTICLE IV
DEFERRAL, COMPANY CONTRIBUTIONS, ACCOUNTING
AND INVESTMENT CREDITING RATES

4.1 General Rules Regarding Deferral Elections. An Eligible Person may become a Participant in the Plan for the applicable Plan Year by making an Election during the Open Enrollment Period to defer his Compensation, Bonus and/or RSUs pursuant to the terms of this Section 4.1. Such Election will be made by the date specified by the Plan Administrator and will be effective with respect to:

- (a) Compensation and/or Bonus paid for services performed on or after the following January 1; and
- (b) RSUs that are awarded under the SIP, either before or within thirty (30) days after the grant date as required by section 409A of the Code.

An Eligible Person who is employed by the Employer or elected to the Board during the Plan Year may make an Election during the Special Enrollment Period with respect to Compensation, Bonus and/or RSUs earned after the date of such Election to the extent permitted under Section 2.1(vv).

A Participant's Election will only be effective with respect to a single Plan Year and will be irrevocable for the duration of such Plan Year. Deferral elections for each applicable Plan Year of participation will be made during the Open Enrollment Period pursuant to a new Election. Deferrals will not be required to be taken from each paycheck during the applicable Plan Year so long as the total Compensation and Bonus elected to be deferred for the Plan Year has been captured by December 31 of such Plan Year.

4.2 Compensation and Bonus Deferrals. Five types of Compensation and Bonus Deferrals may be made under the Plan:

- (a) **Base Deferral.** Each Eligible Person may elect to defer a stated dollar amount, or designated full percentage, of Compensation to the Plan up to a maximum percentage of seventy five percent (75%) (one hundred percent (100%) for Directors) of the Eligible Person's Compensation for the applicable Plan Year until either (i) the Participant's Termination of Employment or (ii) a future year in which the Participant is still employed by the Employer (or providing services as a member of the Board) and that is at least two (2) calendar years after the end of the Plan Year in which the Compensation would have otherwise been paid (*i.e.*, as a Scheduled In-Service Withdrawal subject to the provisions of Section 5.3).

Base Deferrals will be made pursuant to administrative procedures established by the Plan Administrator. Such procedures will provide that Base Deferrals will be subject to a "withholding hierarchy" for purposes of determining the amount of such contributions that may be contributed on behalf of a Participant. The Plan Administrator (or its delegatee) will determine the order of withholdings taken from a Participant's Compensation (*e.g.*, for federal, state and local taxes, social security, wage garnishments, welfare plan contributions, 401(k) deferrals, and similar withholdings) and Base Deferrals will be subject to such withholding hierarchy. As

a result, Base Deferrals may be effectively limited to Compensation available after the application of such withholding hierarchy.

The Employer will not make any Matching Contributions with respect to any Base Deferrals made to the Plan.

- (b) **Bonus Deferral.** Each Eligible Person may elect to defer a stated dollar amount, or designated full percentage, of his Bonus to the Plan up to a maximum percentage of one hundred percent (100%) (ninety four percent (94%) if a Bonus with Match Deferral is elected pursuant to Section 4.2(d)) of the Employee's Bonus for the applicable Plan Year until either (i) the Eligible Person's Termination of Employment or (ii) a future year in which the Eligible Person is still employed by the Employer (or providing services as a member of the Board) and that is at least two (2) calendar years after the end of the Plan Year in which the Bonus would have otherwise been paid (*i.e.*, as a Scheduled In-Service Withdrawal subject to the provisions of Section 5.3).

Bonus Deferrals will be made pursuant to administrative procedures established by the Plan Administrator. Such procedures will provide that Bonus Deferrals will be subject to a "withholding hierarchy" for purposes of determining the amount of such contributions that may be contributed on behalf of a Participant. The Plan Administrator (or its delegatee) will determine the order of withholdings taken from a Participant's Bonus (*e.g.*, for federal, state and local taxes, social security, wage garnishments, welfare plan contributions, and similar withholdings) and Bonus Deferrals will be subject to such withholding hierarchy. As a result, Bonus Deferrals may be effectively limited to Bonus available after the application of such withholding hierarchy.

Bonus Deferrals generally will be made in the form of cash; provided, however, that if the Company modifies the Annual Incentive Plan to provide for the payment of awards in Stock, Bonus Deferrals may be made in the form of Stock. Any Bonus Deferrals made in the form of Stock will be converted to Stock Units, based on the number of shares so deferred, credited to the Stock Unit Account and distributed to the Participant at the time specified herein in an equivalent number of whole shares of Stock as provided in Section 4.5(b).

The Employer will not make any Matching Contributions with respect to any Bonus Deferrals made to the Plan.

- (c) **Base with Match Deferral.** Each Eligible Person who is a participant in the 401(k) Plan may elect to have one percent (1%) to six percent (6%) of his Compensation deferred under the Plan as a Base with Match Deferral with respect to the pay period in which his deferrals to the 401(k) Plan reach the limit imposed on elective deferrals under section 402(g) of the Code, including the limit applicable to catch-up contributions to the extent the Eligible Person is eligible to make such contributions, as such limit is adjusted for cost of living increases.

All Base with Match Deferrals will be payable upon Termination of Employment (*i.e.*, Scheduled In-Service Withdrawals are not available with respect to Base with Match

Deferrals). A Participant who earns more than Four Hundred Thousand Dollars (\$400,000) in Compensation (excluding Bonus), or such other amount as the Plan Administrator deems necessary to satisfy the requirements of section 409A of the Code, and elects to make Base with Match Deferrals under this Section 4.2(c) will not be permitted to modify his 401(k) Plan deferral elections during the Plan Year in which such Base with Match Deferral Election is in effect.

The Employer will make Matching Contributions with respect to Base with Match Deferrals made to the Plan as provided in Section 4.4.

- (d) **Bonus with Match Deferral.** Each Eligible Person may elect to automatically have six percent (6%) of his Bonus deferred under the Plan as a Bonus with Match Deferral whether or not the Eligible Person is a participant in the 401(k) Plan or his deferrals under the 401(k) Plan have reached limit imposed on elective deferrals under section 402(g) of the Code, including the limit applicable to catch-up contributions to the extent the Eligible Person is eligible to make such contributions. This Bonus with Match Deferral will be applied to that portion of the Eligible Person's Bonus in excess of that deferred as a Bonus Deferral under Section 4.2(b). For example, if the Eligible Person elects to defer fifty percent (50%) of his Bonus under Section 4.2(b) and also elects to make a Bonus with Match Deferral under this Section 4.2(d), fifty percent (50%) of the Eligible Person's Bonus will be deferred under Section 4.2(b) and six percent (6%) of the Eligible Person's Bonus will be deferred under this Section 4.2(d). All Bonus with Match Deferrals will be payable upon Termination of Employment (*i.e.*, Scheduled In-Service Withdrawals are not available with respect to Bonus with Match Deferrals).

The Employer will make Matching Contributions with respect to Base with Match Deferrals and Bonus with Match Deferrals made to the Plan as provided in Section 4.4.

- (e) **Discretionary Deferral.** The RPAC may authorize an Eligible Person to defer a stated dollar amount, or designated full percentage, of Compensation to the Plan as a Discretionary Deferral. The RPAC, in its sole and absolute discretion, may limit the amount or percentage of Compensation an Eligible Person may defer to the Plan as a Discretionary Deferral and may prohibit Scheduled In-Service Withdrawals with respect to such Discretionary Deferral. The Employer will not make any Matching Contributions pursuant to Section 4.4(a) with respect to any Discretionary Deferrals, but may elect to make a Discretionary Contribution to the Plan with respect to such Discretionary Deferrals in the form of a discretionary matching contribution as described in Section 4.4(b).

- 4.3 RSU Deferrals.** To the extent authorized by the RPAC, an Eligible Person may make an Election to defer a designated full percentage, up to one hundred percent (100%) of his RSUs until either (a) the Eligible Person's Termination of Employment or (b) a future year while the Eligible Person is still employed by the Employer and that is at least two (2) calendar years after the end of the Plan Year in which the RSU is granted (*i.e.*, as a Scheduled In-Service Withdrawal subject to the provisions of 5.3. A deferral Election made pursuant to this Section 4.3 will apply to the entire RSU grant (*i.e.*, a Participant may not elect to make a separate Election with respect to each portion of the RSU award based on

the award's vesting schedule). Such RSU Deferrals will be converted to Stock Units, based on the number of shares so deferred, credited to the Stock Unit Account and distributed to the Participant at the time specified in his Election in an equivalent number of whole shares of Stock as provided in Section 4.5(b).

The Employer will not make any Matching Contributions with respect to any RSU Deferrals made to the Plan.

4.4 Company Contributions.

- (a) **Matching Contribution.** The Employer will make a Matching Contribution to the Plan each Plan Year on behalf of each Participant who makes Base with Match Deferrals and Bonus with Match Deferrals to the Plan for such Plan Year. Such Matching Contribution will equal fifty percent (50%) of the first six percent (6%) of the Participant's Base with Match and/or six percent (6%) of the Participant's Bonus with Match Deferrals for such Plan Year. Matching Contributions and earnings and losses thereon will be distributed upon the Participant's Termination of Employment in the manner elected by the Participant (or deemed elected by the Participant) for the Plan Year to which the Matching Contribution relates as provided in Section 5.1.
- (b) **Discretionary Contribution.** The Employer may elect to make a Discretionary Contribution to a Participant's Account in such amount, and at such time, as will be determined by the Human Resources Committee. Any Discretionary Contribution made by the Employer, plus earnings and losses thereon, will be paid to the Participant upon his Termination of Employment with the Employer in the manner elected by the Participant (or deemed elected by the Participant) for the Plan Year to which the Discretionary Contribution relates as provided in Section 5.1.

4.5 Accounting for Deferred Compensation.

- (a) **Cash Account.** If a Participant has made an Election to defer his Compensation and/or Bonus and has made a request for amounts deferred to be deemed invested pursuant to Section 4.5(a), the Company may, in its sole and absolute discretion, establish and maintain a Cash Account for the Participant under this Plan. Each Cash Account will be adjusted at least quarterly to reflect the Base Deferrals, Bonus Deferrals, Base with Match Deferrals, Bonus with Match Deferrals, Discretionary Deferrals, Matching Contributions and Discretionary Contributions credited thereto, earnings or losses credited thereon, and any payment of such Base Deferrals, Bonus Deferrals, Base with Match Deferrals, Bonus with Match Deferrals, Discretionary Deferrals, Matching Contributions and Discretionary Contributions pursuant to Article V. The amounts of Base Deferrals, Bonus Deferrals, Base with Match Deferrals, Bonus with Match Deferrals, Discretionary Deferrals and Matching Contributions will be credited to the Participant's Cash Account within five (5) business days of the date on which such Compensation and/or Bonus would have been paid to the Participant had the Participant not elected to defer such amount pursuant to the terms and provisions of the Plan. Any Discretionary Contributions will be credited to each Participant's Cash Account at such times as determined by the Human Resources Committee. In the sole and absolute discretion of the Plan Administrator, more than one Cash Account may be established for each Participant

to facilitate record-keeping convenience and accuracy. Each such Cash Account will be credited and adjusted as provided in this Plan.

- (b) **Stock Unit Account.** If a Participant has made an Election to defer his Compensation and/or Bonus and has made a request for such deferrals to be deemed invested in Stock Units pursuant to Section 4.5(b), the Plan Administrator may, in its sole and absolute discretion, establish and maintain a Stock Unit Account and credit the Participant's Stock Unit Account with a number of Stock Units determined by dividing an amount equal to the Base Deferrals, Bonus Deferrals, Base with Match Deferrals, Bonus with Match Deferrals, and associated Matching Contributions, and Discretionary Deferrals made as of such date by the Fair Market Value of a share of Stock on the date such Compensation and/or Bonus otherwise would have been payable. Such Stock Units will be credited to the Participant's Stock Unit Account as soon as administratively practicable after the determination of the number of Stock Units is made pursuant to the preceding sentence.

If the Participant is entitled to a Discretionary Contribution and has elected to have amounts credited to his Account to be deemed invested in Stock Units pursuant to Section 4.6(b), the Plan Administrator may, in its sole discretion, establish and maintain a Stock Unit Account and credit the Participant's Stock Unit Account with a number of Stock Units determined by dividing an amount equal to the Discretionary Contribution made as of such date by the Fair Market Value of a share of Stock on the date such Discretionary Contribution would have otherwise been made. Such Stock Units will be credited to the Participant's Stock Unit Account as soon as administratively practicable after the determination of the number of Stock Units has been made pursuant to the preceding sentence.

Bonus Deferrals made in Stock and RSU Deferrals will be credited to the Stock Unit Account as provided in Section 4.2(b).

In the sole and absolute discretion of the Plan Administrator, more than one Stock Unit Account may be established for each Participant to facilitate record keeping convenience and accuracy.

- (i) The Stock Units credited to a Participant's Stock Unit Account will be used solely as a device for determining the number of shares of Stock eventually to be distributed to the Participant in accordance with this Plan. The Stock Units will not be treated as property of the Participant or as a trust fund of any kind. No Participant will be entitled to any voting or other stockholder rights with respect to Stock Units credited under this Plan.
- (ii) If the outstanding shares of Stock are increased, decreased, or exchanged for a different number or kind of shares or other securities, or if additional shares or new or different shares or other securities are distributed with respect to such shares of Stock or other securities, through merger, consolidation, spin-off, sale of all or substantially all the assets of the Company, reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other distribution with respect to such shares of Stock or other securities, an appropriate and proportionate adjustment in

a manner consistent with section 409A of the Code will be made by the Human Resources Committee in the number and kind of Stock Units credited to a Participant's Stock Unit Account.

- (c) **Accounts Held in Trust.** Amounts credited to Participants' Accounts may be secured by one or more trusts, as provided in Section 7.1, but will be subject to the claims of the general creditors of each such Participant's Employer. Although the principal of such trust and any earnings or losses thereon will be separate and apart from other funds of the Employer and will be used for the purposes set forth therein, neither the Participants nor their Beneficiaries will have any preferred claim on, or any beneficial ownership in, any assets of the trust before the time such assets are paid to the Participant or Beneficiaries as benefits and all rights created under this Plan will be unsecured contractual rights of Plan Participants and Beneficiaries against the Employer. Any assets held in the trust with respect to a Participant will be subject to the claims of the general creditors of that Participant's Employer under federal and state law in the event of insolvency. The assets of any trust established pursuant to this Plan will never inure to the benefit of the Employer and the same will be held for the exclusive purpose of providing benefits to that Employer's Participants and their beneficiaries.

4.6 Investment Crediting Rates. At the time the Participant makes an Election under Section 4.1, he must specify the type of investment crediting rate option with which he would like the Company, in its sole and absolute discretion, to credit his Account as described in this Section 4.6. Such investment crediting rate Election will apply to all deferrals and contributions under the Plan, except for Bonus Deferrals made in Stock and RSU Deferrals which will automatically be credited to the Stock Unit Account as provided in Section 4.2(b) and Section 4.3.

- (a) **Cash Investment Crediting Rate Options.** A Participant may make an Election as to the type of investment in which the Participant would like Compensation and Bonus Deferrals to be deemed invested for purposes of determining the amount of earnings to be credited or losses to be debited to his Cash Account. The Participant will specify his preference from among the following possible investment crediting rate options:
- (i) An annual rate of interest equal to one hundred and twenty percent (120%) of the long-term applicable federal rate, compounded daily; or
 - (ii) One or more benchmark mutual funds.

A Participant may make elect, on a daily basis, to modify the investment crediting rate preference under this Section 4.6(a) by making a new Election with respect to such investment crediting rate. Notwithstanding any request made by a Participant, the Company, in its sole and absolute discretion, will determine the investment rate with which to credit amounts deferred by Participants under this Plan, provided, however, that if the Company chooses an investment crediting rate other than the investment crediting rate requested by the Participant, such investment crediting rate cannot be less than (i) above.

- (b) **Stock Units.** A Participant may make an Election to have all or a portion of his Compensation and Bonus Deferrals to be deemed invested in Stock Units. Any

request to have Compensation and Bonus Deferrals to be deemed invested in Stock Units is irrevocable with respect to such Compensation and Bonus Deferrals and such amounts will be distributed in an equivalent whole number of shares of Stock pursuant to the provisions of Article V. Any fractional share interests will be paid in cash with the last distribution.

- (c) **Deemed Election.** In his request(s) pursuant to this Section 4.6, the Participant may request that all or any portion of his Account (in whole percentage increments) be deemed invested in one or more of the investment crediting rate preferences provided under the Plan as communicated from time to time by the RPAC. Although a Participant may express an investment crediting rate preference, the Company will not be bound by such request. If a Participant fails to set forth his investment crediting rate preference under this Section 4.6, he will be deemed to have elected an annual rate of interest equal to the rate of interest set forth in Section 4.6(a)(i) (*i.e.*, one hundred and twenty percent (120%) of the long-term applicable federal rate, compounded daily). The RPAC will select from time to time, in its sole and absolute discretion, the possible investment crediting rate options to be offered under the Plan.
- (d) **Employer Contributions.** Matching Contributions to the Plan made by the Employer and allocated to a Participant's Account pursuant to Section 4.3 will be credited with the same investment crediting rate as the Participant's associated Base with Match Deferrals and/or Bonus with Match Deferrals for the relevant Plan Year. Discretionary Contributions, if any, made by the Employer and allocated to a Participant's Account pursuant to Section 4.4 will be credited with the investment crediting rate specified (or deemed specified) by such Participant in his Election for the relevant Plan Year with respect to the Participant's Base Deferrals and Bonus Deferrals.
- A Participant will retain the right to change the investment crediting rate applicable to Matching Contributions and Discretionary Contributions as provided in this Section 4.6.
- (e) **Prior Plan Contributions.** The Company transferred Participant 2005 employee deferrals and employer contributions under the 2001 DCP to this Plan and permitted Participants to express an investment crediting rate preference with respect to such transferred amounts. Such transferred amounts will be administered pursuant to the terms of this Plan.

End of Article IV

ARTICLE V
DISTRIBUTION OF BENEFITS

5.1 Distribution Election. During each Open Enrollment Period, the Eligible Person must make an Election as to the time and manner in which his Base Deferrals, Bonus Deferrals, Base with Match Deferrals, Bonus with Match Deferrals, RSU Deferrals and/or Discretionary Deferrals and any associated Matching Contributions or Discretionary Contributions will be paid. A Participant may make a separate distribution Election for each type of Participant Deferral or Employer Contribution for each Plan Year beginning on or after January 1, 2010 in which he elects to make Participant Deferrals to the Plan. The Participant may not modify his Election as to the manner in which such Participant Deferrals or Employer Contributions will be paid.

For Plan Years beginning before January 1, 2010, the Participant had to specify upon his initial enrollment in the Plan the time and form in which distributions of Base Deferrals, Bonus Deferrals, Base with Match Deferrals, Bonus with Match Deferrals, RSU Deferrals and/or Discretionary Deferrals and any associated Matching Contributions or Discretionary Contributions would be made upon a Termination of Employment and such termination distribution election governed all deferrals or Employer Contributions made to the Plan before January 1, 2010 (*i.e.*, deferrals and Employer Contributions made during the 2005, 2006, 2007, 2008 and 2009 Plan Years). Alternatively, the Participant could have elected to receive a Scheduled In-Service Withdrawal of his Base Deferrals, Bonus Deferrals, RSU Deferrals and/or Discretionary Deferrals (if allowed by the RPAC).

(a) **Time of Distribution.** A Participant who elects to receive a Scheduled In-Service Withdrawal with respect to Base Deferrals, Bonus Deferrals, RSU Deferrals or Discretionary Deferrals will receive the deferred amount, as adjusted for earnings and losses, at the time specified in his Election. Base Deferrals and Bonus Deferrals may be paid in the form of a lump sum or in the form of annual installments over a period of two (2) to five (5) years. RSU Deferrals and Discretionary Deferrals will be paid in the form of a lump sum. In the event that the Participant incurs a Termination of Employment before his Scheduled In-Service Withdrawal date, his Scheduled In-Service Withdrawal election will be cancelled and of no effect and such amounts will be paid according to the Participant's Termination of Employment distribution Election with respect to the Plan Year for which the Scheduled In-Service Withdrawal amounts relate (*i.e.*, the Plan Year such amounts were deferred) or if no Termination of Employment distribution Election is on file, in a lump sum upon such Termination of Employment based on the Plan's default form of payment.

A Participant who elects to receive his Base Deferrals, Bonus Deferrals, Base with Match Deferrals, Bonus with Match Deferrals, RSU Deferrals and/or Discretionary Deferrals and any associated Matching Contributions or Discretionary Contributions made for a Plan Year upon his Termination of Employment, may receive such amounts at any of the following times:

(i) Subject to the six (6) month delay applicable to Key Employees described in Section 5.2, as soon as practicable after the Participant's Termination of Employment;

- (ii) In the twelfth (12th) month following the Participant's Termination of Employment; or
- (iii) In the twenty-fourth (24th) month following the Participant's Termination of Employment.

Such amounts may be paid in the form of a lump sum or in the form of annual installments over a period of one (1) to fifteen (15) years. Such lump sum or installments will be made in cash or in Stock, or in a combination thereof, depending on the Participant's investment crediting rates as provided in Section 4.6. If the Participant's Account is paid in installments, such Account will be revalued during the term of such installments based on procedures established by the Plan Administrator. A Participant may subsequently elect to delay such distribution for a period of at least five (5) additional calendar years, and/or change the form of payment (but not the medium of payment (i.e., stock or cash)); provided, that such Election is made at least (12) twelve months before the date that such distribution would otherwise be made. In the event the Participant becomes entitled to a distribution during this twelve (12) month period, the deferral and/or change in form of payment will be of no effect and payment of the Participant's Account will commence at the time and in the form specified in the Participant's initial Election.

A Participant who dies while an Employee or a Director, as applicable, will be deemed to have incurred a Termination of Employment on the date of his death; provided, however, that amounts payable pursuant to the Plan on account of death will not be subject to the six (6) month delay applicable to Key Employees.

- (b) **Failure to Elect Distribution.** In the event that a Participant fails to elect the manner in which his Account balance will be paid upon his Termination of Employment, such Account balance will be paid in the form of a lump sum as soon as practicable following the Participant's Termination of Employment, subject to the six (6) month delay applicable to Key Employees described in Section 5.2.
- (c) **Taxation of Distributions.** All distributions from the Plan will be taxable as ordinary income when received and subject to appropriate withholding of income taxes. In the case of distributions in Stock, the appropriate number of shares of Stock may be sold to satisfy such withholding obligations pursuant to administrative procedures adopted by the Plan Administrator.

5.2 Termination Distributions to Key Employees. Distributions under this Plan that are payable to a Key Employee on account of a Termination of Employment will be delayed for a period of six (6) months following such Participant's Termination of Employment. This six (6) month restriction will not apply, or will cease to apply, with respect to a distribution to a Participant's Beneficiary by reason of the death of the Participant.

5.3 Scheduled In-Service Withdrawals. A Participant who elects a Scheduled In-Service Withdrawal pursuant to Section 4.2 (regarding Base Deferrals and Bonus Deferrals) or Section 4.3 (regarding RSU Deferrals) may subsequently elect to delay such distribution for a period of at least five (5) additional calendar years, and/or with respect to Base Deferrals and Bonus Deferrals change the form of payment (but not the medium of payment (i.e.,

stock or cash)); provided, that such Election is made at least (12) twelve months before the date that such distribution would otherwise be made. In the event the Participant becomes entitled to a distribution during this twelve (12) month period, the deferral and/or change in form of payment will be of no effect and payment of the Participant's Account will be commence at the time and in the form specified in the Participant's termination distribution Election as provided in the next sentence. Further, in the event that a Participant elects a Scheduled In-Service Withdrawal and incurs a Termination of Employment before the Scheduled Withdrawal Date, the Participant's Scheduled In-Service Withdrawal Election and Compensation and Bonus Deferral and/or RSU Deferral Election under Section 4.2 or Section 4.3 will be cancelled and the Participant's entire Account balance will be paid according to the Participant's termination distribution Election as provided in Section 5.1.

- 5.4 Unforeseeable Emergency.** Upon application by the Participant, the Plan Administrator, in its sole and absolute discretion, may direct payment of all or a portion of the Participant's Account balance before his Termination of Employment and any Scheduled Withdrawal Date in the event of an Unforeseeable Emergency. Any such application will set forth the circumstances constituting such Unforeseeable Emergency. The Plan Administrator will determine whether to grant an application for a distribution on account of an Unforeseeable Emergency in accordance with guidance issued pursuant to section 409A of the Code.

A Participant who takes an Unforeseeable Emergency distribution pursuant to this Section 5.4 (including amounts attributable to 2005 employee deferrals and employer contributions made under the 2001 DCP which are transferred to and administered under this Plan) will have his Participant Deferrals under this Plan suspended for the remainder of the Plan Year in which such Unforeseeable Emergency distribution occurs. In addition, such Participant will be ineligible to participate in the Plan for purposes of making Participant Deferrals and receiving an Employer Contribution for the Plan Year following the year in which such distribution occurs.

- 5.5 Death of a Participant.** If a Participant dies while employed by the Employer, the Participant's Account balance will be paid to the Participant's Beneficiary in the form of a lump sum and the six (6) month restriction on distributions to Key Employees under Section 5.2 will not apply.

In the event a terminated Participant dies while receiving installment payments, the remaining installments will be paid to the Participant's Beneficiary in the form of a lump sum.

In the event a terminated Participant dies before receiving his lump sum payment, the lump sum payment will be paid to the Participant's Beneficiary and the six (6) month restriction on distributions to Key Employees under Section 5.2 will not apply.

- 5.6 Withholding.** Any taxes or other legally required withholdings from Compensation and Bonus Deferrals, RSU Deferrals, termination distributions, Scheduled In-Service Withdrawal payments and Unforeseeable Emergency distributions to Participants or Beneficiaries under the Plan will be deducted and withheld by the Employer, benefit provider or funding agent as required pursuant to applicable law. To the extent amounts are payable under this Plan in Stock, the appropriate number of shares of Stock may be withheld to satisfy such withholding obligation. A Participant or Beneficiary will be permitted to make

a withholding election with respect to any federal and state tax withholding applicable to such distribution.

5.7 Impact of Reemployment on Benefits. If a Participant incurs a Termination of Employment and begins receiving installment payments from the Plan and such Participant is reemployed by the Employer, then such Participant's installment payments will continue as scheduled during the period of his reemployment.

End of Article V

**ARTICLE VI
PAYMENT LIMITATIONS**

6.1 Spousal Claims.

- (a) In the event that an Alternate Payee is entitled to all or a portion of a Participant's Accounts pursuant to the terms of a DRO, such Alternate Payee will have the following distribution rights with respect to such Participant's Account to the extent set forth pursuant to the terms of the DRO:
- (i) payment of benefits in a lump sum, in cash or Stock, based on the Participant's investment crediting rates under the Plan as provided in Section 4.6 and the terms of the DRO, as soon as practicable following the acceptance of the DRO by the Plan Administrator;
 - (ii) payment of benefits in a lump sum in cash or Stock, based on the Participant's investment crediting rates under the Plan as provided in Section 4.6 and the terms of the DRO, twelve (12) months following, or twenty four (24) months following, the acceptance of the DRO by the Plan Administrator;
 - (iii) payment of benefits in substantially equal annual installments, in cash and/or Stock, based on the Participant's investment crediting rates under the Plan as provided in Section 4.6 and the terms of the DRO, over a period of not less than one (1) nor more than fifteen (15) years from the date the DRO is accepted by the Plan Administrator; and
 - (iv) payment of benefits in substantially equal annual installments, in cash and/or Stock, based on the Participant's investment crediting rates under the Plan as provided in Section 4.6 and the terms of the DRO, over a period of not less than one (1) nor more than fifteen (15) years beginning twelve (12) months following, or twenty four (24) months following, the date the DRO is accepted by the Plan Administrator.

An Alternate Payee with respect to a DRO that provides for any of the distributions described in subsections (ii), (iii), or (iv) above, must complete and deliver to the Plan Administrator all required forms within thirty (30) days from the date the Alternate Payee is notified by the Plan Administrator that the DRO has been accepted. Any Alternate Payee who does not complete and deliver to the Plan Administrator all required forms and/or whose DRO does not provide for any of the distributions described in subsections (ii), (iii), or (iv) above will receive his benefits in a lump sum according to subsection (i) above. Unvested RSUs may not be transferred pursuant to a DRO.

- (b) Any taxes or other legally required withholdings from payments to such Alternate Payee will be deducted and withheld by the Employer, benefit provider or funding agent. To the extent amounts are payable under this Plan in Stock, the appropriate number of shares of Stock may be sold to satisfy such withholding obligation. The Alternate Payee will be permitted to make a withholding election with respect to any federal and state tax withholding applicable to such payments.

- (c) The Plan Administrator will have sole and absolute discretion to determine whether a judgment, decree or order is a DRO, to determine whether a DRO will be accepted for purposes of this Section 6.1 and to make interpretations under this Section 6.1, including determining who is to receive benefits, all calculations of benefits and determinations of the form of such benefits, and the amount of taxes to be withheld. The decisions of the Plan Administrator will be binding on all parties with an interest.
- (d) Any benefits payable to an Alternate Payee pursuant to the terms of a DRO will be subject to all provisions and restrictions of the Plan and any dispute regarding such benefits will be resolved pursuant to the Plan claims procedure in Article VIII.

6.2 Legal Disability. If a person entitled to any payment under this Plan is, in the sole judgment of the Plan Administrator, under a legal disability, or otherwise is unable to apply such payment to his own interest and advantage, the Plan Administrator, in the exercise of its discretion, may direct the Employer or payer of the benefit to make any such payment in any one or more of the following ways:

- (a) Directly to such person;
- (b) To his legal guardian or conservator; or
- (c) To his spouse or to any person charged with the duty of his support, to be expended for his benefit and/or that of his dependents.

The decision of the Plan Administrator will in each case be final and binding upon all persons in interest, unless the Plan Administrator reverses its decision due to changed circumstances.

6.3 Assignment. Except as provided in Section 6.1, no Participant or Beneficiary will have any right to assign, pledge, transfer, convey, hypothecate, anticipate or in any way create a lien on any amounts payable under this Plan. No amounts payable under this Plan will be subject to assignment or transfer or otherwise be alienable, either by voluntary or involuntary act, or by operation of law, or subject to attachment, execution, garnishment, sequestration or other seizure under any legal, equitable or other process, or be liable in any way for the debts or defaults of Participants and their Beneficiaries.

End of Article VI

**ARTICLE VII
FUNDING**

7.1 Funding.

- (a) **Funding.** Benefits under this Plan will be funded solely by the Employer. Benefits under this Plan will constitute an unfunded general obligation of the Employer, but the Employer may create reserves, funds and/or provide for amounts to be held in trust to fund such benefits on its behalf. Payment of benefits may be made by the Employer, any trust established by the Employer or through a service or benefit provider to the Employer or such trust.
- (b) **Rabbi Trust.** Upon a Change of Control, the following will occur:
 - (i) the Trust will become (or continue to be) irrevocable;
 - (ii) for three (3) years following a Change of Control, the Trustee can only be removed as set forth in the Trust;
 - (iii) if the Trustee is removed or resigns within three (3) years of a Change of Control, the Trustee will select a successor Trustee, as set forth in the Trust;
 - (iv) for three (3) years following a Change of Control, the Company will be responsible for directly paying all Trustee fees and expenses, together with all fees and expenses incurred under Article VIII relating to the RPAC, Plan Administrator, and Plan administrative expenses; and
 - (v) the Trust Agreement may be amended only as set forth in the Trust (with the Trustee's consent); provided, however, that no such amendment will (A) change the irrevocable nature of the Trust; (B) adversely affect a Participant's rights to benefits without the consent of the Participant; (C) impair the rights of the Company's creditors under the Trust; or (D) cause the Trust to fail to be a "grantor trust" pursuant to Code sections 671 -- 679.

- 7.2 Creditor Status.** Participants and their Beneficiaries will be general unsecured creditors of their respective Employer with respect to the payment of any benefit under this Plan, unless such benefits are provided under a contract of insurance or an annuity contract that has been delivered to Participants, in which case Participants and their Beneficiaries will look to the insurance carrier or annuity provider for payment, and not to the Employer. The Employer's obligation for such benefit will be discharged by the purchase and delivery of such annuity or insurance contract.

End of Article VII

**ARTICLE VIII
ADMINISTRATION**

- 8.1 The RPAC.** The overall administration of the Plan will be the responsibility of the RPAC.
- 8.2 Powers of RPAC.** The RPAC will have sole and absolute discretion regarding the exercise of its powers and duties under this Plan. In order to effectuate the purposes of the Plan, the RPAC will have the following powers and duties:
- (a) To appoint the Plan Administrator;
 - (b) To review and render decisions respecting a denial of a claim for benefits under the Plan;
 - (c) To construe the Plan and to make equitable adjustments for any mistakes or errors made in the administration of the Plan; and
 - (d) To determine and resolve, in its sole and absolute discretion, all questions relating to the administration of the Plan and the trust established to secure the assets of the Plan (i) when differences of opinion arise between the Company, an Affiliate, the Plan Administrator, the Trustee, a Participant, or any of them, and (ii) whenever it is deemed advisable to determine such questions in order to promote the uniform and nondiscriminatory administration of the Plan for the greatest benefit of all parties concerned.

The foregoing list of express powers is not intended to be either complete or conclusive, and the RPAC will, in addition, have such powers as it may reasonably determine to be necessary or appropriate in the performance of its powers and duties under the Plan.

- 8.3 Appointment of Plan Administrator.** The RPAC will appoint the Plan Administrator, who will have the responsibility and duty to administer the Plan on a daily basis. The RPAC may remove the Plan Administrator with or without cause at any time. The Plan Administrator may resign upon written notice to the RPAC.
- 8.4 Duties of Plan Administrator.** The Plan Administrator will have sole and absolute discretion regarding the exercise of its powers and duties under this Plan. The Plan Administrator will have the following powers and duties:
- (a) To direct the administration of the Plan in accordance with the provisions herein set forth;
 - (b) To adopt rules of procedure and regulations necessary for the administration of the Plan, provided such rules are not inconsistent with the terms of the Plan;
 - (c) To determine all questions with regard to rights of Employees, Directors, Participants, and Beneficiaries under the Plan including, but not limited to, questions involving eligibility of an Employee or Director to participate in the Plan and the value of a Participant's Accounts;

- (d) To enforce the terms of the Plan and any rules and regulations adopted by the RPAC;
- (e) To review and render decisions respecting a claim for a benefit under the Plan;
- (f) To furnish the Employer with information that the Employer may require for tax or other purposes;
- (g) To engage the service of counsel (who may, if appropriate, be counsel for the Employer), actuaries, and agents whom it may deem advisable to assist it with the performance of its duties;
- (h) To prescribe procedures to be followed by Participants in obtaining benefits;
- (i) To receive from the Employer and from Participants such information as is necessary for the proper administration of the Plan;
- (j) To establish and maintain, or cause to be maintained, the individual Accounts described in Section 4.4;
- (k) To create and maintain such records and forms as are required for the efficient administration of the Plan;
- (l) To make all determinations and computations concerning the benefits, credits and debits to which any Participant, or other Beneficiary, is entitled under the Plan;
- (m) To give the Trustee of the trust established to serve as a source of funds under the Plan specific directions in writing with respect to:
 - (i) making distribution payments, giving the names of the payees, specifying the amounts to be paid and the time or times when payments will be made; and
 - (ii) making any other payments which the Trustee is not by the terms of the trust agreement authorized to make without a direction in writing by the Plan Administrator;
- (n) To comply with all applicable lawful reporting and disclosure requirements of the Act;
- (o) To comply (or transfer responsibility for compliance to the Trustee) with all applicable federal income tax withholding requirements for benefit distributions; and
- (p) To construe the Plan, in its sole and absolute discretion, and make equitable adjustments for any errors made in the administration of the Plan.

The foregoing list of express duties is not intended to be either complete or conclusive, and the Plan Administrator will, in addition, exercise such other powers and perform such other duties as it may deem necessary, desirable, advisable or proper for the supervision and administration of the Plan.

8.5 Indemnification of RPAC and Plan Administrator. To the extent not covered by insurance, or if there is a failure to provide full insurance coverage for any reason, and to the extent permissible under corporate by-laws and other applicable laws and regulations, the Employer agrees to hold harmless and indemnify the RPAC and Plan Administrator against any and all claims and causes of action by or on behalf of any and all parties whomsoever, and all losses therefrom, including, without limitation, costs of defense and reasonable attorneys' fees, based upon or arising out of any act or omission relating to or in connection with the Plan other than losses resulting from the RPAC's, or any such person's commission of fraud or willful misconduct.

8.6 Claims for Benefits.

- (a) **Initial Claim.** In the event that an Employee, Director, Eligible Person, Participant or his Beneficiary claims to be eligible for benefits, or claims any rights under this Plan, such claimant must complete and submit such claim forms and supporting documentation as will be required by the Plan Administrator, in its sole and absolute discretion. Likewise, any Participant or Beneficiary who feels unfairly treated as a result of the administration of the Plan, must file a written claim, setting forth the basis of the claim, with the Plan Administrator. In connection with the determination of a claim, or in connection with review of a denied claim, the claimant may examine this Plan, and any other pertinent documents generally available to Participants that are specifically related to the claim.

A written notice of the disposition of any such claim will be furnished to the claimant within ninety (90) days after the claim is filed with the Plan Administrator. Such notice will refer, if appropriate, to pertinent provisions of this Plan, will set forth in writing the reasons for denial of the claim if a claim is denied (including references to any pertinent provisions of this Plan) and, where appropriate, will describe any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary. If the claim is denied, in whole or in part, the claimant will also be notified of the Plan's claim review procedure and the time limits applicable to such procedure, including the claimant's right to arbitration following an adverse benefit determination on review as provided below. All benefits provided in this Plan as a result of the disposition of a claim will be paid as soon as practicable following receipt of proof of entitlement, if requested.

- (b) **Request for Review.** Within ninety (90) days after receiving written notice of the Plan Administrator's disposition of the claim, the claimant may file with the RPAC a written request for review of his claim. In connection with the request for review, the claimant will be entitled to be represented by counsel and will be given, upon request and free of charge, reasonable access to all pertinent documents for the preparation of his claim. If the claimant does not file a written request for review within ninety (90) days after receiving written notice of the Plan Administrator's disposition of the claim, the claimant will be deemed to have accepted the Plan Administrator's written disposition, unless the claimant was physically or mentally incapacitated so as to be unable to request review within the ninety (90) day period.

- (c) **Decision on Review.** After receipt by the RPAC of a written application for review of his claim, the RPAC will review the claim taking into account all comments, documents, records and other information submitted by the claimant regarding the claim without regard to whether such information was considered in the initial benefit determination. The RPAC will notify the claimant of its decision by delivery or by certified or registered mail to his last known address. A decision on review of the claim will be made by the RPAC at its next meeting following receipt of the written request for review. If no meeting of the RPAC is scheduled within forty-five (45) days of receipt of the written request for review, then the RPAC will hold a special meeting to review such written request for review within such forty-five (45) day period. If special circumstances require an extension of the forty-five (45) day period, the RPAC will so notify the claimant and a decision will be rendered within ninety (90) days of receipt of the request for review. In any event, if a claim is not determined by the RPAC within ninety (90) days of receipt of written submission for review, it will be deemed to be denied.

The decision of the RPAC will be provided to the claimant as soon as possible but no later than five (5) days after the benefit determination is made. The decision will be in writing and will include the specific reasons for the decision presented in a manner calculated to be understood by the claimant and will contain references to all relevant Plan provisions on which the decision was based. Such decision will also advise the claimant that he may receive upon request, and free of charge, reasonable access to and copies of all documents, records and other information relevant to his claim and will inform the claimant of his right to arbitration in the case of an adverse decision regarding his appeal. The decision of the RPAC will be final and conclusive.

- (d) **Arbitration.** In the event the claims review procedure described in this Section 8.6 does not result in an outcome thought by the claimant to be in accordance with the Plan document, he may appeal to a third party neutral arbitrator. The claimant must appeal to an arbitrator within sixty (60) days after receiving the RPAC's denial or deemed denial of his request for review and before bringing suit in court. The arbitration will be conducted pursuant to the American Arbitration Association ("**AAA**") Rules on Employee Benefit Claims.

The arbitrator will be mutually selected by the Participant and the RPAC from a list of arbitrators who are experienced in nonqualified deferred compensation plan benefit matters that is provided by the AAA. If the parties are unable to agree on the selection of an arbitrator within ten (10) days of receiving the list from the AAA, the AAA will appoint an arbitrator. The arbitrator's review will be limited to interpretation of the Plan document in the context of the particular facts involved. The claimant, the RPAC and the Employer agree to accept the award of the arbitrator as binding, and all exercises of power by the arbitrator hereunder will be final, conclusive and binding on all interested parties, unless found by a court of competent jurisdiction, in a final judgment that is no longer subject to review or appeal, to be arbitrary and capricious. The claimant, RPAC and the Company agree that the venue for the arbitration will be in Dallas, Texas. The costs of arbitration will be paid by the Employer; the costs of legal representation for the claimant or witness costs for the claimant will be borne by the claimant; provided, that, as part of his award,

the Arbitrator may require the Employer to reimburse the claimant for all or a portion of such amounts.

The following discovery may be conducted by the parties: interrogatories, demands to produce documents, requests for admissions and oral depositions. The arbitrator will resolve any discovery disputes by such pre hearing conferences as may be needed. The Company, RPAC and claimant agree that the arbitrator will have the power of subpoena process as provided by law. Disagreements concerning the scope of depositions or document production, its reasonableness and enforcement of discovery requests will be subject to agreement by the Company and the claimant or will be resolved by the arbitrator. All discovery requests will be subject to the proprietary rights and rights of privilege and other protections granted by applicable law to the Company and the claimant and the arbitrator will adopt procedures to protect such rights. With respect to any dispute, the Company, RPAC and the claimant agree that all discovery activities will be expressly limited to matters relevant to the dispute and the arbitrator will be required to fully enforce this requirement.

The arbitrator will have no power to add to, subtract from, or modify any of the terms of the Plan, or to change or add to any benefits provided by the Plan, or to waive or fail to apply any requirements of eligibility for a benefit under the Plan. Nonetheless, the arbitrator will have absolute discretion in the exercise of its powers in this Plan. Arbitration decisions will not establish binding precedent with respect to the administration or operation of the Plan.

8.7 Receipt and Release of Necessary Information. In implementing the terms of this Plan, the RPAC and Plan Administrator, as applicable, may, without the consent of or notice to any person, release to or obtain from any other insuring entity or other organization or person any information, with respect to any person, which the RPAC or Plan Administrator deems to be necessary for such purposes. Any Participant or Beneficiary claiming benefits under this Plan will furnish to the RPAC or Plan Administrator, as applicable, such information as may be necessary to determine eligibility for and amount of benefit, as a condition of claiming and receiving such benefit.

8.8 Overpayment and Underpayment of Benefits. The Plan Administrator may adopt, in its sole and absolute discretion, whatever rules, procedures and accounting practices are appropriate in providing for the collection of any overpayment of benefits. If a Participant or Beneficiary receives an underpayment of benefits, the Plan Administrator will direct that payment be made as soon as practicable to make up for the underpayment. If an overpayment is made to a Participant or Beneficiary, for whatever reason, the Plan Administrator may, in its sole and absolute discretion, (a) withhold payment of any further benefits under the Plan until the overpayment has been collected; provided, that the entire amount of reduction in any calendar year does not exceed five thousand dollars (\$5,000), and the reduction is made at the same time and in the same amount as the debt otherwise would have been due and collected from the Participant, or (b) may require repayment of benefits paid under this Plan without regard to further benefits to which the Participant or Beneficiary may be entitled.

8.9 Change of Control. Upon a Change of Control and for the following three (3) years thereafter, if any arbitration arises relating to an event occurring or a claim made with in three (3) years of a Change of Control, (i) the arbitrator will not decide the claim based on an abuse of discretion principle or give the previous RPAC decision any special deference, but rather will determine the claim de novo based on its own independent reading of the Plan; and (ii) the Company will pay the Participant's reasonable legal and other related fees and expenses upon the Participant's provision of satisfactory documentation of such expenses with such reimbursement being made no later than the close of the second taxable year following the year in which such expenses were incurred.

End of Article VIII

**ARTICLE IX
OTHER BENEFIT PLANS OF THE COMPANY**

9.1 Other Plans. Nothing contained in this Plan will prevent a Participant before his death, or a Participant's spouse or other Beneficiary after such Participant's death, from receiving, in addition to any payments provided for under this Plan, any payments provided for under any other plan or benefit program of the Employer, or which would otherwise be payable or distributable to him, his surviving spouse or Beneficiary under any plan or policy of the Employer or otherwise. Nothing in this Plan will be construed as preventing the Company or any of its Affiliates from establishing any other or different plans providing for current or deferred compensation for employees and/or Directors. Unless otherwise specifically provided in any plan of the Company intended to "qualify" under section 401 of the Code, Compensation and Bonus Deferrals made under this Plan will constitute earnings or compensation for purposes of determining contributions or benefits under such qualified plan.

End of Article IX

ARTICLE X
AMENDMENT AND TERMINATION OF THE PLAN

10.1 Continuation. The Company intends to continue this Plan indefinitely, but nevertheless assumes no contractual obligation beyond the promise to pay the benefits described in this Plan.

10.2 Amendment of Plan. The Company, through an action of the Human Resources Committee, reserves the right in its sole and absolute discretion to amend this Plan in any respect at any time, except that upon or during the two (2) year period after any Change of Control of the Company, (a) Plan benefits cannot be reduced, (b) Articles VIII and X and Plan Section 7.1(b) cannot be changed, and (c) (except as provided in Section 10.3) no prospective amendment that adversely affects the rights or obligations of a Participant may be made unless the affected Participant receives at least one (1) year's advance written notice of such amendment.

Moreover, no amendment may ever be made that retroactively reduces or diminishes the rights of any Participant to the benefits described herein that have been accrued or earned through the date of such amendment, even if a Termination of Employment has not yet occurred with respect to such Participant.

In addition to the Human Resources Committee, the RPAC has the right to make non-material amendments to the Plan to comply with changes in the law or to facilitate Plan administration; provided, however, that each such proposed non-material amendment must be discussed with the Chairperson of the Human Resources Committee in order to determine whether such change would constitute a material amendment to the Plan.

The provisions of this Section 10.2 will not restrict the right of the Company to terminate this Plan under Section 10.3 below or the termination of an Affiliate's participation under Section 10.4 below.

10.3 Termination of Plan. The Company, through an action of the Human Resources Committee, may terminate or suspend this Plan in whole or in part at any time, provided that no such termination or suspension will deprive a Participant, or person claiming benefits under this Plan through a Participant, of any amount credited to his Accounts under this Plan up to the date of suspension or termination, except as required by applicable law and pursuant to the valuation of such Accounts pursuant to Section 4.6.

The Human Resources Committee may decide to liquidate the Plan upon termination under the following circumstances:

- (a) **Corporate Dissolution or Bankruptcy.** The Human Resources Committee may terminate and liquidate the Plan within twelve (12) months of a corporate dissolution taxed under section 331 of the Code or with the approval of a bankruptcy court pursuant to 11 U.S.C. § 503(b)(1)(A), provided that the amounts deferred under the Plan are included in Participants' gross income in the latest of the following years (or if earlier, the taxable year in which the amount is actually or constructively received):
 - (i) The calendar year in which the Plan termination and liquidation occurs.

- (ii) The first calendar year in which the amount is no longer subject to a substantial risk of forfeiture.
 - (iii) The first calendar year in which the payment is administratively practicable.
- (b) **Change in Control.** The Human Resources Committee may terminate and liquidate the Plan within the thirty (30) days preceding or the twelve (12) months following a "change in control" as defined in Treasury Regulation 1.409A-3(i)(5) provided that all plans or arrangements that would be aggregated with the Plan under section 409A of the Code are also terminated and liquidated with respect to each Participant that experienced the change in control event so that under the terms of the Plan and all such arrangements the Participant is required to receive all amounts of compensation deferred under such arrangements within twelve (12) months of the termination of the Plan or arrangement, as applicable. In the case of a Change of Control event which constitutes a sale of assets, the termination of the Plan pursuant to this Section 10.3(b) may be made with respect to the Employer that is primarily liable immediately after the change of control transaction for the payment of benefits under the Plan.
- (c) **Termination of Plan.** The Human Resources Committee may terminate and liquidate the Plan provided that (i) the termination and liquidation does not occur by reason of a downturn of the financial health of the Company or an Employer, (ii) all plans all plans or arrangements that would be aggregated with the Plan under section 409A of the Code are also terminated and liquidated, (iii) no payments in liquidation of the Plan are made within twelve (12) months of the date of termination of the Plan other than payments that would be made in the ordinary course operation of the Plan, (iv) all payments are made within twenty four (24) months of the date the Plan is terminated and (v) the Company or the Employer, as applicable depending on whether the Plan is terminated with respect to such entity, do not adopt a new plan that would be aggregated with the Plan within three (3) years of the date of the termination of the Plan.

10.4 Termination of Affiliate's Participation. An Affiliate may terminate its participation in the Plan at any time by an action of its governing body and providing written notice to the Company. Likewise, the Company may terminate an Affiliate's participation in the Plan at any time by an action of the Human Resources Committee and providing written notice to the Affiliate. The effective date of any such termination will be the later of the date specified in the notice of the termination of participation or the date on which the RPAC can administratively implement such termination. In the event that an Affiliate's participation in the Plan is terminated, each Participant employed by such Affiliate will continue to make Compensation and Bonus Deferrals, RSU Deferrals or Discretionary Deferrals, as applicable, in effect at the time of such termination for the remainder of the Plan Year in which the termination occurs. Thereafter, each Participant employed by such Affiliate will continue to participate in the Plan as an inactive Participant and will be entitled to a distribution of his entire Account or a portion thereof upon the earlier of his Scheduled Withdrawal Date, if any, or his Termination of Employment, in the form elected (or deemed elected) by such Participant pursuant to Section 5.1.

End of Article X

**ARTICLE XI
MISCELLANEOUS**

11.1 No Reduction of Employer Rights. Nothing contained in this Plan will be construed as a contract of employment between the Employer and an Employee, or as a right of any Employee to continue in the employment of the Employer, or as a limitation of the right of the Employer to discharge any of its Employees, with or without cause or as a right of any Director to be renominated to serve as a Director.

11.2 Provisions Binding. All of the provisions of this Plan will be binding upon all persons who will be entitled to any benefit hereunder, their heirs and personal representatives.

End of Article IX

IN WITNESS WHEREOF, this Sixth Amended and Restated Tenet 2006 Deferred Compensation Plan has been executed on this 16 of December, 2019, effective as of January 1, 2020, except as specifically provided otherwise here

TENET HEALTHCARE CORPORATION

By: /s/ Sandra Karmann
Executive Vice President,
Chief Human Resources Officer

EXHIBIT A¹
LIMITS ON ELIGIBILITY AND PARTICIPATION

Section 3.1 of the Tenet 2006 Deferred Compensation Plan (the "**Plan**") provides the Retirement Plans Administration Committee ("**RPAC**") and Plan Administrator with the authority to limit the classification of Employees eligible to participate in the Plan, limit the time of an Employee's enrollment in the Plan to an Open Enrollment Period and/or modify or terminate an Eligible Person's participation in the Plan and states that any such limitation will be set forth in this Exhibit A. Capitalized terms used in this Exhibit that are not defined herein will have the meaning set forth in Section 2.1.

- The classification of Employees eligible to participate in the Plan will be limited to those employees who are paid from a Tenet payroll (i.e., eligible employees who were previously employed by Vanguard Health System will not be eligible to participate in the Plan until they transition to a Tenet payroll).

¹ This Exhibit A may be updated from time to time without the need for a formal amendment to the Plan

[COMPANY LETTERHEAD]

**TENET HEALTHCARE 2008 STOCK INCENTIVE PLAN
TERMS AND CONDITIONS OF
RESTRICTED STOCK UNIT AWARD**

The Human Resources Committee (the "**Committee**") of the Board of Directors of Tenet Healthcare Corporation (the "**Company**") is authorized under the Company's 2008 Stock Incentive Plan, as amended (the "**Plan**") to make awards of restricted stock units ("**RSUs**") and to determine the terms of such RSUs.

On February 27, 2019 (the "**Grant Date**"), the Committee granted Ronald A. Rittenmeyer ("**You**") RSUs. The RSUs were granted by the Committee subject to the terms and conditions set forth below in this certificate (the "**Certificate**"). The RSUs are also subject to the terms and conditions of the Plan, which is incorporated herein by this reference. Each capitalized term not otherwise defined herein will have the meaning given to such term in the Plan.

1. **Grant.** The Committee has granted You RSUs representing 566,172 Shares in consideration for services to be performed by You for the Company or a Subsidiary of the Company.
 2. **Vesting.** Except as otherwise provided in Section 3 below, the RSUs will vest in equal installments according to the following schedule; provided You remain an employee of the Company on each applicable vesting date: June 30, 2019, September 30, 2019, December 31, 2019, March 31, 2020, June 30, 2020, September 30, 2020, December 31, 2020, March 31, 2021, June 30, 2021.
 3. **Termination of Employment.** All unvested RSUs will vest in the event Your employment is terminated for any of the following reasons:
 - Death;
 - Disability (as defined in the Employment Agreement by and between You and the Company, effective as of March 1, 2018, as amended February 27, 2019 (the "**Employment Agreement**")); and
 - A termination of Your employment by the Company other than for Cause or by you for Good Reason (as such terms are defined in the Employment Agreement).
 4. **Tax Withholding.** Except as otherwise provided in the Employment Agreement, upon the vesting of Your RSUs, Your RSUs will be settled in Shares within 30 days and You will recognize ordinary income. The Company is required to withhold payroll taxes due with respect to that ordinary income. Pursuant to the Plan, at its option the Committee either may (a) have the Company withhold Shares having a Fair Market Value equal to the amount of the minimum tax withholding or (b) require You to pay to the Company the amount of the tax withholding.
 5. **Rights as Shareholder.** You will not have any rights of a shareholder prior to the vesting of the RSUs, at which time You will have all of the rights of a shareholder with respect to the Shares received upon the vesting of those RSUs, including the right to vote those Shares and receive all dividends and other distributions, if any, paid or made with respect thereto. Any Shares distributed as dividends with respect to the Shares subject to the RSUs will be subject to the same vesting schedule as the underlying RSUs.
 6. **Transferability.** The RSUs generally may not be transferred, assigned or made subject to any encumbrance, pledge, or charge. Limited exceptions to this rule apply in the case of death, divorce, or gift as provided in Section 12.3 of the Plan.
 7. **Effect on Other Employee Benefit Plans.** The value of the RSUs evidenced by this Certificate will not be included as compensation, earnings, salaries, or other similar terms used when calculating Your benefits under any employee benefit plan sponsored by the Company or a Subsidiary, except as such plan otherwise expressly provides.
 8. **No Employment Rights.** Nothing in this Certificate will confer upon You any right to continue in the employ or service of the Company or any Subsidiary or affect the right of the Company or a Subsidiary to terminate Your employment at any time with or without cause.
 9. **Amendment.** By written notice to You, the Committee reserves the right to amend the Plan or the provisions of this Certificate provided that no such amendment will impair in any material respect Your rights under this Certificate without Your consent except as required to comply with applicable securities laws or Section 409A of the Internal Revenue Code.
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10. Severability. If any term or provision of this Certificate is declared by any court or government authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any term or provision of this Certificate not declared to be unlawful or invalid. Any term or provision of this Certificate so declared to be unlawful or invalid shall, if possible, be construed in a manner that will give effect to such term or provision to the fullest extent possible while remaining lawful and valid.
11. Construction. A copy of the Plan has been made available to You and additional copies of the Plan are available upon request to the Company's Corporate Secretary at the Company's principal executive office during normal business hours. To the extent that any term or provision of this Certificate violates or is inconsistent with an express term or provision of the Plan, the Plan term or provision shall govern and any inconsistent term or provision in this Certificate shall be of no force or effect.
12. Binding Effect and Benefit. This Certificate shall be binding upon and, subject to the terms and conditions hereof, inure to the benefit of the Company, its successors and assigns, and You and Your successors and assigns.
13. Entire Understanding. This Certificate embodies the entire understanding and agreement of the Company and You in relation to the subject matter hereof, and no promise, condition, representation or warranty, expressed or implied, not herein stated, shall bind the Company or You.
14. Governing Law. This Certificate shall be governed by, and construed in accordance with, the laws of the State of Nevada.

[COMPANY LETTERHEAD]

**TENET HEALTHCARE 2008 STOCK INCENTIVE PLAN
TERMS AND CONDITIONS OF
RESTRICTED STOCK UNIT AWARDS**

The Human Resources Committee (the “**Committee**”) of the Board of Directors of Tenet Healthcare Corporation (the “**Company**”) is authorized under the Company’s 2008 Stock Incentive Plan, as amended (the “**Plan**”), to make awards of restricted stock units (“**RSUs**”) and to determine the terms of such RSUs.

On January 31, 2019 (the “**Grant Date**”), the Committee granted Saumya Sutaria (“**You**”) RSUs. The RSUs were granted by the Committee subject to the terms and conditions set forth below in this certificate (the “**Certificate**”). The RSUs are also subject to the terms and conditions of the Plan, which is incorporated herein by this reference. Each capitalized term not otherwise defined herein will have the meaning given to such term in the Plan.

1. **Grant.** The Committee has granted You RSUs representing 318,327 Shares in consideration for services to be performed by You for the Company or a Subsidiary of the Company.
 2. **Vesting.** Except as otherwise provided in Section 3 below, the RSUs will vest in full on January 6, 2022; provided You remain an employee of the Company on such date.
 3. **Termination of Employment.** All unvested RSUs will vest in the event Your employment is terminated for any of the following reasons:
 - Death;
 - Disability (as defined in the Employment Agreement by and between You and the Company, effective as of November 27, 2018 (the “**Employment Agreement**”)); or
 - A termination of Your employment by the Company other than for Cause or by you for Good Reason (each, as defined in the Employment Agreement).
 4. **Tax Withholding.** Except as otherwise provided in the Employment Agreement, upon the vesting of Your RSUs, Your RSUs will be settled in Shares within 30 days and You will recognize ordinary income. The Company is required to withhold payroll taxes due with respect to that ordinary income. Pursuant to the Plan, at its option the Committee either may (a) have the Company withhold Shares having a Fair Market Value equal to the amount of the minimum tax withholding or (b) require You to pay to the Company the amount of the tax withholding.
 5. **Rights as Shareholder.** You will not have any rights of a shareholder prior to the vesting of the RSUs, at which time You will have all of the rights of a shareholder with respect to the Shares received upon the vesting of those RSUs, including the right to vote those Shares and receive all dividends and other distributions, if any, paid or made with respect thereto. Any Shares distributed as dividends with respect to the Shares subject to the RSUs will be subject to the same vesting schedule as the underlying RSUs.
 6. **Transferability.** The RSUs generally may not be transferred, assigned or made subject to any encumbrance, pledge, or charge. Limited exceptions to this rule apply in the case of death, divorce, or gift as provided in Section 12.3 of the Plan.
 7. **Effect on Other Employee Benefit Plans.** The value of the RSUs evidenced by this Certificate will not be included as compensation, earnings, salaries, or other similar terms used when calculating Your benefits under any employee benefit plan sponsored by the Company or a Subsidiary, except as such plan otherwise expressly provides.
 8. **No Employment Rights.** Nothing in this Certificate will confer upon You any right to continue in the employ or service of the Company or any Subsidiary or affect the right of the Company or a Subsidiary to terminate Your employment at any time with or without cause.
 9. **Amendment.** By written notice to You, the Committee reserves the right to amend the Plan or the provisions of this Certificate provided that no such amendment will impair in any material respect Your rights under this Certificate without Your consent except as required to comply with applicable securities laws or Section 409A of the Internal Revenue Code.
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10. Severability. If any term or provision of this Certificate is declared by any court or government authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any term or provision of this Certificate not declared to be unlawful or invalid. Any term or provision of this Certificate so declared to be unlawful or invalid shall, if possible, be construed in a manner that will give effect to such term or provision to the fullest extent possible while remaining lawful and valid.
11. Construction. A copy of the Plan has been made available to You and additional copies of the Plan are available upon request to the Company's Corporate Secretary at the Company's principal executive office during normal business hours. To the extent that any term or provision of this Certificate violates or is inconsistent with an express term or provision of the Plan, the Plan term or provision shall govern and any inconsistent term or provision in this Certificate shall be of no force or effect.
12. Binding Effect and Benefit. This Certificate shall be binding upon and, subject to the terms and conditions hereof, inure to the benefit of the Company, its successors and assigns, and You and Your successors and assigns.
13. Entire Understanding. This Certificate embodies the entire understanding and agreement of the Company and You in relation to the subject matter hereof, and no promise, condition, representation or warranty, expressed or implied, not herein stated, shall bind the Company or You.
14. Governing Law. This Grant shall be governed by, and construed in accordance with, the laws of the State of Nevada.

[COMPANY LETTERHEAD]

**TENET HEALTHCARE 2008 STOCK INCENTIVE PLAN
TERMS AND CONDITIONS OF
RESTRICTED STOCK UNIT AWARDS**

The Human Resources Committee (the "**Committee**") of the Board of Directors of Tenet Healthcare Corporation (the "**Company**") is authorized under the Company's 2008 Stock Incentive Plan, as amended (the "**Plan**"), to make awards of restricted stock units ("**RSUs**") and to determine the terms of such RSUs.

On February 27, 2019 (the "**Grant Date**"), the Committee granted Saumya Sutaria ("**You**") RSUs. The RSUs were granted by the Committee subject to the terms and conditions set forth below in this certificate (the "**Certificate**"). The RSUs are also subject to the terms and conditions of the Plan, which is incorporated herein by this reference. Each capitalized term not otherwise defined herein will have the meaning given to such term in the Plan.

1. **Grant.** The Committee has granted You RSUs representing 141,543 Shares in consideration for services to be performed by You for the Company or a Subsidiary of the Company.
 2. **Vesting.** In accordance with Sections 3 and 4 below, the RSUs will vest as follows: (a) one-third will vest on the first anniversary of the Grant Date, (b) one-third will vest on the second anniversary of the Grant Date, and (c) one-third will vest on the third anniversary of the Grant Date (each one-year period, a "**Vesting Period**").

Your RSUs will vest to the extent provided in, and in accordance with, the terms of this Certificate. If Your employment terminates or if You cease providing services to the Company for any reason other than as set forth in Sections 3 or 4 below, Your unvested RSUs will automatically be cancelled in exchange for no consideration.
 3. **Termination of Employment.** All unvested RSUs will vest in the event Your employment is terminated for any of the following reasons:
 - Death;
 - Disability (as defined in the Employment Agreement by and between You and the Company, effective as of November 27, 2018 (the "**Employment Agreement**"));
 - A termination of Your employment by the Company without Cause or by You for Good Reason (each, as defined in the Employment Agreement); and
 - Upon the Company's election not to renew the Term (as defined in the Employment Agreement) of the Employment Agreement.
 4. **Tax Withholding.** Except as otherwise provided in the Employment Agreement, upon the vesting of Your RSUs, Your RSUs will be settled in Shares within 30 days and You will recognize ordinary income. The Company is required to withhold payroll taxes due with respect to that ordinary income. Pursuant to the Plan, at its option the Committee either may (a) have the Company withhold Shares having a Fair Market Value equal to the amount of the minimum tax withholding or (b) require You to pay to the Company the amount of the tax withholding.
 5. **Rights as Shareholder.** You will not have any rights of a shareholder prior to the vesting of the RSUs, at which time You will have all of the rights of a shareholder with respect to the Shares received upon the vesting of those RSUs, including the right to vote those Shares and receive all dividends and other distributions, if any, paid or made with respect thereto. Any Shares distributed as dividends with respect to the Shares subject to the RSUs will be subject to the same vesting schedule as the underlying RSUs.
 6. **Transferability.** The RSUs generally may not be transferred, assigned or made subject to any encumbrance, pledge, or charge. Limited exceptions to this rule apply in the case of death, divorce, or gift as provided in Section 12.3 of the Plan.
 7. **Effect on Other Employee Benefit Plans.** The value of the RSUs evidenced by this Certificate will not be included as compensation, earnings, salaries, or other similar terms used when calculating Your benefits
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under any employee benefit plan sponsored by the Company or a Subsidiary, except as such plan otherwise expressly provides.

8. No Employment Rights. Nothing in this Certificate will confer upon You any right to continue in the employ or service of the Company or any Subsidiary or affect the right of the Company or a Subsidiary to terminate Your employment at any time with or without cause.
9. Amendment. By written notice to You, the Committee reserves the right to amend the Plan or the provisions of this Certificate provided that no such amendment will impair in any material respect Your rights under this Certificate without Your consent except as required to comply with applicable securities laws or Section 409A of the Internal Revenue Code.
10. Severability. If any term or provision of this Certificate is declared by any court or government authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any term or provision of this Certificate not declared to be unlawful or invalid. Any term or provision of this Certificate so declared to be unlawful or invalid shall, if possible, be construed in a manner that will give effect to such term or provision to the fullest extent possible while remaining lawful and valid.
11. Construction. A copy of the Plan has been made available to You and additional copies of the Plan are available upon request to the Company's Corporate Secretary at the Company's principal executive office during normal business hours. To the extent that any term or provision of this Certificate violates or is inconsistent with an express term or provision of the Plan, the Plan term or provision shall govern and any inconsistent term or provision in this Certificate shall be of no force or effect.
12. Binding Effect and Benefit. This Certificate shall be binding upon and, subject to the terms and conditions hereof, inure to the benefit of the Company, its successors and assigns, and You and Your successors and assigns.
13. Entire Understanding. This Certificate, the Plan and the Employment Agreement embody the entire understanding and agreement of the Company and You in relation to the subject matter hereof, and no promise, condition, representation or warranty, expressed or implied, not herein stated, shall bind the Company or You.
14. Governing Law. This Grant shall be governed by, and construed in accordance with, the laws of the State of Nevada.

[COMPANY LETTERHEAD]

**TENET HEALTHCARE 2019 STOCK INCENTIVE PLAN
TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AWARDS
FOR INITIAL GRANT TO DIRECTORS**

The Compensation Committee (the "**Committee**") of the Board of Directors (the "**Board**") of Tenet Healthcare Corporation (the "**Company**") is authorized under the Company's 2019 Stock Incentive Plan, as such may be amended from time to time (the "**Plan**") to make awards of restricted stock units ("**RSUs**") and to determine the terms of such RSUs.

Effective on **[Grant Date]** (the "**Grant Date**"), the Committee granted you, **[Participant Name]** ("**You**"), RSUs subject to the terms and conditions in this certificate (the "**Certificate**") and the Plan, which terms are incorporated herein by this reference. Each capitalized term not otherwise defined herein will have the meaning given to such term in the Plan.

1. Grant. The Committee has granted You RSUs representing **[Number of Shares Granted]** Shares in consideration for Your initial election or appointment to the Board.
 2. Vesting and Settlement. The RSUs are 100 percent vested as of the Grant Date and will be settled in Shares upon Your termination of service on the Board. Settlement will occur within 60 days of Your termination of service. Upon settlement, You will recognize ordinary income and taxes will be due.
 3. Change in Control. In the event of a Change in Control the following provisions will apply:
 - In the event of a Change in Control (other than the liquidation or dissolution of the Company which is approved by a majority of its shareholders) (*i.e.*, a 409A compliant change in control) the RSUs will be settled within 60 days of the Change in Control.
 - In the event of a Change in Control in which a liquidation or dissolution of the Company is approved by a majority of its shareholders (*i.e.*, a non-409A compliant change in control), the RSUs will be converted to cash equal to the value of the RSUs immediately prior to the Change in Control and paid within 60 days of Your termination of service on the Board.
 4. Rights as Shareholder. You will not have any rights of a shareholder prior to the settlement of the RSUs, at which time You will have all of the rights of a shareholder with respect to the Shares received, including the right to vote those Shares and receive all dividends and other distributions, if any, paid or made with respect thereto. Any Shares or cash distributed as dividends with respect to the Shares subject to the RSUs will be subject to the same vesting and settlement schedule as the underlying RSUs.
 5. Transferability. Unless otherwise permitted pursuant to Section 12.3 of the Plan, the RSUs may not be transferred, assigned or made subject to any encumbrance, pledge, or charge.
 6. Effect on Other Employee Benefit Plans. The value of the RSUs evidenced by this Certificate will not be included as compensation, earnings, salaries, or other similar terms used when calculating Your benefits under any employee benefit plan sponsored by the Company or a Subsidiary, except as such plan otherwise expressly provides.
 7. No Continued Service. Nothing in this Certificate will confer upon You any right to continue in the service of the Company as a member of the Board.
 8. Amendment. By written notice to You, the Committee reserves the right to amend the Plan or the provisions of this Certificate provided that no such amendment will impair in any material respect Your rights under this Certificate without Your consent except as required to comply with applicable securities laws or Section 409A of the Internal Revenue Code.
 9. Severability. If any term or provision of this Certificate is declared by any court or government authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any term or provision of this Certificate not declared to be unlawful or invalid. Any term or provision of this Certificate so declared to be unlawful or invalid shall, if possible, be construed in a manner that will give effect to such term or provision to the fullest extent possible while remaining lawful and valid.
 10. Construction. A copy of the Plan has been made available to You and additional copies of the Plan are available upon request to the Company's Corporate Secretary at the Company's principal executive office during normal business hours. To the extent that any term or provision of this Certificate violates or is inconsistent with an express term or provision of the Plan, the Plan term or provision shall govern and any inconsistent term or provision in this Certificate shall be of no force or effect.
 11. Binding Effect and Benefit. This Certificate shall be binding upon and, subject to the terms and conditions hereof, inure to the benefit of the Company, its successors and assigns, and You and Your successors and assigns.
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12. Entire Understanding. This Certificate and the Plan embody the entire understanding and agreement of the Company and You in relation to the subject matter hereof, and no promise, condition, representation or warranty, expressed or implied, not herein stated, shall bind the Company or You.
 13. Governing Law. This Certificate shall be governed by, and construed in accordance with, the laws of the State of Nevada.
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**TENET HEALTHCARE 2019 STOCK INCENTIVE PLAN
TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT AWARDS
FOR ANNUAL GRANT TO DIRECTORS**

The Human Resources Committee (the "**Committee**") of the Board of Directors (the "**Board**") of Tenet Healthcare Corporation (the "**Company**") is authorized under the Company's 2019 Stock Incentive Plan, as such may be amended from time to time (the "**Plan**") to make awards of restricted stock units ("**RSUs**") and to determine the terms of such RSUs.

Effective on **[Grant Date]** (the "**Grant Date**"), the Committee granted you, **[Participant Name]** ("**You**"), RSUs subject to the terms and conditions in this certificate (the "**Certificate**") and the Plan, which terms are incorporated herein by this reference. Each capitalized term not otherwise defined herein will have the meaning given to such term in the Plan.

1. Grant. The Committee has granted You RSUs representing **[Number of Shares Granted]** Shares in consideration for your service on the Board.
 2. Vesting and Settlement. The RSUs are 100 percent vested as of the Grant Date and, unless You elect to defer settlement pursuant to Section 4 below, will be settled in Shares upon the third anniversary of the Grant Date, or upon your death or disability (as defined under section 409A(a)(2)(C)(ii) of the Internal Revenue Code), if earlier. Upon settlement, You will recognize ordinary income and taxes will be due.
 3. Change in Control. In the event of a Change in Control the following provisions will apply:
 - In the event of a Change in Control (other than the liquidation or dissolution of the Company which is approved by a majority of its shareholders) (*i.e.*, a 409A compliant change in control) the RSUs will be settled within 60 days of the Change in Control.
 - In the event of a Change in Control in which a liquidation or dissolution of the Company is approved by a majority of its shareholders (*i.e.*, a non-409A compliant change in control), the RSUs will be converted to cash equal to the value of the RSUs immediately prior to the Change in Control and paid on the third anniversary of the Grant Date.
 4. Deferral of RSUs. You may elect to defer the settlement of Your RSUs for a period of five years from the date such RSUs would otherwise be settled; provided, that Your deferral election is made and has been in effect for at least 12 months before the date on which such RSUs would otherwise be settled. Any such deferral will be made pursuant to the terms of a separate deferred compensation plan adopted by the Company for this purpose. Settlement of the deferred RSUs will be made in accordance with the terms of such deferred compensation plan.
 5. Rights as Shareholder. You will not have any rights of a shareholder prior to the settlement of the RSUs, at which time You will have all of the rights of a shareholder with respect to the Shares received, including the right to vote those Shares and receive all dividends and other distributions, if any, paid or made with respect thereto. Any Shares or cash distributed as dividends with respect to the Shares subject to the RSUs will be subject to the same vesting, settlement and deferral schedule as the underlying RSUs.
 6. Transferability. Unless otherwise permitted pursuant to Section 12.3 of the Plan, the RSUs may not be transferred, assigned or made subject to any encumbrance, pledge, or charge.
 7. Effect on Other Employee Benefit Plans. The value of the RSUs evidenced by this Certificate will not be included as compensation, earnings, salaries, or other similar terms used when calculating Your benefits under any employee benefit plan sponsored by the Company or a Subsidiary, except as such plan otherwise expressly provides.
 8. No Continued Service. Nothing in this Certificate will confer upon You any right to continue in the service of the Company as a member of the Board.
 9. Amendment. By written notice to You, the Committee reserves the right to amend the Plan or the provisions of this Certificate provided that no such amendment will impair in any material respect Your rights under this Certificate without Your consent except as required to comply with applicable securities laws or Section 409A of the Internal Revenue Code.
 10. Severability. If any term or provision of this Certificate is declared by any court or government authority to be unlawful or invalid, such unlawfulness or invalidity shall not invalidate any term or provision of this Certificate not declared to be unlawful or invalid. Any term or provision of this Certificate so declared to be unlawful or invalid shall, if possible, be construed in a manner that will give effect to such term or provision to the fullest extent possible while remaining lawful and valid.
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11. Construction. A copy of the Plan has been made available to You and additional copies of the Plan are available upon request to the Company's Corporate Secretary at the Company's principal executive office during normal business hours. To the extent that any term or provision of this Certificate violates or is inconsistent with an express term or provision of the Plan, the Plan term or provision shall govern and any inconsistent term or provision in this Certificate shall be of no force or effect.
12. Binding Effect and Benefit. This Certificate shall be binding upon and, subject to the terms and conditions hereof, inure to the benefit of the Company, its successors and assigns, and You and Your successors and assigns.
13. Entire Understanding. This Certificate and the Plan embody the entire understanding and agreement of the Company and You in relation to the subject matter hereof, and no promise, condition, representation or warranty, expressed or implied, not herein stated, shall bind the Company or You.
14. Governing Law. This Certificate shall be governed by, and construed in accordance with, the laws of the State of Nevada.

**Subsidiaries
of
Tenet Healthcare Corporation
as of December 31, 2019**

Name of Entity	State or Other Jurisdiction of Formation
601 N 30th Street I, L.L.C.	Delaware
601 N 30th Street II, L.L.C.	Nebraska
601 N 30th Street III, Inc.	Nebraska
The 6300 West Roosevelt Partnership	Illinois
Abrazo Health Network EP Clinical Services, LLC	Arizona
Advantage Health Care Management Company, LLC	Delaware
Advantage Health Network, Inc.	Florida
AHM Acquisition Co., Inc.	Delaware
Alabama Cardiovascular Associates, L.L.C.	Alabama
Alabama Hand and Sports Medicine, L.L.C.	Alabama
Allegian Insurance Company	Texas
Alvarado Hospital Medical Center, Inc.	California
AMC/North Fulton Urgent Care #1, L.L.C.	Georgia
AMC/North Fulton Urgent Care #2, L.L.C.	Georgia
AMC/North Fulton Urgent Care #3, L.L.C.	Georgia
AMC/North Fulton Urgent Care #4, L.L.C.	Georgia
AMC/North Fulton Urgent Care #5, L.L.C.	Georgia
American Medical (Central), Inc.	California
AMI/HTI Tarzana Encino Joint Venture	Delaware
AMI Information Systems Group, Inc.	California
Amisub (Heights), Inc.	Delaware
Amisub (Hilton Head), Inc.	South Carolina
Amisub (North Ridge Hospital), Inc.	Florida
Amisub of California, Inc.	California
Amisub of North Carolina, Inc.	North Carolina
Amisub of South Carolina, Inc.	South Carolina
Amisub of Texas, Inc.	Delaware
Amisub (SFH), Inc.	Tennessee
Amisub (Twelve Oaks), Inc.	Delaware
Anaheim MRI Holding, Inc.	California
Arizona Care Network – Next, L.L.C.	Arizona
Arizona Health Partners, LLC	Arizona
Asia Outsourcing US, Inc.	Delaware
Atlanta Medical Center, Inc.	Georgia
Atlanta Medical Center Interventional Neurology Associates, L.L.C.	Georgia
Atlanta Medical Center Neurosurgical & Spine Specialists, L.L.C.	Georgia
Atlanta Medical Center Physician Group, L.L.C.	Georgia
Baptist Accountable Care, LLC	Texas
Baptist Diagnostics, LLC	Delaware
Baptist Health Centers, LLC	Delaware
Baptist Memorial Hospital System Physician Hospital Organization	Texas

Baptist Physician Alliance ACO, LLC	Alabama
Baptist Physician Alliance, LLC	Alabama
BBH BMC, LLC	Delaware
BBH CBMC, LLC	Delaware
BBH DevelopmentCo, LLC	Delaware
BBH NP Clinicians, Inc.	Delaware
BBH PBMC, LLC	Delaware
BBH SBMC, LLC	Delaware
BBH WBMC, LLC	Delaware
BCDC EmployeeCO, LLC	Delaware
BHC-Talladega Pediatrics, LLC	Alabama
BHS Accountable Care, LLC	Delaware
BHS Affinity, LLC	Delaware
BHS Integrated Physician Partners, LLC	Delaware
BHS Physician Performance Network, LLC	Delaware
BHS Physicians Alliance for ACE, LLC	Delaware
BHS Physicians Network, Inc.	Texas
BHS Specialty Network, Inc.	Texas
Bluffton Okatie Primary Care, L.L.C.	South Carolina
Broad River Primary Care, L.L.C.	South Carolina
Brookwood Ancillary Holdings, Inc.	Delaware
Brookwood Baptist Health 1, LLC	Delaware
Brookwood Baptist Health 2, LLC	Delaware
Brookwood Baptist Imaging, LLC	Delaware
Brookwood Center Development Corporation	Alabama
Brookwood Development, Inc.	Alabama
Brookwood Garages, L.L.C.	Alabama
Brookwood Health Services, Inc.	Alabama
Brookwood Home Health, LLC	Alabama
Brookwood - Maternal Fetal Medicine, L.L.C.	Alabama
Brookwood Occupational Health Clinic, L.L.C.	Alabama
Brookwood Parking Associates, Ltd.	Alabama
Brookwood Primary Care Cahaba Heights, L.L.C.	Alabama
Brookwood Primary Care - Homewood, L.L.C.	Alabama
Brookwood Primary Care Hoover, L.L.C.	Alabama
Brookwood Primary Care - Inverness, L.L.C.	Alabama
Brookwood Primary Care - Mountain Brook, L.L.C.	Alabama
Brookwood Primary Care - Oak Mountain, L.L.C.	Alabama
Brookwood Primary Care The Narrows, L.L.C.	Alabama
Brookwood Primary Care - Vestavia, L.L.C.	Alabama
Brookwood Primary Network Care, Inc.	Alabama
Brookwood Specialty Care - Endocrinology, L.L.C.	Alabama
Brookwood Sports and Orthopedics, L.L.C.	Alabama
Brookwood Women's Care, L.L.C.	Alabama
BT East Dallas JV, LLP	Texas
BW Cardiology, LLC	Delaware
BW Cyberknife, LLC	Delaware
BW Hand Practice, LLC	Delaware

BW Office Buildings, LLC	Delaware
BW Parking Decks, LLC	Delaware
BW Physician Practices, LLC	Delaware
BW Retail Pharmacy, LLC	Delaware
BW Sports Practice, LLC	Delaware
C7 Technologies, LLC	Delaware
Camp Creek Urgent Care, L.L.C.	Georgia
Captive Insurance Services, Inc.	Delaware
Cardiology Physicians Associates, L.L.C.	North Carolina
Cardiology Physicians Corporation, L.L.C.	North Carolina
Cardiovascular & Thoracic Surgery Associates, L.L.C.	South Carolina
Cardiovascular Clinical Excellence at Desert Regional, LLC	California
Cardiovascular Clinical Excellence at Sierra Providence, LLC	Texas
Catawba-Piedmont Cardiothoracic Surgery, L.L.C.	South Carolina
Cedar Hill Primary Care, L.L.C.	Missouri
Center for Advanced Research Excellence, L.L.C.	Florida
Center for the Urban Child, Inc.	Pennsylvania
Central Carolina-IMA, L.L.C.	North Carolina
Central Carolina Physicians - Sandhills, L.L.C.	North Carolina
Central Valley Quality Alliance, LLC	Delaware
Central Texas Corridor Hospital Company, LLC	Delaware
CGH Hospital, Ltd.	Florida
Chalon Living, Inc.	Arizona
Children's Hospital of Michigan Premier Network, Inc.	Michigan
CHN Holdings, LLC	Delaware
CHVI Tucson Holdings, LLC	Delaware
CML-Chicago Market Labs, Inc.	Delaware
Coast Healthcare Management, LLC	California
Coastal Carolina Medical Center, Inc.	South Carolina
Coastal Carolina Physician Practices, LLC	Delaware
Coastal Carolina Pro Fee Billing, L.L.C.	South Carolina
Commonwealth Continental Health Care, Inc.	Florida
Community Connection Health Plan, Inc.	Arizona
Community Hospital of Los Gatos, Inc.	California
Conifer Care Continuum Solutions, LLC	Maryland
Conifer Ethics and Compliance, Inc.	Delaware
Conifer Global Business Center, Inc.	Republic of the Philippines
Conifer Global Holdings, Inc.	Delaware
Conifer Health Solutions, LLC	Delaware
Conifer Holdings, Inc.	Delaware
Conifer Patient Communications, LLC	Florida
Conifer Physician Services Holdings, Inc.	Delaware
Conifer Physician Services, Inc.	Illinois
Conifer Revenue Cycle Solutions, LLC	California
Conifer Value-Based Care, LLC	Maryland
Coral Gables Hospital, Inc.	Florida
CRNAs of Michigan	Michigan
Delray Medical Center, Inc.	Florida

Delray Medical Physician Services, L.L.C.	Florida
Desert Regional Medical Center, Inc.	California
Des Peres Physician Network, LLC	Missouri
Detroit Education & Research	Michigan
DigitalMed, Inc.	Delaware
Dignity/Abrazo Health Network, LLC	Arizona
DMC Detroit Receiving Hospital Premier Clinical Co-Management Services, LLC	Michigan
DMC Education & Research	Michigan
DMC Harper University Hospital Premier Clinical Co-Management Services, LLC	Michigan
DMC Huron Valley-Sinai Hospital Premier Clinical Management Services, LLC	Michigan
DMC Imaging, L.L.C.	Florida
Doctors Hospital of Manteca, Inc.	California
Doctors Medical Center Neurosciences Clinical Co-Management, LLC	California
Doctors Medical Center of Modesto, Inc.	California
Doctors Medical Center Orthopedics Clinical Co-Management, LLC	California
East Cobb Urgent Care, LLC	Georgia
East Cooper Coastal Family Physicians, L.L.C.	South Carolina
East Cooper Community Hospital, Inc.	South Carolina
East Cooper Hyperbarics, L.L.C.	Delaware
East Cooper OB/GYN, L.L.C.	South Carolina
East Cooper Physician Network, LLC	South Carolina
East Cooper Primary Care Physicians, L.L.C.	South Carolina
EPHC, Inc.	Texas
First Choice Physician Partners	California
FMCC Network Contracting, L.L.C.	Florida
FMC Medical, Inc.	Florida
Fort Bend Clinical Services, Inc.	Texas
Fountain Valley Regional Hospital and Medical Center	California
Fountain Valley Surgery Center, LLC	California
FREH Real Estate, L.L.C.	Florida
FRS Imaging Services, L.L.C.	Florida
FryeCare Boone, L.L.C.	North Carolina
FryeCare Morganton, L.L.C.	North Carolina
FryeCare Physicians, L.L.C.	North Carolina
FryeCare Valdese, L.L.C.	North Carolina
FryeCare Watauga, L.L.C.	North Carolina
FryeCare Women's Services, L.L.C.	North Carolina
Frye Regional Medical Center, Inc.	North Carolina
Gardendale Surgical Associates, LLC	Alabama
Gastric Health Institute, L.L.C.	Georgia
Georgia Gifts From Grace, L.L.C.	Georgia
Georgia North Fulton Healthcare Associates, L.L.C.	Georgia
Georgia Northside Ear, Nose and Throat, L.L.C.	Georgia
Georgia Physicians of Cardiology, L.L.C.	Georgia
Georgia Spectrum Neurosurgical Specialists, L.L.C.	Georgia
Good Samaritan Cardiac & Vascular Management, LLC	Florida

Good Samaritan Medical Center, Inc.	Florida
Good Samaritan Surgery, L.L.C.	Florida
Graystone Family Healthcare - Tenet North Carolina, L.L.C.	North Carolina
Greater Dallas Healthcare Enterprises	Texas
Greater Northwest Houston Enterprises	Texas
Greystone Internal Medicine - Brookwood, L.L.C.	Alabama
Gulf Coast Community Hospital, Inc.	Mississippi
Hardeeville Medical Group, L.L.C.	South Carolina
Hardeeville Primary Care, L.L.C.	South Carolina
Harlingen Physician Network, Inc.	Texas
Harper-Hutzel AHP Services, Inc.	Michigan
HCH Tucson Holdings, LLC	Delaware
HCN Emerus Management Sub, LLC	Texas
HCN Emerus Texas, LLC	Texas
HCN Laboratories, Inc.	Texas
HCN Physicians, Inc.	Texas
HCN Surgery Center Holdings, Inc.	Delaware
HDMC Holdings, L.L.C.	Delaware
Health & Wellness Surgery Center, L.P.	California
Healthcare Compliance, LLC	District of Columbia
The Healthcare Insurance Corporation	Cayman Islands
Healthcare Network Alabama, Inc.	Delaware
Healthcare Network CFMC, Inc.	Delaware
Healthcare Network DPH, Inc.	Missouri
Healthcare Network Georgia, Inc.	Delaware
Healthcare Network Holdings, Inc.	Delaware
Healthcare Network Hospitals (Dallas), Inc.	Delaware
Healthcare Network Hospitals, Inc.	Delaware
Healthcare Network Louisiana, Inc.	Delaware
Healthcare Network Missouri, Inc.	Delaware
Healthcare Network North Carolina, Inc.	Delaware
Healthcare Network South Carolina, Inc.	Delaware
Healthcare Network Tennessee, Inc.	Delaware
Healthcare Network Texas, Inc.	Delaware
The Healthcare Underwriting Company, a Risk Retention Group	Vermont
HealthCorp Network, Inc.	Delaware
Healthpoint of North Carolina, L.L.C.	North Carolina
Health Services CFMC, Inc.	Texas
Health Services HNMC, Inc.	Delaware
Health Services Network Care, Inc.	Delaware
Health Services Network Hospitals, Inc.	Delaware
Health Services Network Texas, Inc.	Delaware
Heart and Vascular Institute of Michigan	Michigan
Hialeah Hospital, Inc.	Florida
Hialeah Real Properties, Inc.	Florida
Hickory Family Practice Associates - Tenet North Carolina, L.L.C.	North Carolina
Hilton Head Health System, L.P.	South Carolina
Hilton Head Regional Healthcare, L.L.C.	South Carolina

Hilton Head Regional OB/GYN Partners, L.L.C.	South Carolina
Hilton Head Regional Physician Network – Georgia, L.L.C.	Georgia
Hilton Head Regional Physician Network, LLC	South Carolina
Hitchcock State Street Real Estate, Inc.	California
HNMC, Inc.	Delaware
HNW GP, Inc.	Delaware
HNW LP, Inc.	Delaware
Holy Cross Hospital, Inc.	Arizona
Home Health Partners of San Antonio, LLC	Texas
Hoover Doctors Group, Inc.	Alabama
Hoover Land, LLC	Delaware
Hospital Development of West Phoenix, Inc.	Delaware
Hospital RCM Services, LLC	Texas
Hospital Underwriting Group, Inc.	Tennessee
Houston Northwest Partners, Ltd.	Texas
Houston Specialty Hospital, Inc.	Texas
Houston Sunrise Investors, Inc.	Delaware
HSRM International, Inc.	California
HUG Services, Inc.	Delaware
The Huron Corporation	District of Columbia
Imaging Center at Baxter Village, L.L.C.	South Carolina
InforMed Insurance Services, LLC	Maryland
International Health and Wellness, Inc.	Florida
JFK Memorial Hospital, Inc.	California
Journey Home Healthcare of San Antonio, LLC	Texas
Laguna Medical Systems, Inc.	California
Lake Health Care Facilities Inc.	Delaware
LakeFront Medical Associates, LLC	Delaware
Lakewood Regional Medical Center, Inc.	California
Lifemark Hospitals, Inc.	Delaware
Lifemark Hospitals of Florida, Inc.	Florida
Lifemark Hospitals of Louisiana, Inc.	Louisiana
Los Alamitos Medical Center, Inc.	California
MacNeal Management Services, Inc.	Illinois
MacNeal Medical Records, Inc.	Delaware
MacNeal Physicians Group, LLC	Delaware
Meadowcrest Hospital, LLC	Louisiana
Medplex Outpatient Medical Centers, Inc.	Alabama
Memphis Urgent Care #1, L.L.C.	Tennessee
Memphis Urgent Care #2, L.L.C.	Tennessee
MetroWest HomeCare & Hospice, LLC	Massachusetts
Michigan Pioneer ACO, LLC	Delaware
Michigan Regional Imaging, LLC	Michigan
Midwest Pharmacies, Inc.	Illinois
Mobile Imaging Management, LLC	Michigan
Mobile Technology Management, LLC	Michigan
Nacogdoches ASC-LP, Inc.	Delaware
National Ancillary, Inc.	Texas

National ASC, Inc.	Delaware
National Diagnostic Imaging Centers, Inc.	Texas
National HHC, Inc.	Texas
National Home Health Holdings, Inc.	Delaware
National ICN, Inc.	Texas
National Medical Services II, Inc.	Florida
National Outpatient Services Holdings, Inc.	Delaware
National Urgent Care Holdings, Inc.	Delaware
National Urgent Care, Inc.	Florida
Network Management Associates, Inc.	California
New Dimensions, LLC	Illinois
New England Physician Performance Network, LLC	Delaware
New H Acute, Inc.	Delaware
New Medical Horizons II, Ltd.	Texas
NMC Lessor, L.P.	Texas
NME Headquarters, Inc.	California
N.M.E. International (Cayman) Limited	Cayman Islands
NME Properties Corp.	Tennessee
NME Properties, Inc.	Delaware
NME Property Holding Co., Inc.	Delaware
NME Psychiatric Hospitals, Inc.	Delaware
NME Rehabilitation Properties, Inc.	Delaware
North Carolina Community Family Medicine, L.L.C.	North Carolina
North Fulton Cardiovascular Medicine, L.L.C.	Georgia
North Fulton Hospitalist Group, L.L.C.	Georgia
North Fulton Medical Center, Inc.	Georgia
North Fulton Primary Care Associates, L.L.C.	Georgia
North Fulton Primary Care - Willeo Rd., L.L.C.	Delaware
North Fulton Primary Care - Windward Parkway, L.L.C.	Georgia
North Fulton Primary Care - Wylie Bridge, L.L.C.	Georgia
North Fulton Pulmonary Specialists, L.L.C.	Georgia
North Fulton Women's Consultants, L.L.C.	Georgia
North Miami Medical Center, Ltd.	Florida
North Shore Medical Billing Center, L.L.C.	Florida
North Shore Medical Center, Inc.	Florida
NUCH of Connecticut, LLC	Connecticut
NUCH of Georgia, L.L.C.	Georgia
NUCH of Massachusetts, LLC	Massachusetts
NUCH of Michigan, Inc.	Michigan
NUCH of Texas	Texas
Okatie Surgical Partners, L.L.C.	South Carolina
Olive Branch Urgent Care #1, LLC	Mississippi
OrNda Hospital Corporation	California
Orthopedic Associates of the Lowcountry, L.L.C.	South Carolina
Palm Beach Gardens Cardiac and Vascular Partners, LLC	Florida
Palm Beach Gardens Community Hospital, Inc.	Florida
Palm Valley Medical Center Campus Association	Arizona
Park Plaza Hospital Billing Center, L.L.C.	Texas

PDN, L.L.C.	Texas
Phoenix Health Plans, Inc.	Arizona
PHPS-CHM Acquisition, Inc.	Delaware
Physician Performance Network, L.L.C.	Delaware
Physician Performance Network of Arizona, LLC	Delaware
Physician Performance Network of Detroit	Michigan
Physician Performance Network of South Carolina, LLC	Delaware
Physician Performance Network of Tucson, LLC	Arizona
Physicians Performance Network of Houston	Texas
Physicians Performance Network of North Texas	Texas
Piedmont Behavioral Medicine Associates, LLC	South Carolina
Piedmont Cardiovascular Physicians, L.L.C.	South Carolina
Piedmont Carolina OB/GYN of York County, L.L.C.	South Carolina
Piedmont Carolina Vascular Surgery, L.L.C.	South Carolina
Piedmont/Carolinas Radiation Therapy, LLC	South Carolina
Piedmont East Urgent Care Center, L.L.C.	South Carolina
Piedmont Express Care at Sutton Road, L.L.C.	South Carolina
Piedmont Family Practice at Baxter Village, L.L.C.	South Carolina
Piedmont Family Practice at Rock Hill, L.L.C.	South Carolina
Piedmont Family Practice at Tega Cay, L.L.C.	South Carolina
Piedmont General Surgery Associates, L.L.C.	South Carolina
Piedmont Internal Medicine at Baxter Village, L.L.C.	South Carolina
Piedmont Physician Network, LLC	South Carolina
Piedmont Pulmonology, L.L.C.	South Carolina
Piedmont Surgical Specialists, L.L.C.	South Carolina
Piedmont Urgent Care and Industrial Health Centers, Inc.	South Carolina
Piedmont Urgent Care Center at Baxter Village, L.L.C.	South Carolina
Placentia-Linda Hospital, Inc.	California
PMC Physician Network, L.L.C.	South Carolina
PM CyFair Land Partners, LLC	Delaware
Practice Partners Management, L.P.	Texas
Premier ACO Physicians Network, LLC	California
Premier Health Plan Services, Inc.	California
Premier Medical Specialists, L.L.C.	Missouri
Professional Liability Insurance Company	Tennessee
Pros Temporary Staffing, Inc.	Illinois
PSS Patient Solution Services, LLC	Texas
Republic Health Corporation of Rockwall County	Nevada
Resolute Health Physicians Network, Inc.	Texas
Resolute Hospital Company, LLC	Delaware
RHC Parkway, Inc.	Delaware
Rheumatology Associates of Atlanta Medical Center, L.L.C.	Georgia
R.H.S.C. El Paso, Inc.	Texas
Rio Grande Valley Indigent Health Care Corporation	Texas
RLC, LLC	Arizona
Rock Bridge Surgical Institute, L.L.C.	Georgia
Saint Francis-Arkansas Physician Network, LLC	Arkansas
Saint Francis-Bartlett Physician Network, LLC	Tennessee

Saint Francis Cardiology Associates, L.L.C.	Tennessee
Saint Francis Cardiovascular Surgery, L.L.C.	Tennessee
Saint Francis Center for Surgical Weight Loss, L.L.C.	Tennessee
Saint Francis Hospital-Bartlett, Inc.	Tennessee
Saint Francis Hospital Billing Center, L.L.C.	Tennessee
Saint Francis Hospital Medicare ACO, LLC	Delaware
Saint Francis Hospital Pro Fee Billing, L.L.C.	Tennessee
Saint Francis Medical Partners, East, L.L.C.	Tennessee
Saint Francis Medical Partners, General Surgery, L.L.C.	Tennessee
Saint Francis Physician Network, LLC	Tennessee
Saint Francis Quality Alliance, LLC	Delaware
Saint Francis Surgical Associates, L.L.C.	Tennessee
Saint Vincent Physician Services, Inc.	Massachusetts
San Ramon Ambulatory Care, LLC	Delaware
San Ramon ASC, L. P.	California
San Ramon Regional Medical Center, LLC	Delaware
San Ramon Surgery Center, L.L.C.	California
SFMP, Inc.	Tennessee
SFMPE - Crittenden, L.L.C.	Arkansas
Shelby Baptist Affinity, LLC	Alabama
Shelby Baptist Ambulatory Surgery Center, LLC	Alabama
Sierra Providence Healthcare Enterprises	Texas
Sierra Providence Health Network, Inc.	Texas
Sierra Vista Hospital, Inc.	California
Sinai-Grace Premier Clinical Management Services LLC	Michigan
SL-HLC, Inc.	Missouri
SLH Physicians, L.L.C.	Missouri
SLH Vista, Inc.	Missouri
SLUH Anesthesia Physicians, L.L.C.	Missouri
SMSJ Imaging Company, LLC	Delaware
SMSJ Tucson Holdings, LLC	Delaware
South Carolina East Cooper Surgical Specialists, L.L.C.	South Carolina
South Carolina Health Services, Inc.	South Carolina
South Carolina SeWee Family Medicine, L.L.C.	South Carolina
South Fulton Health Care Centers, Inc.	Delaware
SouthCare Physicians Group Neurology, L.L.C.	Georgia
SouthCare Physicians Group Obstetrics & Gynecology, L.L.C.	Georgia
Southern Orthopedics and Sports Medicine, L.L.C.	South Carolina
Southern States Physician Operations, Inc.	North Carolina
Southwest Children's Hospital, LLC	Delaware
Spalding Regional Medical Center, Inc.	Georgia
Spalding Regional OB/GYN, L.L.C.	Georgia
Spalding Regional Physician Services, L.L.C.	Georgia
Springfield Service Holding Corporation	Delaware
SRRMC Management, Inc.	Delaware
St. Christopher's Pediatric Urgent Care Center - Allentown, L.L.C	Pennsylvania
St. Joseph's Hospital Surgical Co-Management, LLC	Arizona
St. Mary's Hospital Cardiovascular Co-Management LLC	Arizona

St. Mary's Hospital Surgical Co-Management LLC	Arizona
St. Mary's Levee Company, LLC	Arizona
St. Mary's Medical Center, Inc.	Florida
Sunrise Medical Group I, L.L.C.	Florida
Sunrise Medical Group II, L.L.C.	Florida
Sunrise Medical Group IV, L.L.C.	Florida
Surgical & Bariatric Associates of Atlanta Medical Center, L.L.C.	Georgia
Surgical Clinical Excellence at Desert Regional, LLC	California
Sutton Road Pediatrics, L.L.C.	South Carolina
Sylvan Grove Hospital, Inc.	Georgia
Syndicated Office Systems, LLC	California
Tenet Business Services Corporation	Texas
Tenet California, Inc.	Delaware
TenetCare Frisco, Inc.	Texas
Tenet Central Carolina Physicians, Inc.	North Carolina
Tenet EKG, Inc.	Texas
Tenet El Paso, Ltd.	Texas
Tenet Employment, Inc.	Texas
Tenet Finance Corp.	Delaware
Tenet Florida, Inc.	Delaware
Tenet Florida Physician Services II, L.L.C.	Florida
Tenet Florida Physician Services III, L.L.C.	Florida
Tenet Florida Physician Services, L.L.C.	Florida
Tenet Fort Mill, Inc.	South Carolina
Tenet Global Business Center, Inc.	Republic of the Philippines
Tenet HealthSystem Bucks County, L.L.C.	Pennsylvania
Tenet HealthSystem Graduate, L.L.C.	Pennsylvania
Tenet HealthSystem Hahnemann, L.L.C.	Pennsylvania
Tenet HealthSystem Medical, Inc.	Delaware
Tenet HealthSystem Nacogdoches ASC GP, Inc.	Texas
Tenet HealthSystem Philadelphia, Inc.	Pennsylvania
Tenet HealthSystem Roxborough, LLC	Pennsylvania
Tenet HealthSystem St. Christopher's Hospital for Children, L.L.C.	Pennsylvania
Tenet Hilton Head Heart, L.L.C.	South Carolina
Tenet Hospitals Limited	Texas
Tenet Network Management, Inc.	Florida
Tenet Patient Safety Organization, LLC	Texas
Tenet Physician Resources, LLC	Delaware
Tenet Physician Services - Hilton Head, Inc.	South Carolina
Tenet Rehab Piedmont, Inc.	South Carolina
Tenet Relocation Services, L.L.C.	Texas
Tenet SC East Cooper Hospitalists, L.L.C.	South Carolina
Tenet South Carolina Gastrointestinal Surgical Specialists, L.L.C.	South Carolina
Tenet South Carolina Island Medical, L.L.C.	South Carolina
Tenet South Carolina Lowcountry OB/GYN, L.L.C.	South Carolina
Tenet South Carolina Mt. Pleasant OB/GYN, L.L.C.	South Carolina
Tenet Unifour Urgent Care Center, L.L.C.	North Carolina
Tenet Ventures, Inc.	Delaware

TFPS IV, L.L.C.	Florida
TH Healthcare, Ltd.	Texas
TPR Practice Management, LLC	Delaware
TPS VI of PA, L.L.C.	Pennsylvania
Tucson Hospital Holdings, Inc.	Delaware
Tucson Physician Group Holdings, LLC	Delaware
Turlock Land Company, LLC	California
Twin Cities Community Hospital, Inc.	California
UCC Tucson Holdings, LLC	Delaware
Universal Medical Care Center, L.L.C.	Florida
Urgent Care Centers of Arizona, LLC	Arizona
USPI Holding Company, Inc.	Delaware
USVI Health and Wellness, Inc.	St. Croix
Valley Baptist Lab Services, LLC	Texas
Valley Baptist Physician Performance Network	Texas
Valley Baptist Realty Company, LLC	Delaware
Valley Baptist Wellness Center, LLC	Texas
Valley Health Care Network	Texas
Vanguard Health Financial Company, LLC	Delaware
Vanguard Health Holding Company I, LLC	Delaware
Vanguard Health Holding Company II, LLC	Delaware
Vanguard Health Management, Inc.	Delaware
Vanguard Health Systems, Inc.	Delaware
Vanguard Holding Company I, Inc.	Delaware
Vanguard Holding Company II, Inc.	Delaware
Vanguard Medical Specialists, LLC	Delaware
Vanguard Physician Services, LLC	Delaware
VB Brownsville IMP ASC, LLC	Texas
VB Brownsville LTACH, LLC	Texas
VBOA ASC GP, LLC	Texas
VBOA ASC Partners, L.L.C.	Texas
VHM Services, Inc.	Massachusetts
VHS Acquisition Corporation	Delaware
VHS Acquisition Partnership Number 1, L.P	Delaware
VHS Acquisition Subsidiary Number 1, Inc.	Delaware
VHS Acquisition Subsidiary Number 2, Inc.	Delaware
VHS Acquisition Subsidiary Number 3, Inc.	Delaware
VHS Acquisition Subsidiary Number 4, Inc.	Delaware
VHS Acquisition Subsidiary Number 5, Inc.	Delaware
VHS Acquisition Subsidiary Number 6, Inc.	Delaware
VHS Acquisition Subsidiary Number 7, Inc.	Delaware
VHS Acquisition Subsidiary Number 8, Inc.	Delaware
VHS Acquisition Subsidiary Number 9, Inc.	Delaware
VHS Acquisition Subsidiary Number 10, Inc.	Delaware
VHS Acquisition Subsidiary Number 11, Inc.	Delaware
VHS Acquisition Subsidiary Number 12, Inc.	Delaware
VHS Arizona Heart Institute, Inc.	Delaware
VHS Brownsville Hospital Company, LLC	Delaware

VHS Chicago Market Procurement, LLC	Delaware
VHS Children's Hospital of Michigan, Inc.	Delaware
VHS Detroit Businesses, Inc.	Delaware
VHS Detroit Receiving Hospital, Inc.	Delaware
VHS Detroit Ventures, Inc.	Delaware
VHS Harlingen Hospital Company, LLC	Delaware
VHS Harper-Hutzel Hospital, Inc.	Delaware
VHS Holding Company, Inc.	Delaware
VHS Huron Valley-Sinai Hospital, Inc.	Delaware
VHS Imaging Centers, Inc.	Delaware
VHS New England Holding Company I, Inc.	Delaware
VHS of Anaheim, Inc.	Delaware
VHS of Arrowhead, Inc.	Delaware
VHS of Huntington Beach, Inc.	Delaware
VHS of Illinois, Inc.	Delaware
VHS of Michigan, Inc.	Delaware
VHS of Michigan Staffing, Inc.	Delaware
VHS of Orange County, Inc.	Delaware
VHS of Phoenix, Inc.	Delaware
VHS of South Phoenix, Inc.	Delaware
VHS Outpatient Clinics, Inc.	Delaware
VHS Phoenix Health Plan, Inc.	Delaware
VHS Physicians of Michigan	Michigan
VHS Rehabilitation Institute of Michigan, Inc.	Delaware
VHS San Antonio Partners, LLC	Delaware
VHS Sinai-Grace Hospital, Inc.	Delaware
VHS University Laboratories, Inc.	Delaware
VHS Valley Health System, LLC	Delaware
VHS Valley Holdings, LLC	Delaware
VHS Valley Management Company, Inc.	Delaware
VHS West Suburban Medical Center, Inc.	Delaware
VHS Westlake Hospital, Inc.	Delaware
Walker Baptist Affinity, LLC	Alabama
Watermark Physician Services, Inc.	Illinois
West Boca Health Services, L.L.C.	Florida
West Boca Medical Center, Inc.	Florida
West Boynton Urgent Care, L.L.C.	Florida
West Palm Healthcare Real Estate, Inc.	Florida
West Suburban Radiation Therapy Center, LLC	Delaware
Wilshire Rental Corp.	Delaware

Subsidiaries of USPI Holding Company, Inc.

Name of Entity	State or Other Jurisdiction of Formation
25 East Same Day Surgery, L.L.C.	Illinois
300 PBL Development, LLC	Delaware
45th Street MOB, LLC	Florida
Advanced Ambulatory Surgical Care, L.P.	Missouri
Advanced Center for Surgery – Vero Beach, LLC	Florida
Advanced Surgical Concepts, LLC	Louisiana
AdventHealth Surgery Center Celebration, LLC	Florida
AdventHealth Surgery Centers Central Florida, LLC	Florida
AdventHealth Surgery Center Mills Park, LLC	Florida
AdventHealth Surgery Centers West Florida, LLC	Florida
AdventHealth Surgery Center Winter Garden, LLC	Florida
Adventist Midwest Health/USP Surgery Centers, L.L.C.	Illinois
AIG Holdings, LLC	Texas
AIGB Global, LLC	Texas
AIGB Group, Inc.	Delaware
AIGB Holdings, Inc.	Delaware
AIGB Management Services, LLC	Texas
Alabama Digestive Health Endoscopy Center, L.L.C.	Alabama
Alamo Heights Surgicare, L.P.	Texas
Alliance Surgery Birmingham, LLC	Delaware
Alliance Surgery, Inc.	Delaware
All Star MOB, LLC	Texas
Ambulatory Surgical Associates, LLC	Tennessee
Ambulatory Surgical Center of Somerville, LLC	New Jersey
The Ambulatory Surgical Center of St. Louis, L.P.	Missouri
American Institute of Gastric Banding Phoenix, Limited Partnership	Arizona
American Institute of Gastric Banding, Ltd.	Texas
Anaheim Hills Medical Imaging, L.L.C.	California
Anesthesia Partners of Gallatin, LLC	Tennessee
APN	Texas
ARC Worcester Center L.P.	Tennessee
Arlington Orthopedic and Spine Hospital, LLC	Texas
Arrowhead Endoscopy and Pain Management Center, LLC	Delaware
ASC of New Jersey LLC	New Jersey
ASC Old Co., LP	Delaware
ASJH Joint Venture, LLC	Arizona
Atlantic Health-USP Surgery Centers, L.L.C.	New Jersey
Avita/USP Surgery Centers, L.L.C.	Ohio
Bagley Holdings, LLC	Ohio
Baptist Plaza Surgicare, L.P.	Tennessee
Baptist Surgery Center, L.P.	Tennessee
Baptist Women’s Health Center, LLC	Tennessee
Baptist/USP Surgery Centers, L.L.C.	Texas
Bartlett ASC, LLC	Tennessee

Baylor Surgicare at Baylor Plano, LLC	Texas
Baylor Surgicare at Blue Star, LLC	Texas
Baylor Surgicare at Ennis, LLC	Texas
Baylor Surgicare at Granbury, LLC	Texas
Baylor Surgicare at Mansfield, LLC	Texas
Baylor Surgicare at North Dallas, LLC	Texas
Baylor Surgicare at Plano Parkway, LLC	Texas
Baylor Surgicare at Plano, LLC	Texas
Beaumont Surgical Affiliates, Ltd.	Texas
Bellaire Outpatient Surgery Center, L.L.P.	Texas
Berkshire Eye, LLC	Pennsylvania
Bloomington ASC, LLC	Indiana
Blue Ridge/USP Surgery Centers, LLC	Tennessee
Bluffton Okatie Surgery Center, L.L.C.	South Carolina
Bon Secours Surgery Center at Harbour View, LLC	Virginia
Bon Secours Surgery Center at Virginia Beach, LLC	Virginia
Bozeman Health/USP Surgery Centers, L.L.C.	Montana
Bozeman MOB, LLC	Montana
Briarcliff Ambulatory Surgery Center, L.P.	Missouri
Bristol Ambulatory Surgery Center, LLC	Tennessee
Brookwood Baptist Health 3, LLC	Delaware
Brookwood Diagnostic Imaging Center, LLC	Delaware
Brookwood Women's Diagnostic Center, LLC	Delaware
California Joint & Spine, LLC	California
Camp Lowell Surgery Center, L.L.C.	Arizona
CareSpot of Austin, LLC	Delaware
CareSpot of Memphis, LLC	Delaware
CareSpot of Orlando/HSI Urgent Care, LLC	Delaware
Carondelet St. Mary's-Northwest, L.L.C.	Arizona
Cascade Spine Center, LLC	Delaware
Castle Rock Surgery Center, LLC	Colorado
Cedar Park Surgery Center, L.L.P.	Texas
Centennial ASC, LLC	Texas
Central Jersey Surgery Center, LLC	Georgia
Central Virginia Surgi-Center, L.P.	Virginia
Centura Ventures Surgery Centers, LLC	Colorado
Chandler Endoscopy Ambulatory Surgery Center, LLC	Arizona
Charlotte Endoscopic Surgery Center, LLC	Florida
Chattanooga Pain Management Center, LLC	Delaware
Chesterfield Ambulatory Surgery Center, L.P.	Missouri
Chesterfield Anesthesia Associates of Missouri, LLC	Missouri
CHIC/USP Surgery Centers, LLC	Colorado
Chico Surgery Center, L.P.	California
CHRISTUS Cabrini Surgery Center, L.L.C.	Louisiana
Citrus Heights ASC RE, LLC	California
Clarkston ASC Partners, LLC	Michigan
Clarksville Surgery Center, LLC	Tennessee
Coastal Endo LLC	New Jersey

Coast Surgery Center, L.P.	California
Colorado GI Centers, LLC	Colorado
Community Hospital, LLC	Oklahoma
Conroe Surgery Center 2, LLC	Texas
Coral Ridge Outpatient Center, LLC	Florida
Corpus Christi Surgicare, Ltd.	Texas
Covenant/USP Surgery Centers, LLC	Tennessee
Creekwood Investors, LLC	Missouri
Creekwood Surgery Center, L.P.	Missouri
Crown Point Surgery Center, LLC	Colorado
CS/USP General Partner, LLC	Texas
CS/USP Surgery Centers, LP	Texas
Dallas Surgical Partners, LLC	Texas
Delray Beach ASC, LLC	Florida
Denton Surgicare Partners, Ltd.	Texas
Denton Surgicare Real Estate, Ltd.	Texas
Denville Surgery Center, LLC	New Jersey
Desert Cove MOB, LLC	Arizona
Desert Ridge Outpatient Surgery, LLC	Arizona
Desoto Surgicare Partners, Ltd.	Texas
Destin ASC RE, LLC	Florida
Destin Surgery Center, LLC	Florida
DeTar/USP Surgery Center, LLC	Texas
DH/USP Sacramento Pain GP, LLC	California
DH/USP SJOSC Investment Company, L.L.C.	Arizona
Dignity/USP Folsom GP, LLC	California
Dignity/USP Grass Valley GP, LLC	California
Dignity/USP Las Vegas Surgery Centers, LLC	Nevada
Dignity/USP Metro Surgery Center, LLC	Arizona
Dignity/USP/John Muir East Bay Surgery Centers, LLC	California
Dignity/USP NorCal Surgery Centers, LLC	California
Dignity/USP Phoenix Surgery Centers II, LLC	Arizona
Dignity/USP Phoenix Surgery Centers, LLC	Arizona
Dignity/USP Redding GP, LLC	California
Dignity/USP Roseville GP, LLC	California
Doctors Outpatient Center for Surgery, LLC	California
Doctors Outpatient Surgery Center of Jupiter, L.L.C.	Florida
East Atlanta Endoscopy Centers, LLC	Georgia
East Portland Surgery Center, LLC	Oregon
East West Surgery Center, L.P.	Georgia
Eastgate Building Center, L.L.C.	Ohio
Effingham Surgical Partners, LLC	Illinois
Einstein Montgomery Surgery Center, LLC	Pennsylvania
Einstein/USP Surgery Centers, L.L.C.	Pennsylvania
El Mirador Surgery Center, L.L.C.	California
El Paso Center for Gastrointestinal Endoscopy, LLC	Texas
El Paso Day Surgery, LLC	Texas
El Paso Urology Surgery Center Curie, LLC	Texas

Emanate/USP Surgery Centers, LLC	California
Emerson Surgery Center, LLC	Missouri
Encinitas Endoscopy Center, LLC	California
Endoscopy Center of Hackensack, LLC	New Jersey
Endoscopy Center of South Sacramento, LLC	California
Endoscopy Consultants, LLC	Georgia
EPIC ASC, LLC	Kansas
Eye Center of Nashville UAP, LLC	Tennessee
Eye Surgery Center of Nashville, LLC	Tennessee
Flatirons Surgery Center, LLC	Colorado
Folsom Outpatient Surgery Center, L.P.	California
Fort Worth Hospital Real Estate, LP	Texas
Fort Worth Surgicare Partners, Ltd.	Texas
Foundation Bariatric Hospital of San Antonio, LLC	Texas
Foundation San Antonio Borrower Sub, LLC	Texas
FPN – Frisco Physicians Network	Texas
Franklin Endo UAP, LLC	Tennessee
Franklin Endoscopy Center, LLC	Tennessee
Frisco Medical Center, L.L.P.	Texas
Frontenac Ambulatory Surgery & Spine Care Center, L.P.	Missouri
Gamma Surgery Center, LLC	Delaware
Garland Surgicare Partners, Ltd.	Texas
GCSA Ambulatory Surgery Center, LLC	Texas
Genesis ASC Partners, LLC	Michigan
Georgia Endoscopy Center, LLC	Georgia
Georgia Musculoskeletal Network, Inc.	Georgia
Georgia Spine Surgery Center, LLC	Delaware
Golden Ridge ASC, LLC	Colorado
Grapevine Surgicare Partners, Ltd.	Texas
Grass Valley Outpatient Surgery Center, L.P.	California
Greenville Physicians Surgery Center, LLP	Texas
Greenwood ASC, LLC	Delaware
Hacienda Outpatient Surgery Center, LLC	California
Harvard Park Surgery Center, LLC	Colorado
Haymarket Surgery Center, LLC	Virginia
Hazelwood Endoscopy Center, LLC	Missouri
HCN Sunnyvale Holdings LLC	Delaware
HCN Surgery Center Holdings, Inc.	Delaware
Healthcare Partners Investments, LLC	Delaware
Health Horizons of Kansas City, Inc.	Tennessee
Health Horizons of Murfreesboro, Inc.	Tennessee
Health Horizons/Piedmont Joint Venture, LLC	Tennessee
Healthmark Partners, Inc.	Delaware
Heritage Park Surgical Hospital, LLC	Texas
Hershey Outpatient Surgery Center, L.P.	Pennsylvania
Hill Country ASC Partners, LLC	Texas
Hill Country Surgery Center, LLC	Texas
Hinsdale Surgical Center, LLC	Illinois

HMA/Solantic Joint Venture, LLC	Delaware
HMHP/USP Surgery Centers, LLC	Ohio
HMH-USP Surgery Centers, LLC	New Jersey
Holston Valley Ambulatory Surgery Center, LLC	Tennessee
Houston PSC, L.P.	Texas
HPI Holdings, LLC	Oklahoma
HPI North, LLC	Oklahoma
HPI Physicians, LLC	Oklahoma
HSS Palm Beach Ambulatory Surgery Center, LLC	Florida
HSS/USP Surgery Center, LLC	Florida
HUMC/USP Surgery Centers, LLC	New Jersey
Hyde Park Surgery Center, LLC	Texas
ICNU Rockford, LLC	Illinois
Integris/USP Health Ventures, LLC	Oklahoma
Irving-Coppell Surgical Hospital, L.L.P.	Texas
Jackson Surgical Center, LLC	New Jersey
Jacksonville Endoscopy Centers, LLC	Florida
JFP UAP Sugarland, LLC	Texas
KHS Ambulatory Surgery Center LLC	New Jersey
KHS/USP Surgery Centers, LLC	New Jersey
Kingsport Ambulatory Surgery Center, LLC	Tennessee
Lake Endoscopy Center, LLC	Florida
Lake Lansing ASC Partners, LLC	Michigan
Lake Surgical Hospital Slidell, LLC	Louisiana
Lakewood Surgery Center, LLC	Delaware
Lansing ASC Partners, LLC	Michigan
Lawrenceville Surgery Center, L.L.C.	Georgia
Lebanon Endoscopy Center, LLC	Tennessee
Legacy Warren Partners, L.P.	Texas
Legacy/USP Surgery Centers, L.L.C.	Oregon
Lewisville Surgicare Partners, Ltd.	Texas
Liberty Ambulatory Surgery Center, L.P.	Missouri
Lone Star Endoscopy Center, LLC	Texas
Lubbock ASC Holding Co, LLC	Texas
Magnetic Resonance Imaging of San Luis Obispo, Inc.	California
Magnolia Surgery Center Limited Partnership	Delaware
Manchester Ambulatory Surgery Center, LP	Missouri
Mary Immaculate Ambulatory Surgery Center, LLC	Virginia
MASC Partners, LLC	Missouri
Mason Ridge Ambulatory Surgery Center, L.P.	Missouri
Mayfield Spine Surgery Center, LLC	Ohio
McLaren ASC of Flint, LLC	Michigan
MCSH Real Estate Investors, Ltd.	Texas
Medical House Staffing, LLC	Texas
Medical Park Tower Surgery Center, LLC	Texas
Medplex Outpatient Surgery Center, Ltd.	Alabama
Memorial Hermann Bay Area Endoscopy Center, LLC	Texas
Memorial Hermann Endoscopy & Surgery Center North Houston, L.L.C.	Texas

Memorial Hermann Endoscopy Center North Freeway, LLC	Texas
Memorial Hermann Specialty Hospital Kingwood, L.L.C.	Texas
Memorial Hermann Sugar Land Surgical Hospital, L.L.P.	Texas
Memorial Hermann Surgery Center Brazoria, LLC	Texas
Memorial Hermann Surgery Center Cypress, LLC	Texas
Memorial Hermann Surgery Center Katy, LLP	Texas
Memorial Hermann Surgery Center Kingsland, L.L.C.	Texas
Memorial Hermann Surgery Center Kirby, LLC	Texas
Memorial Hermann Surgery Center Main Street, LLC	Texas
Memorial Hermann Surgery Center Memorial City, L.L.C.	Texas
Memorial Hermann Surgery Center Northwest LLP	Texas
Memorial Hermann Surgery Center Pinecroft, LLC	Texas
Memorial Hermann Surgery Center Preston Road, Ltd.	Texas
Memorial Hermann Surgery Center Richmond, LLC	Texas
Memorial Hermann Surgery Center Southwest, L.L.P.	Texas
Memorial Hermann Surgery Center Sugar Land, LLP	Texas
Memorial Hermann Surgery Center Texas Medical Center, LLP	Texas
Memorial Hermann Surgery Center – The Woodlands, LLP	Texas
Memorial Hermann Surgery Center Woodlands Parkway, LLC	Texas
Memorial Hermann Texas International Endoscopy Center, LLC	Texas
Memorial Hermann/USP Surgery Centers II, L.P.	Texas
Memorial Hermann/USP Surgery Centers III, LLP	Texas
Memorial Hermann/USP Surgery Centers IV, LLP	Texas
Memorial Hermann West Houston Surgery Center, LLC	Texas
Memorial Surgery Center, LLC	Oklahoma
Merced Ambulatory Surgery Center, LLC	California
Mercy/USP Health Ventures, L.L.C.	Iowa
Metro Surgery Center, LLC	Delaware
Metrocrest Surgery Center, L.P.	Texas
Metroplex Surgicare Partners, Ltd.	Texas
Metropolitan New Jersey, LLC	New Jersey
MH Memorial City Surgery, LLC	Texas
MH/USP Bay Area, LLC	Texas
MH/USP Brazoria, LLC	Texas
MH/USP Kingsland, LLC	Texas
MH/USP Kingwood, LLC	Texas
MH/USP Kirby, LLC	Texas
MH/USP Main Street, LLC	Texas
MH/USP North Freeway, LLC	Texas
MH/USP North Houston, LLC	Texas
MH/USP Richmond, LLC	Texas
MH/USP Sugar Land, LLC	Texas
MH/USP TMC Endoscopy, LLC	Texas
MH/USP West Houston, L.L.C.	Texas
MH/USP Woodlands Parkway, LLC	Texas
Michigan ASC Partners, L.L.C.	Michigan
Mid Rivers Ambulatory Surgery Center, L.P.	Missouri
Mid State Endo UAP, LLC	Tennessee

Middle Tennessee Ambulatory Surgery Center, L.P.	Delaware
Midland Memorial/USP Surgery Centers, LLC	Texas
Midland Texas Surgical Center, LLC	Texas
Mid-State Endoscopy Center, LLC	Tennessee
Mid-TSC Development, LP	Texas
Midwest Digestive Health Center, LLC	Missouri
Millennium Surgical Center, LLC	New Jersey
Modesto Radiology Imaging, Inc.	California
Mountain Empire Surgery Center, L.P.	Georgia
MSH Partners, LLC	Texas
MSV Health/USP Surgery Centers, LLC	South Carolina
Murdock Ambulatory Surgery Center, LLC	Florida
MVH/USP Surgery Centers, LLC	Pennsylvania
National Imaging Center Holdings, Inc.	Delaware
National Surgery Center Holdings, Inc.	Delaware
Newhope Imaging Center, Inc.	California
New Horizons Surgery Center, LLC	Ohio
New Mexico Orthopaedic Surgery Center, LLC	Georgia
New Salem ASC RE, LLC	Tennessee
NHSC Holdings, LLC	Ohio
NICH GP Holdings, LLC	Delaware
NKCH/USP Briarcliff GP, LLC	Missouri
NKCH/USP Liberty GP, LLC	Missouri
NKCH/USP Surgery Centers II, L.L.C.	Missouri
NKCH/USP Surgery Centers, LLC	Missouri
NMC Surgery Center, L.P.	Texas
North Anaheim Surgery Center, LLC	California
North Campus Surgery Center, LLC	Missouri
North Central Surgical Center, L.L.P.	Texas
North Denver Musculoskeletal Surgical Partners, LLC	Colorado
North Garland Surgery Center, L.L.P.	Texas
North Haven Surgery Center, LLC	Connecticut
North Shore Same Day Surgery, L.L.C.	Illinois
North State Surgery Centers, L.P.	California
Northern Monmouth Regional Surgery Center, L.L.C.	New Jersey
Northridge ASC RE, LLC	Tennessee
Northridge Surgery Center, L.P.	Tennessee
NorthShore/USP Surgery Centers II, L.L.C.	Illinois
Northwest Ambulatory Surgery Center, LLC	Oregon
Northwest Georgia Orthopaedic Surgery Center, LLC	Georgia
Northwest Regional ASC, LLC	Delaware
Northwest Surgery Center, LLP	Texas
Northwest Surgery Center, Ltd.	Texas
Novant Health/USP Surgery Centers, LLC	North Carolina
Novant/UVA/USP Surgery Centers, LLC	Virginia
NSCH GP Holdings, LLC	Delaware
NSCH/USP Desert Surgery Centers, L.L.C.	Delaware
OCOMS Imaging, LLC	Oklahoma

OCOMS Professional Services, LLC	Oklahoma
Oklahoma Center for Orthopedic and Multi-Specialty Surgery, LLC	Oklahoma
Old Tesson Surgery Center, L.P.	Missouri
Olive Ambulatory Surgery Center, LLC	Missouri
OLOL Pontchartrain Surgery Center, LLC	Louisiana
OLOL/USP Surgery Centers, L.L.C.	Texas
Ophthalmology Anesthesia Services, LLC	Florida
Ophthalmology Surgery Center of Orlando, LLC	Florida
Optimum Spine Center, LLC	Georgia
Orlando Health/USP Surgery Centers, L.L.C.	Florida
OrthoArizona Surgery Center Gilbert, LLC	Arizona
OrthoLink ASC Corporation	Tennessee
OrthoLink Physicians Corporation	Delaware
OrthoLink Radiology Services Corporation	Tennessee
OrthoLink/ Georgia ASC, Inc.	Georgia
OrthoLink/Baptist ASC, LLC	Tennessee
OrthoLink/New Mexico ASC, Inc.	Georgia
Orthopedic and Surgical Specialty Company, LLC	Arizona
Orthopedic South Surgical Partners, LLC	Georgia
The Outpatient Center, LLC	Florida
Pacific Endoscopy and Surgery Center, LLC	California
Pacific Endo-Surgical Center, L.P.	California
PAHS/USP Surgery Centers, LLC	Colorado
Pain Diagnostic and Treatment Center, L.P.	California
Palm Beach International Surgery Center, LLC	Florida
Palos Health Surgery Center, LLC	Illinois
Paramus Endoscopy, LLC	New Jersey
Park Cities Surgery Center, LLC	Texas
ParkCreek ASC, LLC	Florida
Parkway Recovery Care Center, LLC	Nevada
Parkway Surgery Center, LLC	Nevada
Parkwest Surgery Center, L.P.	Tennessee
Patient Partners, LLC	Tennessee
Peak Gastroenterology ASC, LLC	Colorado
Pediatric Surgery Center – Odessa, LLC	Florida
Pediatric Surgery Centers, LLC	Florida
PHS/USP Health Ventures, LLC	New Mexico
Physicians Surgery Center at Good Samaritan, LLC	Illinois
Physician’s Surgery Center of Chattanooga, L.L.C.	Tennessee
Physician’s Surgery Center of Knoxville, LLC	Tennessee
Physicians Surgery Center of Tempe, LLC	Oklahoma
Physicians Surgical Center of Ft. Worth, LLP	Texas
Pleasanton Diagnostic Imaging, Inc.	California
PPRE, LLC	Texas
Premier Adult and Children’s Surgery Center, LLC	Florida
Premier ASC LLC	New Jersey
Premier Endoscopy ASC, LLC	Arizona
Prince William Ambulatory Surgery Center, LLC	Virginia

Professional Anesthesia Services LLC	Arizona
Providence/UCLA/USP Surgery Centers, LLC	California
Providence/USP Santa Clarita GP, LLC	California
Providence/USP South Bay Surgery Centers, L.L.C.	California
Providence/USP Surgery Centers, L.L.C.	California
Pueblo Ambulatory Surgery Center, LLC	Colorado
RE Plano Med, Inc.	Texas
Reading Ambulatory Surgery Center, L.P.	Pennsylvania
Reading Endoscopy Center, LLC	Delaware
Reagan Street Surgery Center, LLC	California
Redmond Surgery Center, LLC	Tennessee
Renaissance Surgery Center, LLC	California
Resurgens East Surgery Center, LLC	Georgia
Resurgens Fayette Surgery Center, LLC	Georgia
Resurgens Surgery Center, LLC	Georgia
Richmond ASC Leasing Company, LLC	Virginia
River North Same Day Surgery, L.L.C.	Illinois
Riverside Ambulatory Surgery Center, LLC	Missouri
Rock Hill Surgery Center, LLC	South Carolina
Rockwall Ambulatory Surgery Center, L.L.P.	Texas
Rocky Mountain Endoscopy Centers, LLC	Colorado
Roseville Surgery Center, L.P.	California
Roswell Surgery Center, L.L.C.	Georgia
Sacramento Midtown Endoscopy Center, LLC	California
Safety Harbor ASC Company, LLC	Florida
Saint Agnes/Dignity/USP Surgery Centers, LLC	California
Saint Agnes/USP Surgery Centers, LLC	California
Saint Francis Surgery Center, L.L.C.	Tennessee
Saint Thomas Campus Surgicare, L.P.	Tennessee
Saint Thomas Surgery Center New Salem, LLC	Tennessee
Saint Thomas/USP – Baptist Plaza, L.L.C.	Tennessee
Saint Thomas/USP Surgery Centers II, L.L.C.	Tennessee
Saint Thomas/USP Surgery Centers, L.L.C.	Tennessee
Same Day Management, L.L.C.	Illinois
Same Day SC of Central NJ, LLC	New Jersey
Same Day Surgery, L.L.C.	Illinois
San Antonio Endoscopy, L.P.	Texas
San Fernando Valley Surgery Center, L.P.	California
San Gabriel Valley Surgical Center, L.P.	California
San Martin Surgery Center, LLC	Nevada
San Ramon Network Joint Venture, LLC	Delaware
Santa Barbara Outpatient Surgery Center, LLC	California
Santa Clarita Surgery Center, L.P.	California
Savannah Endoscopy Ambulatory Surgery Center, LLC	Georgia
Scripps Encinitas Surgery Center, LLC	California
Scripps/USP Surgery Centers, L.L.C.	California
SCNRE, LLC	Texas
Shands/Solantic Joint Venture, LLC	Delaware

Shore Outpatient Surgicenter, L.L.C.	Georgia
Shoreline Real Estate Partnership, LLP	Texas
Shoreline Surgery Center, LLP	Texas
Shrewsbury Surgery Center, LLC	New Jersey
Silicon Valley Outpatient Surgery Centers, LLC	California
Silver Cross Ambulatory Surgery Center, LLC	Illinois
Silver Cross/USP Surgery Centers, LLC	Illinois
Siouxland Surgery Center Limited Liability Partnership	Iowa
SLPA ACO, LLC	Missouri
Solantic Corporation	Delaware
Solantic Development, LLC	Delaware
Solantic Holdings Corporation	Delaware
Solantic of Jacksonville, LLC	Delaware
Solantic of Orlando, LLC	Delaware
Solantic/South Florida, LLC	Delaware
South County Outpatient Endoscopy Services, L.P.	Missouri
South Denver Musculoskeletal Surgical Partners, LLC	Colorado
The Southeastern Spine Institute Ambulatory Surgery Center, L.L.C.	South Carolina
South Florida Ambulatory Surgical Center, LLC	Florida
Southwest Ambulatory Surgery Center, L.L.C.	Oklahoma
Southwest Endoscopy, LLC	Arizona
Southwest Orthopedic and Spine Hospital Real Estate, LLC	Delaware
Southwest Orthopedic and Spine Hospital, LLC	Arizona
Southwestern Ambulatory Surgery Center, LLC	Pennsylvania
SPC at the Star, LLC	Texas
Specialty Surgery Center of Fort Worth, L.P.	Texas
Specialty Surgicenters, Inc.	Georgia
Spinal Diagnostics and Treatment Centers, L.L.C.	California
Spine & Joint Physician Associates	Texas
SSI Holdings, Inc.	Georgia
St. Augustine Endoscopy Center, LLC	Florida
St. Joseph's Outpatient Surgery Center, LLC	Arizona
St. Joseph's Surgery Center, L.P.	California
St. Louis Physician Alliance, LLC	Missouri
St. Louis Surgical Center, LLC	Missouri
St. Louis Urology Center, LLC	Missouri
St. Luke's/USP Surgery Centers, LLC	Missouri
St. Mary's Ambulatory Surgery Center, LLC	Virginia
St. Vincent Health/USP, LLC	Indiana
St. Vincent/USP Surgery Centers, LLC	Arkansas
Stockton Outpatient Surgery Center, LLC	California
Suburban Endoscopy Center, LLC	New Jersey
Summit View Surgery Center, LLC	Colorado
Sun View Imaging, L.L.C.	New Mexico
Surgery Affiliate of El Paso, LLC	Texas
Surgery Center at Mount Pleasant, LLC	South Carolina
Surgery Center at University Park, LLC	Florida
Surgery Center of Atlanta, LLC	Georgia

Surgery Center of Canfield, LLC	Ohio
Surgery Center of Columbia, L.P.	Missouri
The Surgery Center at Jensen Beach, LLC	Florida
The Surgery Center at Williamson, LLC	Texas
Surgery Center of Okeechobee, LLC	Florida
Surgery Center of Pembroke Pines, L.L.C.	Florida
Surgery Center of Peoria, L.L.C.	Oklahoma
Surgery Center of Richardson Physician Partnership, L.P.	Texas
Surgery Center of Santa Barbara, LLC	California
Surgery Center of Scottsdale, LLC	Oklahoma
Surgery Center of Tempe Real Estate, L.L.C.	Arizona
Surgery Center of Tempe Real Estate II, L.L.C.	Arizona
Surgery Centers of America II, L.L.C.	Oklahoma
Surgery Centre of SW Florida, LLC	Florida
Surgical Elite of Avondale, L.L.C.	Arizona
Surgical Health Partners, LLC	Tennessee
Surgical Institute Management, LLC	Pennsylvania
Surgical Institute of Reading, LLC	Pennsylvania
Surgical Specialists at Princeton, LLC	New Jersey
Surgicare of Miramar, L.L.C.	Florida
Surginet, Inc.	Tennessee
Surgis Management Services, Inc.	Tennessee
Surgis of Chico, Inc.	Tennessee
Surgis of Phoenix, Inc.	Tennessee
Surgis of Redding, Inc.	Tennessee
Surgis of Victoria, Inc.	Tennessee
Surgis, Inc.	Delaware
Tamarac Surgery Center, LLC	Florida
Templeton Imaging, Inc.	California
TENN SM, LLC	Tennessee
Terre Haute Surgical Center, LLC	Indiana
Teton Outpatient Services, LLC	Wyoming
Texan Ambulatory Surgery Center, L.P.	Texas
Texas Endoscopy Centers, LLC	Texas
Texas Health Venture Arlington Hospital, LLC	Texas
Texas Health Venture Baylor Plano, LLC	Texas
Texas Health Venture Carrollton, LLC	Texas
Texas Health Venture Centennial, LLC	Texas
Texas Health Venture Ennis, LLC	Texas
Texas Health Venture Fort Worth, L.L.C.	Texas
Texas Health Venture Granbury, LLC	Texas
Texas Health Venture Heritage Park, LLC	Texas
Texas Health Venture Keller, LLC	Texas
Texas Health Venture Las Colinas, LLC	Texas
Texas Health Venture Mansfield, LLC	Texas
Texas Health Venture Plano Endo, LLC	Texas
Texas Health Venture Plano Parkway, LLC	Texas
Texas Health Venture Plano, LLC	Texas

Texas Health Venture Texas Spine, LLC	Texas
Texas Health Ventures Group L.L.C.	Texas
Texas Orthopedics Surgery Center, LLC	Texas
Texas Regional Medical Center, LLC	Texas
Texas Spine and Joint Hospital, LLC	Texas
Theda Oaks Gastroenterology & Endoscopy Center, LLC	Texas
THV Park Cities, LLC	Texas
THVG Arlington GP, LLC	Delaware
THVG Bariatric GP, LLC	Texas
THVG Bariatric, L.L.C.	Texas
THVG Bedford GP, LLC	Delaware
THVG Bellaire GP, LLC	Delaware
THVG Denton GP, LLC	Delaware
THVG DeSoto GP, LLC	Delaware
THVG DSP GP, LLC	Delaware
THVG Fort Worth GP, LLC	Delaware
THVG Frisco GP, LLC	Delaware
THVG Garland GP, LLC	Delaware
THVG Grapevine GP, LLC	Delaware
THVG Irving-Coppell GP, LLC	Delaware
THVG Lewisville GP, LLC	Delaware
THVG North Garland GP, LLC	Delaware
THVG Park Cities/Trophy Club GP, LLC	Delaware
THVG Rockwall 2 GP, LLC	Texas
THVG Valley View GP, LLC	Delaware
Titan Health Corporation	Delaware
Titan Health of Chattanooga, Inc.	California
Titan Health of Hershey, Inc.	California
Titan Health of Mount Laurel, LLC	California
Titan Health of North Haven, Inc.	California
Titan Health of Pittsburgh, Inc.	California
Titan Health of Pleasant Hills, Inc.	California
Titan Health of Princeton, Inc.	California
Titan Health of Sacramento, Inc.	California
Titan Health of Saginaw, Inc.	California
Titan Health of Titusville, Inc.	California
Titan Health of West Penn, Inc.	California
Titan Health of Westminster, Inc.	California
Titan Management Corporation	California
Titusville Center for Surgical Excellence, LLC	Delaware
TLC ASC, LLC	Florida
TMC Holding Company, LLC	Texas
Toms River Surgery Center, L.L.C.	New Jersey
TOPS Specialty Hospital, Ltd.	Texas
Total Joint Center of the Northland, LLC	Missouri
Tower Road Real Estate, LLC	Texas
Tower/USP Surgery Centers, LLC	Pennsylvania
TPG Hospital, LLC	Oklahoma

Treasure Coast ASC, LLC	Florida
The Tresanti Surgical Center, LLC	California
TRMC Holdings, LLC	Texas
Trophy Club Medical Center, L.P.	Texas
True Medical Weight Loss, L.P.	Texas
True Medical Wellness, LP	Texas
True Results Georgia, Inc.	Georgia
True Results HoldCo, LLC	Delaware
True Results Missouri, LLC	Missouri
Tucson Digestive Institute, LLC	Arizona
Turlock Imaging Services, LLC	California
Tuscan Surgery Center at Las Colinas, LLC	Texas
Twin Cities Ambulatory Surgery Center, L.P.	Missouri
UAP Las Colinas Endo, LLC	Texas
UAP Lebanon Endo, LLC	Tennessee
UAP Nashville Endoscopy, LLC	Tennessee
UAP of Arizona, Inc.	Arizona
UAP of California, Inc.	California
UAP of Missouri, Inc.	Missouri
UAP of New Jersey, Inc.	New Jersey
UAP of Oklahoma, Inc.	Oklahoma
UAP of Tennessee, Inc.	Tennessee
UAP of Texas, Inc.	Texas
UAP Scopes, LLC	Missouri
Ulysses True Results NewCo, LLC	Delaware
UMC Surgery Center Lubbock, LLC	Texas
UMC-USP Surgery Centers, LLC	Texas
United Anesthesia Partners, Inc.	Delaware
United Real Estate Development, Inc.	Texas
United Real Estate Holdings, Inc.	Texas
United Surgical Partners Holdings, Inc.	Delaware
United Surgical Partners International, Inc.	Delaware
University Surgery Center, Ltd.	Florida
University Surgical Partners of Dallas, L.L.P.	Texas
Upper Cumberland Physicians' Surgery Center, LLC	Tennessee
USP 12 th Ave Real Estate, Inc.	Texas
USP Acquisition Corporation	Delaware
USP Alexandria, Inc.	Louisiana
USP Assurance Company	Vermont
USP Athens, Inc.	Georgia
USP Atlanta, Inc.	Georgia
USP Austin, Inc.	Texas
USP Bariatric, LLC	Delaware
USP Beaumont, Inc.	Texas
USP Bergen, Inc.	New Jersey
USP Bloomington, Inc.	Indiana
USP Bridgeton, Inc.	Missouri
USP/Carondelet Tucson Surgery Centers, LLC	Arizona

USP Cedar Park, Inc.	Texas
USP Chesterfield, Inc.	Missouri
USP Chicago, Inc.	Illinois
USP Cincinnati, Inc.	Ohio
USP Coast, Inc.	California
USP Columbia, Inc.	Missouri
USP Connecticut, Inc.	Connecticut
USP Corpus Christi, Inc.	Texas
USP Creve Coeur, Inc.	Missouri
USP Denver, Inc.	Colorado
USP Des Peres, Inc.	Missouri
USP Destin, Inc.	Florida
USP Domestic Holdings, Inc.	Delaware
USP Effingham, Inc.	Illinois
USP Encinitas Endoscopy, Inc.	California
USP Fenton, Inc.	Missouri
USP Festus, Inc.	Missouri
USP Florissant, Inc.	Missouri
USP Fort Lauderdale, Inc.	Florida
USP Fort Worth Hospital Real Estate, Inc.	Texas
USP Fredericksburg, Inc.	Virginia
USP Fresno, Inc.	California
USP Frontenac, Inc.	Missouri
USP Gateway, Inc.	Missouri
USP Harbour View, Inc.	Virginia
USP-HMH Surgery Center at Central Jersey, LLC	New Jersey
USP HMH Surgery Center at Shore, LLC	New Jersey
USP Houston, Inc.	Texas
USP Indiana, Inc.	Indiana
USP International Holdings, Inc.	Delaware
USP Jersey City, Inc.	New Jersey
USP Kansas City, Inc.	Missouri
USP Knoxville, Inc.	Tennessee
USP Little Rock, Inc.	Arkansas
USP Long Island, Inc.	Delaware
USP Louisiana, Inc.	Louisiana
USP Lubbock, Inc.	Texas
USP Maryland, Inc.	Maryland
USP Mason Ridge, Inc.	Missouri
USP Mattis, Inc.	Missouri
USP Michigan, Inc.	Michigan
USP Midland Real Estate, Inc.	Texas
USP Midland, Inc.	Texas
USP Midwest, Inc.	Illinois
USP Mission Hills, Inc.	California
USP Montana, Inc.	Montana
USP Morris, Inc.	New Jersey
USP Mt. Vernon, Inc.	Illinois

USP Nevada Holdings, LLC	Nevada
USP Nevada, Inc.	Nevada
USP New Jersey, Inc.	New Jersey
USP Newport News, Inc.	Virginia
USP North Carolina, Inc.	North Carolina
USP North Kansas City, Inc.	Missouri
USP North Texas, Inc.	Delaware
USP Northwest Arkansas, Inc.	Arkansas
USP Office Parkway, Inc.	Missouri
USP Ohio RE, Inc.	Ohio
USP OKC, Inc.	Oklahoma
USP OKC Manager, Inc.	Oklahoma
USP Oklahoma, Inc.	Oklahoma
USP Olive, Inc.	Missouri
USP Orlando, Inc.	Florida
USP Philadelphia, Inc.	Pennsylvania
USP Phoenix, Inc.	Arizona
USP Portland, Inc.	Oregon
USP Reading, Inc.	Pennsylvania
USP Richmond II, Inc.	Virginia
USP Richmond, Inc.	Virginia
USP Sacramento, Inc.	California
USP San Antonio, Inc.	Texas
USP Santa Barbara Surgery Centers, Inc.	California
USP Securities Corporation	Tennessee
USP Silver Cross, Inc.	Illinois
USP Siouxland, Inc.	Iowa
USP Somerset, Inc.	New Jersey
USP South Carolina, Inc.	Delaware
USP Southlake RE, Inc.	Texas
USP/SOS Joint Venture, LLC	Oklahoma
USP St. Louis, Inc.	Missouri
USP St. Louis Urology, Inc.	Missouri
USP St. Peters, Inc.	Missouri
USP Sunset Hills, Inc.	Missouri
USP Tennessee, Inc.	Tennessee
USP Texas Air, L.L.C.	Texas
USP Texas, L.P.	Texas
USP TJ STL, Inc.	Missouri
USP Torrance, Inc.	California
USP Tucson, Inc.	Arizona
USP Turnersville, Inc.	New Jersey
USP Virginia Beach, Inc.	Virginia
USP Waxahachie Management, L.L.C.	Texas
USP Webster Groves, Inc.	Missouri
USP West Covina, Inc.	California
USP Westwood, Inc.	California
USP Winter Park, Inc.	Florida

USPI Group Holdings, Inc.	Delaware
USPI Holdings, Inc.	Delaware
USPI Physician Strategy Group, LLC	Texas
USPI San Diego, Inc.	California
USPI Stockton, Inc.	California
USPI Surgical Services, Inc.	Delaware
Utica ASC Partners, LLC	Michigan
Utica/USP Tulsa, L.L.C.	Oklahoma
Vanguard ASC LLC	New Jersey
Ventana Surgical Center, LLC	California
Veroscan, Inc.	Delaware
VHS San Antonio Imaging Partners, L.P.	Delaware
Victoria Ambulatory Surgery Center, L.P.	Delaware
Virtua-USP Princeton, LLC	New Jersey
Walker Street Imaging Care, Inc.	California
Warner Park Surgery Center, LLC	Arizona
Webster Ambulatory Surgery Center, L.P.	Missouri
Wellington Endo, LLC	Florida
Wellstar/USP Joint Venture I, LLC	Georgia
Wellstar/USP Joint Venture II, LLC	Georgia
West Bozeman Surgery Center, LLC	Montana
Westgate Surgery Center, LLC	Arizona
Westlake Hospital, LLC	Texas
Westlawn Surgery Center, LLC	Tennessee
Westminster Surgery Centers, LLC	Colorado
WHASA, L.C.	Texas
Willamette Spine Center Ambulatory Surgery, LLC	Delaware
Wilmington Endoscopy Center, LLC	North Carolina
Winter Haven Ambulatory Surgical Center, L.L.C.	Florida
Wymark Surgery Center, LLC	California
YNHHSC/USP Surgery Centers, LLC	Connecticut

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 033-57375, 333-00709, 333-01183, 333-38299, 333-41903, 333-41476, 333-41478, 333-48482, 333-74216, 333-151884, 333-151887, 333-166767, 333-166768, 333-191614, 333-196262, 333-212844, 333-212846, and 333-231515 on Form S-8 of our reports dated February 24, 2020, relating to the consolidated financial statements and financial statement schedule of Tenet Healthcare Corporation and subsidiaries, and the effectiveness of Tenet Healthcare Corporation and subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K of Tenet Healthcare Corporation for the year ended December 31, 2019.

/s/ Deloitte & Touche LLP
Dallas, Texas
February 24, 2020

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 033-57375, 333-00709, 333-01183, 333-38299, 333-41903, 333-41476, 333-41478, 333-48482, 333-74216, 333-151884, 333-151887, 333-166767, 333-166768, 333-191614, 333-196262, 333-212844, 333-212846 and 333-231515) of Tenet Healthcare Corporation of our report dated November 1, 2019 relating to the financial statements of Texas Health Ventures Group L.L.C., and its subsidiaries, which appears in this Annual Report on Form 10-K of Tenet Healthcare Corporation.

/s/ PricewaterhouseCoopers LLP
Dallas, Texas
February 24, 2020

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

I, Ronald A. Rittenmeyer, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 24, 2020

/s/ RONALD A. RITTENMEYER

Ronald A. Rittenmeyer

Executive Chairman and Chief Executive Officer

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

I, Daniel J. Cancelmi, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 24, 2020

/s/ DANIEL J. CANCELMI

Daniel J. Cancelmi

Executive Vice President and Chief Financial Officer

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

We, the undersigned Ronald A. Rittenmeyer and Daniel J. Cancelmi, being, respectively, the Executive Chairman and Chief Executive Officer and the Executive Vice President and Chief Financial Officer of Tenet Healthcare Corporation (the "Registrant"), do each hereby certify that (i) the Registrant's Annual Report on Form 10-K for the year ended December 31, 2019 (the "Form 10-K"), 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-K fairly presents, in all material respects, the financial condition and results of operations of the Registrant and its subsidiaries.

Date: February 24, 2020

/s/ RONALD A. RITTENMEYER

Ronald A. Rittenmeyer

Executive Chairman and Chief Executive Officer

Date: February 24, 2020

/s/ DANIEL J. CANCELMY

Daniel J. Cancelmi

Executive Vice President and 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.