

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

Form 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2022

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically 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

At April 22, 2022, there were 107,722,502 shares of the Registrant's common stock outstanding.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
TENET HEALTHCARE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

Dollars in Millions
(Unaudited)

	March 31, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,405	\$ 2,364
Accounts receivable	2,916	2,770
Inventories of supplies, at cost	391	384
Assets held for sale	19	—
Other current assets	1,397	1,557
Total current assets	6,128	7,075
Investments and other assets	3,385	3,254
Deferred income taxes	2	65
Property and equipment, at cost, less accumulated depreciation and amortization (\$6,083 at March 31, 2022 and \$5,960 at December 31, 2021)	6,296	6,427
Goodwill	9,352	9,261
Other intangible assets, at cost, less accumulated amortization (\$1,330 at March 31, 2022 and \$1,374 at December 31, 2021)	1,487	1,497
Total assets	\$ 26,650	\$ 27,579
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 132	\$ 135
Accounts payable	1,114	1,300
Accrued compensation and benefits	813	896
Professional and general liability reserves	272	254
Accrued interest payable	255	203
Contract liabilities	776	959
Other current liabilities	1,306	1,362
Total current liabilities	4,668	5,109
Long-term debt, net of current portion	14,719	15,511
Professional and general liability reserves	803	791
Defined benefit plan obligations	414	421
Deferred income taxes	36	36
Contract liabilities – long-term	14	15
Other long-term liabilities	1,582	1,439
Total liabilities	22,236	23,322
Commitments and contingencies		
Redeemable noncontrolling interests in equity of consolidated subsidiaries	2,358	2,203
Equity:		
Shareholders' equity:		
Common stock, \$0.05 par value; authorized 262,500,000 shares; 156,019,148 shares issued at March 31, 2022 and 155,520,691 shares issued at December 31, 2021	8	8
Additional paid-in capital	4,765	4,877
Accumulated other comprehensive loss	(233)	(233)
Accumulated deficit	(1,074)	(1,214)
Common stock in treasury, at cost, 48,331,319 shares at March 31, 2022 and 48,331,649 shares at December 31, 2021	(2,410)	(2,410)
Total shareholders' equity	1,056	1,028
Noncontrolling interests	1,000	1,026
Total equity	2,056	2,054
Total liabilities and equity	\$ 26,650	\$ 27,579

See accompanying Notes to Condensed Consolidated Financial Statements.

TENET HEALTHCARE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Dollars in Millions, Except Per-Share Amounts
(Unaudited)

	Three Months Ended March 31,	
	2022	2021
Net operating revenues	\$ 4,745	\$ 4,781
Grant income	6	31
Equity in earnings of unconsolidated affiliates	46	42
Operating expenses:		
Salaries, wages and benefits	2,182	2,201
Supplies	785	804
Other operating expenses, net	942	1,072
Depreciation and amortization	203	224
Impairment and restructuring charges, and acquisition-related costs	16	20
Litigation and investigation costs	20	13
Net losses on sales, consolidation and deconsolidation of facilities	1	—
Operating income	648	520
Interest expense	(227)	(240)
Other non-operating income, net	—	10
Loss from early extinguishment of debt	(43)	(23)
Income from continuing operations, before income taxes	378	267
Income tax expense	(99)	(45)
Income from continuing operations, before discontinued operations	279	222
Discontinued operations:		
Income from operations	1	—
Income from discontinued operations	1	—
Net income	280	222
Less: Net income available to noncontrolling interests	140	125
Net income available to Tenet Healthcare Corporation common shareholders	\$ 140	\$ 97
Amounts available to Tenet Healthcare Corporation common shareholders		
Income from continuing operations, net of tax	\$ 139	\$ 97
Income from discontinued operations, net of tax	1	—
Net income available to Tenet Healthcare Corporation common shareholders	\$ 140	\$ 97
Earnings per share available to Tenet Healthcare Corporation common shareholders:		
Basic		
Continuing operations	\$ 1.29	\$ 0.91
Discontinued operations	0.01	—
	\$ 1.30	\$ 0.91
Diluted		
Continuing operations	\$ 1.27	\$ 0.90
Discontinued operations	0.01	—
	\$ 1.28	\$ 0.90
Weighted average shares and dilutive securities outstanding (in thousands):		
Basic	107,483	106,309
Diluted	112,020	108,065

See accompanying Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended March 31,	
	2022	2021
Net income	\$ 280	\$ 222
Other comprehensive income:		
Amortization of net actuarial loss included in other non-operating income, net	2	3
Unrealized losses on debt securities held as available-for-sale	(2)	—
Other comprehensive income before income taxes	—	3
Income tax expense related to items of other comprehensive income	—	(4)
Total other comprehensive loss, net of tax	—	(1)
Comprehensive net income	280	221
Less: Comprehensive income available to noncontrolling interests	140	125
Comprehensive income available to Tenet Healthcare Corporation common shareholders	\$ 140	\$ 96

See accompanying Notes to Condensed Consolidated Financial Statements.

TENET HEALTHCARE CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Dollars in Millions
(Unaudited)

	Three Months Ended March 31,	
	2022	2021
Net income	\$ 280	\$ 222
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	203	224
Deferred income tax expense	63	24
Stock-based compensation expense	16	14
Impairment and restructuring charges, and acquisition-related costs	16	20
Litigation and investigation costs	20	13
Net losses on sales, consolidation and deconsolidation of facilities	1	—
Loss from early extinguishment of debt	43	23
Equity in earnings of unconsolidated affiliates, net of distributions received	21	28
Amortization of debt discount and debt issuance costs	8	9
Pre-tax income from discontinued operations	(1)	—
Other items, net	(64)	(7)
Changes in cash from operating assets and liabilities:		
Accounts receivable	(151)	(53)
Inventories and other current assets	181	130
Income taxes	29	19
Accounts payable, accrued expenses, contract liabilities and other current liabilities	(360)	(87)
Other long-term liabilities	(21)	6
Payments for restructuring charges, acquisition-related costs, and litigation costs and settlements	(56)	(51)
Net cash provided by operating activities	228	534
Cash flows from investing activities:		
Purchases of property and equipment	(155)	(121)
Purchases of businesses or joint venture interests, net of cash acquired	(40)	(25)
Proceeds from sales of facilities and other assets	148	13
Proceeds from sales of marketable securities, long-term investments and other assets	6	6
Purchases of marketable securities and equity investments	(19)	(11)
Other items, net	—	(7)
Net cash used in investing activities	(60)	(145)
Cash flows from financing activities:		
Repayments of borrowings	(879)	(541)
Proceeds from borrowings	2	4
Debt issuance costs	(3)	—
Distributions paid to noncontrolling interests	(135)	(119)
Proceeds from sale of noncontrolling interests	4	6
Purchases of noncontrolling interests	(14)	(2)
Medicare advances and grants received by unconsolidated affiliates, net of recoupment	—	19
Other items, net	(102)	(61)
Net cash used in financing activities	(1,127)	(694)
Net decrease in cash and cash equivalents	(959)	(305)
Cash and cash equivalents at beginning of period	2,364	2,446
Cash and cash equivalents at end of period	\$ 1,405	\$ 2,141
Supplemental disclosures:		
Interest paid, net of capitalized interest	\$ (166)	\$ (190)
Income tax payments, net	\$ (8)	\$ (2)

See accompanying Notes to Condensed Consolidated Financial Statements.

TENET HEALTHCARE CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

Description of Business and Basis of Presentation

Tenet Healthcare Corporation (together with our subsidiaries, referred to herein as “Tenet,” “we” or “us”) is a diversified healthcare services company headquartered in Dallas, Texas. Our care delivery network includes our subsidiary USPI Holding Company, Inc. (“USPI”), which operated or had ownership interests in over 400 ambulatory surgery centers and 24 surgical hospitals at March 31, 2022. We hold noncontrolling interests in 167 of these facilities, which are recorded using the equity method of accounting. At March 31, 2022, we held an ownership interest in USPI of approximately 95%. We also operated 60 acute care and specialty hospitals, over 110 other outpatient facilities, a network of employed physicians and a Global Business Center (“GBC”) in Manila, Philippines at March 31, 2022. In addition, we operate Conifer Health Solutions, LLC through our Conifer Holdings, Inc. subsidiary (“Conifer”). We owned an interest of approximately 76% in Conifer Health Solutions, LLC at March 31, 2022.

Our business consists of our Hospital Operations and other (“Hospital Operations”) segment, our Ambulatory Care segment and our Conifer segment. Our Hospital Operations segment is comprised of our acute care and specialty hospitals, imaging centers, ancillary outpatient facilities, micro-hospitals and physician practices. Our Ambulatory Care segment is comprised of the operations of USPI, which holds ownership interests in ambulatory surgery centers and surgical hospitals. Our Conifer segment provides revenue cycle management and value-based care services to hospitals, health systems, physician practices, employers and other clients.

This quarterly report supplements our Annual Report on Form 10-K for the year ended December 31, 2021 (“Annual Report”). As permitted by the Securities and Exchange Commission for interim reporting, we have omitted certain notes and disclosures that substantially duplicate those in our Annual Report. For further information, refer to the audited Consolidated Financial Statements and notes included in our Annual Report. Unless otherwise indicated, all financial and statistical data included in these notes to our Condensed Consolidated Financial Statements relate to our continuing operations, with dollar amounts expressed in millions (except per-share amounts).

Effective January 1, 2022, we adopted the Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2020-06, “Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity” (“ASU 2020-06”) using the modified retrospective method. Among other amendments, ASU 2020-06 changed the accounting for diluted earnings-per-share for convertible instruments and contracts that may be settled in cash or stock. ASU 2020-06 eliminated an entity’s ability to rebut the presumption of share settlement for convertible instruments and contracts that can be partially or fully settled in cash at the issuer’s election. Additionally, ASU 2020-06 requires that the if-converted method, which is more dilutive than the treasury stock method, be used for all convertible instruments. As a result of our adoption of ASU 2020-06, diluted weighted average shares outstanding increased by three million shares and diluted earnings per share available to Tenet common shareholders decreased \$0.01 per share for the three months ended March 31, 2022.

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

Operating results for the three-month period ended March 31, 2022 are not necessarily indicative of the results that may be expected for the full year. Reasons for this include, but are not limited to: the impact of the COVID-19 pandemic on our operations, business, financial condition and cash flows; the impact of the demand for, and availability of, qualified medical personnel on compensation costs; 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, state and local healthcare and business regulations, including mandated closures and other operating restrictions; 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; disease hotspots and 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.

COVID-19 Pandemic

The COVID-19 pandemic has impacted all three segments of our business, as well as our patients, communities and employees, in varying degrees since March 2020. Throughout this time, federal, state and local authorities have undertaken several actions designed to assist healthcare providers in providing care to COVID-19 and other patients and to mitigate the adverse economic impact of the COVID-19 pandemic. Among other things, federal legislation (collectively, the “COVID Acts”) authorized aggregate grant payments of \$178 billion to be distributed through the Public Health and Social Services Emergency Fund (“PRF”) to healthcare providers who experienced lost revenues and increased expenses as a result of the pandemic. The COVID Acts also revised the Medicare accelerated payment program (“MAPP”) and permitted employers to defer Social Security tax payments in 2020. Our participation in these programs and the related accounting policies are summarized below.

Grant Income—During the three months ended March 31, 2022, we received cash payments of \$5 million from the PRF, included in cash flows from operating activities. During the three months ended March 31, 2021, we received cash payments of \$31 million, included in cash flows from operating activities, and \$28 million received by our unconsolidated affiliates, included in cash flows from financing activities, from the PRF and state and local grant programs. As a condition to receiving distributions, providers must agree to certain terms and conditions, including, among other things, that the funds are being used for lost revenues and unreimbursed COVID-related costs as defined by the U.S. Department of Health and Human Services (“HHS”), and that the providers will not seek collection of out-of-pocket payments from a COVID-19 patient that are greater than what the patient would have otherwise been required to pay if the care had been provided by an in-network provider. All recipients of PRF payments are required to comply with the reporting requirements described in the terms and conditions and as determined by the Secretary of HHS. PRF funds not utilized by the established deadlines, generally 12 to 18 months after receipt of the grant funds, will be recouped by HHS.

The table below summarizes grant funds received by our Hospital Operations and Ambulatory Care segments and by our unconsolidated affiliates for which we provide cash management services during the three months ended March 31, 2022 and 2021, and their location in the accompanying Condensed Consolidated Statements of Cash Flows.

	Three Months Ended March 31,	
	2022	2021
Grant payments received from COVID-19 relief programs:		
Included in cash flows from operating activities:		
Hospital Operations	\$ 4	\$ 22
Ambulatory Care	1	9
	<u>\$ 5</u>	<u>\$ 31</u>
Included in cash flows from financing activities:		
Unconsolidated affiliates for which we provide cash management services	\$ —	\$ 28

We recognize grant payments as income when there is reasonable assurance that we have complied with the conditions associated with the grant. The estimates we use to recognize grant income could change materially in the future based on our operating performance or fluctuations in the severity of COVID-19 outbreaks at individual locations, as well as the government's grant compliance guidance. Grant income recognized by our Hospital Operations and Ambulatory Care segments is presented in grant income and grant income recognized through our unconsolidated affiliates is presented in equity in earnings of unconsolidated affiliates in our condensed consolidated statements of operations.

The table below summarizes grant income recognized by our Hospital Operations and Ambulatory Care segments during the three months ended March 31, 2022 and 2021, as well as the grant income recognized by our unconsolidated affiliates during the same periods.

	Three Months Ended March 31,	
	2022	2021
Grant income recognized from COVID-19 relief programs:		
Included in grant income:		
Hospital Operations	\$ 4	\$ 24
Ambulatory Care	2	7
	<u>\$ 6</u>	<u>\$ 31</u>
Included in equity in earnings of unconsolidated affiliates:		
Unconsolidated affiliates	\$ —	\$ 6

At March 31, 2022 and December 31, 2021, we had remaining deferred grant payment balances of \$3 million and \$5 million, respectively, which amounts were recorded in other current liabilities in the accompanying Condensed Consolidated Balance Sheets for those periods.

Medicare Accelerated Payment Program—In certain circumstances, when a hospital is experiencing financial difficulty due to delays in receiving payment for the Medicare services it provided, it may be eligible for an accelerated or advance payment pursuant to the MAPP. The COVID Acts revised the MAPP to disburse payments to healthcare providers more quickly. Recipients may retain the accelerated payments for one year from the date of receipt before recoupment commences, which is effectuated by a 25% offset of claims payments for 11 months, followed by a 50% offset for the succeeding six months. At the end of the 29-month period, interest on the unrecouped balance will be assessed at 4.00% per annum. The initial 11-month recoupment period began in April 2021.

Our Hospital Operations and Ambulatory Care segments did not receive any additional advance payments from the MAPP during the three months ended March 31, 2022 or 2021. During the three months ended March 31, 2022, \$194 million of advances received in prior periods by our Hospital Operations segment and less than \$1 million of advances received in prior periods by our Ambulatory Care segment were recouped through a reduction of our Medicare claims payments. No advances were recouped during the three months ended March 31, 2021. In the accompanying Condensed Consolidated Balance Sheets, advances totaling \$686 million and \$880 million were included in contract liabilities at March 31, 2022 and December 31, 2021, respectively.

Deferral of Employment Tax Payments—The COVID Acts permitted employers to defer payment of the 6.2% employer Social Security tax beginning March 27, 2020 through December 31, 2020. Deferred tax amounts are required to be paid in equal amounts over two years, with payments due in December 2021 and December 2022. At both March 31, 2022 and December 31, 2021, deferred Social Security tax payments totaling \$128 million were included in accrued compensation and benefits in the accompanying Condensed Consolidated Balance Sheets.

Leases

During the three months ended March 31, 2022, we sold several medical office buildings held in our Hospital Operations segment for net cash proceeds of \$147 million and concurrently entered into operating lease agreements to continue use of the facilities. We recognized a gain of \$69 million from the sale of these buildings, presented in other operating expenses, net in the accompanying Condensed Consolidated Statement of Operations, and we recognized right-of-use assets and lease-related obligations of \$109 million related to the leases, in each case in the three months ended March 31, 2022.

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 \$1.405 billion and \$2.364 billion at March 31, 2022 and December 31, 2021, respectively. At March 31, 2022 and December 31, 2021, our book overdrafts were \$175 million and \$226 million, respectively, which were classified as accounts payable. At March 31, 2022 and December 31, 2021, \$176 million and \$188 million, respectively, of total cash and cash equivalents in the accompanying Condensed Consolidated Balance Sheets were intended for the operations of our insurance-related subsidiaries.

Also at March 31, 2022 and December 31, 2021, we had \$66 million and \$95 million, respectively, of property and equipment purchases accrued for items received but not yet paid. Of these amounts, \$53 million and \$88 million, respectively, were included in accounts payable.

During the three months ended March 31, 2022 and 2021, we recorded right-of-use assets related to non-cancellable finance leases of \$18 million and \$11 million, respectively, and related to non-cancellable operating leases of \$187 million and \$46 million, respectively.

Other Intangible Assets

The following tables provide information regarding other intangible assets, which were included in the accompanying Condensed Consolidated Balance Sheets at March 31, 2022 and December 31, 2021:

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
At March 31, 2022:			
Other intangible assets with finite useful lives:			
Capitalized software costs	\$ 1,714	\$ (1,119)	\$ 595
Contracts	295	(133)	162
Other	96	(78)	18
Total other intangible assets with finite lives	<u>2,105</u>	<u>(1,330)</u>	<u>775</u>
Other intangible assets with indefinite useful lives:			
Trade names	102	—	102
Contracts	604	—	604
Other	6	—	6
Total other intangible assets with indefinite lives	<u>712</u>	<u>—</u>	<u>712</u>
Total other intangible assets	<u>\$ 2,817</u>	<u>\$ (1,330)</u>	<u>\$ 1,487</u>

	Gross Carrying Amount	Accumulated Amortization	Net Book Value
At December 31, 2021:			
Other intangible assets with finite useful lives:			
Capitalized software costs	\$ 1,770	\$ (1,165)	\$ 605
Contracts	295	(128)	167
Other	95	(81)	14
Total other intangible assets with finite lives	<u>2,160</u>	<u>(1,374)</u>	<u>786</u>
Other intangible assets with indefinite useful lives:			
Trade names	102	—	102
Contracts	602	—	602
Other	7	—	7
Total other intangible assets with indefinite lives	<u>711</u>	<u>—</u>	<u>711</u>
Total other intangible assets	<u>\$ 2,871</u>	<u>\$ (1,374)</u>	<u>\$ 1,497</u>

Estimated future amortization of intangibles with finite useful lives at March 31, 2022 is as follows:

	Total	Nine Months Ending	Years Ending				Later Years	
		December 31,						
		2022	2023	2024	2025	2026		
Amortization of intangible assets	\$ 775	\$ 119	\$ 119	\$ 116	\$ 96	\$ 76	\$ 249	

We recognized amortization expense of \$29 million and \$47 million in the accompanying Condensed Consolidated Statements of Operations for the three months ended March 31, 2022 and 2021, respectively.

Investments in Unconsolidated Affiliates

We control 261 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 (167 of 428 at March 31, 2022), as well as additional companies in which our Hospital Operations 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 Condensed Consolidated Statements of Operations. No grant income was recognized during the three months ended March 31, 2022 by our unconsolidated affiliates. Equity in earnings of unconsolidated affiliates included \$6 million of grant income for the three months ended March 31, 2021.

Summarized financial information for these equity method investees is included in the following table. For investments acquired during the reported periods, amounts below include 100% of the investee's results beginning on the date of our acquisition of the investment.

	Three Months Ended	
	March 31,	
	2022	2021
Net operating revenues	\$ 769	\$ 634
Net income	\$ 169	\$ 165
Net income available to the investees	\$ 98	\$ 102

NOTE 2. ACCOUNTS RECEIVABLE

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

	March 31, 2022	December 31, 2021
Patient accounts receivable	\$ 2,761	\$ 2,600
Estimated future recoveries	139	137
Net cost reports and settlements receivable and valuation allowances	16	33
	<u>\$ 2,916</u>	<u>\$ 2,770</u>

We participate in various provider fee programs, which help reduce the amount of uncompensated care from indigent patients and those paying with Medicaid. The following table summarizes the amount and classification of assets and liabilities in the accompanying Condensed Consolidated Balance Sheets related to California's provider fee program:

	March 31, 2022	December 31, 2021
Assets:		
Other current assets	\$ 271	\$ 370
Investments and other assets	\$ 278	\$ 213
Liabilities:		
Other current liabilities	\$ 123	\$ 123
Other long-term liabilities	\$ 52	\$ 60

The following table presents our estimated costs (based on selected operating expenses, which include salaries, wages and benefits, supplies and other operating expenses) of caring for our uninsured and charity patients.

	Three Months Ended March 31,	
	2022	2021
Estimated costs for:		
Uninsured patients	\$ 122	\$ 168
Charity care patients	21	20
Total	\$ 143	\$ 188

NOTE 3. CONTRACT BALANCES

Hospital Operations 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 segment, our contract assets include 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 segment's contract assets were included in other current assets in the accompanying Condensed Consolidated Balance Sheets at March 31, 2022 and December 31, 2021. Approximately 91% of our Hospital Operations segment's contract assets meet the conditions for unconditional right to payment and are reclassified to patient receivables within 90 days.

In certain circumstances, when a hospital is experiencing financial difficulty due to delays in receiving payment for the Medicare services it provided, it may be eligible for an accelerated or advance payment pursuant to the Medicare accelerated payment program. As discussed in Note 1, the COVID Acts revised the MAPP to disburse payments more quickly due to the pandemic. Our Hospital Operations segment received advance payments from the MAPP following its expansion under the COVID Acts during the year ended December 31, 2020; however, no additional advances were received during the three months ended March 31, 2022 and 2021. The remaining advance payments were recorded as contract liabilities in the accompanying Condensed Consolidated Balance Sheets at March 31, 2022 and December 31, 2021.

The opening and closing balances of contract assets and contract liabilities for our Hospital Operations segment were as follows:

	Contract Assets	Contract Liabilities – Current Advances from Medicare	Contract Liabilities – Long-Term Advances from Medicare
December 31, 2021	\$ 181	\$ 876	\$ —
March 31, 2022	169	682	—
Decrease	\$ (12)	\$ (194)	\$ —
December 31, 2020	\$ 208	\$ 510	\$ 819
March 31, 2021	180	734	595
Increase (decrease)	\$ (28)	\$ 224	\$ (224)

During the three months ended March 31, 2022, \$194 million of Medicare advance payments included in the opening contract liabilities balance for our Hospital Operations segment were recouped through a reduction of our Medicare claims payments. No amounts were recouped during the three months ended March 31, 2021.

Ambulatory Care Segment

Our Ambulatory Care segment also received advance payments from the expanded Medicare accelerated payment program during the year ended December 31, 2020; however no additional advances were received during the three months ended March 31, 2022 and 2021.

The opening and closing balances of contract liabilities for our Ambulatory Care segment were as follows:

	Contract Liabilities – Current Advances from Medicare	Contract Liabilities – Long-Term Advances from Medicare
December 31, 2021	\$ 4	\$ —
March 31, 2022	4	—
Increase	\$ —	\$ —
December 31, 2020	\$ 93	\$ 83
March 31, 2021	123	44
Increase (decrease)	\$ 30	\$ (39)

During the three months ended March 31, 2022, less than \$1 million of Medicare advance payments included in the opening contract liabilities balance for our Ambulatory Care segment were recouped through a reduction of our Medicare claims payments. No amounts were recouped during the three months ended March 31, 2021.

Conifer Segment

Conifer enters into contracts with clients to provide revenue cycle management and other services, such as value-based care, consulting and engagement solutions. The payment terms and conditions in Conifer's client contracts vary. In some cases, clients 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 its clients, Conifer recognizes either unbilled revenue (performance precedes contractual right to invoice the client) or deferred revenue (client payment precedes Conifer service performance). In the following table, clients that prepay prior to obtaining control/benefit of services 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 client has obtained control/benefit of these services prior to the contractual invoice date. Contracts with payment in arrears are recognized as receivables in the month the services are performed.

The opening and closing balances of Conifer's receivables, contract assets and contract liabilities were as follows:

	Receivables	Contract Assets – Unbilled Revenue	Contract Liabilities – Current Deferred Revenue	Contract Liabilities – Long- Term Deferred Revenue
December 31, 2021	\$ 28	\$ 18	\$ 79	\$ 15
March 31, 2022	34	15	90	14
Increase (decrease)	\$ 6	\$ (3)	\$ 11	\$ (1)
December 31, 2020	\$ 56	\$ 20	\$ 56	\$ 16
March 31, 2021	56	14	60	16
Increase (decrease)	\$ —	\$ (6)	\$ 4	\$ —

The differences between the opening and closing balances of Conifer's contract assets and contract liabilities are primarily related to prepayments for those clients 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 were reported as part of other current assets in the accompanying Condensed Consolidated Balance Sheets, and its current and long-term contract liabilities were reported as part of contract liabilities and contract liabilities – long-term, respectively, in the accompanying Condensed Consolidated Balance Sheets.

In both of the three months ended March 31, 2022 and 2021, Conifer recognized \$49 million of revenue that was included in the opening current deferred revenue liability. This revenue consists primarily of prepayments for those clients 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

During both of the three months ended March 31, 2022 and 2021, we recognized amortization expense related to deferred contract setup costs of \$1 million. At both March 31, 2022 and December 31, 2021, the unamortized client contract costs were \$23 million and were presented as part of investments and other assets in the accompanying Condensed Consolidated Balance Sheets.

NOTE 4. ASSETS AND LIABILITIES HELD FOR SALE

In February 2022, we entered into a definitive agreement to sell one of our micro-hospitals located in Arizona. As a result, the assets associated with the micro-hospital were classified as held for sale at March 31, 2022 in the accompanying Condensed Consolidated Balance Sheet. The sale of this micro-hospital was completed in April 2022.

Assets classified as held for sale at March 31, 2022 were comprised of the following:

Property and equipment	\$	15
Other intangible assets		1
Goodwill		3
Net assets held for sale	\$	19

The table below provides information on significant components of our business that have been recently disposed of:

	Three Months Ended March 31,	
	2022	2021
Significant disposals:		
Income from continuing operations, before income taxes		
Miami-area hospitals and certain related operations	\$ 4	\$ 13

NOTE 5. IMPAIRMENT AND RESTRUCTURING CHARGES, AND ACQUISITION-RELATED COSTS

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 each facility's 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.

At March 31, 2022, our continuing operations consisted of three reportable segments – Hospital Operations, Ambulatory Care and Conifer. Our segments are reporting units used to perform our goodwill impairment analysis.

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. Certain restructuring and acquisition-related costs are based on estimates. Changes in estimates are recognized as they occur.

During the three months ended March 31, 2022, we recorded impairment and restructuring charges and acquisition-related costs of \$16 million, primarily consisting of \$12 million of restructuring charges, \$1 million of impairment charges and \$3 million of acquisition-related costs. Restructuring charges consisted of \$5 million of employee severance costs, \$2 million related to the transition of various administrative functions to our GBC and \$5 million of other restructuring costs. Acquisition-related costs consisted of \$3 million of transaction costs.

During the three months ended March 31, 2021, we recorded impairment and restructuring charges and acquisition-related costs of \$20 million, consisting of \$16 million of restructuring charges and \$4 million of acquisition-related costs. Restructuring charges consisted of \$4 million of employee severance costs, \$6 million related to the transition of various administrative functions to our GBC and \$6 million of other restructuring costs. Acquisition-related costs consisted of \$4 million of transaction costs.

NOTE 6. LONG-TERM DEBT

The table below presents our long-term debt included in the accompanying Condensed Consolidated Balance Sheets:

	March 31, 2022	December 31, 2021
Senior unsecured notes:		
6.750% due 2023	\$ 1,769	\$ 1,872
6.125% due 2028	2,500	2,500
6.875% due 2031	362	362
Senior secured first lien notes:		
4.625% due 2024	770	770
4.625% due 2024	600	600
7.500% due 2025	—	700
4.875% due 2026	2,100	2,100
5.125% due 2027	1,500	1,500
4.625% due 2028	600	600
4.250% due 2029	1,400	1,400
4.375% due 2030	1,450	1,450
Senior secured second lien notes:		
6.250% due 2027	1,500	1,500
Finance leases, mortgage and other notes	437	443
Unamortized issue costs and note discounts	(137)	(151)
Total long-term debt	14,851	15,646
Less current portion	132	135
Long-term debt, net of current portion	\$ 14,719	\$ 15,511

Senior Unsecured Notes and Senior Secured Notes

On February 23, 2022, we redeemed all \$700 million aggregate principal amount outstanding of our 7.500% senior secured first lien notes due 2025 in advance of their maturity date. We paid \$730 million from cash on hand to redeem the notes. In connection with the redemption, we recorded a loss from early extinguishment of debt of \$38 million in the three months ended March 31, 2022, primarily related to the difference between the purchase price and the par value of the notes, as well as the write-off of associated unamortized issuance costs.

Through a series of open-market transactions in March 2022, we repurchased \$103 million aggregate principal amount outstanding of our 6.750% senior unsecured notes due 2023. We paid \$107 million from cash on hand to complete these transactions. In connection with the repurchases, we recorded aggregate losses from early extinguishment of debt of \$5 million in the three months ended March 31, 2022, primarily related to the difference between the purchase prices and the par value of the notes, as well as the write-off of associated unamortized issuance costs.

Credit Agreement

We have a senior secured revolving credit facility that provides for revolving loans in an aggregate principal amount of up to \$1.500 billion with a \$200 million subfacility for standby letters of credit. We amended our credit agreement (as amended to date, the “Credit Agreement”) in April 2020 to, among other things, (i) increase the aggregate revolving credit commitments from the previous limit of \$1.500 billion to \$1.900 billion (the “Increased Commitments”), subject to borrowing availability, and (ii) increase the advance rate and raise limits on certain eligible accounts receivable in the calculation of the borrowing base, in each case, for an incremental period of 364 days. In April 2021, we amended the Credit Agreement to, among other things, extend the availability of the Increased Commitments through April 22, 2022 and reduce the interest rate margins. In March 2022, we further amended our Credit Agreement to, among other things, (i) decrease the aggregate revolving credit commitments from the previous Increased Commitments to aggregate revolving credit commitments not to exceed \$1.500 billion, subject to borrowing availability, (ii) extend the scheduled maturity date to March 16, 2027, and (iii) replace the London Interbank Offered Rate (LIBOR) with the Term Secured Overnight Financing Rate (“SOFR”) and Daily Simple SOFR (each, as defined in the Credit Agreement) as the reference interest rate. At March 31, 2022, we had no cash borrowings outstanding under the Credit Agreement, and we had less than \$1 million of standby letters of credit outstanding. Based on our eligible receivables, \$1.500 billion was available for borrowing under the revolving credit facility at March 31, 2022.

Obligations under the Credit Agreement continue to be guaranteed by substantially all of our domestic wholly owned hospital subsidiaries and 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.

Outstanding revolving loans accrue interest depending on the type of loan at either (a) a base rate plus an applicable margin ranging from 0.25% to 0.75% per annum or (b) Term SOFR, Daily Simple SOFR or the Euro Interbank Offered Rate (EURIBOR) (each, as defined in the Credit Agreement) plus an applicable margin ranging from 1.25% to 1.75% per annum and (in the case of Term SOFR and Daily Simple SOFR only) a credit spread adjustment of 0.10%, 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.

Letter of Credit Facility

We have a letter of credit facility (as amended to date, the “LC Facility”) that provides for the issuance, from time to time, of standby and documentary letters of credit in an aggregate principal amount of up to \$200 million. The scheduled maturity date of the LC Facility is September 12, 2024. 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 of 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. The LC Facility is subject to an effective maximum secured debt covenant of 4.25 to 1.00. At March 31, 2022, we had \$138 million of standby letters of credit outstanding under the LC Facility.

NOTE 7. GUARANTEES

At March 31, 2022, 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 \$118 million. We had a total liability of \$102 million recorded for these guarantees included in other current liabilities in the accompanying Condensed Consolidated Balance Sheet at March 31, 2022.

At March 31, 2022, 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 \$109 million. Of the total, \$16 million relates to the obligations of consolidated subsidiaries, which obligations were recorded in the accompanying Condensed Consolidated Balance Sheet at March 31, 2022.

NOTE 8. EMPLOYEE BENEFIT PLANS

Share-Based Compensation Plans

The accompanying Condensed Consolidated Statements of Operations for the three months ended March 31, 2022 and 2021 include \$16 million and \$14 million, respectively, of pre-tax compensation costs related to our stock-based compensation arrangements.

Stock Options

The following table summarizes stock option activity during the three months ended March 31, 2022:

	Number of Options	Weighted Average Exercise Price Per Share	Aggregate Intrinsic Value (In Millions)	Weighted Average Remaining Life
Outstanding at December 31, 2021	520,998	\$ 23.90		
Exercised	(60,051)	\$ 28.26		
Outstanding at March 31, 2022	460,947	\$ 23.33	\$ 29	5.9 years
Vested and expected to vest at March 31, 2022	460,947	\$ 23.33	\$ 29	5.9 years
Exercisable at March 31, 2022	460,947	\$ 23.33	\$ 29	5.9 years

There were 60,051 and 293,581 stock options exercised during the three months ended March 31, 2022 and 2021, respectively, with aggregate intrinsic values of \$4 million and \$10 million, respectively. We did not grant any stock options during the three months ended March 31, 2022 or 2021.

The following table summarizes information about our outstanding stock options at March 31, 2022:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number of Options	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price Per Share	Number of Options	Weighted Average Exercise Price Per Share
\$18.99 to \$20.609	293,796	5.4 years	\$ 19.75	293,796	\$ 19.75
\$20.61 to \$35.430	167,151	6.8 years	\$ 29.62	167,151	\$ 29.62
	460,947	5.9 years	\$ 23.33	460,947	\$ 23.33

Restricted Stock Units

The following table summarizes activity with respect to restricted stock units (“RSUs”) during the three months ended March 31, 2022:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value Per Unit
Unvested at December 31, 2021	2,171,202	\$ 40.51
Granted	570,080	\$ 83.75
Vested	(721,858)	\$ 29.16
Forfeited	(16,083)	\$ 44.57
Unvested at March 31, 2022	2,003,341	\$ 62.46

In the three months ended March 31, 2022, we granted an aggregate of 570,080 RSUs, 288,125 of which vest based on the passage of time. Of these time-based RSUs, 281,955 will vest and be settled ratably over a three-year period from the grant date, and 6,170 will vest evenly on the third and fourth anniversaries of the grant date. The vesting of the 281,955 remaining RSUs granted in the three months ended March 31, 2022 is contingent on our achievement of specified performance goals for the years 2022 to 2024. Provided the goals are achieved, the performance-based RSUs will vest and settle on the third anniversary of the grant date. The actual number of performance-based RSUs that could vest will range from 0% to 200% of the 281,955 units granted, depending on our level of achievement with respect to the performance goals.

In the three months ended March 31, 2021, we granted an aggregate of 708,577 RSUs. Of these, 260,071 will vest and be settled ratably over a three-year period from the grant date, 189,215 will vest and be settled ratably over eight quarterly periods from the grant date, and 14,192 vested on December 31, 2021 and settled in January 2022. We also granted 1,372 RSUs as an initial grant to a then-new member of our board of directors and 1,685 RSUs as a pro-rata annual grant to the same new board member. Both the initial grant and the annual grant vested immediately, however, the initial grant settles upon separation from the board, while the annual grant settles on the third anniversary of the grant date. In addition, we granted 241,150 performance-based RSUs; the vesting of these RSUs is contingent on our achievement of specified performance goals for the years 2021 to 2023. Provided the goals are achieved, the performance-based RSUs will vest and settle on the third anniversary of the grant date. The actual number of performance-based RSUs that could vest will range from 0% to 200% of the 241,150 units granted, depending on our level of achievement with respect to the performance goals. During the three months ended March 31, 2021, we also granted 892 RSUs that vested and settled immediately as a result of our level of achievement with respect to certain performance-based RSUs granted in 2018.

The fair value of an RSU is based on our share price on the grant date. For certain of the performance-based RSU grants, the number of units that will ultimately vest is subject to adjustment based on the achievement of a market-based condition. The fair value of these RSUs is estimated through the use of a Monte Carlo simulation. Significant inputs used in our valuation of these RSUs included the following:

	Three Months Ended March 31,	
	2022	2021
Expected volatility	39.6% - 68.1%	71.8% - 79.3%
Risk-free interest rate	1.0% - 1.7%	0.1% - 0.2%

At March 31, 2022, there were \$84 million of total unrecognized compensation costs related to RSUs. These costs are expected to be recognized over a weighted average period of 2.0 years.

USPI Management Equity Plan

USPI maintains a separate management equity plan under which it grants RSUs representing a contractual right to receive one share of USPI's non-voting common stock in the future. The vesting of RSUs granted under the plan varies based on the terms of the underlying award agreement. Once the requisite holding period is met, during specified times, the participant can sell the underlying shares to USPI at their estimated fair market value. At our sole discretion, the purchase of any non-voting common shares can be made in cash or in shares of Tenet's common stock.

The following table summarizes RSU activity under USPI's management equity plan during the three months ended March 31, 2022:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value Per Unit
Unvested at December 31, 2021	1,494,882	\$ 34.13
Vested	(367,928)	\$ 34.13
Forfeited	(42,669)	\$ 34.13
Unvested at March 31, 2022	1,084,285	\$ 34.13

No new grants were made under the USPI Management Equity Plan and no shares were repurchased during the three months ended March 31, 2022 and 2021.

NOTE 9. EQUITY

Changes in Shareholders' Equity

The following tables present the changes in consolidated equity during the three months ended March 31, 2022 and 2021 (dollars in millions, share amounts in thousands):

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Treasury Stock	Noncontrolling Interests	Total Equity
	Shares Outstanding	Issued Par Amount						
Balances at December 31, 2021	107,189	\$ 8	\$ 4,877	\$ (233)	\$ (1,214)	\$ (2,410)	\$ 1,026	\$ 2,054
Net income	—	—	—	—	140	—	46	186
Distributions paid to noncontrolling interests	—	—	—	—	—	—	(71)	(71)
Accretion of redeemable noncontrolling interests	—	—	(95)	—	—	—	—	(95)
Sales of businesses and noncontrolling interests, net	—	—	(7)	—	—	—	(1)	(8)
Stock-based compensation expense and issuance of common stock	499	—	(10)	—	—	—	—	(10)
Balances at March 31, 2022	107,688	\$ 8	\$ 4,765	\$ (233)	\$ (1,074)	\$ (2,410)	\$ 1,000	\$ 2,056

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Treasury Stock	Noncontrolling Interests	Total Equity
	Shares Outstanding	Issued Par Amount						
Balances at December 31, 2020	106,070	\$ 7	\$ 4,844	\$ (281)	\$ (2,128)	\$ (2,414)	\$ 909	\$ 937
Net income	—	—	—	—	97	—	44	141
Distributions paid to noncontrolling interests	—	—	—	—	—	—	(61)	(61)
Other comprehensive loss	—	—	—	(1)	—	—	—	(1)
Accretion of redeemable noncontrolling interests	—	—	(3)	—	—	—	—	(3)
Purchases (sales) of businesses and noncontrolling interests, net	—	—	(10)	—	—	—	1	(9)
Stock-based compensation expense and issuance of common stock	617	1	10	—	—	1	—	12
Balances at March 31, 2021	106,687	\$ 8	\$ 4,841	\$ (282)	\$ (2,031)	\$ (2,413)	\$ 893	\$ 1,016

Our noncontrolling interests balances at March 31, 2022 and December 31, 2021 were comprised of \$126 million and \$128 million, respectively, from our Hospital Operations segment, and \$874 million and \$898 million, respectively, from our

Ambulatory Care segment. Our net income available to noncontrolling interests for the three months ended March 31, 2022 and 2021 in the table above were comprised of \$3 million and \$4 million, respectively, from our Hospital Operations segment, and \$43 million and \$40 million, respectively, from our Ambulatory Care segment.

NOTE 10. NET OPERATING REVENUES

Net operating revenues for our Hospital Operations 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* 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 health systems, individual hospitals and physician practices.

The table below presents our sources of net operating revenues less implicit price concessions from continuing operations:

	Three Months Ended March 31,	
	2022	2021
Hospital Operations:		
Net patient service revenues from hospitals and related outpatient facilities:		
Medicare	\$ 619	\$ 688
Medicaid	192	259
Managed care	2,495	2,480
Uninsured	38	47
Indemnity and other	164	176
Total	<u>3,508</u>	<u>3,650</u>
Other revenues ⁽¹⁾	290	297
Hospital Operations total prior to inter-segment eliminations	3,798	3,947
Ambulatory Care	738	646
Conifer	324	310
Inter-segment eliminations	(115)	(122)
Net operating revenues	\$ 4,745	\$ 4,781

⁽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 three months ended March 31, 2022 and 2021 by \$4 million and \$5 million, respectively. Estimated cost report settlements and valuation allowances were included in accounts receivable in the accompanying Condensed Consolidated Balance Sheets (see Note 2). 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 presents the composition of net operating revenues for our Ambulatory Care segment:

	Three Months Ended March 31,	
	2022	2021
Net patient service revenues	\$ 704	\$ 619
Management fees	29	22
Revenue from other sources	5	5
Net operating revenues	\$ 738	\$ 646

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

	Three Months Ended March 31,	
	2022	2021
Revenue cycle services – Tenet	\$ 112	\$ 118
Revenue cycle services – other clients	189	169
Other services – Tenet	3	4
Other services – other clients	20	19
Net operating revenues	\$ 324	\$ 310

Other services, including value-based care, consulting and other client-defined projects, represented approximately 7% of Conifer’s revenue for both of the three months ended March 31, 2022 and 2021.

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	Nine Months Ending	Years Ending				Later Years	
		December 31,						
		2022	2023	2024	2025	2026		
Performance obligations	\$ 6,450	\$ 485	\$ 646	\$ 591	\$ 591	\$ 591	\$ 3,546	

NOTE 11. 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 both of the policy periods April 1, 2021 through March 31, 2022 and April 1, 2022 through March 31, 2023, 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 \$25 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 for the 2021 to 2022 policy period and \$5 million for the 2022 to 2023 policy period.

Professional and General Liability Reserves

We are self-insured for the majority of our professional and general liability claims, and we purchase insurance from third-parties to cover catastrophic claims. At March 31, 2022 and December 31, 2021, the aggregate current and long-term professional and general liability reserves in the accompanying Condensed Consolidated Balance Sheets were \$1.075 billion and \$1.045 billion, 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.

All commercial insurance we purchase is subject to per-claim and policy period aggregate limits. If the policy period aggregate limit of any of our 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.

Malpractice expense of \$81 million and \$91 million was included in other operating expenses, net, in the accompanying Condensed Consolidated Statements of Operations for the three months ended March 31, 2022 and 2021, respectively.

NOTE 12. 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 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 associated with these matters, especially those involving governmental agencies, and the indeterminate damages sought in some cases, 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.

Government Investigation of Detroit Medical Center

Detroit Medical Center (“DMC”) is subject to an ongoing investigation commenced in October 2017 by the U.S. Attorney’s Office for the Eastern District of Michigan and the Civil Division of 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, and the federal False Claims Act 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. The DOJ issued a civil investigative demand to DMC for documents and interrogatories in September 2021. We are cooperating with the investigation; however, we are unable to determine the potential exposure, if any, at this time.

Other Matters

In July 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. In the three months ended December 31, 2021, we established a reserve of \$23 million for certain obligations related to the sale of the hospitals and the subsequent bankruptcy proceedings of the buyers.

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, including lawsuits from patients, employees and others exposed to COVID-19 at our facilities. 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 three months ended March 31, 2022 and 2021.

	Balances at Beginning of Period	Litigation and Investigation Costs	Cash Payments	Other	Balances at End of Period
Three Months Ended March 31, 2022	\$ 78	\$ 20	\$ (36)	\$ 2	\$ 64
Three Months Ended March 31, 2021	\$ 26	\$ 13	\$ (15)	\$ —	\$ 24

NOTE 13. REDEEMABLE NONCONTROLLING INTERESTS IN EQUITY OF CONSOLIDATED SUBSIDIARIES

We have a 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 Baylor holds in USPI. Each year starting in 2021, Baylor may put up to one-third of its total shares in USPI (the “Baylor Shares”) by delivering notice by the end of January of such year. 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 it 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, which is mutually agreed-upon fair market value, in cash or shares of our common stock. Based on the nature of the Baylor Put/Call Agreement, Baylor’s minority interest in USPI was classified as a redeemable noncontrolling interest in the accompanying Condensed Consolidated Balance Sheets at March 31, 2022 and December 31, 2021. During the three months ended March 31, 2022 and 2021, we recognized accretion totaling \$94 million and \$1 million, respectively, and a corresponding decrease in additional paid-in capital to adjust Baylor’s minority interest in USPI based on an increase in the estimated fair value of USPI.

Baylor did not deliver a put notice to us in January 2021 or 2022. In each of February 2021 and 2022, we notified Baylor of our intention to exercise our call option to purchase 33.3% of the Baylor Shares for that year (now 66.6% in total). We are continuing to negotiate the terms of those purchases.

The following table presents the changes in redeemable noncontrolling interests in equity of consolidated subsidiaries during the three months ended March 31, 2022 and 2021:

	Three Months Ended March 31,	
	2022	2021
Balances at beginning of period	\$ 2,203	\$ 1,952
Net income	94	81
Distributions paid to noncontrolling interests	(64)	(58)
Accretion of redeemable noncontrolling interests	95	3
Purchases of businesses and noncontrolling interests, net	30	14
Balances at end of period	\$ 2,358	\$ 1,992

The following tables present the composition by segment of our redeemable noncontrolling interests balances at March 31, 2022 and December 31, 2021, as well as our net income available to redeemable noncontrolling interests for the three months ended March 31, 2022 and 2021:

	March 31, 2022	December 31, 2021
Hospital Operations	\$ 316	\$ 297
Ambulatory Care	1,545	1,425
Conifer	497	481
Redeemable noncontrolling interests	\$ 2,358	\$ 2,203

	Three Months Ended March 31,	
	2022	2021
Hospital Operations	\$ 22	\$ 13
Ambulatory Care	56	52
Conifer	16	16
Net income available to redeemable noncontrolling interests	\$ 94	\$ 81

NOTE 14. INCOME TAXES

During the three months ended March 31, 2022, we recorded income tax expense of \$99 million in continuing operations on pre-tax income of \$378 million compared to \$45 million on pre-tax income of \$267 million during the three months ended March 31, 2021. Our provision for income taxes during interim reporting periods is calculated by applying an estimate of the annual effective tax rate to “ordinary” income or loss (pre-tax income or loss excluding unusual or infrequently occurring discrete items) for the reporting period. In calculating “ordinary” income, non-taxable income or loss attributable to noncontrolling interests was deducted from pre-tax income.

A reconciliation between the amount of reported income tax expense and the amount computed by multiplying income from continuing operations before income taxes by the statutory federal tax rate is presented below:

	Three Months Ended March 31,	
	2022	2021
Tax expense at statutory federal rate of 21%	\$ 79	\$ 56
State income taxes, net of federal income tax benefit	14	13
Tax benefit attributable to noncontrolling interests	(29)	(25)
Stock-based compensation tax benefit	(2)	(1)
Changes in valuation allowance	32	—
Other items	5	2
Income tax expense	\$ 99	\$ 45

During the three months ended March 31, 2022, we recorded income tax expense of \$32 million to increase the valuation allowance for interest expense carryforwards due to a change in the business interest expense disallowance rules in 2022.

There were no adjustments to our estimated liabilities for uncertain tax positions during the three months ended March 31, 2022. The total amount of unrecognized tax benefits as of March 31, 2022 was \$34 million, of which \$32 million, if recognized, would affect our effective tax rate and income tax expense from continuing operations.

Our practice is to recognize interest and penalties related to income tax matters in income tax expense in our condensed consolidated statements of operations. We did not have any interest or penalties on unrecognized tax benefits accrued at March 31, 2022.

As of March 31, 2022, no significant changes in unrecognized federal and state tax benefits were 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.

NOTE 15. EARNINGS PER COMMON SHARE

The following table is a reconciliation of the numerators and denominators of our basic and diluted earnings per common share calculations for our continuing operations for three months ended March 31, 2022 and 2021. Net income available to our common shareholders is expressed in millions and weighted average shares are expressed in thousands.

	Net Income Available to Common Shareholders (Numerator)	Weighted Average Shares (Denominator)	Per-Share Amount
Three Months Ended March 31, 2022			
Net income available to Tenet Healthcare Corporation common shareholders for basic earnings per share	\$ 139	107,483	\$ 1.29
Effect of dilutive stock options, restricted stock units, deferred compensation units and convertible instruments	3	4,537	(0.02)
Net income available to Tenet Healthcare Corporation common shareholders for diluted earnings per share	\$ 142	112,020	\$ 1.27
Three Months Ended March 31, 2021			
Net income available to Tenet Healthcare Corporation common shareholders for basic earnings per share	\$ 97	106,309	\$ 0.91
Effect of dilutive stock options, restricted stock units and deferred compensation units	—	1,756	(0.01)
Net income available to Tenet Healthcare Corporation common shareholders for diluted earnings per share	\$ 97	108,065	\$ 0.90

At March 31, 2022, our convertible instruments consisted of the Baylor Put/Call Agreement and vested RSUs issued under the USPI Management Equity Plan. See additional discussion of these instruments in Notes 13 and 8, respectively.

NOTE 16. FAIR VALUE MEASUREMENTS***Fair Value Measurements***

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. 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.

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. At March 31, 2022, these measurements consisted of long-lived assets held for sale, which had an estimated fair value of \$19 million and were classified as Level 2 measurements.

Financial Instruments

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 March 31, 2022 and December 31, 2021, the estimated fair value of our long-term debt was approximately 99.3% and 103.3%, respectively, of the carrying value of the debt.

NOTE 17. ACQUISITIONS

Preliminary purchase price allocations (representing the fair value of the consideration conveyed) for all acquisitions made during the three months ended March 31, 2022 and 2021 are as follows:

	Three Months Ended March 31,	
	2022	2021
Current assets	\$ 3	\$ —
Property and equipment	10	18
Other intangible assets	2	—
Goodwill	84	25
Other long-term assets	11	4
Previously held investments in unconsolidated affiliates	(18)	—
Current liabilities	(5)	(7)
Long-term liabilities	(19)	(2)
Redeemable noncontrolling interests in equity of consolidated subsidiaries	(28)	(11)
Noncontrolling interests	—	(2)
Cash paid, net of cash acquired	(40)	(25)
Gains on consolidations	\$ —	\$ —

The goodwill generated from these transactions, the majority of which will 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 \$84 million from acquisitions completed during the three months ended March 31, 2022 was recorded in our Ambulatory Care segment. Approximately \$3 million and \$4 million in transaction costs related to prospective and closed acquisitions were expensed during the three-month periods ended March 31, 2022 and 2021, respectively, and were included in impairment and restructuring charges, and acquisition-related costs in the accompanying Condensed Consolidated Statements of Operations.

We are required to allocate the purchase prices of acquired businesses to assets acquired or liabilities assumed and, if applicable, noncontrolling interests based on their fair values. The excess of the purchase price allocated over those fair values is recorded as goodwill. The purchase price allocations for certain acquisitions completed in 2022 and 2021 are preliminary. We are in the process of assessing working capital balances, as well as obtaining and evaluating valuations of the acquired property and equipment, management contracts and other intangible assets, and noncontrolling interests. Therefore, those purchase price allocations, including goodwill, recorded in the accompanying Condensed Consolidated Financial Statements are subject to adjustment once the assessments and valuation work are completed and evaluated. Such adjustments will be recorded as soon as practical and within the measurement period as defined by the accounting literature.

During the three months ended March 31, 2022, we adjusted the initial purchase allocation of certain acquisitions completed in 2021 based on the results of completed valuations. These adjustments resulted in a net increase in goodwill of \$11 million.

NOTE 18. SEGMENT INFORMATION

Our business consists of our Hospital Operations 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 segment is comprised of acute care and specialty hospitals, imaging centers, ancillary outpatient facilities, micro-hospitals and physician practices. At March 31, 2022, our subsidiaries operated 60 hospitals serving primarily urban and suburban communities in nine states. On April 1, 2021, we transferred 24 imaging centers from our Ambulatory Care segment to our Hospital Operations segment. The total assets associated with the imaging centers transferred to our Hospital Operations segment constituted less than 1% of our consolidated total assets at March 31, 2021. Also in April 2021, we completed the sale of the majority of the urgent care centers then held by our Hospital Operations segment to an unaffiliated urgent care provider. In addition, we completed the sale of five Miami-area hospitals and certain related operations in August 2021. In April 2022, we completed the sale of a Hospital Operations segment micro-hospital, which was classified as held for sale in the accompanying Condensed Consolidated Balance Sheet at March 31, 2022.

Our Ambulatory Care segment is comprised of the operations of USPI. At March 31, 2022, USPI had interests in 404 ambulatory surgery centers (253 consolidated) and 24 surgical hospitals (eight consolidated) in 34 states. In April 2021, we completed the sale of 40 urgent care centers then held by our Ambulatory Care segment to an unaffiliated urgent care provider and, as noted above, transferred 24 imaging centers from our Ambulatory Care segment to our Hospital Operations segment. At March 31, 2022, we owned approximately 95% of USPI.

Our Conifer segment provides revenue cycle management and value-based care services to hospitals, health systems, physician practices, employers and other clients. At March 31, 2022, Conifer provided services to approximately 660 Tenet and non-Tenet hospitals and other clients nationwide. Conifer provides revenue management, administrative services and various other services to Tenet hospitals. We believe the pricing terms for these services are commercially reasonable and consistent with estimated third-party terms. At March 31, 2022, we owned approximately 76% of Conifer Health Solutions, LLC, which is Conifer's principal subsidiary.

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

	March 31, 2022	December 31, 2021
Assets:		
Hospital Operations	\$ 16,236	\$ 17,173
Ambulatory Care	9,486	9,473
Conifer	928	933
Total	\$ 26,650	\$ 27,579
	Three Months Ended	
	March 31,	
	2022	2021
Capital expenditures:		
Hospital Operations	\$ 132	\$ 110
Ambulatory Care	21	8
Conifer	2	3
Total	\$ 155	\$ 121

	Three Months Ended March 31,	
	2022	2021
Net operating revenues:		
Hospital Operations total prior to inter-segment eliminations	\$ 3,798	\$ 3,947
Ambulatory Care	738	646
Conifer		
Tenet	115	122
Other clients	209	188
Total Conifer revenues	324	310
Inter-segment eliminations	(115)	(122)
Total	\$ 4,745	\$ 4,781
Equity in earnings of unconsolidated affiliates:		
Hospital Operations	\$ 4	\$ 4
Ambulatory Care	42	38
Total	\$ 46	\$ 42
Adjusted EBITDA:		
Hospital Operations	\$ 514	\$ 434
Ambulatory Care	282	257
Conifer	92	86
Total	\$ 888	\$ 777
Depreciation and amortization:		
Hospital Operations	\$ 167	\$ 190
Ambulatory Care	27	25
Conifer	9	9
Total	\$ 203	\$ 224
Adjusted EBITDA	\$ 888	\$ 777
Depreciation and amortization	(203)	(224)
Impairment and restructuring charges, and acquisition-related costs	(16)	(20)
Litigation and investigation costs	(20)	(13)
Interest expense	(227)	(240)
Loss from early extinguishment of debt	(43)	(23)
Other non-operating income, net	—	10
Net losses on sales, consolidation and deconsolidation of facilities	(1)	—
Income from continuing operations, before income taxes	\$ 378	\$ 267

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

INTRODUCTION TO MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of this section, Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), is to provide a narrative explanation of our financial statements that enables investors to better understand our business, to enhance our overall financial disclosures, to provide the context within which our financial information may be analyzed, and to provide information about the quality of, and potential variability of, our financial condition, results of operations and cash flows. MD&A, which should be read in conjunction with the accompanying Condensed Consolidated Financial Statements, includes the following sections:

- Management Overview
- Forward-Looking Statements
- Sources of Revenue for Our Hospital Operations Segment
- Results of Operations
- Liquidity and Capital Resources
- Critical Accounting Estimates

Our business consists of our Hospital Operations and other ("Hospital Operations") segment, our Ambulatory Care segment and our Conifer segment. Our Hospital Operations segment is comprised of acute care and specialty hospitals, imaging centers, ancillary outpatient facilities, micro-hospitals and physician practices. At March 31, 2022, our subsidiaries operated 60 hospitals serving primarily urban and suburban communities in nine states. In April 2022, we completed the sale of a Hospital Operations segment micro-hospital, which was classified as held for sale in the accompanying Condensed Consolidated Balance Sheet at March 31, 2022. In April 2021, we completed the sale of the majority of the urgent care centers then held by our Hospital Operations segment to an unaffiliated urgent care provider. In addition, in August 2021, we completed the sale of five Miami-area hospitals and certain related operations (the "Miami Hospitals") held by our Hospital Operations segment.

Our Ambulatory Care segment is comprised of the operations of USPI Holding Company, Inc. ("USPI"), in which we held an ownership interest of approximately 95% at March 31, 2022. USPI had interests in 404 ambulatory surgery centers (each, an "ASC") (253 consolidated) and 24 surgical hospitals (eight consolidated) in 34 states at March 31, 2022. In April 2021, we completed the sale of 40 urgent care centers then held by our Ambulatory Care segment to an unaffiliated urgent care provider and transferred 24 imaging centers from our Ambulatory Care segment to our Hospital Operations segment.

Our Conifer segment provides revenue cycle management and value-based care services to hospitals, health systems, physician practices, employers and other clients through our Conifer Holdings, Inc. subsidiary ("Conifer"). At March 31, 2022, Conifer provided services to over 660 Tenet and non-Tenet hospitals and other clients nationwide. Nearly all of the services comprising the operations of our Conifer segment are provided by Conifer Health Solutions, LLC, in which we held an ownership interest of approximately 76% at March 31, 2022, or by one of its direct or indirect wholly owned subsidiaries.

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 our same 60 hospitals operated throughout the three months ended March 31, 2022 and 2021, as well as the Miami Hospitals sold in August 2021. Continuing operations information excludes the results of our hospitals and other businesses that have been classified as discontinued operations for accounting purposes. We believe this information is useful to investors because it includes the operations of all facilities in continuing operations for the period of time that we owned and operated them, and it reflects the recent trends we are experiencing with respect to volumes, revenues and expenses. We present certain metrics as a percentage of net operating revenues because a significant portion of our operating expenses are variable. In addition, we present certain metrics on a per-adjusted-patient-admission and per-adjusted-patient-day basis to show trends other than volume.

In certain cases, information presented in MD&A for our Hospital Operations segment is described as presented on a same-hospital basis, which includes the results of our same 60 hospitals operated throughout the three months ended March 31, 2022 and 2021, and excludes the results of the Miami Hospitals we sold in August 2021 and the results of our discontinued operations. We present same-hospital data because we believe it provides investors with useful information regarding the performance of our current portfolio of hospitals and other operations that are comparable for the periods presented, as well as reflects recent trends we are experiencing with respect to volumes, revenues and expenses.

MANAGEMENT OVERVIEW

IMPACT OF THE COVID-19 PANDEMIC

The COVID-19 pandemic generally and, most recently, the spread of the Omicron variant continued to impact all three segments of our business, as well as our patients, communities and employees, in the three months ended March 31, 2022. Broad economic factors resulting from the pandemic affected our patient volumes, service mix and revenue mix. In addition, the pandemic continued to have an adverse impact on certain of our operating expenses in the first quarter of 2022.

Various federal legislative actions, including additional funding for the Public Health and Social Services Emergency Fund (“PRF”), have mitigated some of the economic disruption caused by the COVID-19 pandemic on our business. In the three months ended March 31, 2022 and 2021, we received cash payments of \$5 million and \$59 million, respectively, from the PRF and state and local grant programs. We recognized \$6 million and \$31 million, respectively, from these funds as grant income during the three-month periods in 2022 and 2021, respectively. In addition, we recognized \$6 million in equity in earnings of unconsolidated affiliates in the accompanying Condensed Consolidated Statement of Operations during the three months ended March 31, 2021.

Throughout MD&A, we have provided additional information on the impact of the COVID-19 pandemic on our results of operations and the steps we have taken, and are continuing to take, in response. The ultimate extent and scope of the pandemic and its future impact on our business remain unknown. For information about risks and uncertainties related to COVID-19 that could affect our results of operations, financial condition and cash flows, see the Risk Factors section in this report and in Part I of our Annual Report on Form 10-K for the year ended December 31, 2021 (“Annual Report”).

TRENDS AND STRATEGIES

As described above and throughout MD&A, we continue to experience negative impacts of the pandemic on our business in varying degrees. Most recently, primarily in January and February 2022, we were affected by a significant acceleration in COVID-19 cases associated with the Omicron variant. Throughout the COVID-19 pandemic, we have taken, and we continue to take, various actions to increase our liquidity and mitigate the impact of reductions in our patient volumes and changes in our service mix and revenue mix. We have issued new senior unsecured notes and senior secured first lien notes, redeemed existing senior unsecured notes and senior secured first lien notes, including those with the highest interest rates of all of our long-term debt, and amended our senior secured revolving credit facility (as amended to date, the “Credit Agreement”). We also decreased our employee headcount throughout the organization at the outset of the COVID-19 pandemic, and we deferred certain operating expenses that were not expected to impact our response to the pandemic. In addition, we reduced certain variable costs across the enterprise. Together with government relief packages, we believe these actions supported our ability to provide essential patient services during the initial uncertainty caused by the COVID-19 pandemic and continue to do so. For further information on our liquidity, see “Liquidity and Capital Resources” below.

We have experienced, and continue to experience, increased competition with other healthcare providers in recruiting and retaining qualified personnel responsible for the operation of our facilities. There is a limited availability of experienced medical support personnel nationwide, which drives up the 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. This shortage has been exacerbated by the COVID-19 pandemic as more nurses choose to retire early, leave the workforce or take travel assignments. In some areas, the increased demand for care of COVID-19 patients in our hospitals, as well as the direct impact of COVID-19 on physicians, employees and their families, have put a strain on our resources and staff. Over the past two years, we have had to rely on higher-cost temporary contract labor, which we compete with other healthcare providers to secure, and pay premiums above standard compensation for essential workers. In addition, we have experienced significant price increases in medical supplies, particularly for personal protective equipment (“PPE”), and we have encountered supply-chain disruptions, including shortages and delays.

We believe that several key trends are also continuing to shape 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. In addition, the healthcare industry, in general, and the acute care hospital business, in particular, have experienced significant regulatory uncertainty based, in large part, on administrative, legislative and judicial efforts to limit, alter or repeal the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (“Affordable Care Act”). It is difficult to predict the full impact of regulatory uncertainty on our future revenues and operations.

Expansion of Our Ambulatory Care Segment—In response to these trends, we continue to focus on opportunities to expand our Ambulatory Care segment through acquisitions, organic growth, construction of new outpatient centers and strategic partnerships. During the years ended December 31, 2021 and 2020, we invested \$1.315 billion and \$1.200 billion, respectively, to acquire ownership interests in new ASCs, increase our ownership interests in existing facilities and invest in de novo facilities. This activity included the acquisition of ownership interests in 86 ASCs and related ambulatory support services (collectively, the “SCD Centers”) from Surgical Center Development #3, LLC and Surgical Center Development #4, LLC (“SCD”) in December 2021. USPI and SCD’s principals have also entered into a joint venture and development agreement under which USPI will have the exclusive option to partner with affiliates of SCD on the future development of a minimum target of 50 de novo ASCs over a period of five years.

During the three months ended March 31, 2022, we acquired controlling interests in two ASCs in Florida and one in New Hampshire, and we acquired a noncontrolling interest in an ASC located in New Jersey. During the same period, we also acquired controlling ownership interests in three previously unconsolidated SCD Centers located in Florida, Pennsylvania and Texas. In addition, we opened two new ASCs in the first quarter of 2022 – one in Florida and one in North Carolina. We believe USPI’s ASCs 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 Growth in Our Hospital Systems—We remain committed to better positioning our hospital systems and competing more effectively in the ever-evolving healthcare environment by focusing 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. Over the past several years, we have undertaken enterprise-wide cost-efficiency measures, and we continue to transition certain support operations offshore to our Global Business Center (“GBC”) in the Philippines. We incurred restructuring charges in conjunction with these initiatives in the three months ended March 31, 2022, and we could incur additional such charges in the future.

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. In April 2021, we divested the majority of our urgent care centers operated under the MedPost and CareSpot brands by our Hospital Operations and Ambulatory Care segments. In addition, we completed the sale of the Miami Hospitals in August 2021. We intend 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.

Driving Conifer’s Growth—Conifer serves over 660 Tenet and non-Tenet hospitals and other clients nationwide. In addition to providing revenue cycle management services to health 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—As we return to more normal operations, we continue to focus 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 (prior to the COVID-19 pandemic) 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 have been experiencing higher growth rates than traditional Medicare, and contracting strategies that create shared value with payers should help us grow our patient volumes over time. We are also continuing to explore new opportunities to enhance efficiency, including further integration of enterprise-wide centralized support functions, outsourcing additional functions unrelated to direct patient care, and reducing clinical and vendor contract variation.

Reducing Our Leverage Over Time—All of our outstanding long-term debt has a fixed rate of interest, except for outstanding borrowings, if any, under our Credit Agreement, and the maturity dates of our notes are staggered from 2023 through 2031. 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. During the three months ended March 31, 2022, we redeemed all \$700 million aggregate principal amount outstanding of our 7.500% senior secured first lien notes due 2025 (the “2025 Senior Secured First Lien Notes”) in advance of their maturity date using cash on hand. In addition, we repurchased \$103 million aggregate principal amount outstanding of our 6.750% senior unsecured notes due 2023 (the “2023 Senior Unsecured Notes”) through a series of open-market transactions in March 2022 using cash on hand. We anticipate these redemption and repurchase transactions will reduce future annual cash interest expense payments by approximately \$60 million. It remains 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.

Our ability to execute on our strategies and respond to the aforementioned trends is subject to the extent and scope of the impact on our operations of the COVID-19 pandemic, as well as a number of other risks and uncertainties, all of which 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 this report, as well as the Forward-Looking Statements and Risk Factors sections in Part I of our Annual Report.

RESULTS OF OPERATIONS—OVERVIEW

The following tables present selected operating statistics for our Hospital Operations and Ambulatory Care segments, as well as consolidated net operating revenues and expenses, in each case for the three months ended March 31, 2022 and 2021 on a continuing operations basis.

Selected Operating Statistics	Continuing Operations Three Months Ended March 31,		Increase (Decrease)
	2022	2021	
Hospital Operations – hospitals and related outpatient facilities:			
Number of hospitals (at end of period)	60	65	(5) ⁽¹⁾
Total admissions	127,781	147,674	(13.5)%
Adjusted patient admissions ⁽²⁾	227,933	251,017	(9.2)%
Paying admissions (excludes charity and uninsured)	121,802	138,756	(12.2)%
Charity and uninsured admissions	5,979	8,918	(33.0)%
Admissions through emergency department	97,688	112,730	(13.3)%
Emergency department visits, outpatient	500,659	450,830	11.1 %
Total emergency department visits	598,347	563,560	6.2 %
Total surgeries	84,166	89,964	(6.4)%
Patient days — total	705,627	797,489	(11.5)%
Adjusted patient days ⁽²⁾	1,224,824	1,321,890	(7.3)%
Average length of stay (days)	5.52	5.40	2.2 %
Average licensed beds	15,395	17,178	(10.4)%
Utilization of licensed beds ⁽³⁾	50.9 %	51.6 %	(0.7)% ⁽¹⁾
Total visits	1,373,188	1,401,217	(2.0)%
Paying visits (excludes charity and uninsured)	1,295,352	1,312,096	(1.3)%
Charity and uninsured visits	77,836	89,121	(12.7)%
Ambulatory Care:			
Total consolidated facilities (at end of period)	261	291	(30) ⁽¹⁾
Total consolidated cases	300,320	553,814	(45.8)%

⁽¹⁾ The change is the difference between the 2022 and 2021 amounts shown.

⁽²⁾ Adjusted patient admissions/days represents actual patient admissions/days adjusted to include outpatient services provided by facilities in our Hospital Operations segment by multiplying actual patient admissions/days by the sum of gross inpatient revenues and outpatient revenues and dividing the results by gross inpatient revenues.

⁽³⁾ Utilization of licensed beds represents patient days divided by number of days in the period divided by average licensed beds.

Total admissions decreased by 19,893, or 13.5%, and total surgeries decreased by 5,798, or 6.4%, in the three months ended March 31, 2022 compared to the three months ended March 31, 2021. Total emergency department visits increased 6.2% in the three months ended March 31, 2022 compared to the same period in 2021. The decrease in our patient volumes from continuing operations in the three months ended March 31, 2022 compared to the three months ended March 31, 2021 is primarily attributable to the sale of the Miami Hospitals in August 2021 and the impact of the Omicron variant in January and February 2022. The decrease in Ambulatory Care total consolidated cases of 45.8% in the three months ended March 31, 2022 compared to the same period in 2021 is primarily due to the divestiture of USPI's urgent care centers and the realignment of its imaging centers under our Hospital Operations segment.

Revenues	Continuing Operations Three Months Ended March 31,		Increase (Decrease)
	2022	2021	
Net operating revenues:			
Hospital Operations prior to inter-segment eliminations	\$ 3,798	\$ 3,947	(3.8) %
Ambulatory Care	738	646	14.2 %
Conifer	324	310	4.5 %
Inter-segment eliminations	(115)	(122)	(5.7) %
Total	\$ 4,745	\$ 4,781	(0.8) %

Net operating revenues decreased by \$36 million, or 0.8%, in the three months ended March 31, 2022 compared to the same period in 2021, primarily due to the loss of revenues in our Hospital Operations segment from the Miami Hospitals we sold in August 2021 and lower patient volumes, partially offset by high patient acuity and negotiated commercial rate increases. On a consolidated basis, this decrease was further offset by higher revenues from our Ambulatory Care segment, which increased \$92 million, or 14.2%, in the 2022 period compared to the 2021 period. This increase was largely driven by our

recently acquired ASCs, higher surgical patient volumes and negotiated commercial rate increases. Conifer's revenues, net of intercompany eliminations, increased \$21 million, or 11.2%, during the three months ended March 31, 2022 compared to the same period in 2021, primarily due to contractual rate increases and new business expansion. During the three months ended March 31, 2022 and 2021, we recognized net grant income of \$6 million and \$31 million, respectively, which amounts are not included in net operating revenues.

Our accounts receivable days outstanding ("AR Days") from continuing operations were 58.9 days at March 31, 2022 and 57.0 days at December 31, 2021, primarily due to the approval of Texas' Medicaid supplemental funding programs by the Centers for Medicare and Medicaid Services ("CMS") at the end of March 2022, which resulted in our recognition of \$57 million of revenue in the three months ended March 31, 2022. This revenue has not yet been collected given that the programs were just recently approved. Our AR Days target is less than 55 days. AR Days are calculated as our accounts receivable from continuing operations on the last date in 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 segment's contract assets. The AR Days calculation excludes (i) urgent care centers operated under the MedPost and CareSpot brands, which we divested in April 2021, (ii) the Miami Hospitals, which we sold in August 2021, and (iii) our California provider fee revenues.

Selected Operating Expenses	Continuing Operations Three Months Ended March 31,		Increase (Decrease)
	2022	2021	
Hospital Operations:			
Salaries, wages and benefits	\$ 1,820	\$ 1,857	(2.0) %
Supplies	583	646	(9.8) %
Other operating expenses	774	916	(15.5) %
Total	\$ 3,177	\$ 3,419	(7.1) %
Ambulatory Care:			
Salaries, wages and benefits	\$ 194	\$ 174	11.5 %
Supplies	201	157	28.0 %
Other operating expenses	105	103	1.9 %
Total	\$ 500	\$ 434	15.2 %
Conifer:			
Salaries, wages and benefits	\$ 168	\$ 170	(1.2) %
Supplies	1	1	— %
Other operating expenses	63	53	18.9 %
Total	\$ 232	\$ 224	3.6 %
Total:			
Salaries, wages and benefits	\$ 2,182	\$ 2,201	(0.9) %
Supplies	785	804	(2.4) %
Other operating expenses	942	1,072	(12.1) %
Total	\$ 3,909	\$ 4,077	(4.1) %
Rent/lease expense⁽¹⁾:			
Hospital Operations	\$ 70	\$ 77	(9.1) %
Ambulatory Care	27	27	— %
Conifer	3	3	— %
Total	\$ 100	\$ 107	(6.5) %

⁽¹⁾ Included in other operating expenses.

Selected Operating Expenses per Adjusted Patient Admission	Continuing Operations Three Months Ended March 31,		Increase (Decrease)
	2022	2021	
Hospital Operations:			
Salaries, wages and benefits per adjusted patient admission ⁽¹⁾	\$ 7,985	\$ 7,396	8.0 %
Supplies per adjusted patient admission ⁽¹⁾	2,557	2,571	(0.5) %
Other operating expenses per adjusted patient admission ⁽¹⁾	3,393	3,647	(7.0) %
Total per adjusted patient admission	\$ 13,935	\$ 13,614	2.4 %

⁽¹⁾ Adjusted patient admissions represents actual patient admissions adjusted to include outpatient services provided by facilities in our Hospital Operations 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 expense for our Hospital Operations segment decreased \$37 million, or 2.0%, in the three months ended March 31, 2022 compared to the same period in 2021. This change was primarily attributable to the sale of the Miami Hospitals in August 2021 and our continued focus on cost-efficiency measures, partially offset by increased contract labor costs, increased overtime expense and annual merit increases for certain of our employees. On a per-adjusted-patient-admission basis, salaries, wages and benefits increased 8.0% in the three months ended March 31, 2022 compared to the three months ended March 31, 2021, primarily due to the expenses mentioned above.

Supplies expense for our Hospital Operations segment decreased \$63 million, or 9.8%, during the three months ended March 31, 2022 compared to the three months ended March 31, 2021. This decrease was primarily attributable to the sale of the Miami Hospitals, the decrease in patient volumes during the 2022 period and our cost-efficiency measures, partially offset by increased costs for certain supplies as a result of the COVID-19 pandemic and high patient acuity. On a per-adjusted-patient-admission basis, supplies expense decreased 0.5% in the three months ended March 31, 2022 compared to the three months ended March 31, 2021, primarily due to the cost-efficiency measures described above.

Other operating expenses for our Hospital Operations segment decreased \$142 million, or 15.5%, in the three months ended March 31, 2022 compared to the same period in 2021. The decrease was primarily attributable to sale of the Miami Hospitals, a gain of \$69 million realized from the sale of several medical office buildings in the three months ended March 31, 2022, and our continued focus on cost-efficiency measures. On a per-adjusted-patient-admission basis, other operating expenses in the three months ended March 31, 2022 decreased 7.0% compared to the same period in 2021, primarily due to the items mentioned above.

LIQUIDITY AND CAPITAL RESOURCES OVERVIEW

Cash and cash equivalents were \$1.405 billion at March 31, 2022 compared to \$2.364 billion at December 31, 2021.

Significant cash flow items in the three months ended March 31, 2022 included:

- Net cash provided by operating activities before interest, taxes, discontinued operations, and restructuring charges, acquisition-related costs, and litigation costs and settlements of \$458 million (including \$5 million from federal grants);
- Proceeds from the sale of facilities and other assets of \$148 million;
- Debt payments of \$879 million, including the redemption of all \$700 million aggregate principal amount outstanding of our 2025 Senior Secured First Lien Notes and the repurchase of \$103 million aggregate principal amount outstanding of our 2023 Senior Unsecured Notes;
- Interest payments of \$166 million;
- Capital expenditures of \$155 million;
- \$135 million of distributions paid to noncontrolling interests;
- Payments totaling \$56 million for restructuring charges, acquisition-related costs, and litigation costs and settlements; and
- \$40 million of payments for purchases of businesses or joint venture interests.

Net cash provided by operating activities was \$228 million in the three months ended March 31, 2022 compared to \$534 million in the three months ended March 31, 2021. Key factors contributing to the change between the 2022 and 2021 periods include the following:

- \$194 million of Medicare advances recouped in the three months ended March 31, 2022 compared to no amounts recouped during the same period in 2021;
- \$5 million of cash received from grants in the three months ended March 31, 2022 compared to \$31 million received in the three months ended March 31, 2021;

- Decreased cash receipts of \$12 million related to supplemental Medicaid programs in California and Texas; and
- The timing of other working capital items.

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 Securities Exchange Act of 1934, each as amended. All statements, other than statements of historical or present facts, that address activities, events, outcomes, business strategies and other matters that we plan, expect, intend, assume, believe, budget, predict, forecast, project, 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 (i) the impact of the COVID-19 pandemic, (ii) our future earnings, financial position, and operational and strategic initiatives, and (iii) 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 risks described in the Forward-Looking Statements and Risk Factors sections in Part I of our Annual Report and the Risk Factors section in Part II of this report.

When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in our Annual Report and in this report. Should one or more of the risks and uncertainties described in these reports 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 information.

SOURCES OF REVENUE FOR OUR HOSPITAL OPERATIONS 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 presents the sources of net patient service revenues less implicit price concessions for our hospitals and related outpatient facilities, expressed as percentages of net patient service revenues less implicit price concessions from all sources:

Net Patient Service Revenues Less Implicit Price Concessions from:	Three Months Ended March 31,		Increase (Decrease) ⁽¹⁾
	2022	2021	
Medicare	17.6 %	18.8 %	(1.2)%
Medicaid	5.5 %	7.1 %	(1.6)%
Managed care ⁽²⁾	71.1 %	68.0 %	3.1 %
Uninsured	1.1 %	1.3 %	(0.2)%
Indemnity and other	4.7 %	4.8 %	(0.1)%

⁽¹⁾ The change is the difference between the 2022 and 2021 percentages presented.

⁽²⁾ 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 presented below:

Admissions from:	Three Months Ended March 31,		Increase (Decrease) ⁽¹⁾
	2022	2021	
Medicare	21.5 %	21.4 %	0.1 %
Medicaid	5.6 %	5.7 %	(0.1)%
Managed care ⁽²⁾	64.8 %	63.7 %	1.1 %
Charity and uninsured	4.7 %	6.0 %	(1.3)%
Indemnity and other	3.4 %	3.2 %	0.2 %

(1) The change is the difference between the 2022 and 2021 percentages presented.

(2) Includes Medicare and Medicaid managed care programs.

GOVERNMENT PROGRAMS

CMS is an agency of the U.S. Department of Health and Human Services (“HHS”) that administers a number of government programs authorized by federal law; it is the single largest payer of healthcare services in the United States. 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 Children’s Health Insurance Program (“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. Funding for the CHIP has been reauthorized through federal fiscal year 2027.

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 (“FFS”) 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 FFS Medicare special needs plans and Medicare medical savings account plans. Our total net patient service revenues from continuing operations of the hospitals and related outpatient facilities in our Hospital Operations segment for services provided to patients enrolled in the Original Medicare Plan were \$619 million and \$688 million for the three months ended March 31, 2022 and 2021, respectively.

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

Medicaid

Medicaid programs and the corresponding reimbursement methodologies vary from state-to-state and from year-to-year. Even prior to the COVID-19 pandemic, several states in which we operate faced budgetary challenges that resulted 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 Social Security Act. Continuing pressure on state budgets and other factors, including legislative and regulatory changes, could result in future reductions to Medicaid payments, payment delays or changes to Medicaid supplemental payment programs. Federal government denials or delayed approvals of waiver applications or extension requests by the states in which we operate could materially impact our Medicaid funding levels.

Estimated revenues under various state Medicaid programs, including state-funded Medicaid managed care programs, constituted approximately 18.8% and 16.9% of total net patient service revenues less implicit price concessions of our acute care hospitals and related outpatient facilities for the three months ended March 31, 2022 and 2021, respectively. We also receive disproportionate share hospital (“DSH”) and other supplemental revenues under various state Medicaid programs. For the three months ended March 31, 2022 and 2021, our total Medicaid revenues attributable to DSH and other supplemental revenues were approximately \$119 million and \$180 million, respectively. The decrease between the two three-month periods was primarily attributable to \$57 million of assessments we recognized related to the Texas Comprehensive Hospital Increase Reimbursement Program (“CHIRP”) following its approval in 2022. During the three months ended March 31, 2022, we also recognized \$114 million of revenue related to CHIRP that, due to the structure of the program, is included in Managed Medicaid revenue.

Total Medicaid and Managed Medicaid net patient service revenues from continuing operations recognized by the hospitals and related outpatient facilities in our Hospital Operations segment for the three months ended March 31, 2022 and 2021 were \$659 million and \$617 million, respectively. During the three months ended March 31, 2022, Medicaid and Managed Medicaid revenues comprised 29% and 71%, respectively, of our Medicaid-related net patient service revenues from continuing operations recognized by the hospitals and related outpatient facilities in our Hospital Operations segment. All Medicaid and Managed Medicaid patient service revenues are presented net of provider taxes or assessments paid by our hospitals, which are reported as an offset reduction to FFS Medicaid revenue.

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.

Regulatory and Legislative Changes

Material updates to the information set forth in our Annual Report about the Medicare and Medicaid payment systems, as well as other government programs impacting our business, are provided below.

Proposed Payment and Policy Changes to the Medicare Inpatient Prospective Payment Systems—Section 1886(d) of the Social Security Act requires CMS to update Medicare inpatient FFS payment rates for hospitals reimbursed under the inpatient prospective payment systems (“IPPS”) annually. The updates generally become effective October 1, the beginning of the federal fiscal year (“FFY”). In April 2022, CMS issued proposed changes to the Hospital Inpatient Prospective Payment Systems for Acute Care Hospitals and Fiscal Year 2023 Rates (“Proposed IPPS Rule”). The Proposed IPPS Rule includes the following proposed payment and policy changes:

- A market basket increase of 3.1% 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 proposed a 0.4% multifactor productivity reduction required by the Affordable Care Act and a 0.5% increase required by the Medicare Access and CHIP Reauthorization Act that together result in a net operating payment update of 3.2% before budget neutrality adjustments;
- Changes to the hospital Value-Based Purchasing (“VBP”) and Hospital-Acquired Condition (“HAC”) programs for FFY 2023 due to the impact of the COVID-19 Public Health Emergency, including the implementation of a special scoring methodology for the VBP program that results in each hospital receiving a value-based incentive payment amount equal to its 2% reduction to the operating standardized amount; and suppression of all measures in the HAC reduction program resulting in no hospitals being penalized for FFY 2023;
- An increase in the cost outlier threshold from \$30,988 to \$43,214;
- A 1.63% net increase in the capital federal MS-DRG rate; and
- Updates to the three factors used to determine the amount and distribution of Medicare uncompensated care disproportionate share hospital (“UC-DSH”) payments.

According to CMS, the combined impact of the proposed payment and policy changes in the Proposed IPPS Rule for operating costs will yield an average 1.4% increase in Medicare operating MS-DRG FFS payments for hospitals in urban areas, and an average 2.3% increase in such payments for proprietary hospitals in FFY 2023. We estimate that all the proposed payment and policy changes affecting operating MS-DRG and UC-DSH payments will result in an estimated 2.3% increase in

our annual Medicare FFS IPPS payments, which yields an estimated increase of approximately \$45 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, as well as potential changes to the Proposed IPPS Rule, we cannot provide any assurances regarding our estimate of the impact of the proposed payment and policy changes.

Public Health and Social Services Emergency Fund—During the three months ended March 31, 2022 and 2021, our Hospital Operations and Ambulatory Care segments together recognized a total of \$6 million and \$24 million, respectively, of PRF grant income associated with lost revenues and COVID-related costs. We also recognized \$6 million of PRF grant income from our unconsolidated affiliates during the three months ended March 31, 2021. In addition to PRF grant income, our Hospital Operations and Ambulatory Care segments also recognized \$7 million of grant income from state and local grant programs during the three months ended March 31, 2021. Grant income recognized by our Hospital Operations and Ambulatory Care segments is presented in grant income, and grant income recognized through our unconsolidated affiliates is presented in equity in earnings of unconsolidated affiliates, in each case in the condensed consolidated statements of operations. We cannot predict whether additional distributions of grant funds will be authorized, and we cannot provide assurances regarding the amount of grant income, if any, to be recognized in the future.

Medicare and Medicaid Payment Policy Changes—The federally mandated 2% sequestration reduction on Medicare FFS and Medicare Advantage payments to hospitals, physicians and other providers was suspended effective May 1, 2020 through December 31, 2021. The Protecting Medicare and American Farmers from Sequester Cuts Act (the “Sequester Cuts Act”), which was signed into law in December 2021, extended the 2% Medicare sequestration moratorium through March 31, 2022, and adjusted the sequestration to 1% for the period April 1, 2022 through June 30, 2022, after which the full 2% reduction will be restored unless further legislation is passed. The impact of the Sequester Cuts Act on our operations was an increase of approximately \$20 million of revenues in the three months ended March 31, 2022, and we estimate its impact for the full year ending December 31, 2022 will be an increase of approximately \$30 million of revenues. Because of the uncertainty associated with various factors that may influence our future Medicare and Medicaid payments, including future legislative, legal or regulatory actions, or changes in volumes and case mix, there is a risk that actual payments received under, or the ultimate impact of, these programs will differ materially from our expectations.

Significant Litigation

340B Litigation

The CMS 340B program allows certain hospitals (i.e., only nonprofit organizations with specific federal designations and/or funding) (“340B Hospitals”) to purchase drugs at discounted rates from drug manufacturers (“340B Drugs”). In the final rule regarding Hospital Outpatient Prospective Payment System (“OPPS”) payment and policy changes for calendar year (“CY”) 2018, CMS reduced the payment for 340B Drugs from the average sales price (“ASP”) plus 6% to the ASP minus 22.5% and made a corresponding budget-neutral increase to payments to all hospitals for other drugs and services reimbursed under the OPPS (the “340B Payment Adjustment”). In the final rules regarding OPPS payment and policy changes for CYs 2019 through 2022, 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, 2019 and 2020. Previously, the U.S. District Court for the District of Columbia (the “District Court”) held that the adoption of the 340B Payment Adjustment in the CYs 2018 and 2019 OPPS Final Rules exceeded CMS’ statutory authority by reducing drug reimbursement rates for 340B Hospitals. In July 2020, the U.S. Court of Appeals for the District of Columbia Circuit (the “Appeals Court”) reversed the District Court’s holding, finding that HHS’ decision to reduce the payment rate for 340B Drugs was based on a reasonable interpretation of the Medicare statute. The Appeals Court subsequently denied the 340B Hospitals’ petition for a rehearing. The 340B Hospitals filed a timely petition asking the U.S. Supreme Court (“Supreme Court”) to reverse the Appeals Court’s decision and, in December 2021, the Supreme Court heard oral arguments in the case. We cannot predict the timing or outcome of the Supreme Court’s decision or what further actions CMS or Congress might take with respect to the 340B program; however, a reversal of the current payment policy and return to the prior 340B payment methodology could have an adverse effect on our net operating 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 three months ended March 31, 2022 and 2021 was \$2.495 billion and \$2.480 billion, respectively. Our top 10 managed care payers generated 61% of our managed care net patient service revenues for the three months ended March 31, 2022. During the same period, national payers generated 41% of our managed care net patient service revenues; the remainder came from regional or local payers. At March 31, 2022 and December 31, 2021, 68% and 67%, respectively, of our net accounts receivable for our Hospital Operations 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 FFS 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 March 31, 2022, 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 some time, we have seen these improvements moderate in recent years, and we believe this moderation could continue into the future. In the three months ended March 31, 2022, our commercial managed care net inpatient revenue per admission from the hospitals in our Hospital Operations segment was approximately 86% 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.

Legislative Changes

As more fully described in Item 1, Business — Healthcare Regulation and Licensing, of Part I of our Annual Report, the No Surprises Act (“NSA”) and the rules promulgated thereunder went into effect on January 1, 2022. The NSA is intended to address unexpected gaps in insurance coverage that result in “surprise medical bills” when patients unknowingly obtain medical services from physicians and other providers outside their health insurance network, including certain emergency services, anesthesiology services and air ambulance transportation. At this time, we are unable to assess the effect that the NSA or regulations relating to the NSA might have on our business, financial position, results of operations or cash flows.

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 March 31, 2022 and December 31, 2021, 3% and 4%, respectively, of our net accounts receivable for our Hospital Operations 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 our Annual Report.

Conifer has performed systematic analyses to focus our attention on the drivers of bad debt expense for each hospital. While emergency department use is the primary contributor to our 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 the challenges associated with serving uninsured patients. 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 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 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 certain 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.

The following table presents our estimated costs (based on selected operating expenses, which include salaries, wages and benefits, supplies and other operating expenses) of caring for our uninsured and charity patients.

	Three Months Ended March 31,	
	2022	2021
Estimated costs for:		
Uninsured patients	\$ 122	\$ 168
Charity care patients	21	20
Total	\$ 143	\$ 188

RESULTS OF OPERATIONS

The following tables present our consolidated net operating revenues, operating expenses and operating income on a continuing operations basis, both in dollar amounts and as percentages of net operating revenues.

	Three Months Ended March 31,		Increase (Decrease)
	2022	2021	
Net operating revenues:			
Hospital Operations	\$ 3,798	\$ 3,947	\$ (149)
Ambulatory Care	738	646	92
Conifer	324	310	14
Inter-segment eliminations	(115)	(122)	7
Net operating revenues	4,745	4,781	(36)
Grant income	6	31	(25)
Equity in earnings of unconsolidated affiliates	46	42	4
Operating expenses:			
Salaries, wages and benefits	2,182	2,201	(19)
Supplies	785	804	(19)
Other operating expenses, net	942	1,072	(130)
Depreciation and amortization	203	224	(21)
Impairment and restructuring charges, and acquisition-related costs	16	20	(4)
Litigation and investigation costs	20	13	7
Net losses on sales, consolidation and deconsolidation of facilities	1	—	1
Operating income	\$ 648	\$ 520	\$ 128

	Three Months Ended March 31,		Increase (Decrease) ⁽¹⁾
	2022	2021	
Net operating revenues	100.0 %	100.0 %	— %
Grant income	0.1 %	0.6 %	(0.5) %
Equity in earnings of unconsolidated affiliates	1.0 %	0.9 %	0.1 %
Operating expenses:			
Salaries, wages and benefits	46.0 %	46.0 %	— %
Supplies	16.5 %	16.8 %	(0.3) %
Other operating expenses, net	19.9 %	22.4 %	(2.5) %
Depreciation and amortization	4.3 %	4.7 %	(0.4) %
Impairment and restructuring charges, and acquisition-related costs	0.3 %	0.4 %	(0.1) %
Litigation and investigation costs	0.4 %	0.3 %	0.1 %
Net losses on sales, consolidation and deconsolidation of facilities	— %	— %	— %
Operating income	13.7 %	10.9 %	2.8 %

⁽¹⁾ The change is the difference between the 2022 and 2021 percentages presented.

The following tables present our net operating revenues, operating expenses and operating income, both in dollar amounts and as percentages of net operating revenues, by operating segment on a continuing operations basis.

	Three Months Ended March 31, 2022		
	Hospital Operations	Ambulatory Care	Conifer
Net operating revenues	\$ 3,683	\$ 738	\$ 324
Grant income	4	2	—
Equity in earnings of unconsolidated affiliates	4	42	—
Operating expenses:			
Salaries, wages and benefits	1,820	194	168
Supplies	583	201	1
Other operating expenses, net	774	105	63
Depreciation and amortization	167	27	9
Impairment and restructuring charges, and acquisition-related costs	12	3	1
Litigation and investigation costs	8	—	12
Net losses on sales, consolidation and deconsolidation of facilities	1	—	—
Operating income	\$ 326	\$ 252	\$ 70

	Three Months Ended March 31, 2022		
	Hospital Operations	Ambulatory Care	Conifer
Net operating revenues	100.0 %	100.0 %	100.0 %
Grant income	0.1 %	0.3 %	— %
Equity in earnings of unconsolidated affiliates	0.1 %	5.7 %	— %
Operating expenses:			
Salaries, wages and benefits	49.4 %	26.3 %	51.9 %
Supplies	15.8 %	27.2 %	0.3 %
Other operating expenses, net	21.1 %	14.3 %	19.4 %
Depreciation and amortization	4.5 %	3.7 %	2.8 %
Impairment and restructuring charges, and acquisition-related costs	0.3 %	0.4 %	0.3 %
Litigation and investigation costs	0.2 %	— %	3.7 %
Net losses on sales, consolidation and deconsolidation of facilities	— %	— %	— %
Operating income	8.9 %	34.1 %	21.6 %

	Three Months Ended March 31, 2021		
	Hospital Operations	Ambulatory Care	Conifer
Net operating revenues	\$ 3,825	\$ 646	\$ 310
Grant income	24	7	—
Equity in earnings of unconsolidated affiliates	4	38	—
Operating expenses:			
Salaries, wages and benefits	1,857	174	170
Supplies	646	157	1
Other operating expenses, net	916	103	53
Depreciation and amortization	190	25	9
Impairment and restructuring charges, and acquisition-related costs	10	4	6
Litigation and investigation costs	9	3	1
Operating income	\$ 225	\$ 225	\$ 70

	Three Months Ended March 31, 2021		
	Hospital Operations	Ambulatory Care	Conifer
Net operating revenues	100.0 %	100.0 %	100.0 %
Grant income	0.6 %	1.1 %	— %
Equity in earnings of unconsolidated affiliates	0.1 %	5.9 %	— %
Operating expenses:			
Salaries, wages and benefits	48.5 %	26.9 %	54.8 %
Supplies	16.9 %	24.3 %	0.3 %
Other operating expenses, net	23.9 %	16.0 %	17.2 %
Depreciation and amortization	5.0 %	3.9 %	2.9 %
Impairment and restructuring charges, and acquisition-related costs	0.3 %	0.6 %	1.9 %
Litigation and investigation costs	0.2 %	0.5 %	0.3 %
Operating income	5.9 %	34.8 %	22.6 %

Total net operating revenues decreased by \$36 million, or 0.8%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. Hospital Operations net operating revenues, net of inter-segment eliminations, decreased by \$142 million, or 3.7%, for the three months ended March 31, 2022 compared to the same period in 2021. These decreases were primarily due to the sale of the Miami Hospitals and lower patient volumes, partially offset by high patient acuity and negotiated commercial rate increases. Our Hospital Operations segment also recognized income from federal grants totaling \$4 million during the three months ended March 31, 2022, which is not included in net operating revenues.

Ambulatory Care net operating revenues increased by \$92 million, or 14.2%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. The change was driven by an increase from acquisitions of \$91 million, as well as an increase in same-facility net operating revenues of \$52 million due primarily to higher surgical patient volumes and negotiated commercial rate increases in the 2022 period. These increases were also partially offset by a decrease of \$51 million due primarily to the sale of the Ambulatory Care segment's urgent care centers and the transfer of its imaging centers to the Hospital Operations segment. Our Ambulatory Care segment also recognized income from federal grants totaling \$2 million during the three months ended March 31, 2022, which is not included in net operating revenues.

Conifer's net operating revenues increased by \$14 million, or 4.5%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. Conifer's revenues from third-party clients, which revenues are not eliminated in consolidation, increased \$21 million, or 11.2%, for the three months ended March 31, 2022 compared to the same period in 2021. This increase was primarily due to contractual rate increases, new business expansion and the transition of the Miami Hospitals to third-party clients.

The following table presents selected operating expenses of our three operating segments. Information for our Hospital Operations segment is presented on a same-hospital basis, whereas information presented for our Ambulatory Care and Conifer segments is presented on a continuing operations basis.

Selected Operating Expenses	Three Months Ended March 31,		Increase (Decrease)
	2022	2021	
Hospital Operations — Same-Hospital:			
Salaries, wages and benefits	\$ 1,812	\$ 1,742	4.0 %
Supplies	581	603	(3.6) %
Other operating expenses	761	843	(9.7) %
Total	\$ 3,154	\$ 3,188	(1.1) %
Ambulatory Care:			
Salaries, wages and benefits	\$ 194	\$ 174	11.5 %
Supplies	201	157	28.0 %
Other operating expenses	105	103	1.9 %
Total	\$ 500	\$ 434	15.2 %
Conifer:			
Salaries, wages and benefits	\$ 168	\$ 170	(1.2) %
Supplies	1	1	— %
Other operating expenses	63	53	18.9 %
Total	\$ 232	\$ 224	3.6 %
Rent/lease expense⁽¹⁾:			
Hospital Operations	\$ 68	\$ 72	(5.6) %
Ambulatory Care	27	27	— %
Conifer	3	3	— %
Total	\$ 98	\$ 102	(3.9) %

⁽¹⁾ Included in other operating expenses.

RESULTS OF OPERATIONS BY SEGMENT

Our operations are reported in three segments:

- Hospital Operations, which is comprised of acute care and specialty hospitals, imaging centers, ancillary outpatient facilities, micro-hospitals and physician practices;
- Ambulatory Care, which is comprised of USPI's ASCs and surgical hospitals; and
- Conifer, which provides revenue cycle management and value-based care services to hospitals, health systems, physician practices, employers and other clients.

Hospital Operations Segment

The following tables present operating statistics, revenues and expenses of our hospitals and related outpatient facilities on a same-hospital basis, unless otherwise indicated.

Admissions, Patient Days and Surgeries	Same-Hospital		Increase (Decrease)
	Three Months Ended March 31,		
	2022	2021	
Number of hospitals (at end of period)	60	60	— (1)
Total admissions	127,782	134,120	(4.7)%
Adjusted patient admissions ⁽²⁾	227,933	231,273	(1.4)%
Paying admissions (excludes charity and uninsured)	121,797	127,005	(4.1)%
Charity and uninsured admissions	5,985	7,115	(15.9)%
Admissions through emergency department	97,684	100,847	(3.1)%
Paying admissions as a percentage of total admissions	95.3 %	94.7 %	0.6 % (1)
Charity and uninsured admissions as a percentage of total admissions	4.7 %	5.3 %	(0.6)% (1)
Emergency department admissions as a percentage of total admissions	76.4 %	75.2 %	1.2 % (1)
Surgeries — inpatient	32,908	34,096	(3.5)%
Surgeries — outpatient	51,258	50,275	2.0 %
Total surgeries	84,166	84,371	(0.2)%
Patient days — total	705,623	731,525	(3.5)%
Adjusted patient days ⁽²⁾	1,224,824	1,225,520	(0.1)%
Average length of stay (days)	5.52	5.45	1.3 %
Licensed beds (at end of period)	15,395	15,403	(0.1)%
Average licensed beds	15,395	15,403	(0.1)%
Utilization of licensed beds ⁽³⁾	50.9 %	52.8 %	(1.9)% (1)

(1) The change is the difference between the 2022 and 2021 amounts presented.

(2) Adjusted patient admissions/days represents actual patient admissions/days adjusted to include outpatient services provided by facilities in our Hospital Operations 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		Increase (Decrease)
	Three Months Ended March 31,		
	2022	2021	
Total visits	1,240,386	1,222,696	1.4 %
Paying visits (excludes charity and uninsured)	1,165,718	1,147,511	1.6 %
Charity and uninsured visits	74,668	75,185	(0.7)%
Emergency department visits	500,665	424,361	18.0 %
Surgery visits	51,258	50,275	2.0 %
Paying visits as a percentage of total visits	94.0 %	93.9 %	0.1 % (1)
Charity and uninsured visits as a percentage of total visits	6.0 %	6.1 %	(0.1)% (1)

(1) The change is the difference between the 2022 and 2021 amounts presented.

Revenues	Same-Hospital			Increase (Decrease)
	Three Months Ended March 31,			
	2022	2021		
Total segment net operating revenues ⁽¹⁾	\$ 3,652	\$ 3,561		2.6 %
Selected revenue data – hospitals and related outpatient facilities:				
Net patient service revenues ⁽¹⁾⁽²⁾	\$ 3,478	\$ 3,392		2.5 %
Net patient service revenue per adjusted patient admission ⁽¹⁾⁽²⁾	\$ 15,259	\$ 14,667		4.0 %
Net patient service revenue per adjusted patient day ⁽¹⁾⁽²⁾	\$ 2,840	\$ 2,768		2.6 %

(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 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			Increase (Decrease) ⁽¹⁾
	Three Months Ended March 31,			
	2022	2021		
Salaries, wages and benefits as a percentage of net operating revenues	49.6 %	48.9 %		0.7 %
Supplies as a percentage of net operating revenues	15.9 %	16.9 %		(1.0)%
Other operating expenses as a percentage of net operating revenues	20.8 %	23.7 %		(2.9)%

(1) The change is the difference between the 2022 and 2021 amounts presented.

Revenues

Same-hospital net operating revenues increased \$91 million, or 2.6%, during the three months ended March 31, 2022 compared to the three months ended March 31, 2021, primarily due to high patient acuity and negotiated commercial rate increases. Our Hospital Operations segment also recognized grant income totaling \$4 million and \$24 million from federal, state and local grants in the three months ended March 31, 2022 and 2021, respectively, which is not included in net operating revenues. Same-hospital admissions decreased 4.7% in the three months ended March 31, 2022 compared to the same period in 2021, primarily due to the impact of the Omicron variant in January and February 2022.

The following table presents the consolidated net accounts receivable by payer at March 31, 2022 and December 31, 2021:

	March 31, 2022	December 31, 2021
Medicare	\$ 150	\$ 155
Medicaid	50	47
Net cost report settlements receivable and valuation allowances	16	33
Managed care	1,751	1,602
Self-pay uninsured	18	21
Self-pay balance after insurance	69	70
Estimated future recoveries	139	137
Other payers	373	331
Total Hospital Operations	2,566	2,396
Ambulatory Care	350	374
Accounts receivable, net	\$ 2,916	\$ 2,770

Collection of accounts receivable has been a key area of focus, particularly over the past several years. At March 31, 2022, our Hospital Operations segment collection rate on self-pay accounts was approximately 27.2%. 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 March 31, 2022, a 10% decrease or increase in our self-pay collection rate, or approximately 3%, which we believe could be a reasonably likely change, would result in an unfavorable or favorable adjustment to patient accounts receivable of approximately \$9 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, many of which have been affected by the COVID-19 pandemic, continuously change and can have an impact on collection trends and our estimation process.

We also 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 segment collection rate from managed care payers was approximately 96.3% at March 31, 2022.

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 segment of \$2.550 billion and \$2.363 billion at March 31, 2022 and December 31, 2021, respectively, excluding cost report settlements receivable and valuation allowances of \$16 million and \$33 million, respectively, at March 31, 2022 and December 31, 2021:

	Medicare	Medicaid	Managed Care	Indemnity, Self-Pay and Other	Total
At March 31, 2022:					
0-60 days	91 %	32 %	56 %	23 %	50 %
61-120 days	4 %	29 %	16 %	14 %	15 %
121-180 days	2 %	16 %	10 %	9 %	10 %
Over 180 days	3 %	23 %	18 %	54 %	25 %
Total	100 %	100 %	100 %	100 %	100 %
At December 31, 2021:					
0-60 days	93 %	35 %	57 %	22 %	52 %
61-120 days	4 %	31 %	18 %	14 %	16 %
121-180 days	1 %	14 %	10 %	9 %	9 %
Over 180 days	2 %	20 %	15 %	55 %	23 %
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 March 31, 2022, we had a cumulative total of patient account assignments to Conifer of \$1.911 billion related to our continuing operations. These accounts have already been written off and are not included in our receivables; 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 Eligibility and Enrollment Services program ("EES") 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 EES, net of appropriate implicit price concessions. Based on recent trends, approximately 97% of all accounts in the EES are ultimately approved for benefits under a government program, such as Medicaid.

The following table presents the approximate amount of accounts receivable in the EES still awaiting determination of eligibility under a government program at March 31, 2022 and December 31, 2021 by aging category:

	March 31, 2022	December 31, 2021
0-60 days	\$ 75	\$ 87
61-120 days	18	17
121-180 days	4	4
Over 180 days	9	7
Total	\$ 106	\$ 115

Salaries, Wages and Benefits

Same-hospital salaries, wages and benefits increased \$70 million, or 4%, in the three months ended March 31, 2022 compared to the same period in 2021. This increase was primarily attributable to increased contract labor and overtime costs, partially offset by our cost-efficiency measures, including the use of labor management tools as patient volumes fluctuate. Same-hospital salaries, wages and benefits as a percentage of net operating revenues increased by 70 basis points to 49.6% in the three months ended March 31, 2022 compared to the three months ended March 31, 2021, primarily due to the factors described above. Salaries, wages and benefits expense for the three months ended March 31, 2022 and 2021 included stock-based compensation expense of \$12 million and \$10 million, respectively.

Supplies

Same-hospital supplies expense decreased \$22 million, or 3.6%, in the three months ended March 31, 2022 compared to the same period in 2021. The decrease was primarily due to our cost-efficiency measures, including those described below, and lower patient volumes, partially offset by the increased cost of certain supplies as a result of the COVID-19 pandemic and growth in our higher-acuity, supply-intensive surgical services. Same-hospital supplies expense as a percentage of net operating revenues decreased by 100 basis points to 15.9% in the three months ended March 31, 2022 compared to the three months ended March 31, 2021, primarily due to our continued focus on strategic cost-efficiency measures. We strive to control supplies expense through product standardization, consistent contract terms and end-to-end contract management, improved utilization, bulk purchases, focused spending with a smaller number of vendors and operational improvements.

Other Operating Expenses, Net

Same-hospital other operating expenses decreased by \$82 million, or 9.7%, in the three months ended March 31, 2022 compared to the same period in 2021. The changes in other operating expenses included:

- a gain on the sale of several medical office buildings of \$69 million; and
- decreased medical expenses of \$11 million.

Same-hospital other operating expenses as a percentage of net operating revenues decreased by 290 basis points to 20.8% for the three months ended March 31, 2022 compared to 23.7% for the three months ended March 31, 2021, primarily due to the gain recognized on the sale of several medical office buildings during the 2022 period and our continued focus on cost-efficiency measures.

Ambulatory Care Segment

Our Ambulatory Care segment is comprised of USPI's ASCs and surgical hospitals. USPI operates its surgical facilities in partnership with local physicians and, in many of these facilities, a health system partner. We hold an ownership interest in each facility, with each being operated through a separate legal entity 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 and administrative 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 (167 of 428 facilities at March 31, 2022), 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 261 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 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 61% 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.

Results of Operations

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

Ambulatory Care Results of Operations	Three Months Ended March 31,		Increase (Decrease)
	2022	2021	
Net operating revenues	\$ 738	\$ 646	14.2 %
Grant income	\$ 2	\$ 7	(71.4)%
Equity in earnings of unconsolidated affiliates	\$ 42	\$ 38	10.5 %
Salaries, wages and benefits	\$ 194	\$ 174	11.5 %
Supplies	\$ 201	\$ 157	28.0 %
Other operating expenses, net	\$ 105	\$ 103	1.9 %

Revenues

Ambulatory Care net operating revenues increased by \$92 million, or 14.2%, during the three months ended March 31, 2022 compared to the same period in 2021. The change was driven by an increase from acquisitions of \$91 million, as well as an increase in same-facility net operating revenues of \$52 million due primarily to higher surgical patient volumes and negotiated commercial rate increases. These increases were also partially offset by a decrease of \$51 million due primarily to the sale of the Ambulatory Care segment’s urgent care centers and the transfer of its imaging centers to the Hospital Operations segment. Our Ambulatory Care segment also recognized income from federal grants totaling \$2 million and \$7 million during the three months ended March 31, 2022 and 2021, respectively, which is not included in net operating revenues.

Salaries, Wages and Benefits

Salaries, wages and benefits expense increased by \$20 million, or 11.5%, during the three months ended March 31, 2022 compared to the same period in 2021. Salaries, wages and benefits expense was impacted by an increase from acquisitions of \$26 million, as well as an increase in same-facility salaries, wages and benefits expense of \$17 million due primarily to higher surgical patient volumes. These increases were partially offset by a decrease of \$23 million due primarily to the sale of the Ambulatory Care segment’s urgent care centers and the transfer of its imaging centers to the Hospital Operations segment. Salaries, wages and benefits expense for three months ended March 31, 2022 and 2021 included stock-based compensation expense of \$3 million in both periods.

Supplies

Supplies expense increased by \$44 million, or 28.0%, during the three months ended March 31, 2022 compared to the same period in 2021. The change was driven by an increase from acquisitions of \$32 million, as well as an increase in same-facility supplies expense of \$15 million due primarily to an increase in surgical patient volumes and higher pricing of certain supplies as a result of the COVID-19 pandemic, partially offset by a decrease of \$3 million due to the sale of the Ambulatory Care segment's urgent care centers and the transfer of its imaging centers to the Hospital Operations segment.

Other Operating Expenses, Net

Other operating expenses increased by \$2 million, or 1.9%, during the three months ended March 31, 2022 compared to the same period in 2021. The change was driven by an increase from acquisitions of \$12 million, as well as an increase in same-facility other operating expenses of \$5 million, partially offset by a decrease of \$15 million due to the sale of the Ambulatory Care segment's urgent care centers and the transfer of its imaging centers to the Hospital Operations segment.

Facility Growth

The following table summarizes the year-over-year changes in our same-facility revenue for the three-month periods ended March 31, 2022 and 2021 on a pro forma systemwide basis, which includes both consolidated and unconsolidated (equity method) facilities. While we do not record the revenues of unconsolidated facilities, we believe this information is important in understanding the financial performance of our Ambulatory Care segment because these revenues are the basis for calculating our management services revenues and, together with the expenses of our unconsolidated facilities, are the basis for our equity in earnings of unconsolidated affiliates.

Ambulatory Care Facility Growth	Three Months Ended March 31, 2022
Net revenues	9.3%
Cases	8.0%
Net revenue per case	1.1%

Joint Ventures with Health 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 health system partner. Accordingly, as of March 31, 2022, the majority of facilities in our Ambulatory Care segment are operated in this model.

The table below summarizes the amounts we paid to acquire various ownership interests in ambulatory care facilities in the periods indicated:

Type of Ownership Interests Acquired	Three Months Ended March 31,		Increase (Decrease)
	2022	2021	
Controlling interests	\$ 40	\$ 24	\$ 16
Equity investment in unconsolidated affiliates and consolidated facilities	9	1	8
Total	\$ 49	\$ 25	\$ 24

The table below provides information about the ownership structure of the facilities our Ambulatory Care segment operated at March 31, 2022:

Ambulatory Care Facilities	March 31, 2022
Ownership Structure:	
With a health system partner	198
Without a health system partner	230
Total facilities operated	428

The table below reflects changes in the number of ambulatory care facilities during the three months ended March 31, 2022:

Ambulatory Care Facilities	Three Months Ended March 31, 2022
Change from December 31, 2021:	
Acquisitions	4
De novo	2
Dispositions/Mergers	(1)
Total increase in number of facilities operated	5

During the three months ended March 31, 2022, we acquired controlling interests in two ASCs located in Florida and one in New Hampshire. We paid cash totaling \$31 million for these acquisitions, which are jointly owned with physicians. During the same period in 2022, we acquired a noncontrolling interest in an ASC located in New Jersey.

Also during the three months ended March 31, 2022, we acquired controlling interests in three previously unconsolidated SCD Centers, located in Florida, Pennsylvania and Texas, for \$9 million. Following our acquisition of a controlling interest in the Texas ASC, we contributed our ownership interest in it to our subsidiary Texas Health Ventures Group, L.L.C.

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 in control. These transactions are primarily the acquisitions of equity interests in ASCs and the investment of additional cash in facilities that need capital for new acquisitions, new construction or other business growth opportunities. During the three months ended March 31, 2022, we invested approximately \$9 million in such transactions.

Conifer Segment

Revenues

Our Conifer segment generated net operating revenues of \$324 million and \$310 million during the three months ended March 31, 2022 and 2021, respectively, a portion of which was eliminated in consolidation as described in Note 18 to the accompanying Condensed Consolidated Financial Statements. The increase in Conifer's net operating revenues was \$14 million, or 4.5%. Conifer's revenues from third-party clients, which revenues are not eliminated in consolidation, increased \$21 million, or 11.2%, for the three months ended March 31, 2022 compared to the same period in 2021. The increase was primarily attributable to contractual rate increases, new business expansion and the transition of the Miami Hospitals to third-party clients in the 2022 period.

Salaries, Wages and Benefits

Salaries, wages and benefits expense for Conifer decreased \$2 million, or 1.2%, in the three months ended March 31, 2022 compared to the same period in 2021. The decrease was primarily due cost-efficiency measures and lower incentive compensation in 2022. Salaries, wages and benefits expense included stock-based compensation expense of \$1 million in each of the three-month periods ended March 31, 2022 and 2021.

Other Operating Expenses, Net

Other operating expenses for Conifer increased \$10 million, or 18.9%, in the three months ended March 31, 2022 compared to the same period in 2021. This increase was primarily due to higher vendor fee and recruiting expenses in 2022.

Consolidated*Impairment and Restructuring Charges, and Acquisition-Related Costs*

The following table presents information about our impairment and restructuring charges, and acquisition-related costs:

	Three Months Ended March 31,	
	2022	2021
Consolidated:		
Impairment charges	\$ 1	\$ —
Restructuring charges	12	16
Acquisition-related costs	3	4
Total impairment and restructuring charges, and acquisition-related costs	\$ 16	\$ 20
By segment:		
Hospital Operations	\$ 12	\$ 10
Ambulatory Care	3	4
Conifer	1	6
Total impairment and restructuring charges, and acquisition-related costs	\$ 16	\$ 20

During the three months ended March 31, 2022, restructuring charges consisted of \$5 million of employee severance costs, \$2 million related to the transition of various administrative functions to our GBC and \$5 million of other restructuring costs. Acquisition-related costs consisted of \$3 million of transaction costs.

During the three months ended March 31, 2021, restructuring charges consisted of \$4 million of employee severance costs, \$6 million related to the transition of various administrative functions to our GBC and \$6 million of other restructuring costs. Acquisition-related costs consisted of \$4 million of transaction costs.

Litigation and Investigation Costs

Litigation and investigation costs for the three months ended March 31, 2022 and 2021 were \$20 million and \$13 million, respectively.

Interest Expense

Interest expense for the three months ended March 31, 2022 was \$227 million compared to \$240 million for the same period in 2021.

Loss from Early Extinguishment of Debt

During the three months ended March 31, 2022, we incurred aggregate losses from the early extinguishment of debt of \$43 million. These losses related to the redemption of our 2025 Senior Secured First Lien Notes in advance of their maturity date and the repurchase of \$103 million aggregate principal amount outstanding of our 2023 Senior Unsecured Notes. The losses incurred from these transactions primarily related to the difference between the purchase prices and the par value of the notes, as well as the write-off of associated unamortized issuance costs.

Loss from early extinguishment of debt was \$23 million for the three months ended March 31, 2021 and related to the retirement of our 7.000% senior unsecured notes due 2025 in advance of their maturity date.

Income Tax Expense

During the three months ended March 31, 2022, we recorded income tax expense of \$99 million in continuing operations on pre-tax income of \$378 million compared to \$45 million on pre-tax income of \$267 million during the prior-year period. During the three months ended March 31, 2022, we recorded income tax expense of \$32 million to increase the valuation allowance for interest expense carryforwards due to a change in the business interest expense disallowance rules in 2022.

A reconciliation between the amount of reported income tax expense and the amount computed by multiplying income from continuing operations before income taxes by the statutory federal tax rate is presented below:

	Three Months Ended	
	March 31,	
	2022	2021
Tax expense at statutory federal rate of 21%	\$ 79	\$ 56
State income taxes, net of federal income tax benefit	14	13
Tax benefit attributable to noncontrolling interests	(29)	(25)
Stock-based compensation tax benefit	(2)	(1)
Changes in valuation allowance	32	—
Other items	5	2
Income tax expense	\$ 99	\$ 45

Net Income Available to Noncontrolling Interests

Net income available to noncontrolling interests was \$140 million for the three months ended March 31, 2022 compared to \$125 million for the three months ended March 31, 2021. Net income available to noncontrolling interests for the 2022 period was comprised of \$99 million related to our Ambulatory Care segment, \$25 million related to our Hospital Operations segment, which was substantially due to our Alabama joint venture partner's share of the \$69 million gain from the sale of several medical office buildings, and \$16 million related to our Conifer segment. Of the portion related to our Ambulatory Care segment, \$4 million related to the minority interests in USPI.

ADDITIONAL SUPPLEMENTAL NON-GAAP DISCLOSURES

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

"Adjusted EBITDA" is a non-GAAP measure we define 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, net of tax, (4) income tax benefit (expense), (5) gain (loss) from early extinguishment of debt, (6) other non-operating income (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., health plan businesses). Litigation and investigation costs do not include ordinary course of business malpractice and other litigation and related expense.

We believe the foregoing non-GAAP measure is useful to investors and analysts because it presents additional information about our financial performance. Investors, analysts, company management and our board of directors utilize this non-GAAP measure, in addition to GAAP measures, to track our financial and operating performance and compare that performance to peer companies, which utilize similar non-GAAP measures in their presentations. The human resources committee of our board of directors also uses certain non-GAAP measures to evaluate management's performance for the purpose of determining incentive compensation. We believe 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 our common stock. Company management also regularly reviews the Adjusted EBITDA performance for each operating segment. We do not use Adjusted EBITDA to measure liquidity, but instead to measure operating performance. The non-GAAP Adjusted EBITDA measure we utilize 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 our financial performance.

The following table presents the reconciliation of Adjusted EBITDA to net income available to Tenet Healthcare Corporation common shareholders (the most comparable GAAP term) for the three months ended March 31, 2022 and 2021:

	Three Months Ended March 31,	
	2022	2021
Net income available to Tenet Healthcare Corporation common shareholders	\$ 140	\$ 97
Less: Net income available to noncontrolling interests	(140)	(125)
Income from discontinued operations, net of tax	1	—
Income from continuing operations	279	222
Income tax expense	(99)	(45)
Loss from early extinguishment of debt	(43)	(23)
Other non-operating income, net	—	10
Interest expense	(227)	(240)
Operating income	648	520
Litigation and investigation costs	(20)	(13)
Net losses on sales, consolidation and deconsolidation of facilities	(1)	—
Impairment and restructuring charges, and acquisition-related costs	(16)	(20)
Depreciation and amortization	(203)	(224)
Adjusted EBITDA	\$ 888	\$ 777
Net operating revenues	\$ 4,745	\$ 4,781
Net income available to Tenet Healthcare Corporation common shareholders as a % of net operating revenues	3.0 %	2.0 %
Adjusted EBITDA as % of net operating revenues (Adjusted EBITDA margin)	18.7 %	16.3 %

LIQUIDITY AND CAPITAL RESOURCES

CASH REQUIREMENTS

Scheduled Contractual Obligations

There have been no material changes to our obligations to make future cash payments under scheduled contractual obligations, such as debt and lease agreements, and under contingent commitments, such as standby letters of credit and minimum revenue guarantees, as disclosed in our Annual Report, except for the matters described below and the additional lease obligations and the long-term debt transactions disclosed in Notes 1 and 6, respectively, to our accompanying Condensed Consolidated Financial Statements.

At March 31, 2022, 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 3.74x, or 3.93x if adjusted to include outstanding obligations arising from cash advances received from Medicare pursuant to COVID-19 relief legislation. We anticipate this ratio will fluctuate from quarter to quarter based on earnings performance and other factors, including the use of our Credit Agreement 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 continue to evaluate opportunities to retire, purchase, redeem and refinance outstanding debt subject to prevailing market conditions, our liquidity requirements, operating results, contractual restrictions and other factors. In the year ending December 31, 2023 and beyond, we may also consider share repurchases depending on market conditions and other investment opportunities. Our ability to achieve our leverage and capital structure objectives is subject to numerous risks and uncertainties, many of which are described in the Forward-Looking Statements and Risk Factors sections in Part I of our Annual Report and the Risk Factors section in Part II of this report.

Interest payments, net of capitalized interest, were \$166 million and \$190 million in the three months ended March 31, 2022 and 2021, respectively.

Other Contractual Obligations

Baylor Put/Call Agreement—As previously discussed in our Annual Report, we have a put/call agreement with Baylor University Medical Center (“Baylor”) with respect to Baylor’s 5% ownership in USPI. Each year starting in 2021, Baylor may put up to one-third of its total shares in USPI (the “Baylor Shares”) by delivering notice by the end of January of such year. 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 it could have put that year. We have the ability to choose whether to settle the purchase price for the Baylor put/call, which is mutually agreed-upon fair market value, in cash or shares of our common stock.

Baylor did not deliver a put notice to us in January 2021 or 2022. In each of February 2021 and 2022, we notified Baylor of our intention to exercise our call option to purchase 33.3% of the Baylor Shares for that year (now 66.6% in total). We are continuing to negotiate the terms of those purchases. We expect that the estimated payment to repurchase the shares called in February 2021 and 2022 will be at least \$250 million in the aggregate based on an increase in the estimated fair value of USPI.

Investment in the SCD Centers—USPI continues to make offers in an ongoing process to acquire a portion of the equity interests in certain of the SCD Centers from the physician owners for consideration of up to approximately \$250 million. During the three months ended March 31, 2022, we made aggregate payments of \$9 million to acquire controlling interests in three SCD Centers. We cannot reasonably predict how many additional physician owners will accept our offers to acquire a portion of their equity, nor the timing or amount of any remaining payments. We expect to fund these payments using cash on hand.

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 \$247 million of standby letters of credit outstanding and guarantees at March 31, 2022.

Other Cash Requirements

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 or hospitals, and various other capital improvements, as well as commitments to make capital expenditures in connection with acquisitions of businesses. Capital expenditures were \$155 million and \$121 million in the three months ended March 31, 2022 and 2021, respectively. We anticipate that our capital expenditures for continuing operations for the year ending December 31, 2022 will total approximately \$725 million to \$775 million, including \$95 million that was accrued as a liability at December 31, 2021.

Income tax payments, net of tax refunds, were \$8 million in the three months ended March 31, 2022 compared to \$2 million in the three months ended March 31, 2021.

SOURCES AND USES OF CASH

Our liquidity for the three months ended March 31, 2022 was primarily derived from net cash provided by operating activities and cash on hand. During the three months ended March 31, 2022, we also received supplemental funds from federal grants provided under COVID-19 relief legislation. We had \$1.405 billion of cash and cash equivalents on hand at March 31, 2022 to fund our operations and capital expenditures, and our borrowing availability under our credit facility was \$1.500 billion based on our borrowing base calculation at March 31, 2022.

When operating under normal conditions, 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. Our Credit Agreement provides additional liquidity to manage fluctuations in operating cash caused by these factors.

Net cash provided by operating activities was \$228 million in the three months ended March 31, 2022 compared to \$534 million in the three months ended March 31, 2021. Key factors contributing to the change between the 2022 and 2021 periods include the following:

- \$194 million of Medicare advances recouped in the three months ended March 31, 2022 compared to no amounts recouped during the same period in 2021;

- \$5 million of cash received from grants in the three months ended March 31, 2022 compared to \$31 million received in the three months ended March 31, 2021;
- Decreased cash receipts of \$12 million related to supplemental Medicaid programs in California and Texas; and
- The timing of other working capital items.

We used net cash of \$60 million and \$145 million in investing activities during the three months ended March 31, 2022 and 2021, respectively. The decrease in cash used of \$85 million between the 2022 and 2021 periods was attributable to an increase of \$135 million in proceeds from the sale of facilities and other assets, primarily related to the sale of several medical office buildings in 2022. This was partially offset by higher capital expenditures of \$34 million and an increase of \$15 million in cash used for purchases of businesses or joint venture interests in the three months ended March 31, 2022 compared to the same period in 2021.

Net cash used in financing activities was \$1.127 billion for the three months ended March 31, 2022 compared to \$694 million for the three months ended March 31, 2021. Financing activity in the 2022 period included payments of \$879 million to reduce our long-term debt, including \$730 million paid to redeem all \$700 million aggregate principal amount outstanding of our 2025 Senior Secured First Lien Notes and \$107 million paid to repurchase \$103 million aggregate principal amount outstanding of our 2023 Senior Unsecured Notes. In addition, we paid total distributions to noncontrolling interest holders of \$135 million, funds held for USPI's unconsolidated affiliates for which we provide cash management services decreased by \$80 million and we made payments of \$27 million related to our stock-based compensation plans. Net cash used in financing activities during the three months ended March 31, 2021 included payments of \$541 million to reduce our long-term debt, including a payment of \$495 million to retire our 7.000% senior unsecured notes due 2025, and distributions to noncontrolling interest holders of \$119 million.

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—At March 31, 2022, our Credit Agreement provided for revolving loans in an aggregate principal amount of up to \$1.500 billion with a \$200 million subfacility for standby letters of credit. In March 2022, we amended the revolving credit facility to, among other things, (i) decrease the previous maximum aggregate revolving credit commitments from \$1.900 billion to \$1.500 billion, subject to borrowing availability, (ii) extend the scheduled maturity date from September 2024 to March 2027, and (iii) replace the London Interbank Offered Rate (LIBOR) with the Term Secured Overnight Financing Rate (“SOFR”) and Daily Simple SOFR (each, as defined in the Credit Agreement) as the reference interest rate. At March 31, 2022, we had no cash borrowings outstanding under the Credit Agreement, and we had less than \$1 million of standby letters of credit outstanding. Based on our eligible receivables, \$1.500 billion was available for borrowing under the Credit Agreement at March 31, 2022. At March 31, 2022, we were in compliance with all covenants and conditions in our Credit Agreement.

Letter of Credit Facility—We have a letter of credit facility (as amended to date, the “LC Facility”) that provides for the issuance, from time to time, of standby and documentary letters of credit in an aggregate principal amount of up to \$200 million. The scheduled maturity date of the LC Facility is September 12, 2024. The LC Facility is subject to an effective maximum secured debt covenant of 4.25 to 1.00. At March 31, 2022, we were in compliance with all covenants and conditions in the LC Facility, and we had \$138 million of standby letters of credit outstanding thereunder.

Senior Unsecured Notes and Senior Secured Notes—On February 23, 2022, we redeemed all \$700 million aggregate principal amount outstanding of our 2025 Senior Secured First Lien Notes in advance of their maturity date. We paid \$730 million from cash on hand to redeem the notes. In connection with the redemption, we recorded a loss from early extinguishment of debt of \$38 million in the three months ended March 31, 2022, primarily related to the difference between the purchase price and the par value of the notes, as well as the write-off of associated unamortized issuance costs.

In addition, in March 2022, we repurchased \$103 million aggregate principal amount outstanding of our 2023 Senior Unsecured Notes through a series of open-market transactions. We paid \$107 million from cash on hand to complete these transactions. In connection with the repurchases, we recorded a loss from early extinguishment of debt of \$5 million in the three months ended March 31, 2022, primarily related to the difference between the purchase prices and the par value of the notes, as well as the write-off of associated unamortized issuance costs.

For additional information regarding our long-term debt, see Note 6 to the accompanying Condensed Consolidated Financial Statements and Note 8 to the Consolidated Financial Statements included in our Annual Report.

LIQUIDITY

We continue to experience negative impacts of the COVID-19 pandemic on our business in varying degrees. During January and February 2022, we were affected by a significant acceleration in COVID-19 cases associated with the Omicron variant. Future variants could similarly emerge and cause surges in COVID-19 cases, which may adversely impact the local economies of areas we serve. Any increase in the amount of or deterioration in the collectability of patient accounts receivable could adversely affect our cash flows and results of operations. If general economic conditions deteriorate or remain uncertain for an extended period of time, our liquidity and ability to repay our outstanding debt may be impacted.

We have taken, and continue to take, various actions to increase our liquidity and mitigate the impact of reductions in our patient volumes and changes in our service mix and revenue mix. These actions included the sale and redemption of various senior unsecured notes and senior secured notes, which eliminated any significant debt maturities until June 2023 and will reduce our future annual cash interest expense payments. In addition, we have continued cost-efficiency measures, as well as necessary cost reductions, to substantially offset incremental costs, including temporary staffing and premium pay, as well as higher supply costs for PPE. We have also sought to compensate for the COVID-19 pandemic's disruption of our patient volumes and service mix by growing our services for which demand has been more resilient, including our higher-acuity service lines. While the length of time that will be required for our patient volumes and mix to return to pre-pandemic levels is unknown, especially demand for lower-acuity services, we believe demand for our higher-acuity service lines will continue to grow. We believe these actions, together with government relief packages, supported our ability to provide essential patient services during the initial uncertainty caused by the COVID-19 pandemic and continue to do so.

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 payments and income tax payments, as well as cash disbursements required to respond to the COVID-19 pandemic. Cash flows from operating activities in the first quarter of the calendar year are usually lower than in subsequent quarters of the year, primarily due to the timing of certain working capital requirements during the first quarter, including our annual 401(k) matching contributions and annual incentive compensation payouts. These fluctuations result in material intra-quarter net operating and investing uses of cash that have caused, and in the future may 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 and anticipated future cash provided by our operating activities 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, other sections of this report and in our Annual 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 balance sheet. 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 borrowings under our Credit Agreement.

CRITICAL ACCOUNTING ESTIMATES

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

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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following table presents information about certain of our market-sensitive financial instruments at March 31, 2022. 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 end of the reporting period. The effects of unamortized discounts and issue costs are excluded from the table.

	Maturity Date, Years Ending December 31,					Thereafter	Total	Fair Value
	2022	2023	2024	2025	2026			
	(Dollars in Millions)							
Fixed rate long-term debt	\$ 102	\$ 1,894	\$ 1,455	\$ 46	\$ 2,120	\$ 9,371	\$ 14,988	\$ 14,876
Average effective interest rates	4.1 %	6.6 %	4.6 %	5.7 %	4.9 %	5.4 %	5.4 %	

We have no affiliation with partnerships, trusts or other entities (sometimes referred to as “special-purpose” or “variable-interest” entities) whose purpose is to facilitate off-balance sheet financial transactions or similar arrangements by us. As a result, we have no exposure to the financing, liquidity, market or credit risks associated with such entities. We do not hold or issue derivative instruments for trading purposes and are not a party to any instruments with leverage or prepayment features.

ITEM 4. CONTROLS AND PROCEDURES

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as defined by Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of the end of the period covered by this report. 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 as of March 31, 2022 to ensure that material information is recorded, processed, summarized and reported by management on a timely basis in order to comply with our disclosure obligations under the Exchange Act and the SEC rules thereunder.

There were no changes in our internal control over financial reporting during the quarter ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Because we provide healthcare services in a highly regulated industry, we have been and expect to continue to be party to various lawsuits, claims and regulatory investigations from time to time. For information regarding material legal proceedings in which we are involved, see Note 12 to our accompanying Condensed Consolidated Financial Statements, which is incorporated by reference.

ITEM 1A. RISK FACTORS

This section supplements and updates certain of the information found under Part I, Item 1A. “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2021 (the “Annual Report”) based on information currently known to us and recent developments since the filing of the Annual Report.

A cybersecurity incident we recently experienced could result in negative impacts on our business.

In April 2022, we experienced a cybersecurity incident that temporarily disrupted a subset of our acute care operations and involved the exfiltration of certain confidential company and patient information. During this time, our hospitals remained operational and continued to deliver patient care safely and effectively, utilizing well-established back-up processes. We immediately suspended user access to impacted information technology applications, executed extensive cybersecurity protection protocols, and took steps to restrict further unauthorized activity. Promptly after the incident, we began to restore impacted information technology operations and launched an investigation of the incident, which investigation is ongoing, to determine, among other things, the full extent of the company and patient information involved. We are also continuing the process of fully restoring impacted information technology operations. As with any cybersecurity incident, system interruption or unavailability of our information systems or of third-party systems with access to our data, this cybersecurity incident could result in: the unauthorized disclosure, misuse, loss or corruption 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; significant recovery costs or regulatory penalties; and negative publicity and damage to our reputation. Any of these could have a material adverse effect on our business, financial condition, results of operations or cash flows.

ITEM 6. EXHIBITS

Unless otherwise indicated, the following exhibits are filed with this report:

- (10) Material Contracts
 - (a) [Amendment No. 7, dated as of March 16, 2022, 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 \(Incorporated by reference to Exhibit 10.1 to Registrant's Current Report on Form 8-K filed March 17, 2022\)](#)
 - (b) [Amendment No. 1 to Amended and Restated Employment Agreement between the Registrant and Ronald A. Rittenmeyer, effective as of February 25, 2022*](#)
 - (c) [Forms of Award used to evidence \(i\) grants of time-based restricted stock units and \(ii\) grants of performance-based restricted stock units, in each case to Saumya Sutaria, M.D. after 2021 under the Tenet Healthcare 2019 Stock Incentive Plan*](#)
 - (d) [Forms of Award used to evidence \(i\) grants of time-based restricted stock units and \(ii\) grants of performance-based restricted stock units, in each case to Ronald A. Rittenmeyer after 2021 under the Tenet Healthcare 2019 Stock Incentive Plan*](#)
 - (e) [Forms of Award used to evidence \(i\) grants of time-based restricted stock units to executives and \(ii\) grants of performance-based restricted stock units to executives, in each case after 2021 under the Tenet Healthcare 2019 Stock Incentive Plan*](#)
 - (f) [Amendment to Retirement Agreement and General Release by and among the Registrant, Tenet Business Services Corporation and Audrey Andrews, dated April 15, 2022*](#)
- (31) Rule 13a-14(a)/15d-14(a) Certifications
 - (a) [Certification of Saumya Sutaria, M.D., Chief Executive Officer](#)
 - (b) [Certification of Daniel J. Cancelmi, Executive Vice President and Chief Financial Officer](#)
- (32) [Section 1350 Certifications of Saumya Sutaria, M.D., 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 - the instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document
- (104) Cover page from the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 formatted in Inline XBRL (included in Exhibit 101)

* Management contract or compensatory plan or arrangement

**AMENDMENT NO. 1 TO
AMENDED AND RESTATED EMPLOYMENT AGREEMENT**

THIS AMENDMENT NO. 1 (this "Amendment No. 1"), dated as of February 25, 2022 (the "Effective Date"), is entered into between Ronald A. Rittenmeyer (the "Executive") and Tenet Healthcare Corporation (the "Company").

RECITALS

WHEREAS, the Company and the Executive are parties to that certain Amended and Restated Employment Agreement, dated as of September 1, 2021 (the "Agreement");

WHEREAS, pursuant to Section 16 of the Agreement, the Agreement may be amended or waived only with the prior written consent of the Company and Executive; and

WHEREAS, the Company and Executive desire to amend the Agreement as set forth herein, effective as of the Effective Date.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Capitalized Terms. Capitalized terms used and not otherwise defined herein shall have the meanings assigned to them in the Agreement.

2. Amendments.

(a) The first sentence of Section 1 of the Agreement is hereby amended and restated as follows:

"The Company agrees to employ Executive pursuant to the terms of this Agreement, and Executive agrees to be so employed, for a term commencing as of the Effective Date and ending on December 31, 2025 (the "Term")."

(b) Section 2(a) of the Agreement is hereby amended and restated as follows:

"During the portion of the Employment Period commencing on the Effective Date and ending on December 31, 2023 (the "Initial Period"), Executive will serve as the Company's Executive Chairman and Executive will report directly to the Board of Directors of the Company (the "Board"). During the Initial Period, Executive will also serve as the Executive Chairman of the Board. During the portion of the Employment Period from and after January 1, 2024 (the "Subsequent Period"), Executive will serve as a senior advisor to the Chief Executive Officer and the Board and perform senior-level advisory services as reasonably requested by the Chief Executive Officer and the Board for a period of time not to exceed eight (8) days per month."

(c) The first sentence of Section 3(b) of the Agreement is hereby amended and restated as follows:

"Executive shall be eligible to receive an annual incentive payment (the "Annual Bonus") based on a target bonus opportunity during the Initial Period of no less than 150% of Executive's Base Salary and 100% of Executive's Base Salary during the Subsequent Period, with the actual Annual Bonus amount calculated based upon the attainment of one or more performance-based objectives established by the Board or the Human Resources Committee thereof (the "Committee") in its sole discretion."

(d) Section 3(d) of the Agreement is hereby amended and restated as follows:

"*Retention Bonus*. Subject to Executive's continued employment with the Company through December 31, 2024, Executive shall be entitled to receive a cash bonus in an amount equal to \$5,000,000 (the "Retention Bonus"), payable, less taxes and applicable withholdings, on December 31, 2024. Except as explicitly set forth below, Executive shall have no further rights in respect of the Retention Bonus in the event that his employment with the Company is terminated prior to December 31, 2024."

(e) Section 4(b)(v) of the Agreement is hereby amended and restated as follows:

“any Annual Bonus for any preceding fiscal year which, as of the Termination Date, has not been paid, and which would have been paid but for Executive’s termination of employment, such Annual Bonus to be paid at the same time as annual bonuses for such fiscal year are generally payable to other senior executives of the Company (the “Prior Year Bonus”);”

(f) Section 4(b)(vi) of the Agreement is hereby amended and restated as follows:

“a pro-rata portion of the Annual Bonus Executive would have earned for the performance year in which the Termination Date occurs based on actual performance, with such pro-rata portion determined based on the quotient determined by dividing the number of days between the beginning of the performance period in which such termination occurs and the Termination Date, divided by 365 (the “Pro-Rata Annual Bonus”), which amount shall be paid at such time annual bonuses are paid to other senior executives of the Company;”

(g) Section 4(b)(vii) of the Agreement is hereby amended and restated as follows:

“a lump sum payment equal to the sum of (x) a pro-rata portion of the Annual Bonus Executive would have earned for the performance year in which Termination Date occurs based on the higher of actual or target performance, with such pro-rata portion determined based on the quotient determined by dividing the number of days between the Termination Date and the conclusion of the performance period in which such termination occurs, divided by 365 (the “Pro-Rata Target Bonus”), and (y) a pro-rata portion of the Annual Bonus for any performance year remaining during the Employment Period that begins following the Termination Date based on target performance, with such pro-rata portion determined based on the quotient determined by dividing the number of days between the beginning of the performance year and the conclusion of the Term, divided by 365 (the “Pro-Rata Remaining Bonus”), payable on the first regularly scheduled payroll period following the Termination Date;”

(h) Section 4(b)(ix) of the Agreement is hereby amended and restated as follows:

“if the Termination Date occurs prior to the payment of the Retention Bonus pursuant to Section 3(d) above, a lump sum cash payment in an amount equal to the Retention Bonus (the “Retention Bonus Acceleration”), payable no later than ten (10) days following the Termination Date; and”

3. Entire Agreement. This Amendment No. 1 shall only serve to amend and modify the Agreement to the extent specifically provided herein. All terms, conditions, provisions and references of and to the Agreement which are not specifically modified, amended and/or waived herein shall remain in full force and effect and shall not be altered by any provisions herein contained. As of the Effective Date, this Amendment No. 1 shall supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter of this Amendment No. 1 in any way other than the Agreement, the agreements referenced herein or in the Agreement, and any agreement which by its terms continues beyond the Executive’s termination of employment.

4. Amendment and Waiver. This Amendment No. 1 shall not be amended, modified or supplemented except by a written instrument signed by the parties hereto. The failure of a party to insist on strict adherence to any term of this Amendment No. 1 on any occasion shall not be considered a waiver or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Amendment No. 1. No waiver of any provision of this Amendment No. 1 shall be construed as a waiver of any other provision of this Amendment No. 1. Any waiver must be in writing.

5. Binding Effect. This Amendment No. 1 shall inure to the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of Executive, and the successors and assigns of the Company.

6. Counterparts. This Amendment No. 1 may be executed and delivered (including by facsimile, “pdf” or other electronic transmission) in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 1 as of the Effective Date.

TENET HEALTHCARE CORPORATION

By: /s/ Thomas Arnst

Name: Thomas Arnst

Title: Executive Vice President, Chief Administrative
Officer and General Counsel

RONALD A. RITTENMEYER

/s/ Ronald A. Rittenmeyer

[Signature Page to Amendment No. 1 to Employment Agreement]



**TENET HEALTHCARE 2019 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 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.

On **[Grant Date]** (the “**Grant Date**”), the Committee granted you, Saumya Sutaria, M.D. (“**You**”), an award of 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 to You RSUs representing the right to receive **[Shares Granted]** Shares in consideration for services to be performed by You for the Company or an Affiliate.
2. **Vesting.** Subject to 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**”).

If Your employment terminates or if You cease providing services to the Company or an Affiliate for any reason other than as set forth in Sections 3 or 4 below, Your unvested RSUs will automatically be cancelled upon such termination of employment or services in exchange for no consideration.

3. **Certain Termination Events.** In the event that Your termination of employment occurs as result of your death, Disability (as defined in that certain Amended and Restated Employment Agreement by and between You and the Company, effective as of September 1, 2021, the “**Employment Agreement**”), by the Company without Cause (as defined in the Employment Agreement) or by You for Good Reason (as defined in the Employment Agreement) (each, a “**Termination Event**”), Your unvested RSUs will vest in full on the date of such a Termination Event.
4. **Change in Control.** In the event of a Change in Control, the following provisions will apply:
 - (a) If the successor company assumes the RSUs or substitutes other restricted stock units for such RSUs (or agrees to assume or substitute such awards) and You incur a Qualifying Termination within the Protection Period, unvested RSUs (or substitute restricted stock units) will fully vest on the later of (i) the date of Your Qualifying Termination or (ii) immediately prior to the occurrence of the Change in Control.
 - (b) If the successor company does not assume the RSUs, or substitute other restricted stock units for the RSUs, unvested RSUs will fully vest immediately prior to the occurrence of the Change in Control.

In the event You incur a Qualifying Termination not within the Protection Period, the provisions of Section 3 will apply.

5. **Settlement; Tax Withholding.** Upon the vesting of Your RSUs, Your RSUs will be settled in Shares within 60 days and You will recognize ordinary income. Notwithstanding the foregoing, to the extent required to comply with Section 409A of the Code, if You are a “specified employee” within the meaning of Section 409A of the Code, and the vesting of Your RSUs is triggered as a result of Your termination of employment, the delivery of Shares shall be delayed until (a) the six-month anniversary of Your separation from service (within the meaning of Section 409A) or (b) if earlier, as soon as practicable following Your death. 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 (i) have the Company withhold Shares having a Fair Market Value equal to the amount of the tax withholding or (ii) require You to pay to the Company the amount of the tax withholding.

6. Rights as Shareholder. You will not have any rights of a shareholder prior to the receipt of Your Shares, and will obtain such rights only upon Your receipt of the Shares, 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 or cash distributed as dividends with respect to the Shares underlying the RSUs will be subject to the same vesting schedule as the underlying RSUs and shall be settled as provided in Section 5.
7. 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.
8. Clawback. Any RSUs You are granted hereunder and/or Shares You receive in settlement of such RSUs, in addition to all other Awards granted to You under the Plan and/or Shares or cash You receive in settlement of such Awards, shall be subject to recovery by the Company in the circumstances and manner provided in any Incentive Compensation Clawback Policy that may be adopted or implemented by the Company and in effect from time to time on or after the date hereof, and You shall effectuate any such recovery at such time and in such manner as the Company may specify. For purposes of this Certificate, the term “**Incentive Compensation Clawback Policy**” means and includes any policy of the type contemplated by Section 10D of the Securities Exchange Act, any rules or regulations of the Securities and Exchange Commission adopted pursuant thereto, or any related rules or listing standards of any national securities exchange or national securities association applicable to the Company.
9. 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 an Affiliate, except as such plan otherwise expressly provides.
10. 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 Affiliate or affect the right of the Company or an Affiliate to terminate Your employment at any time with or without cause.
11. 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 Code.
12. 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.
13. 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.
14. 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.
15. 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.

16. Governing Law. This Certificate shall be governed by, and construed in accordance with, the laws of the State of Nevada, without reference to principles of conflict of laws.

Electronic Signature: **[Electronic Signature]**

Acceptance Date: **[Acceptance Date]**



**TENET HEALTHCARE 2019 STOCK INCENTIVE PLAN
TERMS AND CONDITIONS OF
RESTRICTED STOCK UNIT PERFORMANCE AWARD**

The Human Resources Committee (the “**Committee**”) of the Board of Directors 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.

On **[Grant Date]** (the “**Grant Date**”), the Committee granted you, Saumya Sutaria, M.D. (“**You**”), an award of 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 to You RSUs representing the right to earn **[Shares Granted]** Shares based upon target achievement of applicable performance goals (the “**Target RSUs**”) and up to a maximum of 200% of the Target RSUs in consideration for services to be performed by You for the Company or an Affiliate.
2. **Performance Criteria.**
 - (a) *Performance Period.* Your RSUs are subject to a three-year performance period that began on January 1, 20__ and ends on December 31, 20__ (the “**Performance Period**”).
 - (b) *Performance Measures.* Your RSUs will provisionally vest based on the Company’s achievement of the performance goals as follows:
 - (i) Between 0% and 200% of one-third of the Target RSUs will vest based on achievement of the 20__ performance goals set forth set forth in Appendix A for fiscal year 20__;
 - (ii) Between 0% and 200% of one-third of the Target RSUs will vest based on achievement of the 20__ performance goals established by the Committee and communicated to You promptly thereafter for fiscal year 20__; and
 - (iii) Between 0% and 200% of one-third of the Target RSUs will vest based on achievement of the 20__ performance goals established by the Committee and communicated to You promptly thereafter for fiscal year 20__.

Following completion of the Performance Period, the provisionally vested RSUs will be subject to adjustment based on the Company’s Relative TSR (as defined in Appendix A) for the Performance Period as set forth in Appendix A. The performance goals set forth in Appendix A and each of the performance goals established by the Committee for fiscal years 20__ and 20__ shall be collectively referred to herein as the “**Performance Criteria**”.

3. **Vesting.** The RSUs that have provisionally vested under Section 2 above will vest on the third anniversary of the Grant Date (the “**Vesting Date**”). If Your employment terminates or if You cease providing services to the Company or an Affiliate for any reason prior to the Vesting Date, other than as set forth in Section 4 or 5 below, Your unvested RSUs (even if provisionally vested) will be automatically cancelled.
 4. **Certain Termination Events.** In the event that Your termination of employment occurs as result of your death, Disability (as defined in that certain Amended and Restated Employment Agreement by and between You and the Company, effective as of September 1, 2021, the “**Employment Agreement**”), by the Company without Cause (as defined in the Employment Agreement) or by You for Good Reason (as defined in the Employment Agreement) (each, a “**Termination Event**”), Your RSUs will vest on the date of such a Termination Event based on (i) the Company’s actual performance with respect to the applicable Performance Criteria during such
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completed portion of the Performance Period that has provisionally vested on or prior to such a Termination Event and (ii) assuming target achievement of the applicable Performance Criteria for such incomplete portion of the Performance Period that has not provisionally vested on or prior to such a Termination Event.

5. Change in Control. In the event of a Change in Control, the following provisions will apply:
 - (a) If the successor company assumes the RSUs or substitutes other restricted stock units for such RSUs (or agrees to assume or substitute such awards) and You incur a Termination Event within the Protection Period, the unvested RSUs (or substitute restricted stock units) will vest as provided in Section 4 above.
 - (b) If the successor company does not assume the RSUs, or substitute other restricted stock units for the RSUs, and if either (i) the Change in Control occurs within the Performance Period, then each of the Performance Criteria will be deemed to have been met at the target level and unvested RSUs representing the Target RSUs will fully vest immediately prior to the occurrence of the Change in Control or (ii) the Change in Control occurs after the end of the Performance Period, but prior to the Vesting Date, then Your provisionally vested RSUs will fully vest immediately prior to the occurrence of the Change in Control.
 - (c) In lieu of (a) or (b), the Committee may declare the level at which the Performance Criteria are deemed to be met and the unvested RSUs will vest to that extent immediately prior to the occurrence of the Change in Control.
6. Settlement; Tax Withholding. Upon the vesting of Your RSUs, Your RSUs will be settled in Shares within 60 days and You will recognize ordinary income. Notwithstanding the foregoing, to the extent required to comply with Section 409A of the Code, if You are a “specified employee” within the meaning of Section 409A of the Code, and the vesting of Your RSUs is triggered as a result of Your termination of employment, the delivery of Shares shall be delayed until (a) the six-month anniversary of Your separation from service (within the meaning of Section 409A), or (b) if earlier, as soon as practicable following Your death. 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 (i) have the Company withhold Shares having a Fair Market Value equal to the amount of the tax withholding or (ii) require You to pay to the Company the amount of the tax withholding.
7. Rights as Shareholder. You will not have any rights of a shareholder prior to the receipt of Your Shares, and will obtain such rights only upon Your receipt of the Shares, 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 or cash distributed as dividends with respect to the Shares subject to the RSUs will be subject to the same vesting schedule and performance conditions as the underlying RSUs and shall be settled as provided in Section 6.
8. Clawback. Any RSUs You are granted hereunder and/or Shares You receive in settlement of such RSUs, in addition to all other Awards granted to You under the Plan and/or Shares or cash You receive in settlement of such Awards, shall be subject to recovery by the Company in the circumstances and manner provided in any Incentive Compensation Clawback Policy that may be adopted or implemented by the Company and in effect from time to time on or after the date hereof, and You shall effectuate any such recovery at such time and in such manner as the Company may specify. For purposes of this Certificate, the term “**Incentive Compensation Clawback Policy**” means and includes any policy of the type contemplated by Section 10D of the Securities Exchange Act, any rules or regulations of the Securities and Exchange Commission adopted pursuant thereto, or any related rules or listing standards of any national securities exchange or national securities association applicable to the Company. Until the Company adopts such an Incentive Compensation Clawback Policy, the following clawback provision shall apply to the RSUs and all other performance-based Awards granted to You under the Plan:

In the event that, within three years of the end of the Performance Period, the Company restates its financial results with respect to the Company’s performance during the Performance Period due to material non-compliance with any financial reporting requirement under the securities laws as generally applied and the Board of Directors determines Your fraud or misconduct caused or partially caused the need for the restatement, then the Board of Directors shall require You to immediately return to the Company the RSUs or any Shares You receive in settlement of the RSUs or the pre-tax income derived from any disposition of the Shares previously received in settlement of the RSUs (plus a reasonable rate of interest if deemed

appropriate by the Board of Directors) that would not have been granted and/or vested, as determined in the sole discretion of the Board, based upon the restated financial results.

9. 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.
10. 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 an Affiliate, except as such plan otherwise expressly provides.
11. 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 Affiliate or affect the right of the Company or an Affiliate to terminate Your employment at any time with or without cause.
12. 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 Code.
13. 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.
14. 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.
15. 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.
16. 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.
17. Governing Law. This Certificate shall be governed by, and construed in accordance with, the laws of the State of Nevada, without reference to principles of conflict of laws.

Electronic Signature:

[Electronic Signature]

Acceptance Date:

[Acceptance Date]



**TENET HEALTHCARE 2019 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 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.

On [Grant Date] (the “**Grant Date**”), the Committee granted you, Ronald A. Rittenmeyer (“**You**”), an award of 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 to You RSUs representing the right to receive [Shares Granted] Shares in consideration for services to be performed by You for the Company or an Affiliate.
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:

[Schedule of Quarterly Installment Dates]

3. Termination of Employment. All unvested RSUs will vest in the event Your employment is terminated for any of the following reasons:
 - (a) Death;
 - (b) Disability (as defined in the Amended and Restated Employment Agreement by and between You and the Company, effective as of September 1, 2021, as amended by that certain Amendment No. 1 to Amended and Restated Employment Agreement, dated as of February 25, 2022 (the “**Employment Agreement**”)); and
 - (c) 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. Settlement; Tax Withholding. Upon the vesting of Your RSUs, Your RSUs will be settled in Shares within 60 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 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 receipt of Your Shares, and will obtain such rights only upon Your receipt of the Shares, 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 or cash distributed as dividends with respect to the Shares underlying the RSUs will be subject to the same vesting schedule as the underlying RSUs and shall be settled as provided in Section 4.
 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. Clawback. Any RSUs You are granted hereunder and/or Shares You receive in settlement of such RSUs, in addition to all other Awards granted to You under the Plan and/or Shares or cash You receive in settlement of such Awards, shall be subject to recovery by the Company in the circumstances and manner provided in any
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Incentive Compensation Clawback Policy that may be adopted or implemented by the Company and in effect from time to time on or after the date hereof, and You shall effectuate any such recovery at such time and in such manner as the Company may specify. For purposes of this Certificate, the term “**Incentive Compensation Clawback Policy**” means and includes any policy of the type contemplated by Section 10D of the Securities Exchange Act, any rules or regulations of the Securities and Exchange Commission adopted pursuant thereto, or any related rules or listing standards of any national securities exchange or national securities association applicable to the Company.

8. 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 an Affiliate, except as such plan otherwise expressly provides.
9. 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 Affiliate or affect the right of the Company or an Affiliate to terminate Your employment at any time with or without cause.
10. 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 Code.
11. 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.
12. 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.
13. 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.
14. Entire Understanding. This Certificate, the Employment Agreement 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.
15. Governing Law. This Certificate shall be governed by, and construed in accordance with, the laws of the State of Nevada, without reference to principles of conflict of laws.

Electronic Signature:

[Electronic Signature]

Acceptance Date:

[Acceptance Date]



**TENET HEALTHCARE 2019 STOCK INCENTIVE PLAN
TERMS AND CONDITIONS OF
RESTRICTED STOCK UNIT PERFORMANCE AWARD**

The Human Resources Committee (the “**Committee**”) of the Board of Directors 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.

On **[Grant Date]** (the “**Grant Date**”), the Committee granted you, Ronald A. Rittenmeyer (“**You**”), an award of 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 to You RSUs representing the right to earn **[Shares Granted]** Shares based upon target achievement of applicable performance goals (the “**Target RSUs**”) and up to a maximum of 200% of the Target RSUs in consideration for services to be performed by You for the Company or an Affiliate.
2. **Performance Criteria.**
 - (a) **Performance Period.** Your RSUs are subject to a three-year performance period that began on January 1, 20__ and ends on December 31, 20__ (the “**Performance Period**”).
 - (b) **Performance Measures.** Your RSUs will provisionally vest based on the Company’s achievement of the performance goals as follows:
 - (i) Between 0% and 200% of one-third of the Target RSUs will vest based on achievement of the 20__ performance goals set forth set forth in Appendix A for fiscal year 20__;
 - (ii) Between 0% and 200% of one-third of the Target RSUs will vest based on achievement of the 20__ performance goals established by the Committee and communicated to You promptly thereafter for fiscal year 20__; and
 - (iii) Between 0% and 200% of one-third of the Target RSUs will vest based on achievement of the 20__ performance goals established by the Committee and communicated to You promptly thereafter for fiscal year 20__.

Following completion of the Performance Period, the provisionally vested RSUs will be subject to adjustment based on the Company’s Relative TSR (as defined in Appendix A) for the Performance Period as set forth in Appendix A. The performance goals set forth in Appendix A and each of the performance goals established by the Committee for fiscal years 20__ and 20__ shall be collectively referred to herein as the “**Performance Criteria**”.

3. **Vesting.** The RSUs that have provisionally vested under Section 2 above will vest on the third anniversary of the Grant Date (the “**Vesting Date**”). If Your employment terminates or if You cease providing services to the Company or an Affiliate for any reason prior to the Vesting Date, other than as set forth in Section 4 or 5 below, Your unvested RSUs (even if provisionally vested) will be automatically cancelled.
4. **Certain Termination Events.** In the event that Your termination of employment occurs as result of your death, Disability (as defined in that certain Amended and Restated Employment Agreement by and between You and the Company, effective as of September 1, 2021, as amended by that certain Amendment No. 1 to Amended and Restated Employment Agreement, dated as of February 25, 2022 (the “**Employment Agreement**”)), by the Company without Cause (as defined in the Employment Agreement) or by You for Good Reason (as defined in the Employment Agreement) (each, a “**Termination Event**”), Your RSUs will vest on the date of such a Termination Event based on (i) the Company’s actual performance with respect to the applicable Performance



Criteria during such completed portion of the Performance Period that has provisionally vested on or prior to such a Termination Event and (ii) assuming target achievement of the applicable Performance Criteria for such incomplete portion of the Performance Period that has not provisionally vested on or prior to such a Termination Event.

5. Change in Control. In the event of a Change in Control, the following provisions will apply:
 - (a) If the successor company assumes the RSUs or substitutes other restricted stock units for such RSUs (or agrees to assume or substitute such awards) and You incur a Termination Event, the unvested RSUs (or substitute restricted stock units) will vest as provided in Section 4 above.
 - (b) If the successor company does not assume the RSUs, or substitute other restricted stock units for the RSUs, and if either (i) the Change in Control occurs within the Performance Period, then each of the Performance Criteria will be deemed to have been met at the target level and unvested RSUs representing the Target RSUs will fully vest immediately prior to the occurrence of the Change in Control or (ii) the Change in Control occurs after the end of the Performance Period, but prior to the Vesting Date, then Your provisionally vested RSUs will fully vest immediately prior to the occurrence of the Change in Control.
 - (c) In lieu of (a) or (b), the Committee may declare the level at which the Performance Criteria are deemed to be met, if greater than as provided in (a) or (b), and the unvested RSUs will vest to that extent immediately prior to the occurrence of the Change in Control.
6. Settlement; Tax Withholding. Upon the vesting of Your RSUs, Your RSUs will be settled in Shares within 60 days and You will recognize ordinary income. Notwithstanding the foregoing, to the extent required to comply with Section 409A of the Code, if You are a “specified employee” within the meaning of Section 409A of the Code, and the vesting of Your RSUs is triggered as a result of Your termination of employment, the delivery of Shares shall be delayed until (a) the six-month anniversary of Your separation from service (within the meaning of Section 409A), or (b) if earlier, as soon as practicable following Your death. 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 (i) have the Company withhold Shares having a Fair Market Value equal to the amount of the tax withholding or (ii) require You to pay to the Company the amount of the tax withholding.
7. Rights as Shareholder. You will not have any rights of a shareholder prior to the receipt of Your Shares, and will obtain such rights only upon Your receipt of the Shares, 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 or cash distributed as dividends with respect to the Shares subject to the RSUs will be subject to the same vesting schedule and performance conditions as the underlying RSUs and shall be settled as provided in Section 6.
8. Clawback. Any RSUs You are granted hereunder and/or Shares You receive in settlement of such RSUs, in addition to all other Awards granted to You under the Plan and/or Shares or cash You receive in settlement of such Awards, shall be subject to recovery by the Company in the circumstances and manner provided in any Incentive Compensation Clawback Policy that may be adopted or implemented by the Company and in effect from time to time on or after the date hereof, and You shall effectuate any such recovery at such time and in such manner as the Company may specify. For purposes of this Certificate, the term “**Incentive Compensation Clawback Policy**” means and includes any policy of the type contemplated by Section 10D of the Securities Exchange Act, any rules or regulations of the Securities and Exchange Commission adopted pursuant thereto, or any related rules or listing standards of any national securities exchange or national securities association applicable to the Company. Until the Company adopts such an Incentive Compensation Clawback Policy, the following clawback provision shall apply to the RSUs and all other performance-based Awards granted to You under the Plan:

In the event that, within three years of the end of the Performance Period, the Company restates its financial results with respect to the Company’s performance during the Performance Period due to material non-compliance with any financial reporting requirement under the securities laws as generally applied and the Board of Directors determines Your fraud or misconduct caused or partially caused the need for the restatement, then the Board of Directors shall require You to immediately return to the Company the RSUs or any Shares You receive in settlement of the RSUs or the pre-tax income derived from any disposition of the Shares previously received in settlement of the RSUs (plus a reasonable rate of interest if deemed

appropriate by the Board of Directors) that would not have been granted and/or vested, as determined in the sole discretion of the Board, based upon the restated financial results.

9. 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.
10. 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 an Affiliate, except as such plan otherwise expressly provides.
11. 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 Affiliate or affect the right of the Company or an Affiliate to terminate Your employment at any time with or without cause.
12. 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 Code.
13. 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.
14. 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.
15. 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.
16. 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.
17. Governing Law. This Certificate shall be governed by, and construed in accordance with, the laws of the State of Nevada, without reference to principles of conflict of laws.

Electronic Signature:

[Electronic Signature]

Acceptance Date:

[Acceptance Date]



**TENET HEALTHCARE 2019 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 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.

On **[Grant Date]** (the “**Grant Date**”), the Committee granted you, **[Participant Name]** (“**You**”), an award of 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 to You RSUs representing the right to receive **[Shares Granted]** Shares in consideration for services to be performed by You for the Company or an Affiliate.
2. **Vesting.** Subject to 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**”).

If Your employment terminates or if You cease providing services to the Company or an Affiliate for any reason other than as set forth in Sections 3 or 4 below, Your unvested RSUs will automatically be cancelled upon such termination of employment or services in exchange for no consideration.

3. **Certain Termination Events.**
 - (a) *Death or Disability.* All unvested RSUs will fully vest on the date of Your termination of employment in the event Your employment is terminated for any of the following reasons:
 - (i) Death, or
 - (ii) Disability (as defined under section 409A(a)(2)(C)(ii) of the Code).
 - (b) *Retirement on or after age 62.* On the date of Your termination of employment as a result of Your retirement on or after reaching age 62, a pro-rated portion of the RSUs scheduled to vest during the Vesting Period in which such termination occurs (based on the number of months You are actually employed during such Vesting Period) will vest and settle.
 - (c) *Qualifying Termination.* In the event of Your termination of employment as a result of a Qualifying Termination outside the Protection Period, any unvested RSUs scheduled to vest during the Vesting Period in which such termination occurs shall remain outstanding and eligible to vest as they would have had you remained employed.
 4. **Change in Control.** In the event of a Change in Control, the following provisions will apply:
 - (a) If the successor company assumes the RSUs or substitutes other restricted stock units for such RSUs (or agrees to assume or substitute such awards) and You incur a Qualifying Termination within the Protection Period, unvested RSUs (or substitute restricted stock units) will fully vest on the later of (i) the date of Your Qualifying Termination or (ii) immediately prior to the occurrence of the Change in Control.
 - (b) If the successor company does not assume the RSUs, or substitute other restricted stock units for the RSUs, unvested RSUs will fully vest immediately prior to the occurrence of the Change in Control.
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In the event You incur a Qualifying Termination not within the Protection Period, the provisions of Section 3 will apply.

5. **Settlement; Tax Withholding.** Upon the vesting of Your RSUs, Your RSUs will be settled in Shares within 60 days and You will recognize ordinary income. Notwithstanding the foregoing, to the extent required to comply with Section 409A of the Code, if You are a “specified employee” within the meaning of Section 409A of the Code, and the vesting of Your RSUs is triggered as a result of Your termination of employment, the delivery of Shares shall be delayed until (a) the six-month anniversary of Your separation from service (within the meaning of Section 409A) or (b) if earlier, as soon as practicable following Your death. 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 (i) have the Company withhold Shares having a Fair Market Value equal to the amount of the tax withholding or (ii) require You to pay to the Company the amount of the tax withholding.
6. **Rights as Shareholder.** You will not have any rights of a shareholder prior to the receipt of Your Shares, and will obtain such rights only upon Your receipt of the Shares, 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 or cash distributed as dividends with respect to the Shares underlying the RSUs will be subject to the same vesting schedule as the underlying RSUs and shall be settled as provided in Section 5.
7. **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.
8. **Clawback.** Any RSUs You are granted hereunder and/or Shares You receive in settlement of such RSUs, in addition to all other Awards granted to You under the Plan and/or Shares or cash You receive in settlement of such Awards, shall be subject to recovery by the Company in the circumstances and manner provided in any Incentive Compensation Clawback Policy that may be adopted or implemented by the Company and in effect from time to time on or after the date hereof, and You shall effectuate any such recovery at such time and in such manner as the Company may specify. For purposes of this Certificate, the term “**Incentive Compensation Clawback Policy**” means and includes any policy of the type contemplated by Section 10D of the Securities Exchange Act, any rules or regulations of the Securities and Exchange Commission adopted pursuant thereto, or any related rules or listing standards of any national securities exchange or national securities association applicable to the Company.
9. **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 an Affiliate, except as such plan otherwise expressly provides.
10. **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 Affiliate or affect the right of the Company or an Affiliate to terminate Your employment at any time with or without cause.
11. **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 Code.
12. **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.
13. **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.

14. 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.
15. 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.
16. Governing Law. This Certificate shall be governed by, and construed in accordance with, the laws of the State of Nevada, without reference to principles of conflict of laws.

Electronic Signature: [Electronic Signature]

Acceptance Date: [Acceptance Date]



**TENET HEALTHCARE 2019 STOCK INCENTIVE PLAN
TERMS AND CONDITIONS OF
RESTRICTED STOCK UNIT PERFORMANCE AWARD**

The Human Resources Committee (the “**Committee**”) of the Board of Directors 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.

On **[Grant Date]** (the “**Grant Date**”), the Committee granted you, **[Participant Name]** (“**You**”), an award of 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 to You RSUs representing the right to earn **[Shares Granted]** Shares based upon target achievement of applicable performance goals (the “**Target RSUs**”) and up to a maximum of 200% of the Target RSUs in consideration for services to be performed by You for the Company or an Affiliate.

2. **Performance Criteria.**

(a) *Performance Period.* Your RSUs are subject to a three-year performance period that began on January 1, 20__ and ends on December 31, 20__ (the “**Performance Period**”).

(b) *Performance Measures.* Your RSUs will provisionally vest based on the Company’s achievement of the performance goals as follows:

- (i) Between 0% and 200% of one-third of the Target RSUs will vest based on achievement of the 20__ performance goals set forth set forth in Appendix A for fiscal year 20__;
- (ii) Between 0% and 200% of one-third of the Target RSUs will vest based on achievement of the 20__ performance goals established by the Committee and communicated to You promptly thereafter for fiscal year 20__; and
- (iii) Between 0% and 200% of one-third of the Target RSUs will vest based on achievement of the 20__ performance goals established by the Committee and communicated to You promptly thereafter for fiscal year 20__.

Following completion of the Performance Period, the provisionally vested RSUs will be subject to adjustment based on the Company’s Relative TSR (as defined in Appendix A) for the Performance Period as set forth in Appendix A. The performance goals set forth in Appendix A and each of the performance goals established by the Committee for fiscal years 20__ and 20__ shall be collectively referred to herein as the “**Performance Criteria**”.

3. **Vesting.** The RSUs that have provisionally vested under Section 2 above will vest on the third anniversary of the Grant Date (the “**Vesting Date**”). If Your employment terminates or if You cease providing services to the Company or an Affiliate for any reason prior to the Vesting Date, other than as set forth in Section 4 or 5 below, Your unvested RSUs (even if provisionally vested) will be automatically cancelled.

4. **Certain Termination Events.** Your unvested RSUs will vest as follows in the event any of the following events (each, a “**Termination Event**”) occurs prior to the Vesting Date:

(a) *Death or Disability.* In the event of Your termination of employment as result of your death or disability (as defined under section 409A(a)(2)(C)(ii) of the Internal Revenue Code), a pro-rated portion of Your RSUs (based on the number of months You are actually employed during the Performance Period) will vest

on the date of such a Termination Event based on (i) the Company's actual performance with respect to the applicable Performance Criteria during such completed portion of the Performance Period that has provisionally vested on or prior to such a Termination Event and (ii) assuming target achievement of the applicable Performance Criteria for such incomplete portion of the Performance Period that has not provisionally vested on or prior to such a Termination Event.

- (b) *Retirement.* In the event of Your termination of employment as a result of Your retirement on or after reaching age 62, a pro-rated portion of Your RSUs (based on the number of months You are actually employed during the Performance Period) will vest on the Vesting Date, taking into account the Company's actual performance with respect to the applicable Performance Criteria.
 - (c) *Qualifying Termination.* In the event that Your termination of employment occurs as result of Your Qualifying Termination, Your RSUs will remain outstanding and continue to vest based on the Company's actual performance with respect to the applicable Performance Criteria during the full Performance Period as they would have had you remained employed.
5. Change in Control. In the event of a Change in Control, the following provisions will apply:
- (a) If the successor company assumes the RSUs or substitutes other restricted stock units for such RSUs (or agrees to assume or substitute such awards) and You incur a Termination Event within the Protection Period, the unvested RSUs (or substitute restricted stock units) will vest as provided in Section 4 above.
 - (b) If the successor company does not assume the RSUs, or substitute other restricted stock units for the RSUs, and if either (i) the Change in Control occurs within the Performance Period, then each of the Performance Criteria will be deemed to have been met at the target level and unvested RSUs representing the Target RSUs will fully vest immediately prior to the occurrence of the Change in Control or (ii) the Change in Control occurs after the end of the Performance Period, but prior to the Vesting Date, then Your provisionally vested RSUs will fully vest immediately prior to the occurrence of the Change in Control.
 - (c) In lieu of (a) or (b), the Committee may declare the level at which the Performance Criteria are deemed to be met and the unvested RSUs will vest to that extent immediately prior to the occurrence of the Change in Control.
6. Settlement; Tax Withholding. Upon the vesting of Your RSUs, Your RSUs will be settled in Shares within 60 days and You will recognize ordinary income. Notwithstanding the foregoing, to the extent required to comply with Section 409A of the Code, if You are a "specified employee" within the meaning of Section 409A of the Code, and the vesting of Your RSUs is triggered as a result of Your termination of employment, the delivery of Shares shall be delayed until (a) the six-month anniversary of Your separation from service (within the meaning of Section 409A), or (b) if earlier, as soon as practicable following Your death. 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 (i) have the Company withhold Shares having a Fair Market Value equal to the amount of the tax withholding or (ii) require You to pay to the Company the amount of the tax withholding.
7. Rights as Shareholder. You will not have any rights of a shareholder prior to the receipt of Your Shares, and will obtain such rights only upon Your receipt of the Shares, 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 or cash distributed as dividends with respect to the Shares subject to the RSUs will be subject to the same vesting schedule and performance conditions as the underlying RSUs and shall be settled as provided in Section 6
8. Clawback. Any RSUs You are granted hereunder and/or Shares You receive in settlement of such RSUs, in addition to all other Awards granted to You under the Plan and/or Shares or cash You receive in settlement of such Awards, shall be subject to recovery by the Company in the circumstances and manner provided in any Incentive Compensation Clawback Policy that may be adopted or implemented by the Company and in effect from time to time on or after the date hereof, and You shall effectuate any such recovery at such time and in such manner as the Company may specify. For purposes of this Certificate, the term "**Incentive Compensation Clawback Policy**" means and includes any policy of the type contemplated by Section 10D of the Securities Exchange Act, any rules or regulations of the Securities and Exchange Commission adopted pursuant thereto, or any related rules or listing standards of any national securities exchange or national securities association

applicable to the Company. Until the Company adopts such an Incentive Compensation Clawback Policy, the following clawback provision shall apply to the RSUs and all other performance-based Awards granted to You under the Plan:

In the event that, within three years of the end of the Performance Period, the Company restates its financial results with respect to the Company's performance during the Performance Period due to material non-compliance with any financial reporting requirement under the securities laws as generally applied and the Board of Directors determines Your fraud or misconduct caused or partially caused the need for the restatement, then the Board of Directors shall require You to immediately return to the Company the RSUs or any Shares You receive in settlement of the RSUs or the pre-tax income derived from any disposition of the Shares previously received in settlement of the RSUs (plus a reasonable rate of interest if deemed appropriate by the Board of Directors) that would not have been granted and/or vested, as determined in the sole discretion of the Board, based upon the restated financial results.

9. 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.
10. 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 an Affiliate, except as such plan otherwise expressly provides.
11. 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 Affiliate or affect the right of the Company or an Affiliate to terminate Your employment at any time with or without cause.
12. 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 Code.
13. 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.
14. 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.
15. 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.
16. 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.
17. Governing Law. This Certificate shall be governed by, and construed in accordance with, the laws of the State of Nevada, without reference to principles of conflict of laws.

Electronic Signature: [Electronic Signature]

Acceptance Date: [Acceptance Date]

AMENDMENT TO
RETIREMENT AGREEMENT AND GENERAL RELEASE

This Amendment (this "Amendment") is entered into by and among Tenet Healthcare Corporation ("Tenet"), Tenet Business Services Corporation (the "Company") and Audrey Andrews ("Executive") and amends that certain Retirement Agreement and General Release (the "Agreement") entered into by and among Tenet, the Company and Executive entered into on December 30, 2021. Capitalized terms used but not defined herein have the respective meanings set forth in the Agreement.

1. In consideration of Executive's entry into this Amendment and the covenants set forth in Section 2 hereof, the parties desire to amend and restate section 2(c) of the Agreement "Long-Term Incentives" to read as follows:
 - c. Long-term Incentives: Executive will continue to vest in her outstanding unvested awards in Restricted and Performance Stock, Performance Stock Options and Performance Cash (the "Outstanding Equity Awards") for the full term of each such grant in accordance with the applicable vesting schedule for each grant, without regard to her termination of employment on the Last Day Worked. For the avoidance of doubt, settlement of the Outstanding Equity Awards shall not be accelerated. Executive will not be eligible to receive any additional Restricted or Performance Stock, Performance Stock Options, Performance Cash or other long-term incentive awards after December 31, 2021.
2. In exchange for the consideration described in Section 1 above, Executive agrees that she will comply with the following covenants:
 - a. **Non-Competition**. From Executive's Last Day Worked through the final settlement date for the Outstanding Equity Awards or such longer period provided in the SERP (the "Restricted Period"), Executive agrees to comply with the non-compete provision set forth in Section 9.4 of the SERP.
 - b. **Agreement Not To Solicit Employees**. During the Restricted Period, Executive will not directly or indirectly solicit or induce, or in any manner attempt to solicit or induce, any person employed by, or any agent of, Tenet or its subsidiaries (or who was within twelve (12) months prior to the Last Day Worked was so employed or engaged) to terminate such employee's employment or agency, as the case may be, with Tenet or its subsidiaries.
 - c. **Nondisparagement**. At all times following the date hereof, Executive will not disparage any member of Tenet or its subsidiaries, or their respective boards of directors or other governing bodies, executives, employees and products and services. Tenet will instruct the management of Tenet to not disparage the Executive at all times following the date hereof. For purposes hereof, disparagement does not include:
 - (i) compliance with legal process or subpoenas to the extent only truthful statements are rendered in such compliance attempt,
 - (ii) truthful statements in response to an inquiry from a court or regulatory body, or
 - (iii) truthful statements in rebuttal of media stories.

- d. **Enforcement.** Executive acknowledges that she has carefully read and considered all the terms and conditions of this Amendment and the Agreement, including the restraints imposed upon her. Executive agrees that each of the restraints contained herein are necessary for the protection of the goodwill, confidential information and other legitimate interests of Tenet; that each and every one of these restraints is reasonable in respect to subject matter, length of time and geographic area; and that these restraints, individually or in the aggregate, will not prevent her from obtaining other suitable employment during the period in which Executive is bound by such restraints. Executive further acknowledges that, were she to breach any of the covenants contained in this section, the damage to Tenet would be irreparable. Executive therefore agrees that Tenet, in addition to any other remedies available to it, shall be entitled to injunctive relief against any breach or threatened breach by the Executive of any of said covenants.
3. **Supplemental Release.** Executive covenants that she has no claim, grievance or complaint against Tenet currently pending before any state or federal court, agency, or tribunal; and hereby releases and discharges the Tenet Releasees from all statutory and common law claims that Executive has or may have against the Tenet Releasees arising prior to Executive's execution of this Amendment and/or arising out of or relating to her employment or separation therefrom (herein, "Additional Released Claims"). The term "Additional Released Claims" does not include any claim for vested benefits under the Tenet Healthcare Corporation 401(k) Retirement Savings Plan, the Tenet Employee Benefit Plan, the Deferred Compensation Plan, Tenet's Stock Incentive Plans, the SERP, or the ERA. Without limitation, the Additional Released Claims include claims arising under Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, the Civil Rights Act of 1991, the Age Discrimination in Employment Act, the Employee Retirement Income Security Act, the Lilly Ledbetter Fair Pay Act, the Worker Adjustment and Retraining Notification Act, any analogous local or state laws or statutes in the state(s) in which Executive was last employed and any other claim based upon any act or omission of any of the Tenet Releasees occurring prior to Executive's execution of this Amendment. Executive further waives any right to any individual monetary or economic recovery or equitable relief against Tenet Releasees in any administrative proceeding or in any action, lawsuit, hearing or other proceeding instituted by any agency, person or entity, except to the extent such waiver is prohibited by law or expressly permitted herein.
4. This Amendment includes a voluntary waiver and release of Executive's rights and claims under the Age Discrimination in Employment Act and pursuant to the Older Workers Benefit Protection Act. Executive is hereby advised and is aware of her right to consult with legal counsel of her choice prior to signing this Amendment. Executive acknowledges that she has twenty-one (21) days during which to consider, sign and return this Amendment, but she may elect to return the executed agreement prior to the expiration of that time. Executive has the right to revoke this Amendment for a period of seven (7) days after her execution of the Amendment. This Amendment shall not become effective or enforceable until Executive executes this Amendment.
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5. Section 1542 of the Civil Code of the State of California ("Section 1542") provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

Executive waives all rights under Section 1542 or any other law or statute of similar effect in any jurisdiction with respect to the Additional Released Claims. Executive acknowledges that she understands the significance and specifically assumes the risk regarding the consequences of such release and such specific waiver of Section 1542 and analogous state or local law or statute. Executive acknowledges and agrees that this Amendment releases all Additional Released Claims existing or arising prior to Executive's execution of this Amendment which Executive has or may have against the Tenet Releasees whether such claims are known or unknown and suspected or unsuspected by Executive and Executive forever waives all inquiries and investigations into any and all such claims.

6. Except as expressly amended herein, the terms of the Agreement shall continue in full force and effect. The parties acknowledge and agree that the terms of Sections 9 through 16 of the Agreement shall apply to this Amendment as if set for the herein. Executive represents and affirms that she has carefully read and fully understands the provisions of this Amendment and that he is voluntarily entering into this Amendment.

[Signature page follows.]

DATED: April 15, 2022

/s/ Audrey Andrews
Audrew Andrews
EXECUTIVE

DATED: April 15, 2022

FOR TENET HEALTHCARE CORPORATION

By /s/ Tom Arnst
Tom Arnst
Its CAO

DATED: April 15, 2022

FOR TENET BUSINESS SERVICES CORPORATION

By /s/ Tom Arnst
Tom Arnst
Its CAO

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

I, Saumya Sutaria, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tenet Healthcare Corporation (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: April 29, 2022

/s/ SAUMYA SUTARIA
Saumya Sutaria, M.D.
Chief Executive Officer

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

I, Daniel J. Cancelmi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tenet Healthcare Corporation (the “Registrant”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and
5. The Registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the audit committee of the Registrant’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

Date: April 29, 2022

/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 Saumya Sutaria and Daniel J. Cancelmi, being, respectively, the 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 Quarterly Report on Form 10-Q for the quarter ended March 31, 2022 (the "Form 10-Q"), to be filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Registrant and its subsidiaries.

Date: April 29, 2022

/s/ SAUMYA SUTARIA

Saumya Sutaria, M.D.

Chief Executive Officer

Date: April 29, 2022

/s/ DANIEL J. CANCELMI

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.