TENET HEALTHCARE CORP
Form S-4/A
October 08, 2004

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**As filed with the Securities and Exchange Commission on October 8, 2004**

**Registration No. 333-118751**

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# AMENDMENT NO. 1
# TO
# FORM S-4

**REGISTRATION STATEMENT**
**UNDER**
**THE SECURITIES ACT OF 1933**

# TENET HEALTHCARE CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

| **NEVADA** | **8062** | **95-2557091** |
|---|---|---|
| (State or Other Jurisdiction of Incorporation or Organization) | (Primary Standard Industrial Classification Code Number) | (IRS Employer Identification Number) |

**3820 STATE STREET**
**SANTA BARBARA, CALIFORNIA 93105**
**(805) 563-7000**
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

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*With a copy to:*

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**1888 CENTURY PARK EAST, SUITE 2100**
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**APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: AS SOON AS PRACTICABLE AFTER THIS REGISTRATION STATEMENT BECOMES EFFECTIVE.**

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

**The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such dates as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

**SUBJECT TO COMPLETION, DATED OCTOBER 8, 2004.**

**The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offering to buy these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities law of any state.**

**PROSPECTUS**

## $1,000,000,000

# TENET HEALTHCARE CORPORATION

Offer to exchange its 9.875% Senior Notes due 2014, which have been registered under the Securities Act of 1933, for any and all of its outstanding 9.875% Senior Notes due 2014

**The exchange offer and withdrawal rights will expire at 5:00 P.M., Eastern time, on , 2004, unless extended.**

We are offering to exchange up to $1,000,000,000 aggregate principal amount of our new 9.875% Senior Notes due 2014, which have been registered under the Securities Act of 1933, referred to in this prospectus as the new notes, for any and all of our outstanding 9.875% Senior Notes due 2014, referred to in this prospectus as the old notes. The new notes and the old notes are collectively referred to in this prospectus as the "notes".

We issued the old notes on June 18, 2004 in a transaction not requiring registration under the Securities Act. We are offering you new notes, with terms substantially identical to those of the old notes, in exchange for old notes in order to satisfy our registration obligations from that previous transaction. If you fail to tender your old notes, you will continue to hold unregistered notes that you will not be able to transfer freely.

**See "Risk Factors" on page 5 of this prospectus for a discussion of risks associated with the exchange of old notes for the new notes offered hereby.**

We will exchange new notes for all old notes that are validly tendered and not withdrawn before expiration of the exchange offer. You may withdraw tenders of old notes at any time prior to the expiration of the exchange offer. The exchange procedure is more fully described in "The Exchange Offer Procedures for Tendering".

The terms of the new notes are identical in all material respects to those of the old notes, except that the transfer restrictions and registration rights applicable to the old notes do not apply to the new notes. See "Description of New Notes" for more details on the terms of the new notes.

We will not receive any proceeds from the exchange offer.

There is no established trading market for the new notes or the old notes. However, we intend to apply for listing of the new notes on The New York Stock Exchange.

The exchange of old notes for new notes should not be a taxable event for United States federal income tax purposes. See "Certain Federal Income Tax Considerations".

All broker-dealers must comply with the registration and prospectus delivery requirements of the Securities Act. See "Plan of Distribution".

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**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these notes or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

, 2004

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**No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the notes offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.**

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## SUMMARY

*The following summary is qualified in its entirety by the more detailed information, including our consolidated financial statements and related notes, included or incorporated by reference in this prospectus. Unless the context otherwise requires, the terms "Tenet," "we," "us" and "our" refer to Tenet Healthcare Corporation and its subsidiaries.*

### Tenet Healthcare Corporation

We, through our subsidiaries, own and operate acute care hospitals and related health care services. At June 30, 2004, we owned or operated 99 general hospitals with 25,322 licensed beds, serving urban and rural communities in 14 states. We have previously announced our intention to divest 30 of these hospitals with 7,346 licensed beds.

Our principal executive offices are located at 3820 State Street, Santa Barbara, California 93105, and our telephone number is (805) 563-7000. We and our subsidiaries employ approximately 101,000 people nationwide. We provide central support services to our hospitals from a Dallas-based operations center.

### The Exchange Offer

On June 18, 2004, we completed the private offering of $1,000,000,000 aggregate principal amount of 9.875% Senior Notes due 2014. As part of that offering, we entered into an exchange and registration rights agreement with the initial purchasers of the old notes in which we agreed, among other things, to deliver this prospectus to you and to complete an exchange offer for the old notes. Below is a summary of the exchange offer.

| | |
|---|---|
| Old notes | 9.875% Senior Notes due 2014 |
| New notes | Notes of the same series, the issuance of which has been registered under the Securities Act of 1933. The terms of the new notes are identical in all material respects to those of the old notes, except that the transfer restrictions and registration rights relating to the old notes do not apply to the new notes. |
| Terms of the offer | We are offering to exchange a like amount of new notes for our old notes in denominations of $1,000 in principal amount and multiples thereof. In order to be exchanged, an old note must be properly tendered and accepted. All old notes that are validly tendered and not withdrawn will be exchanged. As of the date of this prospectus, there are $1,000,000,000 principal amount of 9.875% Senior Notes due 2014 outstanding. We will issue new notes promptly after the expiration of the exchange offer. |
| Expiration time | The exchange offer will expire at 5:00 P.M., Eastern time, on , 2004, unless extended. |

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| Procedures for tendering | To tender old notes, you must complete and sign a letter of transmittal in accordance with the instructions contained in it and forward it by mail, facsimile or hand delivery, together with any other documents required by the letter of transmittal, to the exchange agent, either with the old notes to be tendered or in compliance with the specified procedures for guaranteed delivery of old notes. Certain brokers, dealers, commercial banks, trust companies and other nominees may also effect tenders by book-entry transfer. Holders of old notes registered in the name of a broker, dealer, commercial bank, trust company or other nominee are urged to contact such person promptly if they wish to tender old notes pursuant to the exchange offer. See "The Exchange Offer  Procedures for Tendering." |
| | Letters of transmittal and certificates representing old notes should not be sent to us. Such documents should only be sent to the exchange agent. Questions regarding how to tender and requests for information should be directed to the exchange agent. See "The Exchange Offer  Exchange Agent." |
| Acceptance of old notes for exchange; issuance of new notes | Subject to the conditions stated in "The Exchange Offer  Conditions to the Exchange Offer," we will accept for exchange any and all old notes which are properly tendered in the exchange offer before the expiration time. The new notes will be delivered promptly after the expiration time. |
| Interest payments on the new notes | The new notes will bear interest from the most recent date through which interest has been paid on the old notes. If your old notes are accepted for exchange, then you will receive interest on the new notes and not on the old notes. |
| Withdrawal rights | You may withdraw your tender at any time before the expiration time. |
| Conditions to the exchange offer | The exchange offer is subject to customary conditions. We may assert or waive these conditions in our sole discretion. If we materially change the terms of the exchange offer, we will resolicit tenders of the old notes. See "The Exchange Offer  Conditions to the Exchange Offer" for more information. |
| Resales of new notes | Based on interpretations by the staff of the Securities and Exchange Commission, or SEC, as detailed in a series of no-action letters issued by the SEC to third parties, we believe that the new notes issued in the exchange offer may be offered for resale, resold or otherwise transferred by you without compliance with the registration and prospectus delivery requirements of the Securities Act as long as: |
| | you are acquiring the new notes in the ordinary course of your business; |

| | |
|---|---|
| | you are not participating, do not intend to participate and have no arrangement or understanding with any person to participate in a distribution of the new notes; |
| | you are not an "affiliate" of ours; and |
| | you are not a broker-dealer that acquired any of its old notes directly from us. |
| | If you fail to satisfy any of the foregoing conditions, you will not be permitted to tender your old notes in the exchange offer and you must comply with the registration and prospectus delivery requirements of the Securities Act in connection with any sale or other transfer of your old notes unless such sale is made pursuant to an exemption from such requirements. |
| | Each broker or dealer that receives new notes for its own account in exchange for old notes that were acquired as a result of market-making or other trading activities must acknowledge that it will comply with the registration and prospectus delivery requirements of the Securities Act in connection with any offer to resell, resale or other transfer of the new notes issued in the exchange offer, including the delivery of a prospectus that contains information with respect to any selling holder required by the Securities Act in connection with any resale of the new notes. |
| | See "The Exchange Offer Resales of New Notes." |
| Exchange agent | The Bank of New York is serving as the exchange agent in connection with the exchange offer. The address and telephone and facsimile numbers of the exchange agent are listed under the heading "The Exchange Offer Exchange Agent." |
| Use of proceeds | We will not receive any proceeds from the issuance of new notes in the exchange offer. We will pay all expenses incident to the exchange offer. See "Use of Proceeds" and "The Exchange Offer Fees and Expenses." |

**The New Notes**

The terms of the new notes are identical in all material respects to those of the old notes, except that the transfer restrictions and registration rights applicable to the old notes do not apply to the new notes. The new notes will evidence the same debt as the old notes and will be governed by the same indenture. Where we refer to "notes" in this prospectus, we are referring to both the old notes and the new notes.

| | |
|---|---|
| Notes offered | Up to $1,000,000,000 principal amount of 9.875% Senior Notes due 2014, which have been registered under the Securities Act. |
| Maturity date | July 1, 2014 |

| | |
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| Interest | Interest on the new notes will accrue at the rate per annum set forth on the cover page hereof. Interest on the notes will be payable semi-annually in arrears on January 1 and July 1 of each year, commencing on January 1, 2005, to holders of record on the immediately preceding December 15 and June 15. Interest on the new notes will accrue from the most recent date through which interest has been paid or, if no interest has been paid, from the date of original issuance of the old notes. |
| Listing | We intend to apply for listing of the new notes on The New York Stock Exchange. |
| Ranking | The notes are our general unsecured obligations equal in right of payment to all our existing and future unsubordinated indebtedness. |
| Optional redemption | The notes will be redeemable in whole or in part at our option at a redemption price equal to the greater of (i) 100% of the principal amount of the notes being redeemed or (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon, excluding accrued and unpaid interest, discounted at a rate as specified below in "Description of New Notes  Optional Redemption", plus, in each case, accrued but unpaid interest to the date of redemption. |
| Global note; book-entry system | The new notes will be issued only in fully registered form without interest coupons and in minimum denominations of $1,000. The new notes will be evidenced by a global note deposited with the trustee for the new notes, as custodian for The Depository Trust Company, or DTC. Beneficial interests in the global notes will be shown on, and transfers of those beneficial interests can only be made through, records maintained by DTC and its participants. See "Description of New Notes  Global Notes." |

**Certain Federal Income Tax Considerations**

We believe that the exchange of your old notes for new notes to be issued in connection with the exchange offer should not result in any gain or loss to you for United States federal income tax purposes. See "Certain Federal Income Tax Considerations."

**Risk Factors**

You should carefully consider the matters set forth under "Risk Factors" before you decide to tender your old notes.

## RISK FACTORS

Before tendering old notes in the exchange offer, you should carefully review the information contained elsewhere in this prospectus and should particularly consider the following discussion on the risks involved.

### Risks Related to Our Business

Our business is subject to known and unknown risks, uncertainties and other factors many of which we are unable to predict or control that may cause our actual results, performance or achievements, or healthcare industry results, to be materially different from expectations or from those expressed or implied by any forward-looking statements we make in this prospectus or our filings with the SEC.

Should one or more of the risks and uncertainties described in this prospectus or elsewhere in our filings with the SEC occur or our results of operations continue to deteriorate,

- our actual results and plans could differ materially from those expressed in or implied by any forward-looking statements we make,
- our liquidity, financial position or results of operations could be harmed,
- the trading price for the notes could decrease, or
- our ability to pay interest or principal on the notes could be harmed.

**We are subject to a significant number of claims and lawsuits that significantly affect our ongoing business and can have a material adverse effect on our liquidity, financial position or results of operations.**

We and our subsidiaries are subject to a significant number of claims and lawsuits. We are also the subject of federal and state agencies' heightened and coordinated civil and criminal investigations and enforcement efforts, and have received subpoenas and other requests for information relating to a variety of subjects. In the present environment, we expect these enforcement activities to continue, and that additional matters concerning us and our subsidiaries may arise. We also expect similar and new claims and lawsuits to be brought against us from time to time.

The results of these claims and lawsuits cannot be predicted, and it is reasonably possible that the ultimate resolution of these claims and lawsuits, individually or in the aggregate, may have a material adverse effect on our business both in the near and long term, financial position, results of operations or cash flows. Although we defend ourselves vigorously against claims and lawsuits and cooperate with investigations, these matters could:

- 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,
- cause us to incur substantial expenses,
- require significant time and attention from our management,
- cause us to close or sell hospitals or otherwise modify the way we conduct our business, and
- require us to incur debt to finance any judgment or settlement.

We have been and continue to be engaged in general discussions with federal law enforcement agencies regarding the possibility of non-litigated resolution of outstanding issues with the federal government. We are not able to predict whether such a resolution will in fact occur on any terms, project a timeline for resolution or quantify the economic impact of any non-litigated resolution. However, if we do reach a non-litigated resolution, we would expect it to be significant and require us to incur additional debt financing. If a non-litigated resolution does not occur, we will continue to defend vigorously any claims and suits stated or advanced against the company. We do not expect to enter into any settlement unless funding for it can be arranged without jeopardizing the liquidity of the company. Any resolution of significant claims against the company, whether as a result of litigation or negotiation, could have a material impact on our liquidity, financial position or results of operations.

**Our revenues and results of operations are significantly affected by payments received from the government and other third party payers.**

We strive to ensure that we are appropriately compensated for the services we provide, but third party payers continue to ask us to accept lower rates of payment even in the face of rising medical costs, and we have disputes with many of our third party payers over payment for past services.

Our proposed Compact with Uninsured Patients, or Compact, is designed to offer managed-care style discounts to most uninsured patients, which will enable us to offer lower rates to those patients, who today are charged full gross charges. A significant portion of those accounts are often written down as provision for doubtful accounts. On February 19, 2004, the Secretary of Health and Human Services issued guidance on discounts for uninsured patients, which will allow us to implement our discount plan. The discounts began to be phased in during the second quarter of this year and will be in effect in most of our hospitals by the end of this year. When implemented, the Compact should reduce bad-debt expense levels, but it will also reduce net revenues and should have an immaterial effect on net operating performance.

Payments from government programs are subject to statutory and regulatory changes, administrative rulings, interpretations and determinations, requirements for utilization review, and federal and state funding restrictions, all of which could materially increase or decrease program payments, as well as affect the cost of providing service to patients and the timing of payments to facilities. We are unable to predict the effect of future policy changes on our operations. If the rates paid or the scope of services covered by government payers are reduced, there could be a material adverse effect on our business, financial position, results of operations or cash flows.

Many states in which we operate are facing budgetary challenges that pose a threat to Medicaid funding levels to hospitals and other providers. We expect these challenges to continue; however, we cannot predict the extent of the impact of the states' budget restrictions on our hospitals. Also, any changes to federal Medicaid funding methodologies or levels to the states could adversely impact Medicaid payments to our hospitals.

**Our business continues to be adversely affected by increases in uninsured and underinsured patients.**

We have seen adverse changes in our business mix as admissions of uninsured and underinsured patients have grown at an escalating rate. We believe this trend is due to a combination of broad economic factors, including higher unemployment rates, increased number of patients who are uninsured, and an increased burden of co-payments to be made by patients instead of insurers. Additionally, many of these patients are being admitted through the emergency department and often require more costly care, resulting in higher billings, which are the least collectible of all accounts.

**Our business and financial results could be harmed if we are not able to attract and retain employees, physicians and other health care professionals, and our costs continue to be adversely affected by the shortage of nurses.**

Our operations depend on the efforts, ability and experience of our employees and the physicians and medical staffs of our hospitals, most of whom have no long-term employment relationship with us.

In some of our markets, physician recruitment and retention are affected by a shortage of physicians in certain specialties. The loss of some or all of our key employees or the inability to attract or retain sufficient numbers of qualified physicians and other health care professionals could have a material adverse effect on our business, financial position, results of operations or cash flows.

We have experienced and expect to continue to experience significant wage and benefit pressures created by the current nursing shortage throughout the country. We expect the nursing shortage to continue, and may be required to enhance wages and benefits to recruit and retain nurses or increase our use of more expensive temporary personnel. In addition, as union activity continues to increase at our hospitals, our salary and benefits expense is likely to increase more rapidly than our net operating revenues. Another factor that will increase our labor costs significantly is the enactment of state laws regarding nurse-staffing ratios. Not only will state-mandated nurse-staffing ratios adversely affect our labor costs, if we are unable to hire the necessary number of nurses to meet the required ratios, they may also cause us to limit patient admissions with a corresponding adverse effect on net operating revenues.

**Our business and financial results could be harmed by violations of existing regulations or compliance with new or changed regulations.**

Our business is governed by a framework of federal and state laws, rules and regulations that are extremely complex and for which we often have the benefit of little or no regulatory or judicial interpretation. We are subject to extensive federal, state and local regulation relating to licensure, conduct of operations, ownership of facilities, physician relationships, addition of facilities and services, and prices for services. If a determination is made that we were in material violation of such laws, rules or regulations, our business, financial position, results of operations or cash flows could be adversely affected. In addition, regulation is constantly changing and we are unable to predict the future course of federal, state and local regulation, including Medicare and Medicaid statutes and regulations. Further changes in the regulatory framework affecting health care providers could have a material adverse effect on our business, financial position, results of operations or cash flows.

**Insurance costs and availability have an adverse effect on our operations.**

Our malpractice expense has increased over the past several years. We continue to experience unfavorable pricing trends in the professional and general liability insurance markets and increases in the size of claim settlements and awards in this area. If these trends continue, they could have an adverse effect on our company. Physicians, including those who practice at some of our hospitals, face increases in malpractice insurance premiums and limitations on availability, which could cause those physicians to limit their practice. That, in turn, could result in lower admissions to our hospitals. All reinsurance and any excess insurance purchased by us is subject to policy aggregate limitations. If such policy aggregates should be partially or fully exhausted in the future, or actual payments of claims materially exceed projected estimates of claims, our business, financial position, results of operations or cash flows could be materially adversely affected.

**Our operations are affected by the geographic concentration of our hospitals.**

As of December 31, 2003, the largest concentrations of our licensed beds were in California (33.3%), Florida (18.2%) and Texas (12.0%). Our concentration of licensed beds in California will diminish, and concentrations in Florida and Texas will increase, when we divest certain California facilities from our portfolio as previously announced. Such concentrations increase the risk that, should adverse economic, regulatory or other developments occur within these states, our business, financial position, results of operations or cash flows could be adversely affected.

**Challenges that affect the healthcare industry and other external factors also have an effect on our operations.**

We are impacted by the challenges currently facing the healthcare industry as a whole. We believe that the key ongoing industry-wide challenges are as follows:

- providing quality patient care in a competitive and highly regulated environment,
- obtaining adequate compensation for services provided,
- collecting accounts receivable, and
- managing costs.

In addition, our business and results of operations are also affected by other factors that affect both the industry and us, including:

- competition,
- technological and pharmaceutical improvements that increase the cost of providing, or reduce the demand for, health care,
- general economic and business conditions, both nationally and regionally,
- demographic changes, and
- changes in the distribution process or other factors that increase the cost of supplies.

In particular, the patient volumes and net operating revenues at our general hospitals and related health care facilities are subject to economic and seasonal variations caused by a number of factors, including, but not limited to:

- unemployment levels,
- the business environment of local communities,
- the number of uninsured and underinsured patients in local communities,
- seasonal cycles of illness,
- climate and weather conditions,
- vacation patterns of both patients and physicians, and
- other factors relating to the timing of elective procedures.

## Risks Relating to the Notes

**We have a substantial amount of debt, including debt incurred under our credit agreement and by our subsidiaries that is senior to the notes.**

As of June 30, 2004, we had approximately $4.5 billion of long-term debt. The notes are effectively subordinated to debt under our recently amended five-year revolving credit agreement, which is secured by pledges of the stock of certain of our hospital operating subsidiaries. The credit agreement expires March 1, 2006. The total bank commitments under the agreement are $800 million and the aggregate cash borrowings available under the agreement are $500 million. As of June 30, 2004, there were no outstanding cash borrowings under the credit agreement, but there were approximately $221 million in letters of credit outstanding. As of June 30, 2004, the available credit under the agreement, net of outstanding letters of credit, was $579 million. In addition, the notes are effectively subordinated to debt and other liabilities of our subsidiaries. We are a holding company and all of our operations are and will be conducted through our subsidiaries and substantially all of our assets are and will be owned by our subsidiaries. Our ability to make required principal and interest payments on our indebtedness, including the notes, depends on the earnings of our subsidiaries and on our ability to receive dividends or other payments from such subsidiaries. Any right we have to the assets of each of our subsidiaries upon the liquidation, reorganization or insolvency of such subsidiaries (and consequently your right as a holder of notes to participate in those assets) will be effectively subordinated to the claims of the creditors (including trade creditors) and preferred stockholders, if any, of such subsidiaries, except to the extent we have a claim against such subsidiaries as a creditor. If any claims we may have as a creditor of a subsidiary are recognized, such claims would be subject to any security interest in the assets of such subsidiary and subordinate to any indebtedness of such subsidiary senior to that held by us.

**The protections provided in the notes are limited and we may take actions that could adversely affect the notes.**

Our outstanding notes, including the new notes and the old notes, are not rated investment grade by either Standard & Poor's or Moody's Investors Services. However, the covenants applicable to the notes are identical to those applicable to our other outstanding notes, which were rated investment grade at the time they were issued. The covenants do not limit the amount of debt we may incur and only provide limited restrictions on the security we may provide for future debt. We may decide to incur additional secured or unsecured debt in the future to finance any judgments or settlements or for other business purposes, and any such additional debt may have an adverse effect on our credit rating and the priority of claims of holders of the notes. That additional debt, if incurred, could be held by a number of creditors, including affiliates of the initial purchasers of the old notes.

## Risks Related to the Exchange Offer

**You may have difficulty selling the old notes you do not exchange.**

If you do not exchange your old notes for new notes in the exchange offer, you will continue to be subject to the restrictions on transfer of your old notes as described in the legend on the global notes representing the old notes. There are restrictions on transfer of your old notes because we issued the old notes under an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. In general, you may only offer or sell the old notes if they are registered under the Securities Act and applicable state securities laws or offered and sold under an exemption from, or in a transaction not subject to, these requirements. We do not intend to register any old notes not tendered in the exchange offer and, upon consummation of the exchange offer, you will not be entitled to any rights to have your untendered old notes registered under the Securities Act. In addition, the trading market, if any, for the remaining old notes will be adversely affected depending on the extent to which old notes are tendered and accepted in the exchange offer.

**You may have difficulty selling the new notes because there is no existing trading market for them.**

The new notes are being offered to the holders of the old notes, which were issued on June 18, 2004 primarily to a small number of institutional investors. There is no existing trading market for the new notes. Although the initial purchasers in the offering of the old notes have informed us that they intend to make a market in the new notes, they are not obligated to do so and any market-making activity may be discontinued at any time without notice. As a result, the market price of the new notes could be adversely affected.

We intend to apply for listing of the new notes on The New York Stock Exchange. The liquidity of any market for the new notes will depend upon the number of holders of the new notes, our financial performance, the market for similar securities, the interest of securities dealers in making a market in the new notes and other factors relating to us. A liquid trading market may not develop for the new notes.

**Broker-dealers may need to comply with the registration and prospectus delivery requirements of the Securities Act.**

Any broker-dealer that (1) exchanges its old notes in the exchange offer for the purpose of participating in a distribution of the new notes or (2) resells new notes that were received by it for its own account in the exchange offer may be deemed to have received restricted securities and will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction by that broker-dealer. Any profit on the resale of the new notes and any commission or concessions received by a broker-dealer may be deemed to be underwriting compensation under the Securities Act.

**You may not receive new notes in the exchange offer if the exchange offer procedure is not followed.**

We will issue the new notes in exchange for your old notes only if you tender the old notes and deliver a properly completed and duly executed letter of transmittal and other required documents before expiration of the exchange offer. You should allow sufficient time to ensure timely delivery of the necessary documents. Neither the exchange agent nor we are under any duty to give notification of defects or irregularities with respect to the tenders of old notes for exchange. If you are the beneficial holder of old notes that are registered in the name of your broker, dealer, commercial bank, trust company or other nominee, and you wish to tender in the exchange offer, you should promptly contact the person in whose name your old notes are registered and instruct that person to tender on your behalf.

## USE OF PROCEEDS

We will not receive proceeds from the issuance of the new notes offered hereby. In consideration for issuing the new notes in exchange for old notes as described in this prospectus, we will receive old notes of like principal amount. The old notes surrendered in exchange for the new notes will be retired and canceled.

## SELECTED FINANCIAL INFORMATION

In March 2003, our board of directors approved a change in our fiscal year from a fiscal year ending on May 31 to a fiscal year that coincides with the calendar year, effective December 31, 2002. Selected financial information for the fiscal years ended May 31, 1999 through 2002, the seven-month transition period ended December 31, 2002, and the year ended December 31, 2003 is set forth below. Unaudited comparable data for the year ended December 31, 2002 is presented below, as well as financial information for the six-month periods ended June 30, 2003 and June 30, 2004. The information for the fiscal years ended May 31, 1999 through May 31, 2002, the seven-month transition period ended December 31, 2002, and the year ended December 31, 2003 is from our consolidated financial statements, which have been audited by KPMG LLP, our independent registered public accounting firm, and from our underlying accounting records. The summary financial information for the year ended December 31, 2002 and the six-month periods ended June 30, 2003 and June 30, 2004 has been derived from our unaudited condensed consolidated financial statements and reflects all adjustments (consisting of normal recurring adjustments) that, in our opinion, are necessary for a fair presentation of such information. Operating results for the six months ended June 30, 2004 are not necessarily indicative of the results that may be expected for fiscal 2004.

The results of operations for the years ended May 31, 1999 through 2002, the seven-month transition period ended December 31, 2002 and the years ended December 31, 2002 and 2003 have been revised to reflect in discontinued operations 26 of the 27 domestic acute care hospitals and one general hospital in Barcelona, Spain, whose proposed divestitures were disclosed in January and March 2004, respectively, and one domestic acute care hospital that we ceased operating in April 2004. Generally accepted accounting principles require that the results of operations of these hospitals be classified as discontinued operations on a retroactive basis in any future presentations of consolidated results of operations, including those incorporated into this prospectus. The one hospital in this group whose operations are not being retroactively reclassified to discontinued operations, Doctors Medical Center-San Pablo, is a leased facility that continued to be classified as a "held and used" asset and included in continuing operations until July 31, 2004, when its lease was terminated. Two other hospitals whose upcoming divestitures were previously announced, Suburban Medical Center and Medical College of Pennsylvania Hospital, are not accounted for as discontinued operations as of December 31, 2003, and will continue to be classified as held and used until they are divested or closed.

You also should read "Management's Discussion and Analysis of Financial Condition and Results of Operations," our consolidated financial statements and related notes and the report of our independent registered public accounting firm included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2003, as amended by our Current Reports on Form 8-K dated June 14, 2004 and September 2, 2004, and our unaudited condensed consolidated financial statements included in the Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2004, all incorporated in this prospectus by reference. See "Incorporation by Reference." Dollar amounts set forth below, except per share amounts, are in millions.

| | Year Ended May 31, | | | | Seven Months Ended Dec. 31 | Year Ended December 31, | | Six Months Ended June 30, | |
|---|---|---|---|---|---|---|---|---|---|
| | 1999 | 2000 | 2001 | 2002 | 2002 | 2002 | 2003 | 2003 | 2004 |
| | (Restated) | (Restated) | (Restated) | (Restated) | (Restated) | (Unaudited) | | (Unaudited) | |
| **Net operating revenues** | **$ 8,180** | **$ 8,402** | **$ 8,759** | **$ 10,115** | **$ 6,309** | **$ 10,723** | **$ 10,510** | **$ 5,387** | **$ 5,221** |
| **Operating expenses:** | | | | | | | | | |
| Salaries and benefits | 3,442 | 3,396 | 3,489 | 4,004 | 2,450 | 4,187 | 4,444 | 2,269 | 2,268 |
| Supplies | 1,164 | 1,191 | 1,220 | 1,421 | 902 | 1,525 | 1,661 | 830 | 882 |
| Provision for doubtful accounts | 561 | 652 | 623 | 740 | 502 | 804 | 1,199 | 462 | 790 |
| Other operating expenses | 1,798 | 1,833 | 1,846 | 2,005 | 1,278 | 2,131 | 2,218 | 1,105 | 1,166 |
| Depreciation | 333 | 325 | 327 | 357 | 212 | 362 | 364 | 184 | 181 |
| Goodwill amortization | 91 | 79 | 84 | 85 | | 35 | | | |
| Other amortization | 24 | 23 | 21 | 24 | 14 | 24 | 20 | 11 | 10 |
| Impairment of long-lived assets and goodwill and restructuring charges | 230 | 335 | 143 | 99 | 86 | 86 | 1,431 | 351 | 102 |
| Costs of litigation and investigations | | | | | | | 282 | 74 | 19 |
| Loss from early extinguishment of debt | | | 56 | 383 | 4 | 105 | | | 5 |
| **Operating income (loss)** | **557** | **568** | **950** | **997** | **861** | **1,464** | **(1,109)** | **101** | **(202)** |
| Interest expense | (482) | (477) | (452) | (324) | (144) | (261) | (294) | (146) | (150) |
| Investment earnings | 26 | 22 | 36 | 31 | 13 | 25 | 17 | 10 | 7 |
| Minority interests | (3) | (15) | (6) | (24) | (10) | (21) | (21) | (15) | (5) |
| Net gains on sales of facilities and long- term investments | | 49 | 28 | | | | 16 | 9 | 6 |
| Impairment of investment securities | | | | | (64) | (64) | (5) | (5) | |
| **Income (loss) before income taxes** | **98** | **147** | **556** | **680** | **656** | **1,143** | **(1,396)** | **(46)** | **(344)** |
| Income taxes | (60) | (101) | (242) | (330) | (264) | (482) | 270 | (17) | 114 |
| **Income (loss) from continuing operations, before discontinued operations and cumulative effect of accounting change** | **$ 38** | **$ 46** | **$ 314** | **$ 350** | **$ 392** | **$ 661** | **$ (1,126)** | **$ (63)** | **$ (230)** |
| **Basic earnings (loss) per common share from continuing operations** | **$ 0.08** | **$ 0.10** | **$ 0.65** | **$ 0.71** | **$ 0.81** | **$ 1.36** | **$ (2.42)** | **$ (0.13)** | **$ (0.50)** |
| **Diluted earnings (loss) per common share from continuing operations** | **$ 0.08** | **$ 0.10** | **$ 0.64** | **$ 0.70** | **$ 0.79** | **$ 1.33** | **$ (2.42)** | **$ (0.13)** | **$ (0.50)** |

All periods have been adjusted to reflect a 3-for-2 stock split declared in May 2002 and distributed on June 28, 2002.

The selected financial data presented in the previous table are not necessarily indicative of our future financial position or results of operations. Reasons for this include, but are not limited to (1) our announced divestitures, (2) future changes in Medicare regulations (3) our ability to collect our accounts receivable, (4) our voluntary adoption of a new method for calculating Medicare outlier payments effective January 1, 2003, and subsequent new regulations governing the calculation of such payments, (5) the increase in the number of patients who are uninsured, (6) the ultimate resolution of investigations and lawsuits, (7) fluctuations in revenue allowances and discounts, and (8) changes in interest rates, tax rates, occupancy levels and patient volumes. Other items include the effects of impairment and restructuring charges, losses from early extinguishment of debt, and other disposals of facilities and other assets, all of which have also occurred during some or all of the periods presented in the above table.

| | Year Ended May 31, | | | | Seven Months Ended Dec. 31 | Year Ended December 31, | | Six Months Ended June 30 | |
|---|---|---|---|---|---|---|---|---|---|
| | 1999 | 2000 | 2001 | 2002 | 2002 | 2002 | 2003 | 2003 | 2004 |
| | | | | | | (Unaudited) | | (Unaudited) | |
| **Cash Flow Data** | | | | | | | | | |
| Cash provided by operating activities | $ 582 | $ 869 | $ 1,818 | $ 2,315 | $ 1,126 | $ 2,328 | $ 838 | $ 583 | $ 85 |
| Cash used in investing activities | (1,147) | (36) | (574) | (1,227) | (389) | (793) | (333) | (495) | (7) |
| Cash provided by (used in) financing activities activities | 571 | (727) | (1,317) | (1,112) | (565) | (1,387) | (96) | (77) | 496 |
| **Other Financial Data** | | | | | | | | | |
| Ratio of earnings to fixed charges(1) | 1.2 | 1.2 | 2.1 | | | | | | |