



Iasis Healthcare LLC

Company Profile

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COMPANY OVERVIEW

Iasis Healthcare (Iasis), owned by Texas Pacific Group-led consortium of investors, is a privately-held company operating acute care hospitals and ambulatory surgery centers. It also operates outpatient surgical centers and has a health plan called Health Choice. The company operates only in the US. It is headquartered in Franklin, Tennessee and employed 14,285 people as of September 30, 2011.

The company recorded revenues of \$ 2,787.1 million during the financial year ended September 2011 (FY2011), an increase of 10.5% over FY2010. The operating profit of the company was \$71.9 million during FY2011, a decrease of 40.3% compared with FY2010. The net profit was \$31.4 million in FY2011, a decrease of 52.8% compared with FY2010.

KEY FACTS

Head Office	Iasis Healthcare LLC 117 Seaboard Lane Building E Franklin Tennessee 37067 USA
Phone	1 615 844 2747
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Web Address	http://www.iasishealthcare.com
Revenue / turnover (USD Mn)	2,787.1
Financial Year End	September
Employees	14,285

BUSINESS DESCRIPTION

Iasis Healthcare (Iasis) is an owner and operator of acute care hospitals in high-growth urban and suburban markets in the US. Texas Pacific Group is the single largest stockholder in the company. Iasis owns and operates 18 acute-care hospitals and one behavioral hospital with 4,365 licensed beds.

The company operates healthcare facilities in the states of Utah, Arizona, Louisiana, Florida, Nevada, Colorado and Texas. Iasis operates three hospitals in Florida (Tampa and St. Petersburg); one in Nevada (Las Vegas); three acute care and one behavioral in Arizona (Phoenix, Mesa and Tempe); five hospitals in Texas (Houston, Odessa, Port Arthur, Texarkana and San Antonio); four hospitals in Utah (in the Salt Lake City area); and one hospital in Colorado (Woodland Park).

The company operates through two business segments: acute care hospitals and Health Choice.

Iasis' acute care hospitals offer medical and surgical services including emergency services, general surgery, internal medicine, cardiology, obstetrics, orthopedics, psychiatry and physical rehabilitation. In addition, the facilities provide outpatient and ancillary services including outpatient surgery, physical therapy, radiation therapy, diagnostic imaging and respiratory therapy.

The Health Choice segment provides prepaid Medicaid and Medicare managed health plan in the Phoenix, Arizona area. It derives most of its revenue through a contract with the AHCCCS to provide specified health services to qualified Medicaid enrollees through contracted providers. It served more than 195,000 members in the state of Arizona as of September 30, 2011.

HISTORY

Iasis Healthcare (Iasis) was formed in 1998 through a series of transactions arranged by the Iasis management team and Joseph Littlejohn & Levy (JLL), a New York-based firm whose private equity fund holds major stake in Iasis. The company acquired 15 hospitals in 1999 from Paracelsus Healthcare Corporation and Tenet Healthcare Corporation.

The company completed its acquisition of St. Luke's Medical Center (Phoenix, Arizona) and St. Luke's Hospital (Tempe, Arizona) in 2001. The company had previously operated these two hospitals under a long-term lease. Iasis completed its acquisition of Lake Mead Hospital Medical Center in Las Vegas, Nevada, in 2004. During the same period, Iasis sold the Rocky Mountain Medical Center property and recorded a gain on the sale of this property of approximately \$3.6 million.

In mid 2004, an investor group led by Texas Pacific Group (TPG) acquired Iasis in a transaction valued at approximately \$1.4 billion. Iasis opened a new hospital in Port Arthur, Texas in 2005. During 2007, the company acquired Glenwood Regional Medical Center in West Monroe, Louisiana for approximately \$81 million; and Alliance Hospital in Odessa, Texas for \$65.5 million.

Health Choice Arizona, Iasis' prepaid Medicaid and Medicare managed health plan, was awarded a new contract in 2008 from the Arizona Health Care Cost Containment System, the state agency that administers Arizona's Medicaid program. In the same year, Iasis terminated the lease agreements to operate Mesa General Hospital, and Biltmore Surgery Center, upon expiration of their current terms. Further in the same year, the company discontinued services at Mesa General, and at Biltmore. In addition, Iasis' The Medical Center of Southeast Texas, located in Port Arthur was damaged during Hurricane Ike.

In 2009, IASIS completed a system-wide initiative to accredit all of its hospitals through DNV Healthcare, the only Centers for Medicare and Medicaid Services (CMS) approved accreditation program that integrates the ISO 9001:2008 Quality Management System.

IASIS and McKesson extended their strategic relationship in 2010 as IASIS planned to expand its use of healthcare information technology (HIT) by completing its suite of McKesson Horizon Clinicals solutions.

Further in 2010, the company acquired Brim Holdings, an operator of Wadley Regional Medical Center in Texarkana, Texas, and Pikes Peak Regional Hospital in Woodland Park, Colorado, for \$95 million. The acquisition added two acute care hospital facilities with 385 licensed beds to Iasis' business.

In May 2011, IASIS acquired 79% ownership interest in St. Joseph Medical Center (St. Joseph), a 792 licensed bed facility in Houston, Texas.

KEY EMPLOYEES

Name	Job Title	Board	Compensation
W. Carl Whitmer	President and Chief Executive Officer	Senior Management	5583782 USD
Phillip J. Mazzuca	Chief Operating Officer	Senior Management	4515197 USD
John M. Doyle	Chief Financial Officer	Senior Management	1966268 USD
James Hoffman	Senior Vice President, Business Development	Senior Management	
Frank A. Coyle	Secretary and General Counsel	Senior Management	566089 USD

KEY EMPLOYEE BIOGRAPHIES

W. Carl Whitmer

Board: Senior Management
Job Title: President and Chief Executive Officer
Since: 2010
Age: 47

Mr. Whitmer has been the President and Chief Executive Officer at Iasis Healthcare (Iasis) since 2010. Prior to this, he served as Chief Financial Officer from 2001 to 2010 and Vice President and Treasurer from 2000 to 2001. Prior to joining the company, Mr. Whitmer served various roles including Vice President of Finance and Treasurer and Chief Financial Officer of PhyCor, where he was employed from 1994 to 2000. Prior to joining PhyCor, he served as a Senior Manager with the accounting firm of KPMG, where he was employed from 1986 to 1994. He also serves on the Board of Directors of Fenwal.

Phillip J. Mazzuca

Board: Senior Management
Job Title: Chief Operating Officer
Since: 2010
Age: 52

Mr. Mazzuca has been the Chief Operating Officer at Iasis Healthcare (Iasis) since 2010. Prior to joining the company, he served as President and Chief Executive Officer of Brim Holdings for the past two years. Prior to joining Brim Holdings, Mr. Mazzuca served for three years as the Executive Vice President and Chief Operating Officer of MedCath.

John M. Doyle

Board: Senior Management
Job Title: Chief Financial Officer
Since: 2010
Age: 51

Mr. Doyle has been the Chief Financial Officer at Iasis Healthcare (Iasis) since 2010. Prior to this, he served as Vice President and Chief Accounting Officer of the company from 2006 to 2010 and Vice President and Treasurer during 2006. Prior to joining the company, Mr. Doyle served as a Senior Manager with Ernst & Young and KPMG, where he specialized in healthcare audit and business advisory services, including mergers and acquisitions. Mr. Doyle also served as Chief Financial Officer for two community hospitals in East Tennessee and North Carolina.

James Hoffman

Board: Senior Management
Job Title: Senior Vice President, Business Development
Since: 2010

Mr. Hoffman has been the Senior Vice President of Business Development at Iasis Healthcare (Iasis) since 2010. He has about 30 years of healthcare management and investment experience. Prior to joining Iasis, Mr. Hoffman held executive development roles with Signature Hospital Corporation and Hospital Corporation of America and was general partner at three healthcare-focused venture capital funds.

Frank A. Coyle

Board: Senior Management
Job Title: Secretary and General Counsel
Since: 1999
Age: 47

Mr. Coyle has been the Secretary and General Counsel at Iasis Healthcare (Iasis) since 1999. From 1998 to 1999, he served as Secretary and General Counsel of a company formed by members of the company's management that was merged into one of its subsidiaries. Mr. Coyle served from 1995 to 1998 as Assistant Vice President Development in Physician Services and in-house Development Counsel for Columbia/HCA. From 1990 to 1995, he was an attorney with Baker, Worthington, Crossley, Stansberry & Woolf.

MAJOR PRODUCTS AND SERVICES

Iasis Healthcare (Iasis) is primarily engaged in operating acute care hospitals. The company's key services include the following:

- Acute care
- Emergency services
- General surgery
- Internal medicine
- Cardiology
- Managed care
- Neonatal intensive care
- Obstetrics
- Orthopedics
- Physical rehabilitation
- Psychiatry
- Outpatient surgery
- Physical therapy
- Radiation therapy
- Diagnostic imaging
- Respiratory therapy

REVENUE ANALYSIS

Overview

Iasis Healthcare (Iasis) recorded revenues of \$ 2,787.1 million during FY2011, an increase of 10.5% over FY2010. It generates all of its revenues from the US, its local market.

The company generates revenues through two business segments: acute care (72.8% of the total revenues during FY2011), and Health Choice (27.2%).

Revenues by segment

During FY2011, the acute care segment recorded revenues of \$2,029.8 million, an increase of 17.4% over FY2010.

The Health Choice segment recorded revenues of \$757.3 million in FY2011, a decrease of 4.4% as compared with FY2010.

SWOT ANALYSIS

Iasis Healthcare (Iasis) is one of the leading operators of acute care hospitals in high-growth urban and suburban markets in the US. The company has facilities in high growth regions that drive its strong performance. However, demand for skilled healthcare personnel could affect the company's operating margins.

Strengths	Weaknesses
Facilities in high growth regions driving strong performance Gaining DNV accreditation helps the company in enhancing its reputation in the markets	Substantial level of indebtedness may have a negative impact on the company's financial flexibility
Opportunities	Threats
Acquisitions likely to help the company in expanding its business Growth trends in healthcare spending likely to benefit the company Aging US demographic trends to spur demand for hospital services	Healthcare reform could limit top-line growth Shortage of healthcare workers could affect operating margins Natural disasters likely to damage hospitals in Gulf Coast area

Strengths

Facilities in high growth regions driving strong performance

Iasis' hospitals are strategically located in regions with the fastest growing populations in the US. The company operates healthcare facilities in Utah, Arizona, Louisiana, Florida, Nevada, Colorado and Texas. For example, in Salt Lake City area, Iasis operates four acute care hospital facilities with a total of 705 licensed beds. Moreover, Iasis believes that the reimbursement environment in the State is favorable, with the majority of its net patient revenue derived from managed care payors. During FY2011, Iasis derived about 22.7% of its total acute care revenues from this market.

Further, from Florida market, Iasis generated 11.4% of its total acute care revenue in this market in the same year. The company operates three acute care hospital facilities with a total of 691 licensed beds in the Tampa-St. Petersburg area. The company operates five acute care hospital facilities with a total of 1,935 licensed beds in Houston, San Antonio, Odessa, Texarkana and Port Arthur, Texas. In FY2011, Iasis generated 34.1% of its total acute care revenue in this market.

The company's facilities in high growth regions drive its strong performance.

Gaining DNV accreditation helps the company in enhancing its reputation in the markets

In 2009, all of Iasis' hospital facilities received accreditation from DNV Healthcare, the only Centers for Medicare and Medicaid Services (CMS) approved accreditation program that integrates the ISO 9001:2008 Quality Management System. Iasis is the first health system to achieve DNV accreditation across its entire network of hospitals. The company operates with the strategy to provide high quality and cost effective services to the community it serves. The company's continuous improvement in its clinical performance and patient safety helps in negotiating preferred managed care contracting rates and in third party reimbursements. Iasis has implemented advanced clinical information system at all of its hospitals, to enhance patient safety, reduce errors through reduced bar coding and increase availability of staff time for patient care. Furthermore, the company has allotted significant corporate and hospital resources, including a Chief Quality Officer. It has set up the Joint Commission accreditation at all hospitals. Quality improvement measures help the company enhancing its reputation in the markets.

Weaknesses

Substantial level of indebtedness may have a negative impact on the company's financial flexibility

Iasis has a significant amount of indebtedness. At the end of FY2011, the company had \$1,889.4 million of debts outstanding in addition to availability under the revolving portion of the company's Senior Secured Credit Facilities. The company's substantial amount of indebtedness could have significant consequences on its financial condition and results of operations. For example, it could make it more difficult for the company to satisfy its obligations with respect to its outstanding debt; and expose the company to fluctuations in the interest rate environment because the interest rates under its Senior Secured Credit Facilities are variable. Further, the company's substantial amount of indebtedness could require it to dedicate a substantial portion of its cash flow from operations to make payments on its indebtedness, thereby reducing the availability of its cash flow to fund working capital, capital expenditures and other general corporate purposes. In addition, the company's substantial amount of indebtedness could limit its flexibility in planning for, or reacting to, changes in the business and industry in which it operates.

Opportunities

Acquisitions likely to help the company in expanding its business

Iasis has made few acquisitions in the recent past. For instance, in 2010, Iasis added two acute care hospital facilities with 385 licensed beds to its business through a cash-for-stock valued at \$95 million acquisition of Brim Holdings. One is a 370-bed acute care hospital facility in Texarkana, Texas, and the other a 15-bed critical access acute care hospital facility in Woodland Park, Colorado.

Further, in May 2011, IASIS acquired 79% ownership interest in St. Joseph Medical Center (St. Joseph), a 792 licensed bed facility in Houston, Texas. St. Joseph provides a range of general, acute care medical and surgical inpatient and outpatient services including cardiology and cardiovascular surgery, cancer, intensive/critical care, emergency, neurosurgery, imaging, orthopedics, neonatal intensive care and a full-service women's program. It also provides sub-acute services such as psychiatric and rehabilitation units.

Acquisitions are likely to help Iasis in expanding its business.

Growth trends in healthcare spending likely to benefit the company

Iasis is set to significantly gain from the growth of healthcare spending in the US. The Centers for Medicare & Medicaid Services (CMS) estimated that healthcare expenditures in the country were \$2.5 trillion in 2009, and are expected to be \$4.6 trillion, or 19.8% of the total US GDP by 2020. The hospital services sector represents the single largest category of healthcare spending at \$759.1 billion, or 30% of total healthcare spending in 2009. The continued increases in hospital services are expected to be driven by the rapidly aging population, advances in medical procedures, expansion of health coverage, increasing consumer demand for expanded medical services and increased prevalence of chronic conditions such as diabetes, heart disease and obesity. Growth of healthcare spending in the US is likely to benefit Iasis.

Aging US population to spur demand for hospital services

Rapidly aging population in the US is expected to significantly contribute to Iasis' growth in coming years. According to the US Census Bureau, the US population includes 40.2 million Americans aged 65 or older, which represents 13% of the total population. By the year 2030, the number of Americans aged 65 or older is expected to increase to 71.5 million, or 19.7% of the total population. Additionally, as a result of the increasing life expectancy of Americans, the number of people aged 85 years and older is also expected to increase by 57% by the year 2030. Aging population will drive the growth in demand for healthcare services and, more importantly, the demand for innovative, more sophisticated means of delivering those services. Hospitals, as the largest category of care in the healthcare market, will be among the main beneficiaries of this increase in demand. With facilities in the regions with the fastest growing population, Iasis is well positioned to gain from this increasing demand for healthcare services.

Threats

Healthcare reform could limit top-line growth

The recently enacted healthcare reform law could limit the growth of hospital management companies such as Iasis, as governmental healthcare programs, principally Medicare and Medicaid, accounted for 47.2%, 47.6%, and 45.9% of Iasis hospitals' net patient revenue for FY2011, FY2010 and FY2009, respectively. The US Federal Government enacted the healthcare reform bill called Patient Protection

and Affordable Care Act. The Act aims to reduce the number of uninsured persons by requiring most individuals to obtain health insurance, expanding Medicaid eligibility, limiting preexisting conditions exclusions and creating a temporary national high risk pool for coverage of currently uninsured individuals with medical conditions. Also, it proposes to create a National Health Insurance Exchange for individuals and small employers to obtain health insurance. The House Reform Bill modified the Medicare program, including changes to delivery and payment systems. For instance, hospitals could experience productivity-based reductions to market basket updates and decreased payments in the event of excessive readmissions. The Act plans to increase funding for fighting fraud and abuse, require the return of overpayments within 60 days of their discovery, create new penalties for fraud and abuse violations and restrict physician ownership of hospitals. Federal healthcare reform may reduce lasis' revenue, as the significant portion of the company's patient volumes is derived from government healthcare programs.

Shortage of healthcare workers could affect margins

The US health care industry is likely to face a shortage of 200,000 physicians and 800,000 nurses by 2020. The labor market is already tightening, as a result of which competition for skilled health care professionals is increasing. lasis competes with other healthcare providers in recruiting and retaining qualified management and staff personnel responsible for the day-to-day operations of each of its hospitals, including nurses and other non-physician healthcare professionals. In certain markets, the scarce availability of nurses and other medical support personnel presents a significant operating issue. This shortage may require the company to enhance wages and benefits to recruit and retain nurses and other medical support personnel, recruit personnel from foreign countries, and hire more expensive temporary personnel.

Competition for skilled health care professionals may lead to a further increase in the company's wage bill. If the supply of skilled healthcare workers declines in the markets in which lasis operates, it may result in increased labor expenses and lower operating margins at those hospitals.

Natural disasters likely to damage hospitals in Gulf Coast area

Operations and revenues of lasis could be affected by natural disasters, such as hurricanes and tornados. For instance, in 2008, lasis' The Medical Center of Southeast Texas, located in Port Arthur, Texas, was closed twice for evacuation due to Hurricanes Gustav and Ike. The hospital experienced a significant disruption of operations that resulted in a loss of volume and revenue due to these evacuations and water intrusion damage sustained during Hurricane Ike. As a result, lasis recorded \$3.6 million in estimated property damage at the hospital in FY2008. Furthermore, damages incurred by the company and other companies with operations in the Gulf Coast area as a result of past catastrophic hurricanes have resulted in significant property loss claims and settlements for the insurance industry. lasis' current policy for property insurance provides maximum coverage of \$500 million per occurrence with a \$50,000 deductible, except in the occurrence of earthquakes and named wind and storms, which carries a 5% deductible based on insured value of each property or business damaged.

TOP COMPETITORS

The following companies are the major competitors of lasis Healthcare LLC

Community Health Systems, Inc.
HCA Holdings, Inc.

LOCATIONS AND SUBSIDIARIES

Head Office

Iasis Healthcare LLC
117 Seaboard Lane
Building E
Franklin
Tennessee 37067
USA
P:1 615 844 2747
F:1 615 846 3006
<http://www.iasishealthcare.com>

Other Locations and Subsidiaries

<p>St. Luke's Medical Center 1800 East Van Buren Street Phoenix Arizona 85006 USA</p>	<p>Memorial Hospital of Tampa 2901 Swann Avenue Tampa Florida 33609 USA</p>
<p>Palms of Pasadena Hospital 1501 Pasadena Avenue Petersburg Florida 33707 USA</p>	<p>North Vista Hospital 1409 East Lake Mead Boulevard North Las Vegas Nevada 89030 USA</p>
<p>Odessa Regional Medical Center 520 East Sixth Street Odessa Texas 79761 USA</p>	<p>Southwest General Hospital 7400 Barlite Boulevard San Antonio Texas 78224 USA</p>
<p>Davis Hospital & Medical Center 1600 West Antelope Drive Layton Utah 84041 USA</p>	<p>Jordan Valley Medical Center 3580 West 9000 South West Jordan Utah 84088 USA</p>