FINAL TRANSCRIPT

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HMA - Health Management Associates, Inc. at JPMorgan Healthcare Conference

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PRESENTATION

Unidentified Audience Member - - *Analyst*

We're 30 seconds early but we'll go ahead and start. Next up presenting for us today is HMA, acute care hospital operator, mostly rural hospitals and Gary Newsome, CEO will be presenting and Bob Farnham, CFO, will also be making comments during the presentation, and John Merriwether, who runs the Investor Relation Effort is up on the stand. Go ahead and turn the time over to them.

Gary Newsome - *Health Management Associates, Inc. - President & CEO*

Thanks, John. Let me first begin by pointing out our disclosure statement. Our presentation may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. This is our disclosure statement, which can be found on the company's website at www.HMA.com.

Now with that out of the way, I'd like to introduce myself. I'm Gary Newsome, President and CEO of Health Management Associates. I spent my entire business career in healthcare. I began in healthcare in the 1980s with Humana, and most recently was the Division Vice President with Community Health Systems and I was with Community Health Systems for over 10 years. Between Community Health Systems tenure and prior to that Humana, I spent five years with Health Management Associates as a Division Vice President as well as a Hospital CEO. I can assure you that the years of my experience I've had the opportunity to work with some of the most talented individuals in the industry and that includes my tenure with HMA, Humana, and Community Health Systems.

I'll spend just a few minutes with an overview of the Company, including core areas of focus we've identified that are currently working to improve our Operations and to improve the value to our stockholders in 2009. Bob Farnham, our CEO, will follow-up with a review of the recent press release we issued this morning, announcing preliminary fourth quarter results for 2008, and our objectives for 2009.

HMA is an owner and operator of acute care hospitals in non-urban communities across the United States. We created the non-urban niche back in 1983 as we looked to acquire under performing hospitals and invest capital and recruit physicians to prevent the out migration of patients to these markets. As you can see here is a map. We currently execute our mission to deliver compassionate and high quality healthcare services, improve the quality of life to our patients, physicians and communities we serve at 56 hospitals with approximately 8,000 licensed beds. During the third quarter. we divested of our Little Rock hospital in Little Rock, Arkansas, and but presently do not have any assets held for sale. We continue to review our asset base and we look for possible strategic divestitures, and where that makes sense, we'll take those appropriate actions. But as you can see, our diversity across 15 states provides us quite a bit of stability in terms of our revenue.

HMA has a vision to lead the industry in terms of quality , and we had the opportunity to employ with us an individual that is a healthcare leader in terms of quality initiatives. Her name is Lisa Gore. She serves on many committees throughout the nation, serving on healthcare regulatory bodies that help drive policy, and she brings a wealth of experience with us. She was a former Triad employee and helped lead that Company to be the number one of the industry in terms of quality metrics. We also added a Chief Medical Officer to our staff and a Chief Nursing Officer, and with these appointments we have the opportunity to continue to improve our operations, focus on the systems as we implement them throughout the Company and I'm very happy to report we've had significant improvements in terms of our quality metrics throughout the Company. This is a great foundation and a fundamental issue for us as we go forward, as we know in healthcare, the fundamentals are important. It's a blocking and tackling industry, and from a quality standpoint, it's the baseline where we need to be to execute well going forward.

Our physician satisfaction scores are outstanding, the best most likely in the history of the Company, and continue to improve. This is with the advent of the quality initiatives that we put in place as well as having a Chief Medical Officer on Board to help us with physician related issues and a Chief Nursing Officer that helps us with the nursing issues throughout. We continue to see improvement in our patient satisfactions and our H-cap surveys and these continue to be driven by doing the right things in our facilities, looking at all of the core competencies of our people, upgrading the talent throughout the Company, in terms of quality, in terms of clinical skills, and our employee satisfactions are outstanding as well. So we're doing all the right things from a quality standpoint, from a patient satisfaction standpoint, from a physician satisfaction standpoint, as well as an employee satisfaction. It's a great foundation for us to continue to grow.

You'll hear a story as I go through here today, I've just been back with the Company since September of 2008, so my first 100 days, I spent a lot of time trying to understand the Company, where we are today, where we need to be and what are the fundamentals we need to focus ongoing forward. One of the great things is that we have great operational leaders. We have great strengths in the Company, and my years in Operations brings I think the opportunity for us to focus on the core competencies of healthcare, focus on the things that will drive the business going forward that will drive volume and drive earnings. The first area that I adjusted was the division alignment of our Company. We had eight divisions and they were not centralized to our corporate office. We now have five Division Presidents. They are currently in our Naples office and they report directly to me. We meet on a weekly basis and talk about the metrics to look at our opportunities to grow volume, to look at the things that are important for us in terms of managing our costs, managing our revenue as we go forward.

The first area that we've focused on in terms of Operations is our ER. The emergency room is absolutely the front door to our hospitals. It's the area, where it's not unique to HMA, but it is true in the industry that the emergency room is truly the front door of the hospital. We receive more admissions through our emergency room than any other portal into the hospital, and keeping that in mind , there's a tremendous opportunity for us to focus on process, and how does that help us in driving admissions? Well I'll just give you just a few thoughts about how that works. We have a patient base that are using our hospitals that come to our ER. This is the opportunity for them to seek healthcare on an acute basis as they come through.

Managing that process does several things. Number one, it's a patient satisfaction driver, because if you manage the process it reduces length of stay. It also gives us the opportunity to work on the appropriate disposition based on protocols and test sets that are important for the clinical caregivers to, because you have such a unique, every patient that comes through, it's unlike a physicians office where they see a certain orthopedic surgeon will see a certain class of patient and they have certain chief complaints and in an emergency room, it's across-the-board so these order sets give the physicians an opportunity to process the patients timely through the system. We can measure patient's presentation to triage from presentation to time they are put in the bed from the ER, from presentation until the time they see the physician, from presentation until disposition, whether that be admission, discharge or transfer, and through that, it gives triggers throughout that helps us identify biomarkers within the patient's care that are key for their treatment protocol, for how the things that they need to receive in the emergency room. Through that process it drives patient satisfaction, it drives higher quality healthcare, and at the end of the day, it drives admissions into our ER appropriately, admissions to our hospitals through our ER. I think it's important for us to understand that the ER truly is the front door to the hospital.

And in that vein, we've upgraded the tool that we use. And this tool is called the Pro Med System and it gives us the opportunity to appropriately manage our patients in the E R environment. We've deployed training throughout the system both from a nursing standpoint, from a physician standpoint, we've trained our executives in the utilization of the system and it's interesting to note that there are other healthcare systems that additionally use this Pro Med and have tremendous results and have superior performance in their ER. This is our opportunity as we go forward. As far as the education and training, we've been involved for some time now in the last month and a half or so, an aggressive training processes throughout the Company which will give us an opportunity to grow the business.

On a physician recruitment front, the Company historically has missed an opportunity from a physician development standpoint, to really recruit. We've had tremendous attrition over the last several years and medical staffs and have not recruited as we should have. We have a disciplined approach. We have additional resources in place to focus on our physician recruitment. We have a centralized support which gives us the opportunity to source physicians, to track their progress throughout the system, to measure and benchmark our effectiveness in closing the deal with these doctors as we go forward. This is important for us because there's a limited number of physicians in the market and in order to be effective, we have to be very disciplined and professional about how we recruit our doctors going forward. We've accelerated initiatives for our executives in physician recruitment and our 2009 objective is 600 plus physicians which is a significant improvement over our run rate in the last few years. We will recruit both in market and out of market, those that give us a great opportunity.

The third focus is looking at market development and on the end patient side, we have the opportunity to develop centers of excellence and service lines like orthopedics and cardiology and urology. The outpatient side, such as ASC's collaboration with physicians, expanding standalone imaging centers and imaging expansion for us, and the development of occupational medicine and urgent care centers throughout. This is a great opportunity for us.

I can tell you that my time with Community Health System was excellent. As I mentioned before, I had an opportunity to work with some of the best and brightest executives in the industry, and with that, I come back to HMA and I'm excited about the opportunity. I left HMA in 1998 to join Community Health Systems and for reasons that as you can see, that they had tremendous success over the years, and doing the right things and focusing on the right issues. I'm back to HMA, have great properties. We have great executives throughout the Company and what I bring back is an operational discipline, an operational discipline that will allow us to focus on the drivers, the fundamental drivers that will make it successful in 2009 and 2010 and going forward. It's a great opportunity to meet professionally to be back with HMA, and I really believe it's a great opportunity for H MA, even in an economy where the headwind is strong and the negative way, we have opportunities to grow our business. We'll focus on those opportunities and we'll deliver the results as we go forward.

Now I want to turn the time over to Bob Farnham to review some of the financial metrics.

Bob Farnham - *Health Management Associates, Inc. - CFO*

Thanks, Gary, and good afternoon, everyone. As Gary said, earlier this morning, we issued a press release to preview our expected results for the fourth quarter of 2008. Revenue for the fourth quarter is expected to be approximately $1.1 billion. Bad debt expense for the fourth quarter is expected to be between 11.5% and 12%, and we were 11.5% for the third quarter, so this is a little bit of an uptick for the fourth quarter.

Earnings before interest, refinancing and debt modification costs, income taxes, depreciation and amortization, gains and losses on the sales of assets, impairment of assets and minority interests or EBITDA from continuing operations is expected to be approximately $140 million, and diluted earnings per share from continuing operations is expected to be approximately $0.06. Additionally, admission growth for the fourth quarter is expected to be between 0% to down 1%, compared to the same quarter a year ago, which is an improvement over what admissions had been for the last two quarters. For the June quarter, it was down 3.8%, and for the September quarter down 3.3%, so good progress here in this fourth quarter. I'll also tell you that uninsured volumes for the fourth quarter continued to track down compared to last year as well.

Also included in our press release this morning were some of our objectives for 2009. We expect net revenue to come in between $4.55 billion and $4.65 billion, bad debt expense as a percent of net revenue up a little for the year, and between 11.5% to 12%, EBITDA should fall somewhere between 640 million and $680 million, interest expense net $225 million to $235 million, and you see an asterisk there and that number included about 5 to $10 million of non-cash interest expense due to the adoption of APB 14-1 that requires us to impute a long term full bond rate on our convertible bond issue and discount that and then also record additional interest expense. So 5 to $10 million included in that number for non-cash interest expense.

Minority interest expense estimating between $22 million and $27 million. Income from continuing operations per share on a diluted basis $0.37-$0.45. Continuing same hospital admission growth of between 0 to up 1% and finally, Capital Expenditures as a percent of net revenue in the 4 to 5% of net revenue range probably fall squarely in the middle of that at 4.5%, which equates to about $200 million of CapEx. That's probably about where we'll come in here for 2008 and are planning that level for 2009 as well. In terms of using our free cash flow, we will use our free cash flow to pay down debt. Our required principal reductions are about 50 million in 2009. We expect to use a minimum of an additional $100 million to pay down on debt, so in total, we expect to reduce principal by $150 million or more during 2009.

This chart illustrates HMA's efforts and results reducing indebtedness since the time of our $3.2 billion recapitalization of the Company back in March of 2007. We have accomplished this pay down through a combination of asset sales and free cash flow. As of December 31 of 2008, we have repaid nearly $500 million or about 13% of what our total outstanding indebtedness was as of the beginning of 2008. In addition, during 2009, as I mentioned, we expect to pay down an additional $100 million over and above our required minimum principal payments of approximately $50 million.

Much has been discussed about our debt covenants. With that being the consolidated leverage and interest coverage covenants. This chart reflects that we were within our consolidated leverage ratio covenant as of September 30, 2008, and we will be in compliance as of December 31 of 2008 as well. We monitor our covenant levels with our performance regularly and based on our expectations for future pay downs and also EBITDA, we believe we will continue to meet this covenant. Likewise, the interest coverage is the other covenant that we watch closely. As you can see, we are within the covenant range. We were so at September 30 of 2008, and also will be in compliance with this covenant at December 31 of 2008. We do expect that the interest coverage ratio will be stronger as the rolling impact of the sizeable debt pay downs during 2008 and the resulting reduction in interest expense comes through the calculation of this covenant in future quarters.

To summarize, I'll circle back to some of Gary's comments, that by successfully improving our hospital Operations in the areas of the emergency room, increased physician recruitment, and by focusing on new market services, these are the three areas of focus in 2009 that we believe HMA will produce improved results during 2009. Gary brings with him a lifetime of hospital operations experience to lead the Company. We are in the early stages of implementing a more disciplined operating focus for the Company. We expect to continue deleveraging the Company in 2009 and highlight that we have no significant maturities until 2014, and that nearly 100% of our debt is fixed at a favorable 6.75% rate. HMA has a very strong foundation and is headed in the right direction and we look forward to improved operational and financial results in 2009.

Thank you, very much, for your time, and I believe we have a breakout in the Sussex Room. Thank you.