

FINAL TRANSCRIPT

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HMA - Health Management Associates, Inc. at UBS Global Healthcare Services Conference

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CORPORATE PARTICIPANTS

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Health Management Associates, Inc. - President and CEO

Robert Farnham

Health Management Associates, Inc. - CFO

PRESENTATION

Unidentified Participant

Good afternoon and thank you for coming to the 2009 UBS global healthcare services conference. My name is Alexis and I am happy to be your host for this session. Our next presenter will be Gary Newsome, President and CEO, and Robert Farnham, Senior Vice President and CFO, from Health Management Associates. A breakout session in the Grammercy Suite will follow immediately after the presentation. Thank you.

Gary Newsome - Health Management Associates, Inc. - President and CEO

Good afternoon. Thanks, Alexis. 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. You can find that on our website at HMA.com.

Good afternoon again. I'm Gary Newsome, President and CEO of Health Management Associates. I have spent my entire career in healthcare, and specifically hospital operations. It has been a great experience. I have had the opportunity to work with some of the best companies and individuals in the industry. I started in healthcare in the 1980s with Humana and then most recently with Community Health Systems as a division president with Community.

Prior to joining Community, I was with Health Management Associates for five years. And with Health Management Associates, I served as a CEO, a Vice President of Operations and a Senior Vice President of Operations. Returning to HMA as a CEO has been a great experience for me over the last several months. It has been a great homecoming for me. The opportunities here are significant, the markets are great, we have great facilities, they are well-capitalized. We have great talent throughout the organization including the senior management team. So it's a great opportunity for me and it is a great time to be part of the Company.

One of the things I found as I came back to the Company was the commitment that HMA had that continued excellence in quality and customer service. I am happy to report that that continues to be a strong focus as we go forward.

I am going to spend a few minutes with an overview of the Company including some of the core areas that we are focusing on currently and the things that we have identified that will improve and accrue to the Company and our shareholders as we go forward in 2009 and beyond. After that, Bob Farnham, our CFO, will then review the contents of the press release we issued announcing preliminary fourth-quarter 2008 results and our objectives for 2009.

As you know, HMA is an owner and operator of acute care hospitals mainly in non-urban communities across the United States. We created the non-urban niche back in 1983 and we looked to acquire underperforming facilities, investing capital recruiting physicians basically stemming out migrations to larger communities and adjacent communities in these markets. This is a map of our facilities. I'm sure you have seen it before. We have 56 hospitals and around 8000 licensed beds.

During the third quarter of 2008, we did divest of the Little Rock Arkansas Hospital and we do not have any hospitals held for sale at the current time. We continue to review our assets and continue to look at assets that are appropriate possibly for disposition in the future that are not core to our markets or our business. So that is something we are looking as we go forward.

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HMA has a vision, as I mentioned, to be a leader in the industry in terms of quality and satisfaction metrics. In order to do that, we had to beef up our corporate function in terms of quality. And in that process, we were able to recruit one of the finest individuals and most talented individuals in the quality rounds in Lisa Gore.

Lisa spent a lot of time serving and continues to serve on boards that really drive the quality initiatives in healthcare in the nation. And that is a great asset for us. She also worked with Triad before Triad was acquired by Community Health Systems and led that company to be the number one in quality metrics in the industry. So we are really fortunate to have Lisa with us and she continues to lead that initiative for us and we have great results as a result of her influence.

We have added a Chief Financial Officer -- I'm sorry -- a Chief Medical Officer, we have a Chief Financial Officer. Bob was starting to get up and walk out I think here. We added a Chief Medical Officer and a Chief Nursing Officer as part of that continued effort on the quality side of the ledger.

Customer service continues to be a great driver for us. From a satisfaction standpoint, I am happy to report that our physicians are more satisfied today than they have been in a number of years. So we continue to see improved satisfaction scores from our medical staffs. And that is very effective as we continue to recruit doctors to our communities and in some cases, employ physicians and in some cases, also we have joint ventures with our doctors and continue to look for opportunities to collaborate with them.

From a patient's standpoint, our metrics continue to improve. This is so important as the HCAPs are aware. As we measure and become very transparent patient satisfaction in the industry. That is another key area for us as we go forward. Great results, we continue to improve.

And also through this process as we focused on quality, as we focused on retooling the Company and I guess rebooting the Company looking at the fundamentals of healthcare, which is where we will drive results in the future, we also have great employee satisfaction throughout. Because they see us now focusing on the things that are very transparent and will drive our success in the future, that being our satisfactions, our physician relations and going back to the fundamentals of healthcare, which is so important for us.

I spent much of my last four months as I rejoined the Company in a full operations review. I've looked at the operational leadership throughout, the employees, the physicians, the patients and creating a plan to improve the Company. While there are many strengths in the Company, there are areas that require more operational discipline and oversight. And we have a different approach in order to unlock additional value there.

The operational organization of the Company basically needed to change. We had had a number of years where we failed to focus on the fundamentals as I mentioned before. And our focus now very much fundamentally on the drivers that drive volume in our facilities, drive quality, drive satisfaction, all giving great results for the bottom line.

A couple key areas that we focused on and I mentioned these before in small and large groups is our ER operations. A great opportunity for us. It is a lot of low hanging fruit actually in the emergency room. We failed to focus on the emergency room the way we should. Our metrics compared to the industry where I have insight were not where they needed to be. So we have a great opportunity there. We are already actually seeing the results even though we haven't fully deployed the program or the tools.

Physician recruitment and relations is another area that we have refocused the Company. Over the last several years, failed to recruit the number of physicians that we needed to recruit and I'll talk a little bit more on how we are focused on that. And additional market development which is important for us in the short and long run.

And in reviewing our most important asset, our leadership talent, we had eight divisions as I came in. I retooled the divisions. We now have five division presidents, they were -- the eight division presidents previously were decentralized; these five division

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presidents are all based at the corporate office. It gives me a great opportunity to work with them and they report directly to me. And that is critical as we go about this journey of change for the Company because as we go about this journey of change, it's critical that I have face time with the division presidents who are really driving the change in our markets throughout the Company.

We have great existing leadership in the company. I really feel like it is just a refocus and a retooling and rebooting and looking at the fundamentals of healthcare. As far as the five division presidents, five of those individuals were with the company previously and were division leaders but in different titles and a slightly different role. And I brought one new division president from outside the Company. And as I mentioned before, they did relocate all to Naples. We are in the process of doing that.

This will give me an opportunity for more frequent oversight and also able to look at the company and formatting how we report and how we measure and how we go about deploying these tremendous assets that we have in an organized way, which has not been the case historically.

The first area of focus, as I mentioned, was the emergency room. We really need discipline in the emergency room. We see more patients in the emergency room, this is true for the industry, not just HMA, we see more patients in the emergency room than anywhere else in the hospital. There are more patients, we touch more patients' lives, we affect more family members in that process. And we affect to a large extent a broader base of our attending physicians through the emergency room function. It truly is a front door to the hospital.

We have greater focus, improved quality and reality through our focus in the ER through the upgrade of the ProMed System, which is a tool we use. We measure every component. We measure presentation to triage, presentation to bed, presentation to see the physician. From presentation of disposition whether that be admission, discharge or transfer. These are critical because as we become very efficient in that process and drive higher quality and efficiency there, our length of stay is lower, we become very attractive in markets where we are competitive in getting -- in growing that ER volume.

Additionally as we go forward, as we look at the tools and it's a protocol driven system that gives us cues from a quality standpoint, indicators that show biomarkers that are skewed for a patient, it allows us the opportunity to have the appropriate disposition with these patients. Great opportunity for us in transfers. It's real, it's tangible and it will drive results in the future avoiding transfers out of our facility to competitive facilities.

Secondly, driving appropriate missions to our ER, patients that are discharged that should be admitted. If the quality driven system and the by product of all of this is better patient quality, better patient satisfaction and family satisfaction in the process, and quite frankly it will drive admissions into our ER appropriately as we go forward.

A great opportunity for us even though the tool is not completely deployed and the training is not complete throughout the Company, we are already seeing tangible results in our focus in our emergency room.

The next area as we go about this journey of reformatting and refocusing the Company is on physician recruitment. We have additional resources in place. We haven't recruited the number of physicians nor the types and the specialties that we should have over the last few years. So this gives us an opportunity to refocus. We put a structure in place, a very disciplined approach, where we measure every component of the physician recruitment process and we know through reviewing the community needs analysis, we have a great opportunity here.

I am happy to report our success in the fourth quarter 2008 significant, significantly improved over the prior year fourth quarter in terms of physician recruitment which will drive results for us in 2009 as we go forward. And as we continue to do that and refocus that, we have great incentives in place, we have a goal of recruiting over 600 physicians in 2009. We have a lot of emphasis there, a lot of reporting discipline and feedback in the process.

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The third area of focus that we have looked at and felt is a great opportunity for us is taking these three facilities and taking them to the next level in service delivery. And also to look at opportunities to add new services to our facility. There is the in-patient opportunities, develop centers of excellence, service lines like orthopedics, cardiology, and urology and taking these facilities and measuring where they are and putting toolkits in place so that we can take them to the next level of service which will drive volume into our hospitals.

There is outpatient opportunities such as ASC collaboration with physicians, expanding standalone imaging centers, and imaging centers expansion. And the development thirdly, for occupational medicine and urgent care centers in our markets in outlying areas. As we build our healthcare delivery system in each of these markets as we go out to a broader reach expanding our market share opportunity to pull patients into our systems.

It's a great opportunity for us, a void that we have historically over the last several years. We are focused on that.

One of the things I think that we found and I found as I came on board here is a tremendous amount of excitement throughout the organization about the refocus on the fundamentals. Healthcare-wise, very complex and has changed significantly over the last decade in terms of its complexity. And HMA has changed significantly in terms of its size. To a certain extent, the corporate function has not met the requirements or the complexity of the industry or the size of the company. We are refocused, we are putting discipline in the things we do in a variety of different ways and every aspect that are key to our business, things that are key for us as we go forward to be able to sustain growth and deliver high results in the future.

I would like to turn the time over to Bob as he continues with some of the review.

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

Thanks, Gary, and good afternoon, everyone. Earlier this month on January 13, HMA issued a press release announcing our preliminary results for the fourth quarter of 2008. Revenue for the fourth quarter is expected to be approximately \$1.1 billion; bad debt expense as a percent of net revenue is expected to be between 11.5% and 12% and that's a little bit of an uptick for the fourth quarter. We had run 11.5% for the third quarter so it's slightly more for the first quarter than the third 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 interest or EBITDA from continuing operations is expected to be a minimum of \$140 million. And diluted earnings per share from continuing operations is expected to be approximately \$0.06 per share. Additionally, admission growth for the fourth quarter is expected to be between 0% and minus 1% as compared to the same quarter a year ago.

Also included in our press release were our objectives for 2009. Net revenue should be between \$4.55 billion to \$4.65 billion; bad debt expense as a percent of net revenue should run between 11.5% and 12%; EBITDA should range between \$645 million to \$680 million; interest expense net would be between \$225 million to \$235 million. And note the asterisk there. That includes \$5 million to \$10 million of non-cash interest expense basically on our convertible bond issue from having to adopt APB 14-1 that really makes us accrue more of a long straight bond rate over and above the face of that issue, which is 3.75%.

Income from continuing operations per share on a diluted basis should be between \$0.37 to \$0.45. Continuing same hospital admissions growth, we estimate will be between flat to up 1% and our capital expenditures as a percent of net revenue will continue the downward trend should be between 4% and 5% of net revenue.

This chart illustrates HMA's efforts and results at reducing our indebtedness since the time of the Company's \$3.2 billion recapitalization in March of 2007. We have accomplished this pay down through a combination of asset sales and also free cash flow. As of December 31, 2008, we have repaid over \$500 million or almost 14% of our total indebtedness that was outstanding at the beginning of 2008.

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In addition, during 2009, we expect to repay a minimum of an additional \$100 million over and above our required total principal payment of approximately \$50 million.

There has been a lot of focus on our debt covenants with the two covenants being the consolidated leverage ratio and our interest coverage ratio. This chart reflects that we were within our consolidated leverage ratio covenant as of September 30 of 2008 and we are also in compliance with this covenant as of December 31 of 2008 as well. We model and monitor these covenant levels and performance regularly and based on our expectation for future debt pay downs as well as EBITDA, we believe we will continue to meet this covenant.

Likewise, the interest coverage is the other covenant that we watch closely. Again as you can see, we are well within this covenant range and we also were in compliance with this covenant at December 31 of 2008. We do expect that the interest coverage ratio will be stronger in 2009 as the rolling impact of sizable paydown of our debt particularly in the third quarter of 2008 and subsequent reductions of interest expense is brought through the calculation of this covenant during the 2009 calendar quarters.

To circle back on Gary's comments, by successfully improving our hospital operations in the emergency room, by increasing physician recruitment and focusing on new or expanded services, our three areas of focus for 2009, we believe HMA will produce improved financial results in 2009.

Gary brings with him a lifetime of hospital operations experience in leading the Company and we are in the early stages of implementing a more disciplined operating focus for the Company. We do expect to continue to deleveraging the Company in 2009 and highlight that we have no significant maturities until 2014 and that nearly 100% of our debt is fixed with our overall weighted average at 6.2%.

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. I believe we have a breakout in the Grammercy Suite. Thank you.

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