

HY Healthcare Weekly

VANGUA; HCA un-PIK-ing

- **HCA announced its intention to pay its November 15, 2009, coupon in cash.** The bonds traded up a few points and could easily trade at an even price to the 9.25% cash-pay bonds, in our opinion.
- **HY healthcare has underperformed by about 80 bps since our last update [link].** Since May 5, healthcare has returned about 2.1%, while the market overall has returned about 2.9%.
- **After a strong start to the year, HY healthcare has underperformed the overall HY market since early March.** From the beginning of the year through March 2, healthcare outperformed the HY index by 6.9% (healthcare returned 9.2%, HY overall returned 2.3%). Since March 2, healthcare has underperformed the index by 9.7% (9.2% vs 18.9%). YTD HY healthcare has now underperformed by 2.4% (19.5% vs 21.9%) for the first time this year.
- **The yield give-up to be in healthcare is about 310 bps (11.0% vs. 14.1%).** There are now four sectors in high yield that are the same as or richer than healthcare: Cable/Wireless (10.1%), Food/Drug (10.2%), Utility (10.8%), Metals/Mineral (10.9%), and Wireline/Telecom (10.9%). Metals/Mineral appears on this list for the first time this year.

Healthcare

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Monthly Best Performers

Bond	8-Apr-09	8-May-09	Price Chg	Δ %
SCAFF 10.000% 2017	52.00	78.00	26.00	50.0%
THC 9.250% 2015	75.50	94.50	19.00	25.2%
HCA 9.625% 2016	82.00	97.00	15.00	18.3%
TEHEIN 11.250% 2013	85.50	98.00	12.50	14.6%
HCA 6.500% 2016	67.00	79.50	12.50	18.7%

Monthly Worst Performers

Bond	8-Apr-09	8-May-09	Price Chg	Δ %
DVA 7.250% 2015	96.50	96.50	0.00	0.0%
SHPRS 11.000% 2012	36.50	37.00	0.50	1.4%
ACCINC 10.500% 2013	74.25	76.00	1.75	2.4%
USON 10.750% 2014	91.50	94.00	2.50	2.7%
CYH 8.875% 2015	95.25	98.13	2.88	3.0%



See page 11 for analyst certification and important disclosures.

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Quote of the week

“Decisions about my healthcare should be between me and my doctor and no one else.”

Dr. Frank Luntz, Republican pollster, advising on the language of the healthcare reform debate and *The 10 Rules for Stopping the ‘Washington Takeover’ of Healthcare* (copy available on request).

A “public plan” is still being promoted by some as an essential feature of healthcare reform this year. Such a plan may get approved, but we don’t think it would pay providers Medicare-type rates.

Recent Events

Vanguard’s (Hold OpCo, Buy HoldCo) March quarter contains several unusual items. We see normalized EBITDA of \$92 million up 23% y/y, an acceleration from the December quarter (an increase of about 15% y/y). The results further demonstrate that hospital management companies have successfully contained costs to grow margins in the face of soft inpatient volume.

Below we have updated the volume table to include Vanguard’s latest results. The trend seems to be that volume growth is negative, even on an adjusted admissions basis. We will see IASIS’s volume numbers on Wednesday morning and are expecting adjusted admissions growth in the 0-1% range.

Same Facility Volume Comparison - Calendar Quarters						
	1Q/08	2Q/08	3Q/08	4Q/08	1Q/09	Period Avg
CYH	3.8%	2.3%	2.3%	-0.9%	-2.4%	1.0%
Vanguard	2.7%	2.4%	1.5%	-0.2%	-2.8%	0.7%
Tenet	1.0%	1.9%	1.7%	-0.2%	-1.3%	0.6%
HCA	0.8%	1.3%	0.4%	0.5%	-0.9%	0.4%
UHS	0.8%	0.8%	-0.8%	-0.4%	-1.1%	-0.1%
IASIS	-1.3%	0.4%	-0.9%*	-3.7%*		-1.4%
HMA	0.4%	-3.8%	-3.3%	-0.2%	-0.2%	-1.4%
LPNT	0.3%	-2.3%	-2.4%	-2.3%	-6.0%	-2.5%
Reported Co. Avg	1.1%	0.4%	-0.2%	-0.9%	-2.1%	0.3%

Same Facility Adjusted Volume Comparison - Calendar Quarters						
	1Q/08	2Q/08	3Q/08	4Q/08	1Q/09	Period Avg
UHS	1.5%	0.6%	-1.1%	-1.0%	0.0%	1.8%
Vanguard	2.7%	2.5%	2.9%	1.0%	1.5%	1.8%
IASIS	0.5%	2.4%	1.3%*	-0.3%*		1.5%
Tenet	1.6%	2.8%	3.5%	1.6%	1.7%	1.4%
HMA	1.2%	-1.5%	-1.0%	1.1%	0.1%	0.7%
HCA	1.1%	2.0%	1.9%	1.8%	1.9%	0.6%
CYH	3.8%	2.4%	2.5%	-0.2%	-4.9%	0.5%
LPNT	0.1%	-1.1%	-1.0%	-0.7%	-1.9%	-0.3%
Reported Co. Avg	1.6%	1.3%	1.1%	0.4%	-0.2%	1.3%

*IASIS had hurricane impact in both quarters, although modest

Source: J.P. Morgan, company reports.

PIK-ing Update

On May 7, HCA announced its intention to pay its November 15, 2009, coupon in cash. The bonds traded up a few points and could easily trade at an even price to the 9.25% cash-pay bonds, in our opinion.

When HCA decided to use its PIK feature (November 6, 2008), we were admittedly surprised along with the market. Soon after HCA elected to PIK, the spread between 9.25% cash-pay notes and the 9.625% PIK notes grew to be 16 points at its maximum. The spread between equivalent securities in BMET's structure went to about 20 points for over a month in December (and BMET has said it has no intention of using its PIK option).

Below we show how the spread between PIK and cash-pay bonds has compressed since January. Part of this compression is from the market rally, but HCA deciding to un-PIK may cause this relationship to compress further with other issuers.

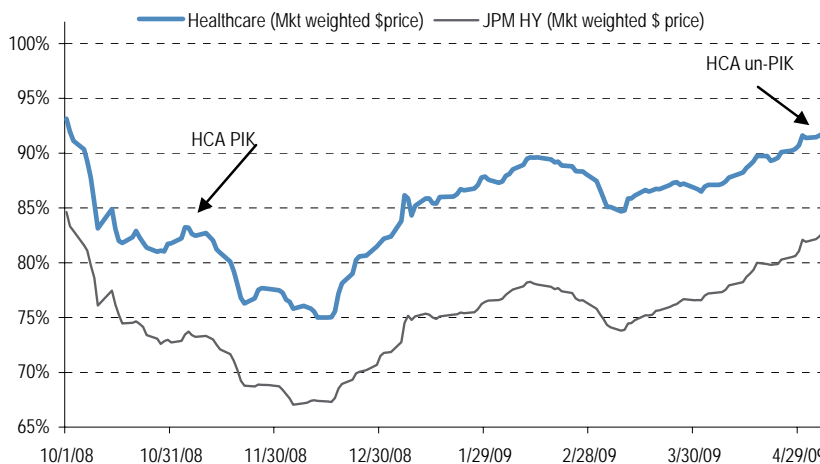
Healthcare cash-pay vs PIK bonds (1/7/09 vs 5/5/09)

1/7/09	BMET 10% vs 10.375%	HCA 9.25% vs 9.625%*	USPI 8.875% vs 9.25%	5/5/09	BMET 10% vs 10.375%	HCA 9.25% vs 9.625%	USPI 8.875% vs 9.25%
Cash	\$97.50	\$95.50	\$69.50	Cash	\$104.50	\$98.50	\$82.00
PIK	\$83.50	\$82.00	\$61.00	PIK	\$96.00	\$96.50	\$77.00
Difference	\$14.00	\$13.50	\$7.50	Difference	\$8.50	\$2.00	\$5.00

Source: Company reports and J.P. Morgan. * Indicates the company has elected to use the PIK feature; as of 5/15/09 HCA is paying cash on its 9.625% notes.

In early January, we examined the value of a PIK option [\[link\]](#), although the market has changed materially since then. The broader HY market has rallied over 20% YTD. Mid-December was the low point in dollar price for HY and healthcare: about \$17 lower than it is today (\$67 and \$75 in mid-December vs \$83 and \$92 as of this publication).

Dollar Prices in HY & Healthcare



Source: J.P. Morgan.

The large HY market rally eliminates one of the primary drivers for using the PIK feature. Companies could receive financing at the new PIK coupon rate, even

though bonds were trading at a significant discount to par. The ability to repurchase them in the market below par, while effectively issuing new debt at par, was a compelling value capture for issuers.

LBOs with the PIK feature may be relatively tight on cash, and the PIK feature seems to provide temporary relief. Even though liquidity has not improved meaningfully since January, the credit market has opened for high-quality issuers. On April 14, HCA proved it could tap the market in size when it issued \$1.5 billion first lien notes to repay and term out its term loan.

Finally, in January we noted that with high-quality issuers like HCA electing to PIK, there would be less of a negative stigma associated with the decision to PIK. Even though HCA has un-PIK'd we think investors have come to expect that more stressed issuers will (and should) use the PIK feature.

Of the companies we follow, nine issuers have the option to PIK, and five of them have elected to use this option.

Healthcare PIK Bonds

Ticker	Coupon	Maturity	Rating	Price	YTW	STW	Elected to PIK?
BMET	10.375%	2017	B3/B-	\$96.00	11.12%	793bp	x
PTSAC	9.50%	2015	Caa1/B	\$28.25	44.81%	4,274bp	✓
HCA	9.625%	2016	B2/BB-	\$96.50	n/a	n/a	x
SCAFF	8.875%	2015	B3/B-	\$63.00	19.36%	1,724bp	✓
SMBI	11.00%	2015	Caa1/B	\$40.00	28.19%	2,554bp	✓
USPI	9.25%	2017	Caa1/CCC+	\$77.00	14.15%	1,213bp	x
UHOS	8.50%	2015	B3/B+	\$95.00	9.60%	759bp	x
USON	L + 450	2012	B3/CCC+	\$65.00	n/a	n/a	✓
VWR	10.25%	2015	Caa1/CCC+	\$75.00	16.92%	1,490bp	x

Source: Company reports and J.P. Morgan.

Healthcare Earnings Calendar 1Q/09

Ticker	Company Name	Earnings Release Date	Earnings Release	Conf. Call Time (EST)	Conf. Call Dial-In No.	Access Code	Replay Dial-In No.	Access Code	Replay
BMET	BioMet	14-Apr	BMO	14-Apr 10:00 AM	888.400.7916	995005	3Q09 results		transcript
ELN	Elan	22-Apr	BMO	22-Apr 8:30 AM	888.434.1984		800.633.8284	21422058	transcript
MLTPLN	Multi-plan	22-Apr	NTS	22-Apr 10:00 AM					
ABC	AmeriSourceBergen	23-Apr	BMO	23-Apr 11:00 AM	651.291.0900		800.475.6701	995267	30-Apr-09
CYH	Community Health	23-Apr	AMC	24-Apr 11:30 AM	800.374.1773	91482639	800.642.1687	91482639	1-May-09
HCA	HCA	27-Apr	NTS	27-Apr 10:00 AM	877.795-3599		888-203-1112	8804133	4-May-09
HGR	Hanger Orthopedic Group	27-Apr	AMC	28-Apr 9:00 AM	800.931.9710		800.642.1687	92331530	
UHS	Universal Health Services	27-Apr	AMC	28-Apr 9:00 AM	877.648.7971		800.642.1687	92651699	12-May-09
HMA	HMA	27-Apr	AMC	28-Apr 11:00 AM	877.476.3476	94087768			transcript
DVA	DaVita	28-Apr	BMO	28-Apr 8:30 AM	800-399-4406	Davita 1Q09 Call			transcript
PSYS	Psychiatric Solutions	28-Apr	AMC	29-Apr 10:00 AM	913.312.6696		719.312.6696	8739453	transcript
AIQ	Alliance Imaging	29-Apr	AMC	30-Apr 8:30 AM	888.694.4676		800.642.1687	97002209	
PMC	Pharmerica	29-Apr	AMC	30-Apr 10:00 AM	866.700.7477	25197158	888-286-8010	35003118	
FMS	Fresenius	30-Apr	BMO	30-Apr 9:30 AM	718.354.1172	10 20 74 1			transcript
Fres SE	Fresenius	30-Apr	BMO	30-Apr 9:30 AM	718.354.1172	10 20 74 1			transcript
MYL	Mylan Labs	30-Apr	BMO	30-Apr 10:00 AM	877.440.5788				transcript
OCR	Omnicare	30-Apr	BMO	30-Apr 11:00 AM	888.634.8522	Omnicare			Online
LPNT	LifePoint	1-May	BMO	01-May 10:00 AM	212.231.2900		800.633.8284	21421803	transcript
HLS	HealthSouth	4-May	AMC	05-May 9:00 AM	866.406.5369	91485741	800.642.1687		19-May-09
THC	Tenet	5-May	BMO	05-May 10:00 AM	866.843-0890	8189542			transcript
EMS	AMR/Eicare (EMS)	5-May	BMO	05-May 11:00 AM	866.788.0545	12975349	888.286.8010	81316727	transcript
REABLE	Reable	7:35am	BMO	05-May 1:00 PM	877.864.4577	97023515	706.645.9291	97023515	7-May-09
ACCINC	Accellent	5-May	AMC	05-May 5:00 PM	800.659.1942	10509228	888.286.8010	80388469	12-May-09
SCI	Service Corp	6-May	AMC	07-May 9:30 AM	617.597.5344	11471384	617.801.6888	95864817	13-May-09
BOL	Bausch & Lomb	6-May	AMC	08-May 10:00 AM	866.394.7753	98809464	800.642.1687	99036947	
TEHEIN	Team Health	6-May	AMC	07-May 10:00 AM	888-290-3292		800-642-1687	98368310	14-May-09
USPI	United Surgical Partners Intl	7-May	AMC	07-May 10:00 AM	212.231.2900		800.633.8284	21422195	
USON	US Oncology	7-May	BMO	07-May 11:00 AM	877.615.1716	94943091			webcast
RSCR	Res-Care	7-May	AMC	08-May 9:00 AM	212.231.2920		800-633-8284	21422278	
WCRXF.PK	Warner Chilcott	11-May	BMO	11-May 8:00 AM	877.879.6207		888.203.1112	6475431	25-May-09
RURL	Rural/Metro	11-May	BMO	11-May 11:00 AM	877.856.1962		888.203.1112	1689049	13-May-09
VANGUA	Vanguard	11-May	AMC	12-May 11:00 AM	866.835.8907		888.266.2081	1353670	14-May-09
IAS	IASIS	13-May	BMO	13-May 11:00 AM	212.231.2901		800.633.8284	21421808	14-May-09
SHPRS	Spheris	13-May	AMC	14-May 9:00 AM	480.629.9786		303.590.3030	4060239	20-May-09
UHOS	Universal Hospital Services	13-May	AMC	14-May 9:00 AM	800.734.8582		800.633.8284	21424861	21-May-09
PTSAC	Catalent Pharma Solutions	13-May	NTS	14-May 10:00 AM	888.713.4218	47673236	888.286.8010	33275029	14-Aug-09
MENTOR	National Mentor	15-May	BMO	15-May 11:00 AM	800.510.9836	18014070	888.286.8010	40797795	22-May-09
SELMED	Select Medical	15-May	Estimate	No Call					
CRCHEA	CRC Healthcare	15-May	Estimate						
IHSC	Insight Health	15-May	Estimate						
SCAFF	Surgical Care Affiliate	15-May	Estimate						
VWRINT	VWR Internations	15-May	Estimate						
STEI	Stewart	9-Jun	Estimate						

Healthcare

Source: Company Reports, Streetevents, and Bloomberg.

BMO = before market opens; AMC = after market closes; NTS = no time specified; NA = Not Available.

Notes:

- *HCA Inc : HCA Only 5.0x Leveraged?*
- *Health Management Associates Inc. : Initiating With an Overweight*
- *HY Healthcare : Downgrading to Neutral from Overweight*
- *DaVita Inc: A Model of Stability*
- *HCA Inc: A Refresher on Relative Value-"Take Two"*
- *Hospitals: How Bad Can It Get? : A Closer Look at Historical Industry Data*
- *Biomet, Inc : Credit Downgrade to Neutral from OW on FX and Comp Valuations*
- *HCA : A Refresher on Rel Val and Debt Maturities*

Updates:

- *HY Healthcare Weekly : IPPS Update; HMA Downgrade to Neutral*
- *HY Healthcare Weekly : Swap CYH for HCA*
- *HY Healthcare Weekly : Company Contacts; Preliminary Earnings Calendar*
- *HY Healthcare Weekly : DVA, ELN, SCI, VWRINT; Pensions; and PIKs*
- *HY Healthcare Weekly : Upgrading BMET 10-3/8s, initiated on HMA with an O/W*
- *HY Healthcare Weekly : Budget-related bumps; Initiating on Tenet's "new" bonds*
- *HY Healthcare Weekly : The 2010 Budget; HLS, THC*
- *HY Healthcare Weekly : Community: Like a Rock; Bond Buybacks*
- *HY Healthcare Weekly : ELN, THC, VANGUA, Hospital volume*
- *HY Healthcare Weekly: BMET – Updated forecast; THC exchange offer*
- *HY Healthcare Weekly : THC quick take & more on PIKs*
- *HY Healthcare Weekly : CYH, BMET and the PIK feature*
- *HY Healthcare Weekly : Elan: Upgrading to Overweight from Neutral*
- *HY Healthcare: Update : Hospitals: investing in a low-multiple world*
- *HY Healthcare Update: CYH, CRCHEA, ELN, SHPRS*

HY Healthcare dollar price tracker, ranked by $\Delta m/m$

Bond dollar price	8-Apr-09	8-May-09	Price increase (decrease)	
			Absolute $\Delta m/m$	Absolute $\Delta y/y$
SCAFF 10.000% 2017	\$52.00	\$78.00	\$26.00	(\$13.00)
THC 9.250% 2015	\$75.50	\$94.50	\$19.00	\$2.00
HCA 9.625% 2016	\$82.00	\$97.00	\$15.00	(\$8.75)
TEHEIN 11.250% 2013	\$85.50	\$98.00	\$12.50	(\$8.00)
HCA 6.500% 2016	\$67.00	\$79.50	\$12.50	(\$5.00)
PTSAC 9.500% 2015	\$25.00	\$36.00	\$11.00	(\$56.75)
BOL 9.875% 2015	\$82.00	\$91.50	\$9.50	(\$10.00)
BMET 11.625% 2017	\$91.25	\$99.00	\$7.75	\$0.50
VANGUA 9.000% 2014	\$89.00	\$96.50	\$7.50	\$0.25
SCI 7.000% 2017	\$85.75	\$93.25	\$7.50	(\$2.50)
REABLE 10.875% 2014	\$73.00	\$80.50	\$7.50	(\$17.75)
ELN 8.875% 2013	\$80.00	\$87.50	\$7.50	(\$11.00)
VWRINT 10.250% 2015	\$68.00	\$75.00	\$7.00	(\$20.25)
USPI 8.875% 2017	\$79.00	\$86.00	\$7.00	(\$12.75)
CRCHEA 10.750% 2016	\$63.00	\$70.00	\$7.00	(\$32.50)
HCA 9.250% 2016	\$92.25	\$98.50	\$6.25	(\$6.50)
USPI 9.250% 2017	\$70.00	\$76.00	\$6.00	(\$21.50)
BMET 10.375% 2017	\$90.50	\$96.25	\$5.75	(\$3.50)
HCA 9.125% 2014	\$93.50	\$99.00	\$5.50	(\$5.00)
ELN 7.750% 2011	\$85.00	\$90.50	\$5.50	(\$3.50)
UHOS 8.500% 2015	\$89.00	\$94.00	\$5.00	(\$7.00)
OCR 6.875% 2015	\$89.00	\$94.00	\$5.00	\$1.00
MENTOR 11.250% 2014	\$83.00	\$88.00	\$5.00	(\$15.00)
IAS 8.750% 2014	\$94.25	\$99.00	\$4.75	(\$1.00)
HLS 10.750% 2016	\$99.00	\$102.50	\$3.50	(\$2.00)
HGR 10.250% 2014	\$100.13	\$103.50	\$3.38	\$1.00
BMET 10.000% 2017	\$101.25	\$104.50	\$3.25	\$2.50
AIQ 7.250% 2012	\$96.00	\$99.13	\$3.13	\$4.13
CYH 8.875% 2015	\$95.25	\$98.13	\$2.88	(\$3.75)
USON 10.750% 2014	\$91.50	\$94.00	\$2.50	(\$4.75)
ACCINC 10.500% 2013	\$74.25	\$76.00	\$1.75	(\$8.00)
SHPRS 11.000% 2012	\$36.50	\$37.00	\$0.50	(\$58.13)
DVA 7.250% 2015	\$96.50	\$96.50	\$0.00	(\$3.75)
Max			\$26.00	\$4.13
Min			\$0.00	(\$58.13)
Median			\$6.00	(\$5.00)
Average			\$7.09	(\$10.01)

Sources: Company reports and J.P. Morgan.

High-yield Healthcare universe ranked by YTW

Issuer	Coupon	Maturity	Amt Out	Moody's	S&P	Price	YTW	STW	YTW Date	LTM Enterprise EBITDA	Enterprise Value	EBITDA/ Interest	Debt/ EBITDA	Debt/ EV
PTS Acquisition	9.750%	15-Apr-17	225	Caa1	B-	18.00	58.57%	5,573bp	15-Apr-17	\$320	\$3,300	1.6x	7.5x	73%
Spheris	11.000%	15-Dec-12	125	Caa1	CCC	36.75	50.76%	4,934bp	15-Dec-12	\$29	\$232	1.5x	6.8x	85%
PTS Acquisition	9.500%	15-Apr-15	565	Caa1	B	28.25	44.81%	4,274bp	15-Apr-15	\$320	\$3,300	1.6x	7.5x	73%
ReAble Therapeutics	11.750%	15-Nov-14	200	Caa1	CCC+	61.75	24.80%	2,283bp	15-Nov-14	\$214	\$1,715	1.3x	8.5x	106%
CRC Health	10.750%	1-Feb-16	200	Caa1	CCC+	64.00	20.92%	1,869bp	1-Feb-16	\$94	\$752	1.7x	7.0x	87%
Surgical Care Affiliates	10.000%	15-Jul-17	150	Caa1	CCC+	60.00	20.15%	1,760bp	15-Jul-17	\$94	\$750	1.6x	7.2x	90%
Surgical Care Affiliates	8.875%	15-Jul-15	150	B3	B-	63.00	19.36%	1,724bp	15-Jul-15	\$94	\$750	1.6x	5.6x	70%
Accellent Inc	10.500%	1-Dec-13	305	Caa3	CCC+	74.00	19.28%	1,755bp	1-Dec-13	\$88	\$792	1.3x	8.0x	89%
VWR International	10.250%	15-Jul-15	675	Caa1	B-	69.00	18.93%	1,681bp	15-Jul-15	\$320	\$3,039	1.1x	6.9x	73%
ReAble Therapeutics	10.875%	15-Nov-14	575	Caa1	B-	76.00	17.87%	1,589bp	15-Nov-14	\$214	\$1,715	1.3x	7.6x	95%
United Surgical Partners	9.250%	1-May-17	200	Caa1	CCC+	72.50	15.33%	1,283bp	1-May-17	\$165	\$1,320	3.9x	6.5x	81%
National Mentor	11.250%	1-Jul-14	180	Caa1	CCC+	86.00	15.25%	1,335bp	1-Jul-14	\$97	\$772	2.0x	5.3x	67%
HCA Inc.	7.690%	15-Jun-25	291	Caa1	B-	56.95	14.75%	1,154bp	15-Jun-25	\$4,851	\$31,532	2.5x	5.5x	84%
Rural/Metro	9.875%	15-Mar-15	125	B2	B-	82.00	14.53%	1,248bp	15-Mar-15	\$58	\$303	1.8x	4.8x	92%
HCA Inc.	7.500%	6-Nov-33	250	Caa1	B-	54.00	14.31%	1,072bp	6-Nov-33	\$4,851	\$31,532	2.5x	5.5x	84%
Select Medical	7.625%	1-Feb-15	660	B3	CCC	75.00	14.11%	1,208bp	1-Feb-15	\$270	\$1,892	2.4x	5.3x	76%
Elan Pharmaceuticals	8.875%	1-Dec-13	465	B3	B	83.50	13.85%	1,212bp	1-Dec-13	\$13	\$4,427	0.1x	nm	40%
Team Health	11.250%	1-Dec-13	215	Caa1	B-	91.50	13.80%	1,208bp	1-Dec-13	\$136	\$1,017	3.1x	4.5x	60%
Vanguard Health Systems	11.250%	1-Oct-15	216	Caa1	CCC+	85.50	13.65%	1,149bp	1-Oct-15	\$273	\$1,773	2.3x	5.6x	87%
Elan Pharmaceuticals	7.750%	15-Nov-11	850	B3	B	87.75	13.61%	1,254bp	15-Nov-11	\$13	\$4,427	0.1x	nm	40%
Tenet Healthcare	9.875%	1-Jul-14	1,000	Caa1	B	88.00	13.14%	1,124bp	1-Jul-14	\$710	\$6,057	1.7x	6.8x	80%
Tenet Healthcare	6.875%	15-Nov-31	500	Caa1	B	56.00	12.92%	941bp	15-Nov-31	\$710	\$6,057	1.7x	6.8x	80%
HCA Inc.	10.375%	15-Nov-16	1,500	B2	BB-	88.50	12.74%	1,033bp	15-Nov-16	\$4,851	\$31,532	2.5x	4.0x	62%
US Oncology	10.750%	15-Aug-14	275	B3	CCC+	92.50	12.73%	1,081bp	15-Aug-14	\$202	\$1,618	2.1x	5.3x	66%
Tenet Healthcare	9.250%	1-Feb-15	800	Caa1	B	86.25	12.68%	1,066bp	1-Feb-15	\$710	\$6,057	1.7x	6.8x	80%
Biomet Inc	11.625%	15-Oct-17	1,015	Caa1	B-	94.75	12.65%	1,005bp	15-Oct-17	\$904	\$8,140	1.6x	5.7x	63%
Carriage Services	7.875%	15-Jan-15	130	B1	B-	81.00	12.64%	1,063bp	15-Jan-15	\$38	\$319	2.1x	6.2x	73%
Bausch & Lomb	9.875%	1-Nov-15	650	Caa1	B	88.25	12.57%	1,039bp	1-Nov-15	\$415	\$3,737	1.9x	5.9x	66%
HCA Inc.	6.375%	15-Jan-15	750	Caa1	B-	75.50	12.50%	1,049bp	15-Jan-15	\$4,851	\$31,532	2.5x	5.5x	84%
United Surgical Partners	8.875%	1-May-17	240	Caa1	CCC+	82.00	12.50%	1,000bp	1-May-17	\$165	\$1,320	3.9x	6.5x	81%
HCA Inc.	5.750%	15-Mar-14	500	Caa1	B-	76.00	12.46%	1,064bp	15-Mar-14	\$4,851	\$31,532	2.5x	5.5x	84%
Tenet Healthcare	6.375%	1-Dec-11	85	Caa1	B	88.13	11.83%	1,075bp	1-Dec-11	\$710	\$6,057	1.7x	6.8x	80%
HCA Inc.	6.500%	15-Feb-16	1,000	Caa1	B-	76.00	11.72%	947bp	15-Feb-16	\$4,851	\$31,532	2.5x	5.5x	84%
HCA Inc.	6.750%	15-Jul-13	500	Caa1	B-	84.00	11.66%	1,006bp	15-Jul-13	\$4,851	\$31,532	2.5x	5.5x	84%
Tenet Healthcare	6.500%	1-Jun-12	116	Caa1	B	87.16	11.56%	1,032bp	1-Jun-12	\$710	\$6,057	1.7x	6.8x	80%
Biomet Inc	10.375%	15-Oct-17	775	B3	B-	93.75	11.55%	895bp	15-Oct-17	\$904	\$8,140	1.6x	6.9x	76%
HCA Inc.	6.250%	15-Feb-13	500	Caa1	B-	84.50	11.39%	992bp	15-Feb-13	\$4,851	\$31,532	2.5x	5.5x	84%
Res-Care	7.750%	15-Oct-13	150	B1	B	88.00	11.24%	956bp	15-Oct-13	\$119	\$772	6.5x	2.0x	30%

Source: Company reports and J.P. Morgan.

High-yield Healthcare universe ranked by YTW (cont.)

Issuer	Coupon	Maturity	Amt Out	Moody's	S&P	Price	YTW	STW	YTW Date	LTM Enterprise EBITDA	Enterprise Value	EBITDA/ Interest	Debt/ EBITDA	Debt/ EV
HCA Inc.	6.300%	1-Oct-12	500	Caa1	B-	87.50	10.76%	941bp	1-Oct-12	\$4,851	\$31,532	2.5x	5.5x	84%
Vanguard Health Systems	9.000%	1-Oct-14	575	Caa1	CCC+	93.00	10.73%	878bp	1-Oct-14	\$273	\$1,773	2.3x	4.9x	76%
Tenet Healthcare	7.375%	1-Feb-13	1,000	Caa1	B	90.00	10.67%	921bp	1-Feb-13	\$710	\$6,057	1.7x	6.8x	80%
Healthsouth	10.750%	15-Jun-16	553	Caa1	CCC+	100.50	10.64%	833bp	15-Jun-16	\$349	\$3,118	2.4x	5.0x	55%
Stewart Enterprises	6.250%	15-Feb-13	200	Ba3	BB-	87.00	10.49%	902bp	15-Feb-13	\$94	\$911	3.9x	4.8x	49%
Service Corporation International	7.500%	1-Apr-27	200	B1	BB-	76.50	10.42%	713bp	1-Apr-27	\$455	\$2,834	3.5x	4.1x	65%
Universal Hospital Services	8.500%	1-Jun-15	230	B3	B+	92.13	10.27%	818bp	1-Jun-15	\$102	\$711	2.2x	5.1x	73%
HCA Inc.	9.875%	15-Feb-17	310	B2	BB-	98.50	10.15%	770bp	15-Feb-17	\$4,851	\$31,532	2.5x	4.0x	62%
HCA Inc.	6.950%	1-May-12	402	Caa1	B-	92.00	10.10%	889bp	1-May-12	\$4,851	\$31,532	2.5x	5.5x	84%
HCA Inc.	9.250%	15-Nov-16	3,200	B2	BB-	96.00	10.02%	761bp	15-Nov-16	\$4,851	\$31,532	2.5x	4.0x	62%
HCA Inc.	9.125%	15-Nov-14	1,000	B2	BB-	96.50	9.96%	798bp	15-Nov-14	\$4,851	\$31,532	2.5x	4.0x	62%
Psychiatric Solutions	7.750%	15-Jul-15	470	B3	B-	90.00	9.94%	782bp	15-Jul-15	\$313	\$2,117	4.0x	4.2x	62%
Skilled Healthcare Group	11.000%	15-Jan-14	130	Caa1	B-	102.50	9.91%	879bp	15-Jan-12	\$112	\$860	3.0x	4.2x	55%
Hanger Orthopedic Group	10.250%	1-Jun-14	175	Caa1	CCC+	101.00	9.86%	862bp	1-Jun-12	\$96	\$750	3.0x	4.4x	56%
AMR/Emcare Holdco	10.000%	15-Feb-15	250	B1	B	101.00	9.67%	820bp	15-Feb-13	\$251	\$1,739	5.9x	1.8x	26%
lasis Healthcare	8.750%	15-Jun-14	475	B3	CCC+	96.50	9.63%	774bp	15-Jun-14	\$270	\$1,756	3.7x	4.2x	65%
US Oncology	9.000%	15-Aug-12	300	B2	B-	98.25	9.62%	832bp	15-Aug-12	\$202	\$1,618	2.1x	3.8x	47%
Community Health Systems	8.875%	15-Jul-15	3,021	B3	B	97.25	9.47%	735bp	15-Jul-15	\$1,556	\$11,001	2.2x	5.9x	83%
Biomet Inc	10.000%	15-Oct-17	775	B3	B-	102.75	9.42%	725bp	15-Oct-15	\$904	\$8,140	1.6x	5.7x	63%
Service Corporation International	7.625%	1-Oct-18	250	B1	BB-	89.50	9.32%	652bp	1-Oct-18	\$455	\$2,834	3.5x	4.1x	65%
Health Management Associates	6.125%	15-Apr-16	400	NR	BB-	84.00	9.30%	702bp	15-Apr-16	\$635	\$4,252	2.8x	4.8x	71%
HCA Inc.	7.875%	1-Feb-11	273	Caa1	B-	98.00	9.12%	834bp	1-Feb-11	\$4,851	\$31,532	2.5x	5.5x	84%
Service Corporation International	7.000%	15-Jun-17	300	B1	BB-	88.00	9.12%	659bp	15-Jun-17	\$455	\$2,834	3.5x	4.1x	65%
Service Corporation International	6.750%	1-Apr-16	250	B1	BB-	88.25	9.07%	680bp	1-Apr-16	\$455	\$2,834	3.5x	4.1x	65%
Service Corporation International	7.875%	1-Feb-13	56	B1	BB-	96.50	8.99%	753bp	1-Feb-13	\$455	\$2,834	3.5x	4.1x	65%
HCA Inc.	8.750%	1-Sep-10	491	Caa1	B-	99.75	8.94%	833bp	1-Sep-10	\$4,851	\$31,532	2.5x	5.5x	84%
Service Corporation International	6.750%	1-Apr-15	200	B1	BB-	90.50	8.84%	679bp	1-Apr-15	\$455	\$2,834	3.5x	4.1x	65%
Service Corporation International	7.375%	1-Oct-14	250	B1	BB-	94.00	8.79%	684bp	1-Oct-14	\$455	\$2,834	3.5x	4.1x	65%
Omnicare	6.750%	15-Dec-13	225	B1	B+	93.00	8.61%	687bp	15-Dec-13	\$653	\$5,167	4.5x	2.2x	28%
Alliance Imaging	7.250%	15-Dec-12	300	B3	B	96.00	8.55%	714bp	15-Dec-12	\$176	\$991	3.8x	3.8x	67%
Omnicare	6.875%	15-Dec-15	525	B1	B+	92.75	8.32%	611bp	15-Dec-15	\$653	\$5,167	4.5x	2.2x	28%
Bio-Rad Laboratories	6.125%	15-Dec-14	200	Ba3	BB+	90.50	8.27%	627bp	15-Dec-14	\$309	\$2,343	9.7x	1.5x	19%
Omnicare	6.125%	1-Jun-13	250	B1	B+	92.75	8.25%	668bp	1-Jun-13	\$653	\$5,167	4.5x	2.2x	28%
Bio-Rad Laboratories	7.500%	15-Aug-13	225	Ba3	BB+	98.00	8.06%	642bp	15-Aug-13	\$309	\$2,343	9.7x	1.5x	19%
Davita	7.250%	15-Mar-15	850	B2	B	97.50	7.79%	574bp	15-Mar-15	\$1,196	\$8,280	5.6x	3.1x	44%
Boston Scientific	6.400%	15-Jun-16	600	Ba1	BB+	95.13	7.29%	497bp	15-Jun-16	\$2,104	\$19,375	4.8x	3.0x	32%

Source: Company reports and J.P. Morgan.

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North America Credit Research
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J.P.Morgan

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