

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1994

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-11239

COLUMBIA/HCA HEALTHCARE CORPORATION
(Exact name of registrant as specified in its charter)

Delaware 75-2497104
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

201 West Main Street, Louisville, Kentucky 40202
(Address of principal executive offices) (Zip Code)

(502) 572-2000
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the registrant (1) has filed all
reports required to be filed by Section 13 or 15 (d) of the
Securities Exchange Act of 1934 during the preceding 12 months,
and (2) has been subject to such filing requirements for the
past 90 days.

YES X NO

Indicate the number of shares outstanding of each of the
issuer's classes of common stock, as of the latest practicable
date.

Class of Common Stock	Outstanding at October 31, 1994
Voting common stock, \$.01 par value	347,900,500 shares
Nonvoting common stock, \$.01 par value	14,190,000 shares

Part I: Financial Information

Item 1. Financial Statements

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COLUMBIA/HCA HEALTHCARE CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF INCOME
For the quarters and nine months ended September 30, 1994 and 1993
Unaudited
(Dollars in millions, except per share amounts)

	Quarter		Nine Months	
	1994	1993	1994	1993
Revenues	\$ 2,728	\$ 2,491	\$ 8,195	\$ 7,681
Salaries, wages and benefits	1,132	1,034	3,335	3,155
Supplies	406	405	1,254	1,251
Other operating expenses	529	474	1,533	1,413
Provision for doubtful accounts	169	152	470	410
Depreciation and amortization	152	140	440	414
Interest expense	62	81	182	251
Investment income	(15)	(18)	(50)	(45)
Non-recurring transactions	-	151	159	151
	2,435	2,419	7,323	7,000
Income from continuing operations before minority interests and income taxes	293	72	872	681
Minority interests in earnings of consolidated entities	4	3	13	10
Income from continuing operations before income taxes	289	69	859	671
Provision for income taxes	113	41	341	272
Income from continuing operations	176	28	518	399
Income from operations of discontinued health plan segment, net of income taxes	-	-	-	16

Extraordinary loss on extinguishment of debt, net of income tax benefit	(23)	(84)	(115)	(84)
Net income (loss)	\$ 153	\$ (56)	\$ 403	\$ 331
Earnings (loss) per common and common equivalent share:				
Income from continuing operations	\$.50	\$.08	\$ 1.50	\$ 1.18
Income from operations of discontinued health plan segment	-	-	-	.04
Extraordinary loss on extinguishment of debt	(.06)	(.24)	(.33)	(.24)
Net income (loss)	\$.44	\$ (.16)	\$ 1.17	\$.98
Cash dividends per common share	\$.03	\$.03	\$.09	\$.03
Shares used in earnings per common and common equivalent share computation (000)	351,139	340,145	344,954	338,744

See accompanying notes.
COLUMBIA/HCA HEALTHCARE CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEET
Unaudited
(Dollars in millions, except per share amounts)

	September 30, 1994	December 31, 1993
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 25	\$ 224
Accounts receivable less allowance for loss of \$594 - September 30, 1994 and \$513 - December 31, 1993	1,628	1,566
Inventories	273	245
Other	499	453
	2,425	2,488
Property and equipment, at cost	9,365	8,392
Accumulated depreciation	(3,154)	(2,792)
	6,211	5,600
Investments of professional liability insurance subsidiaries.....	739	700
Intangible assets	2,206	1,232
Other	258	196
	\$ 11,839	\$ 10,216
LIABILITIES AND COMMON STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 401	\$ 445
Salaries, wages and other compensation	264	232
Other accrued expenses	889	853
Income taxes	21	22
Long-term debt due within one year	49	363
	1,624	1,915
Long-term debt	3,709	3,335
Deferred credits and other liabilities	1,454	1,438
Minority interests in equity of consolidated entities	204	57

Contingencies

Common stockholders' equity:

Common stock, \$.01 par; authorized 800,000,000 voting shares and 25,000,000 nonvoting shares; issued and outstanding 347,845,300 voting shares and 14,190,000 nonvoting shares - September 30, 1994 and 317,686,800 voting shares and 18,990,000 nonvoting shares - December 31, 1993	4	3
Other	4,844	3,468
	4,848	3,471
	\$ 11,839	\$ 10,216

See accompanying notes.

COLUMBIA/HCA HEALTHCARE CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine months ended September 30, 1994 and 1993
Unaudited
(Dollars in millions)

	1994	1993
Cash flows from continuing operations:		
Net income	\$ 403	\$ 331
Adjustments to reconcile net income to net cash provided by operating activities:		
Income from discontinued operations	-	(16)
Non-recurring transactions	159	151
Depreciation and amortization	440	414
Deferred income taxes	(88)	(62)
Change in operating assets and liabilities:		
Decrease in accounts receivable	32	43
(Increase) decrease in inventories and other assets	(54)	9
Increase (decrease) in income taxes	(1)	10
Decrease in other liabilities	(118)	(24)
Extraordinary loss on extinguishment of debt	187	135
Other	25	51
Net cash provided by continuing operations	985	1,042
Cash flows from investing activities:		
Purchase of property and equipment	(693)	(630)
Cash acquired in connection with Medical Care America, Inc. merger transaction	106	-
Acquisition of hospitals and health care facilities	(213)	(78)
Disposition of property and equipment	78	170
Change in investments	(63)	-
Other	(72)	(15)
Net cash used in investing activities	(857)	(553)
Cash flows from financing activities:		
Issuance of long-term debt	1,035	1,178
Net changes in commercial paper borrowings and lines of credit	1,022	219
Repayment of long-term debt	(2,387)	(1,851)
Payment of cash dividends	(25)	(36)
Issuance of common stock	18	38
Payment to Humana Inc. in spinoff transaction	-	(135)
Other	10	(6)
Net cash used in financing activities	(327)	(593)
Change in cash and cash equivalents	(199)	(104)

Cash and cash equivalents at beginning of period	224	217
Cash and cash equivalents at end of period	\$ 25	\$ 113
Interest payments	\$ 218	\$ 207
Income tax payments, net of refunds	358	266

See accompanying notes.

COLUMBIA/HCA HEALTHCARE CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

NOTE 1 - REPORTING ENTITY

Columbia/HCA Healthcare Corporation ("Columbia/HCA") is a Delaware corporation that operates hospitals and ancillary health care facilities through either (i) wholly owned subsidiaries or (ii) ownership of controlling interests in various partnerships in which subsidiaries of Columbia/HCA serve as the managing general partner.

In September 1994, Columbia/HCA completed a merger transaction with Medical Care America, Inc. ("MCA")(the "MCA Merger"). See Note 4 for a description of the specific terms of the MCA Merger.

In February 1994, Columbia Healthcare Corporation ("Columbia") merged with HCA - Hospital Corporation of America ("HCA")(the "HCA Merger") to form Columbia/HCA. See Note 5 for a description of the specific terms of the HCA Merger.

Prior to the HCA Merger, Columbia was formed in September 1993 as a result of a merger involving a wholly owned subsidiary of Columbia Hospital Corporation ("CHC") and Galen Health Care, Inc. ("Galen") (the "Galen Merger"). See Note 6 for a description of the specific terms of the Galen Merger.

NOTE 2 - BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements do not include all of the disclosures normally required by generally accepted accounting principles or those normally required in annual reports filed on Form 10-K. Accordingly, these financial statements should be read in conjunction with the audited consolidated financial statements of Columbia/HCA for the year ended December 31, 1993 filed on Form 10-K with the Securities and Exchange Commission.

The financial information has been prepared in accordance with Columbia/HCA's customary accounting practices and has not been audited. Management believes that the financial information presented reflects all adjustments necessary for a fair statement of interim results. All such adjustments are of a normal and recurring nature.

The MCA Merger and various other acquisitions and joint venture transactions have been accounted for under the purchase method. Accordingly, the accounts of these entities have been consolidated with those of Columbia/HCA since the acquisition of controlling interest.

For accounting purposes, the HCA and Galen Mergers have been treated as poolings of interests. Accordingly, these financial statements give retroactive effect to the mergers and include the combined operations of the respective former entities for all periods presented. In addition, the historical financial information related to Galen (which prior to the Galen Merger was reported on a fiscal year ending August 31) has been recast to conform to Columbia/HCA's annual reporting period ending December 31.

NOTE 3 - EARNINGS PER SHARE

Earnings per common and common equivalent share are based upon weighted average common shares outstanding adjusted for the dilutive effect of common stock equivalents consisting primarily of stock options. Fully diluted earnings per common and common equivalent share are not presented because such amounts approximate earnings per common and common equivalent share.

COLUMBIA/HCA HEALTHCARE CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
Unaudited

NOTE 4 - MCA MERGER

On September 1, 1994, the shareholders of MCA approved the MCA Merger, effective as of September 16, 1994. MCA was a national provider of alternative-site healthcare services through the operation of freestanding surgical centers and certain other outpatient ancillary facilities.

In connection with the MCA Merger, all outstanding shares of MCA common stock were converted on a tax-free basis into approximately 21,265,000 shares of Columbia/HCA voting common stock (an exchange ratio of 0.7042 of a share of Columbia/HCA common stock for each share of MCA common stock). The following is a summary of the aggregate purchase price (dollars in millions, except per share data):

Fair value of Columbia/HCA common stock (\$42.25 per share) issued in exchange for all outstanding MCA common stock	\$899
Fair value of options to purchase Columbia/HCA common stock issued in exchange for all outstanding options to purchase MCA common stock	33
Transaction costs	10
	\$942

The MCA Merger has been accounted for by the purchase method and, accordingly, the results of operations of MCA have been included with those of Columbia/HCA since September 1, 1994. The excess of the aggregate purchase price over the estimated fair value of net assets acquired approximated \$871 million.

The following unaudited pro forma information reflects the combined operating results of Columbia/HCA and MCA as if the MCA Merger had occurred at the beginning of the periods indicated (dollars in millions, except per share data).

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1994	1993	1994	1993
Revenues	\$2,802	\$2,596	\$8,493	\$7,995
Income(loss) from continuing operations	181	(8)	541	378
Net income (loss).....	158	(197)	514	207
Earnings (loss) per common and common equivalent share:				
Income (loss) from continuing operations	.49	(.02)	1.48	1.04
Net income (loss)	.43	(.54)	1.41	.57

NOTE 5 - HCA MERGER

The HCA Merger was completed on February 10, 1994. In connection therewith, Columbia stockholders approved an amendment to Columbia's Certificate of Incorporation changing the name of the corporation to "Columbia/HCA

Healthcare Corporation". HCA was then merged into a wholly owned subsidiary of Columbia/HCA. Shares of HCA Class A voting common stock and Class B nonvoting common stock were converted on a tax-free basis into approximately 166,846,000 shares of Columbia/HCA voting common stock and approximately 18,990,000 shares of Columbia/HCA nonvoting common stock, respectively (an exchange ratio of 1.05 shares of Columbia/HCA common stock for each share of HCA voting and nonvoting common stock).

COLUMBIA/HCA HEALTHCARE CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
Unaudited

NOTE 5 - HCA MERGER (Continued)

The HCA Merger has been accounted for as a pooling of interests, and accordingly, the condensed consolidated financial statements give retroactive effect to the HCA Merger and include the combined operations of Columbia and HCA for all periods presented. The following is a summary of the results of operations of the separate entities for periods prior to the HCA Merger (dollars in millions):

	Columbia	HCA	Consolidated
One month ended January 31, 1994:			
Revenues	\$ 480	\$ 460	\$ 940
Net income	33	44	77
Three months ended September 30, 1993:			
Revenues	\$1,238	\$1,253	\$2,491
Net income (loss):			
Continuing operations	\$ (45)	\$ 73	\$ 28
Extraordinary loss on extinguishment of debt	(70)	(14)	(84)
	\$ (115)	\$ 59	\$ (56)
Nine months ended September 30, 1993:			
Revenues	\$3,829	\$3,852	\$7,681
Net income:			
Continuing operations	\$ 115	\$ 284	\$ 399
Discontinued operations	16	-	16
Extraordinary loss on extinguishment of debt	(70)	(14)	(84)
	\$ 61	\$ 270	\$ 331

NOTE 6 - GALEN MERGER

On August 31, 1993, the stockholders of both CHC and Galen approved the Galen Merger, effective as of September 1, 1993. In connection with the Galen Merger, CHC, a Nevada corporation, was merged into Columbia. Each CHC share of common stock was converted on a tax-free basis into one share of Columbia common stock. Immediately subsequent thereto, a wholly owned subsidiary of Columbia was merged into Galen, at which time Galen became a wholly owned subsidiary of Columbia. In connection with this transaction, Columbia issued approximately 123,830,000 shares of common stock in a tax-free exchange for all of the outstanding common shares of Galen (an exchange ratio of 0.775 of a share of Columbia common stock for each share of Galen common stock).

The Galen Merger has been accounted for as a pooling of interests, and accordingly, the condensed consolidated financial statements give retroactive effect to the Galen Merger and include the combined operations of CHC and Galen for all periods presented. The following is a summary of the results of operations of the separate entities for the respective 1993 periods (dollars in millions):

COLUMBIA/HCA HEALTHCARE CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
Unaudited

NOTE 6 - GALEN MERGER (Continued)

	CHC	Galen	Consolidated
Two months ended August 31, 1993:			
Revenues	\$ 199	\$ 633	\$ 832
Net income (loss)	(3)	36	33
Eight months ended August 31, 1993:			
Revenues	\$ 823	\$2,600	\$3,423
Net income:			
Continuing operations	\$ 17	\$ 176	\$ 193
Discontinued operations	-	16	16
	\$ 17	\$ 192	\$ 209

NOTE 7 - SPINOFF TRANSACTION AND DISCONTINUED OPERATIONS

Prior to the Galen Merger, Galen began operating its hospital business as an independent publicly held corporation on March 1, 1993 as a result of a spinoff transaction by Humana Inc. ("Humana")(the "Spinoff"), which retained its managed care health plan business. The Spinoff separated Humana's previously integrated hospital and managed care health plan businesses and was effected through the distribution of Galen common stock to then current Humana stockholders on a one-for-one basis.

For accounting purposes, because of the relative significance of the hospital business, the consolidated financial statements of Galen (and now those of Columbia/HCA) include the separate results of Humana's hospital business, while the operations and net assets of Humana's managed care health plans have been classified as discontinued operations.

Revenues of the discontinued managed care health plan business (included in discontinued operations in the condensed consolidated statement of income) were \$523 million for the nine months ended September 30, 1993.

NOTE 8 - NON-RECURRING TRANSACTIONS AND EXTINGUISHMENT OF DEBT

Non-recurring Transactions

In the first quarter of 1994 Columbia/HCA recorded the following charges in connection with the HCA Merger (dollars in millions):

Employee benefit and certain severance actions	\$ 40
Investment advisory and professional fees	12
Costs of information systems consolidations	
primarily related to the writedown of assets	42
Writedown of assets in connection with	
consolidation of duplicative facilities	53
Other	12
	\$ 159

In addition to employee severance costs above, Columbia/HCA is a party to employment agreements with certain key employees as a result of the Galen and HCA Mergers. Future severance payments under these agreements, which may occur as a result of continued consolidation activities, will be charged to earnings as incurred.

Results of operations in the third quarter of 1993 include \$151 million (before income taxes) of charges related primarily to the Galen Merger.

COLUMBIA/HCA HEALTHCARE CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
Unaudited

NOTE 8 - NON-RECURRING TRANSACTIONS AND EXTINGUISHMENT OF DEBT (Continued)

Extinguishment of Debt

In connection with the Galen and HCA Mergers, substantial amounts of high-coupon fixed and floating rate long-term debt have been refinanced to reduce future interest costs and eliminate certain restrictive covenants.

In the third quarter of 1994, net income was reduced by \$23 million or \$.06 per share in connection with the refinancing of \$136 million of long-term debt. Net income in the first quarter of 1994 includes a loss of \$92 million or \$.27 per share related to the refinancing of approximately \$2 billion of long-term debt.

During the third quarter of 1993, Columbia/HCA effected the refinancing of \$787 million of its long-term debt and renegotiated HCA's bank credit agreement (subsequently replaced upon consummation of the HCA Merger). After-tax losses from these refinancing activities aggregated \$84 million or \$.24 per share.

NOTE 9 - OTHER BUSINESS COMBINATIONS

The following is a summary of acquisitions and joint ventures (excluding the MCA, HCA and Galen Mergers) consummated during the respective nine month periods (dollars in millions):

	1994	1993
Number of hospitals	9	3
Number of licensed beds	2,535	903
Purchase price information:		
Fair value of assets acquired	\$ 403	\$ 164
Liabilities assumed	(60)	(48)
Net assets acquired	343	116
Net assets sold in exchange for acquired properties	(45)	-
Contributions from minority partners	(79)	(28)
Net cash acquired	(6)	(10)
Net cash paid for acquisitions	\$ 213	\$ 78

NOTE 10 - INCOME TAXES

The Internal Revenue Service (the "IRS") has issued statutory notices of deficiency in connection with its examinations of HCA's federal income tax returns for 1981 through 1988. Columbia/HCA is currently contesting these claimed deficiencies in the United States Tax Court (the "Tax Court"). In addition, the IRS has proposed certain adjustments in connection with its examinations of HCA's 1989 and 1990 federal income tax returns. The following is a discussion of the disputed items.

Method of Accounting

For years 1981 through 1986, most of HCA's hospital subsidiaries (the "Subsidiaries") reported taxable income primarily using the cash method of accounting. This method was prevalent within the hospital industry and the

Subsidiaries applied the method in accordance with prior agreements with the IRS. The IRS now asserts that the accrual method of accounting should have been used by the Subsidiaries. The Tax Reform Act of

COLUMBIA/HCA HEALTHCARE CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
Unaudited

NOTE 10 - INCOME TAXES (Continued)

Method of Accounting (Continued)

1986 (the "1986 Act") requires the use of the accrual method of accounting beginning in 1987. Consequently, the Subsidiaries changed to the accrual method of accounting beginning January 1, 1987. In accordance with the provisions of the 1986 Act, income that had been deferred at the end of 1986 is being recognized as taxable income by the Subsidiaries in equal annual installments over ten years. If the IRS should ultimately prevail in its claim that the Subsidiaries should have used the accrual method for 1981 through 1986, the claim would be reduced to the extent that HCA has recognized as taxable income a portion of such deferred income taxes since 1986. In addition, the sale by HCA of numerous Subsidiaries in 1987 that had been using the cash method resulted in the recognition of a substantial gain that would not have been recognized had the Subsidiaries been using the accrual method. If the IRS were successful with respect to this issue, Columbia/HCA would owe an additional \$110 million in income taxes and \$472 million in interest as of September 30, 1994.

Hospital Acquisitions

In connection with hospitals acquired by HCA in 1981 and 1985, the IRS has asserted that a portion of the costs allocated to identifiable assets with ascertainable useful lives should be reclassified as nondeductible goodwill. If the IRS ultimately prevails in this regard, Columbia/HCA would owe an additional \$113 million in income taxes and \$158 million in interest as of September 30, 1994.

Insurance Subsidiary

Based on a Sixth Circuit Court of Appeals decision (the Court having jurisdiction over the HCA issues), HCA has claimed that insurance premiums paid to its wholly owned insurance subsidiary ("Parthenon") are deductible, while the IRS asserts that such premiums are not deductible and that corresponding losses are only deductible at the time and to the extent that claims are actually paid. HCA has claimed the additional deductions in its Tax Court petitions. Through September 30, 1994, Columbia/HCA is seeking a refund totaling \$51 million in income taxes and \$100 million in interest in connection with this issue.

As an alternative to its position, HCA has asserted that in connection with the sale of hospitals to HealthTrust, Inc. - The Hospital Company ("HTI") in 1987, premiums paid to Parthenon by the sold hospitals, if not deductible as discussed above, became deductible at the time of the sale. Accordingly, HCA claimed such deduction in its 1987 federal income tax return. The IRS has disallowed the deduction and is claiming an additional \$5 million in income taxes and \$17 million in interest. A final determination that the premiums are not deductible either when paid to Parthenon or upon the sale of certain hospitals to HTI would increase the taxable basis in the hospitals sold, thereby reducing HCA's gain realized on the sale.

HTI Sale

In connection with its sale of certain Subsidiaries to HTI in 1987 in exchange for cash, HTI preferred stock and stock purchase warrants, HCA calculated its gain based on the valuation of such stock and warrants by an independent appraiser. The IRS claims a higher aggregate valuation, based on the face amount of the preferred stock and a separate appraisal HTI obtained for the stock purchase warrants. Application of the higher valuation

would increase the gain recognized by HCA on the sale. However, if the IRS succeeds in its assertion, HCA's tax basis in its HTI preferred stock and

COLUMBIA/HCA HEALTHCARE CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
Unaudited

NOTE 10 - INCOME TAXES (Continued)

HTI Sale (Continued)

warrants will be increased accordingly, thereby substantially reducing the tax from the sale of such preferred stock and warrants by a corresponding amount. By December 31, 1992, HCA had sold its entire interest in the HTI preferred stock and warrants. Including the effect of the sales of these securities, the IRS is claiming additional interest of \$70 million through September 30, 1994.

Also in connection with the 1987 sale of certain Subsidiaries to HTI, the IRS claims that HCA's basis in the stock of the Subsidiaries sold to HTI should be calculated by adjusting such basis to reflect accelerated rather than straight-line depreciation, which would reduce HCA's basis in the stock sold and increase the taxable gain on the sale. The IRS position is contrary to a Tax Court decision in a similar case. The IRS is claiming additional income taxes of \$79 million and interest of \$76 million through September 30, 1994.

In connection with the 1987 HTI transactions, the IRS further asserts that, to the extent the Subsidiaries were properly on the cash method through 1986, and therefore properly recognizing taxable income over the ten-year transition period, HCA should have additional income in 1987 equal to the unamortized portion of the deferred income. It is HCA's position that no additional income need be included in 1987 and that the deferred income continues to qualify for the ten-year transition period after the sale. Should the IRS prevail, Columbia/HCA would owe \$11 million of additional income taxes and \$19 million of interest through September 30, 1994. The position of the IRS is an alternative to its denial of the use of the cash method of accounting previously discussed.

Doubtful Accounts

The IRS is asserting that in 1986 HCA was not entitled to include charity care writeoffs in the formula used to calculate its deduction for doubtful accounts. For years 1987 and 1988, the IRS is asserting that HCA was not entitled to exclude from income amounts which are unlikely to be collected. Management believes that such exclusions are permissible under the accrual method of accounting, and because HCA is a "service business" and not a "merchandising business," it is entitled to a special exclusion provided to service businesses by the 1986 Act. The IRS disagrees, asserting that HCA is engaged, at least in part, in a merchandising business. Notwithstanding this assertion, the IRS contends that the exclusion taken by HCA is excessive under applicable Temporary Treasury Regulations. Columbia/HCA believes that the calculation of the exclusion is inaccurate since it does not permit the exclusion in accordance with the controlling statute. If the IRS prevails, Columbia/HCA would owe additional income taxes of \$102 million and interest of \$58 million through September 30, 1994.

Leveraged Buy-out Expenses

The IRS has asserted that no deduction is allowed for various expenses incurred in connection with HCA's leveraged buy-out transaction in 1989, including the amortization of loan costs incurred to borrow funds to acquire the stock of the former shareholders, certain fees incurred by the Special Committee of HCA's Board of Directors to evaluate the buy-out proposal, compensation payments to cancel employee stock plans, and various other costs incurred after the buy-out which have been treated as part of the transaction by the IRS. Columbia/HCA believes that all of these costs are deductible. If the IRS prevails on these issues, Columbia/HCA would owe income taxes of \$94 million and interest of \$32 million through September 30, 1994.

COLUMBIA/HCA HEALTHCARE CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Continued)
Unaudited

NOTE 10 - INCOME TAXES (Continued)

Other Issues

Additional federal income tax issues primarily concern disputes over the depreciable lives utilized by HCA for constructed hospital facilities, investment tax credits, vacation pay deductions and income from foreign operations. Many of these items, including depreciation, investment tax credits and foreign issues, have been resolved favorably in previous settlements. The IRS is claiming an additional \$44 million in income taxes and \$29 million in interest through September 30, 1994.

On March 24, 1994, Columbia/HCA made an advance payment to the IRS of approximately \$75 million in connection with certain disputed prior years income taxes and related interest. This payment will not have a material effect on 1994 earnings.

In September 1994, Columbia/HCA presented its case in Tax Court for all issues other than the deductibility of insurance premiums paid to Parthenon, which is expected to be presented in the fourth quarter of 1994. A Tax Court decision is expected in 1995. Resolution of disputed income tax issues by the Tax Court will not be affected by the proposed merger with HTI discussed in Note 12.

Management believes that HCA had properly reported its income and paid its taxes in accordance with applicable laws and agreements established with the IRS during previous examinations, and that final resolution of these disputes will not have a material adverse effect on the results of operations or financial position of Columbia/HCA.

NOTE 11 - CONTINGENCIES

Management continually evaluates contingencies based upon the best available evidence. In addition, allowances for loss are provided currently for disputed items that have continuing significance, such as certain third-party reimbursements and deductions that continue to be claimed in current cost reports and tax returns.

Management believes that allowances for loss have been provided to the extent necessary and that its assessment of contingencies is reasonable. Management believes that resolution of contingencies will not materially affect Columbia/HCA's financial position or results of operations.

Principal contingencies are described below:

Revenues

Certain third-party payments are subject to examination by agencies administering the programs. Columbia/HCA is contesting certain issues raised in audits of prior year cost reports.

Professional Liability Risks

Columbia/HCA has provided for loss for professional liability risks based upon actuarially determined estimates. Actual settlements and expenses incident thereto may differ from the provisions for loss.

Income Taxes

Columbia/HCA is contesting adjustments proposed by the IRS.

NOTE 11 - CONTINGENCIES (Continued)

Spinoff

Certain subsidiaries of Columbia/HCA are parties to risk-sharing arrangements with Humana.

Regulatory Review

Federal regulators are investigating certain financial arrangements with physicians at two psychiatric hospitals.

Litigation

Various suits and claims arising in the ordinary course of business are pending against Columbia/HCA.

Columbia/HCA is a party to a class action lawsuit originally initiated against certain subsidiaries, directors and officers of MCA alleging violation of various sections of the Securities Acts of 1933 and 1934 as well as various provisions of state law. The litigation is generally based on claims that the defendants knew or should have known earlier than reported that MCA's earnings for the quarter ended September 30, 1992 would be below analysts' published expectations and that the defendants made false and misleading statements concerning MCA's earnings prospects, leading to the subsequent loss in the value of MCA common stock. The litigation seeks to recover monetary damages in unspecified amounts and is in the early stages of discovery.

NOTE 12 - SUBSEQUENT EVENT

On October 4, 1994, Columbia/HCA entered into a definitive agreement to merge with HTI in a tax-free, stock-for-stock transaction.

Under the terms of the merger agreement which was approved by the boards of both companies, HTI stockholders would receive 0.88 of a share of Columbia/HCA common stock in exchange for each HTI share held, which would result in outstanding Columbia/HCA common shares of approximately 452 million. Columbia/HCA expects that the merger will be tax-free to HTI stockholders and accounted for as a pooling of interests. It is also anticipated that the combined entity will continue Columbia/HCA's existing quarterly dividend policy of \$.03 per common share.

The proposed merger is subject to various conditions, including confirmation that the proposed merger qualifies as a pooling of interests for accounting purposes, expiration or termination of the waiting period applicable to the consummation of the merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, and approval of the proposed transaction by stockholders of both companies. The combined entity would operate approximately 311 hospitals containing over 60,000 licensed beds, over 125 outpatient ancillary facilities located in 37 states and two foreign countries with annual revenues in excess of \$15 billion.

A proxy statement detailing the proposed merger will be distributed to stockholders of both companies. Stockholder meetings to vote on the proposed merger are anticipated to occur in the first quarter of 1995. If approved, the transaction should be completed shortly thereafter.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Background Information and Business Strategy

Proposed HTI Merger

On October 4, 1994, Columbia/HCA entered into a definitive agreement to merge with HTI in a tax-free, stock-for-stock transaction. See Note 12 of the Notes to Condensed Consolidated Financial Statements.

MCA Merger

The MCA Merger was completed in September 1994. As discussed in Note 4 of the Notes to Condensed Consolidated Financial Statements, the MCA Merger was accounted for by the purchase method, and accordingly, the accompanying condensed consolidated financial statements and financial and operating data included in this discussion and analysis include the operations of MCA since September 1, 1994.

HCA Merger

As discussed in Note 5 of the Notes to Condensed Consolidated Financial Statements, the HCA Merger was completed on February 10, 1994. For accounting purposes, this transaction was treated as a pooling of interests. Accordingly, the accompanying condensed consolidated financial statements and financial and operating data included in this discussion and analysis give retroactive effect to the HCA Merger and include the combined operations of Columbia and HCA for all periods presented.

Galen Merger

The Galen Merger was completed on September 1, 1993 and was also accounted for as a pooling of interests. See Note 6 of the Notes to Condensed Consolidated Financial Statements for a discussion of the Galen Merger. The accompanying condensed consolidated financial statements and financial and operating data included in this discussion and analysis give retroactive effect to the Galen Merger and include the combined operations of CHC and Galen for all periods presented. In addition, the historical financial information related to Galen (which prior to the Galen Merger was reported on a fiscal year ending August 31) has been recast to conform to Columbia/HCA's annual reporting period ending December 31.

Spinoff Transaction

Prior to the merger with CHC, Galen became a publicly held corporation as a result of the Spinoff which was completed on March 1, 1993. See Note 7 of the Notes to Condensed Consolidated Financial Statements for a discussion of the Spinoff. The Spinoff separated Humana's previously integrated hospital and managed care health plan businesses and was effected through the distribution of Galen common stock to then current Humana common stockholders on a one-for-one basis. For accounting purposes, because of the relative significance of the hospital business, the pre-Spinoff financial statements of Galen (and now those of Columbia/HCA) include the separate results of Humana's hospital business, while the operating results and net assets of Humana's managed care health plans have been classified as discontinued operations.

Business Strategy

Columbia/HCA primarily operates hospitals and ancillary health care facilities through either (i) wholly owned subsidiaries or (ii) ownership of controlling interests in various partnerships in which subsidiaries of Columbia/HCA serve as the managing general partner. Columbia/HCA's business strategy centers on the development of comprehensive, integrated healthcare delivery networks with physicians and other healthcare providers in targeted markets, which typically involves significant health care facility acquisitions and consolidation activities.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Background Information and Business Strategy (Continued)

Business Strategy (Continued)

During the past several years, hospital industry inpatient admission trends

have been adversely impacted by cost containment efforts initiated by federal and state governments and various third-party payers, including health maintenance organizations, preferred provider organizations, commercial insurance companies and employer-sponsored networks. In addition, a significant number of medical procedures have shifted from inpatient to less expensive outpatient settings as a result of both cost containment pressures and advances in medical technology.

In response to changes in the health care industry, Columbia/HCA has developed the following strategy to provide the highest quality health care services at the lowest possible cost:

Become a significant provider of services - Columbia/HCA attempts to (i) consolidate services to reduce costs and (ii) develop the geographic coverage necessary for inclusion in most managed care and employer-sponsored networks in each market.

Provide a comprehensive range of services - In addition to the operation of general, acute care hospitals, Columbia/HCA also operates psychiatric and rehabilitation facilities, outpatient surgery and diagnostic centers, home health agencies and other services. This strategy enables Columbia/HCA to attract business from managed care plans and major employers seeking efficient access to a wide array of health care services.

Deliver high quality services - Through the use of clinical information systems and continuous quality enhancement programs, Columbia/HCA focuses on patient outcomes and strives to continuously improve the quality of care and service provided to patients.

Integrate fragmented delivery systems - Through its networks, Columbia/HCA focuses on coordinating pricing, contracting, information systems, economic incentives and quality assurance activities among providers in each market.

Results of Operations

Revenues increased 9% to \$2.7 billion in the third quarter of 1994 and 7% to \$8.2 billion for the nine months ended September 30, 1994 compared to the respective periods last year, primarily as a result of acquisitions, growth in inpatient and outpatient volumes and price increases. On a same-hospital basis, admissions increased 1.9% and 1.4% for the third quarter and nine months periods, respectively, and outpatient visits increased 52.2% and 31.7% for the respective periods compared to 1993. The increase in outpatient visits is primarily a result of expanding home health and other outpatient ancillary services.

Despite a continued increase in discounted business, income from continuing operations before non-recurring transactions, depreciation, interest expense, minority interests, income taxes and amortization ("EBDITA") increased 14% to \$507 million in third quarter 1994 from \$444 million last year and 10% to \$1.7 billion for the for the nine month period from \$1.5 billion last year. The increase in EBDITA margins to 18.6% and 20.2% in the third quarter and nine months ended September 30, 1994, respectively, from 17.9% and 19.5% last year, respectively, resulted primarily from volume growth, increased discounts on medical supplies and other operating efficiencies related to growth in

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Results of Operations (Continued)

volume of services. Medicare admissions as a percentage of total admissions grew from 37% for the third quarter of 1993 to 38% in 1994, while discounted and managed care admissions increased from 36% to 40%, respectively. For the nine month periods, Medicare admissions as a percentage of total admissions increased from 38% in 1993 to 39% in 1994, and discounted and managed care admissions grew from 34% last year to 39% this year.

During the first quarter of 1994, Columbia/HCA recorded \$159 million (before income taxes) of certain non-recurring charges in connection with the HCA Merger. In addition to investment and advisory fees associated with the HCA Merger, these charges reflect management's actions to reduce overhead costs, eliminate duplicative operating facilities in certain markets and consolidate management information systems. These cost-saving measures should be completed during 1994. Management believes that these actions related to the HCA Merger, combined with cost reductions from renegotiations of medical supply contracts and interest savings from the 1994 refinancings of long-term debt, could result in annual pretax savings of approximately \$130 million, of which as much as \$75 million could be realized in 1994.

Excluding the effects of non-recurring transactions, income from continuing operations increased 28% to \$176 million (\$.50 per share) in the third quarter of 1994 from \$137 million (\$.40 per share) last year, and 22% to \$620 million (\$1.80 per share) for the nine months ended September 30, 1994 from \$508 million (\$1.50 per share) for the same period last year. The increase in both periods was attributable to the previously discussed growth of EBDITA and declines in interest expense resulting from refinancing activities.

The freestanding surgical center business acquired in connection with the MCA Merger in September 1994 increased revenues by \$39 million. The MCA Merger had no material effect on third quarter 1994 earnings.

Results of operations for the periods prior to the Spinoff in 1993 include income from discontinued operations of \$16 million or \$.04 per share related to Humana's health plan business. See Note 7 of the Notes to Condensed Consolidated Financial Statements.

In connection with the Galen and HCA Mergers, substantial amounts of high-coupon long-term debt have been refinanced to reduce future interest expense and eliminate certain restrictive covenants. During the third quarter of 1994, Columbia/HCA incurred an after-tax loss of \$23 million or \$.06 per share in connection with the refinancing of \$136 million of long-term debt. In the first quarter of 1994, Columbia/HCA refinanced approximately \$2 billion of long-term debt resulting in an after-tax loss of \$92 million or \$.27 per share. Losses from refinancings of \$787 million of long-term debt and a revolving credit agreement in the third quarter of 1993 reduced net income by \$84 million or \$.24 per share.

In connection with the Galen Merger, Columbia/HCA recorded charges in the third quarter of 1993 totaling \$151 million (before income taxes) for management actions similar to those previously discussed as part of the HCA Merger. Consolidation and cost-saving activities related to these charges have been substantially completed. Management believes that these actions related to the Galen Merger, combined with cost reductions from renegotiations of medical supply contracts and interest savings from the third quarter 1993 refinancing of long-term debt, could result in annual pretax savings in 1994 of approximately \$30 million.

Liquidity

Cash provided by continuing operations totaled \$985 million for the nine months ended September 30, 1994 compared to \$1 billion last year. Cash flows in 1994 were reduced

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Liquidity (Continued)

by approximately \$75 million in connection with the payment to the IRS related to disputed prior year income taxes and interest. In both periods, cash flows in excess of Columbia/HCA's capital expenditure program were used primarily to finance acquisitions, reduce long-term debt and, in 1993, finance a payment of \$135 million to Humana in connection with the Spinoff. Working capital totaled \$801 million at September 30, 1994 compared to \$573 million at December 31, 1993. Management believes that cash flows from operations and amounts available under Columbia/HCA's revolving credit facilities and related commercial paper programs are sufficient to meet

expected future liquidity needs.

A substantial portion of the non-recurring transactions recorded in the first quarter of 1994 comprises the writedown of recorded assets and, accordingly, management does not expect that these transactions will have a material adverse effect on cash flows from continuing operations in 1994.

Investments of Columbia/HCA's professional liability insurance subsidiaries to maintain statutory equity and pay claims totaled \$825 million at September 30, 1994 and \$778 million at December 31, 1993.

Capital Resources

Excluding acquisitions, capital expenditures totaled \$693 million for the nine months ended September 30, 1994 compared to \$630 million for the same period in 1993. Planned capital expenditures in 1994 (excluding acquisitions) are expected to approximate \$950 million. Management believes that its capital expenditure program is adequate to expand, improve and equip existing health care facilities.

Columbia/HCA also expended \$213 million and \$78 million for acquisitions and joint ventures (excluding the MCA, HCA and Galen Mergers) during the respective nine month periods of 1994 and 1993. See Note 9 of the Notes to Condensed Consolidated Financial Statements for a description of these activities. As part of its business strategy, Columbia/HCA intends to acquire (either through purchase or joint venture transactions) additional health care facilities in the future.

Columbia/HCA intends to finance all capital expenditures with internally generated and borrowed funds. Available sources of capital include public or private debt, commercial paper, unused bank revolving credits and equity. At September 30, 1994, there were projects under construction which had an estimated additional cost to complete of approximately \$285 million.

On April 29, 1994, Columbia/HCA filed a registration statement on Form S-3 with the Securities and Exchange Commission in connection with the planned public offering of up to approximately \$1.5 billion of long-term debt. The proceeds from the sales of such securities will be used for general corporate purposes, which may include repayment of commercial paper and other indebtedness, additional capitalization of Columbia/HCA's subsidiaries, capital expenditures and possible acquisitions. In the third quarter of 1994, the Company issued \$555 million of fixed and floating rate medium term notes, the proceeds from which were used primarily to repay commercial paper and bank borrowings.

Other Information

As discussed in Note 10 of the Notes to Condensed Consolidated Financial Statements, Columbia/HCA is contesting certain income taxes and related interest aggregating \$1.4 billion at September 30, 1994 proposed by the IRS for prior years. Management believes that final resolution of these disputes will not have a material adverse effect on the financial position, results of operations or liquidity of Columbia/HCA. However, if

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Other Information (Continued)

all or a majority of the positions of the IRS are upheld, the financial position, results of operations and liquidity of Columbia/HCA would be materially adversely affected.

On March 24, 1994, Columbia/HCA made an advance payment to the IRS of approximately \$75 million in connection with certain disputed prior year income taxes and related interest. This payment will not have a material effect on 1994 earnings.

Resolution of various other loss contingencies, including litigation pending

against Columbia/HCA in the ordinary course of business, is not expected to have a material adverse effect on its financial position or results of operations.

Agreements relating to long-term debt require, among other things, maintenance of certain levels of interest coverage and provide limitations on long-term debt, sales of assets, mergers, changes in ownership and certain other financing activities. Columbia/HCA was in compliance with all such covenants at September 30, 1994.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Operating Data

	1994	1993
Number of hospitals in operation at:		
March 31	196	197
June 30	196	195
September 30	195	191
December 31		193
Number of freestanding outpatient surgical centers in operation at:		
March 31	6	4
June 30	6	4
September 30	103	5
December 31		6
Licensed hospital beds at:		
March 31	43,171	42,786
June 30	43,092	42,576
September 30	43,669	42,170
December 31		42,237
Weighted average hospital bed capacity:		
Quarter:		
First	41,955	41,525
Second	42,237	41,824
Third	42,456	41,149
Fourth		41,221
Year		41,263
Average daily census:		
Quarter:		
First	20,341	20,880
Second	18,272	18,634
Third	17,445	17,425
Fourth		17,917
Year		18,702
Admissions:		
Quarter:		
First	309,800	306,200
Second	292,300	286,500
Third	288,400	278,600
Fourth		287,100
Year		1,158,400

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS (Continued)

Operating Data

	1994	1993
Length of stay:		
Quarter:		
First	5.9	6.1
Second	5.7	5.9
Third	5.6	5.8
Fourth		5.7
Year		5.9
Outpatient visits:		
Quarter:		
First	1,522,500 (a)	1,378,500
Second	1,766,400	1,411,800
Third	2,073,600	1,311,600
Fourth		1,389,000
Year		5,490,900
Emergency room visits:		
Quarter:		
First	788,300	791,900
Second	816,300	792,600
Third	811,100	778,500
Fourth		776,700
Year		3,139,700

(a) Restated to reflect visits related to the acquisition of a home health agency.

Part II: Other Information

Item 1: Legal Proceedings.

A class action, In re Medical Care America, Inc. Securities Litigation, is pending in the United States District Court for the Northern District of Texas, Dallas Division (Civil Action No. 3-92-CV-1996-R). A class has been certified by the Court consisting of all persons who owned securities of MCA at the close of trading on September 24, 1992 and who acquired those securities either in purchases in the open market following the September 9, 1992 merger of Medical Care International, Inc. ("MCI") and Critical Care America, Inc. ("CCA") or through exchange of their securities in said companies pursuant to the merger, and who sustained damages as a result of such purchases, subject to certain exclusions (the "Class Members" or the "Class"). The named defendants include MCA, MCI, CCA, as well as certain officers and/or directors of MCA, MCI, or CCA. The plaintiffs seek to recover damages sustained by Class Members as a result of alleged violations by the defendants of Section 11 of the Securities Act and Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder. In addition, the complaint asserts claims under the state law of Texas which have not been certified for class treatment at the present time, without prejudice to any party's rights regarding certification of such claims in the future. The

complaint alleges a course of conduct in which the defendants knowingly or recklessly failed to state material information and released false and misleading information to the investing public, regarding the earnings, profitability and business prospects of MCA and of MCI and CCA prior to their merger. The plaintiffs allege that, as a result of this false and misleading information, the market price of MCA securities was artificially inflated throughout the class period. The plaintiffs further allege that, upon the dissemination on September 25, 1992 of the true facts concerning MCA's earnings, profitability and business prospects, the market price of MCA Common Stock dropped precipitously, resulting in a significant market loss of over \$1 billion, and causing damages to plaintiffs and the other Class Members. The litigation is in the early stages of discovery. Management believes the lawsuit is without merit and intends to vigorously defend the same.

Item 5: Other Information.

Columbia/HCA's ratio of earnings to fixed charges was 4.49 and 1.71 for the three months ended September 30, 1994 and 1993, respectively, and 4.55 and 3.18 for the nine months ended September 30, 1994 and 1993, respectively.

Item 6: Exhibits and Reports on Form 8-K.

(a) Exhibits:

Exhibit 11 - Statement re Computation of Earnings Per Common and Common Equivalent Share.

Exhibit 12 - Statement re Computation of Ratio of Earnings to Fixed Charges.

Exhibit 27 - Financial Data Schedule (included only in filings under the Electronic Data, Gathering, Analysis, and Retrieval system)

(b) Reports on Form 8-K:

On September 16, 1994, Columbia/HCA filed a report on Form 8-K announcing the completion of the merger with MCA. A copy of the press release issued by Columbia/HCA was included in the report.

On October 4, 1994, Columbia/HCA filed a report on Form 8-K announcing the signing of a definitive agreement between Columbia/HCA and HTI to merge in a tax-free, stock-for-stock transaction. A copy of the press release issued by Columbia/HCA was included in the report.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COLUMBIA/HCA HEALTHCARE CORPORATION

Date: November 14, 1994

/s/ David C. Colby
David C. Colby
Senior Vice President,
Chief Financial
Officer and Treasurer
(Principal Financial
Officer)

Date: November 14, 1994

/s/ Richard A. Lechleiter
Richard A. Lechleiter
Vice President and
Controller
(Principal Accounting
Officer)

COLUMBIA/HCA HEALTHCARE CORPORATION
 COMPUTATION OF EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE
 For the quarters and nine months ended September 30, 1994 and 1993
 (Dollars in millions, except per share amounts)

	Quarter		Nine Months	
	1994	1993	1994	1993
Primary Earnings per Common and Common Equivalent Share:				
Earnings (loss):				
Income from continuing operations	\$ 176	\$ 28	\$ 518	\$ 399
Income from operations of discontinued health plan segment, net of income taxes	-	-	-	16
Extraordinary loss on extinguishment of debt, net of income tax benefit	(23)	(84)	(115)	(84)
Net income (loss)	\$ 153	\$ (56)	\$ 403	\$ 331
Shares used in the computation (000):				
Weighted average common shares outstanding	347,501	334,957	340,966	333,472
Dilutive effect of common stock equivalents	3,638	5,188	3,988	5,272
Shares used in earnings per common and common equivalent share computation	351,139	340,145	344,954	338,744

Primary earnings per common and common equivalent share:				
Income from continuing operations	\$.50	\$.08	\$ 1.50	\$ 1.18
Income from operations of discontinued health plan segment	-	-	-	.04
Extraordinary loss on extinguishment of debt	(.06)	(.24)	(.33)	(.24)
Net income (loss)	\$.44	\$ (.16)	\$ 1.17	\$.98

Exhibit 11

COLUMBIA/HCA HEALTHCARE CORPORATION
 COMPUTATION OF EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE
 For the quarters and nine months ended September 30, 1994 and 1993
 (Dollars in millions, except per share amounts)

	Quarter		Nine Months	
	1994	1993	1994	1993
Fully Diluted Earnings per Common and Common Equivalent Share:				
Earnings (loss):				
Income from continuing operations	\$ 176	\$ 28	\$ 518	\$ 399
Interest addback on convertible securities, net of income taxes	1	1	2	2
Income applicable to common stock	177	29	520	401
Income from operations of discontinued health plan segment, net of income taxes	-	-	-	16
Extraordinary loss on extinguishment of debt, net of income tax benefit	(23)	(84)	(115)	(84)
Net income (loss)	\$ 154	\$ (55)	\$ 405	\$ 333

Shares used in the computation (000):

Weighted average common shares outstanding	347,501	334,957	340,966	333,472
Dilutive effect of common stock equivalents and other dilutive securities	4,641	8,137	5,021	7,873
Shares used in earnings per common and common equivalent share computation	352,142	343,094	345,987	341,345
Fully diluted earnings per common and common equivalent share:				
Income from continuing operations	\$.50	\$.08	\$ 1.50	\$ 1.17
Income from operations of discontinued health plan segment	-	-	-	.04
Extraordinary loss on extinguishment of debt	(.06)	(.24)	(.33)	(.24)
Net income (loss)	\$.44	\$ (.16)	\$ 1.17	\$.97

COLUMBIA/HCA HEALTHCARE CORPORATION
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
 For the quarters and nine months ended September 30, 1994 and 1993
 (Dollars in millions)

	Quarter		Nine Months	
	1994	1993	1994	1993
Earnings:				
Income from continuing operations				
before minority interests and income taxes	\$ 293	\$ 72	\$ 872	\$ 681
Fixed charges, exclusive of capitalized interest	80	96	234	301
	\$ 373	\$ 168	\$1,106	\$ 982
Fixed Charges:				
Interest charged to expense	\$ 62	\$ 81	\$ 182	\$ 251
One-third of rent expense and amortization of deferred loan costs (a)	18	15	52	50
Fixed charges, exclusive of capitalized interest	80	96	234	301
Capitalized interest	3	2	9	8
	\$ 83	\$ 98	\$ 243	\$ 309
Ratio of earnings to fixed charges	4.49	1.71	4.55	3.18

(a) One-third of rent expense is considered representative of the underlying interest.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE STATEMENT OF INCOME AND BALANCE SHEET AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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9-MOS		
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	SEP-30-1994	25
		0
	1,628	
	594	
	273	
	2,425	
		9,365
	3,154	
	11,839	
	1,624	
		3,709
		4
	0	
		0
		4,844
11,839		
		0
	8,195	
		0
	4,589	
	1,533	
	470	
	182	
	859	
	341	
518		
	0	
	(115)	
		0
	403	
	1.17	
	1.17	