

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, 1996

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
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

75-2497104
(I.R.S. EMPLOYER
IDENTIFICATION NO.)

ONE PARK PLAZA
NASHVILLE, TENNESSEE
(ADDRESS OF PRINCIPAL EXECUTIVE
OFFICES)

37203
(ZIP CODE)

(615) 327-9551
(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 , 1996
Voting common stock, \$.01 par value	650,319,400 shares
Nonvoting common stock, \$.01 par value	21,000,000 shares

COLUMBIA/HCA HEALTHCARE CORPORATION
FORM 10-Q
SEPTEMBER 30, 1996

PART I: FINANCIAL INFORMATION

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FORM 10-Q

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COLUMBIA/HCA HEALTHCARE CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE QUARTERS AND NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995
UNAUDITED
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	QUARTER		NINE MONTHS	
	1996	1995	1996	1995
Revenues.....	\$ 4,887	\$ 4,371	\$14,771	\$13,112
Salaries and benefits.....	1,950	1,788	5,873	5,291
Supplies.....	659	629	2,020	1,907
Other operating expenses.....	1,022	849	2,978	2,444
Provision for doubtful accounts.....	316	258	875	746
Depreciation and amortization.....	302	251	849	730
Interest expense.....	122	111	379	347
Equity in earnings of affiliates.....	(39)	(2)	(127)	(9)
Merger and facility consolidation costs...	-	-	-	387
	4,332	3,884	12,847	11,843
Income before minority interests and in- come taxes.....	555	487	1,924	1,269
Minority interests in earnings of consoli- dated entities.....	36	30	102	80
Income before income taxes and extraordi- nary charges.....	519	457	1,822	1,189
Provision for income taxes.....	208	183	731	479
Income before extraordinary charges.....	311	274	1,091	710
Extraordinary charges on extinguishments of debt, net of income tax benefits.....	-	(7)	-	(103)
Net income.....	\$ 311	\$ 267	\$ 1,091	\$ 607
Earnings per share:				
Income before extraordinary charges.....	\$.46	\$.40	\$ 1.61	\$ 1.05
Extraordinary charges on extinguishments of debt.....	-	(.01)	-	(.15)
Net income.....	\$.46	\$.39	\$ 1.61	\$.90
Cash dividends per share.....	\$.02	\$.02	\$.06	\$.06
Shares used in computing earnings per share (in thousands).....	677,417	674,160	677,814	672,278

See accompanying notes.

COLUMBIA/HCA HEALTHCARE CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEET
UNAUDITED
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	SEPTEMBER 30, 1996	DECEMBER 31, 1995
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 10	\$ 232
Accounts receivable, less allowances for doubtful accounts of \$1,341 and \$1,171.....	2,795	2,665
Inventories.....	432	406
Other.....	847	897
	-----	-----
	4,084	4,200
Property and equipment, at cost.....	15,521	14,315
Accumulated depreciation.....	(5,198)	(4,564)
	-----	-----
	10,323	9,751
Investments of professional liability insurance sub- sidiary.....	1,086	1,071
Investments in and advances to affiliates.....	1,129	1,021
Intangible assets.....	3,672	3,497
Other.....	363	352
	-----	-----
	\$20,657	\$19,892
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 679	\$ 829
Accrued salaries.....	416	520
Other accrued expenses.....	1,377	1,146
Long-term debt due within one year.....	201	243
	-----	-----
	2,673	2,738
Long-term debt.....	6,859	7,137
Deferred taxes and other liabilities.....	2,090	2,166
Minority interests in equity of consolidated enti- ties.....	820	722
Stockholders' equity:		
Common stock, \$.01 par; authorized 800,000,000 voting shares and 25,000,000 nonvoting shares; issued and outstanding 650,548,800 voting shares and 21,000,000 nonvoting shares--September 30, 1996 and 647,549,500 voting shares and 21,178,500 nonvoting shares--December 31, 1995.....	7	7
Other.....	8,208	7,122
	-----	-----
	8,215	7,129
	-----	-----
	\$20,657	\$19,892
	=====	=====

See accompanying notes.

COLUMBIA/HCA HEALTHCARE CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995
UNAUDITED
(DOLLARS IN MILLIONS)

	1996	1995
	-----	-----
Cash flows from operating activities:		
Net income.....	\$ 1,091	\$ 607
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	849	730
Deferred income taxes.....	15	(19)
Changes in operating assets and liabilities.....	(110)	(348)
Merger and facility consolidation costs.....	-	387
Extraordinary charges on extinguishments of debt.....	-	170
Other.....	63	(11)
	-----	-----
Net cash provided by operating activities.....	1,908	1,516
	-----	-----
Cash flows from investing activities:		
Purchase of property and equipment.....	(1,066)	(1,064)
Acquisition of hospitals and health care entities.....	(656)	(1,279)
Investments in and advances to affiliates.....	(37)	-
Disposition of property and equipment.....	142	241
Purchase of other investments.....	(114)	(88)
Other.....	(1)	55
	-----	-----
Net cash used in investing activities.....	(1,732)	(2,135)
	-----	-----
Cash flows from financing activities:		
Issuance of long-term debt.....	435	1,764
Net changes in commercial paper borrowings and lines of credit.....	(506)	785
Repayment of long-term debt.....	(291)	(1,924)
Payment of cash dividends.....	(40)	(34)
Other.....	4	35
	-----	-----
Net cash provided by (used in) financing activities....	(398)	626
	-----	-----
Change in cash and cash equivalents.....	(222)	7
Cash and cash equivalents at beginning of period.....	232	68
	-----	-----
Cash and cash equivalents at end of period.....	\$ 10	\$ 75
	=====	=====
Interest payments.....	\$ 337	\$ 329
Income tax payments, net of refunds.....	\$ 602	\$ 528

See accompanying notes.

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

NOTE 1--BASIS OF PRESENTATION

Columbia/HCA Healthcare Corporation ("Columbia/HCA" or the "Company") is a Delaware corporation that operates hospitals and ancillary health care facilities through (i) wholly owned subsidiaries, (ii) joint ventures or (iii) ownership of interests in various partnerships in which subsidiaries of Columbia/HCA serve as the managing general partner. At September 30, 1996, Columbia/HCA owned and operated 325 hospitals, 130 freestanding surgery centers, approximately 560 home health locations and numerous other facilities providing a variety of health care services. Columbia/HCA is also a partner in several 50/50 joint ventures that own and operate 20 hospitals and 3 freestanding surgery centers which are accounted for using the equity method. The above facilities are located in 37 states, England and Switzerland.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the quarter and nine months ended September 30, 1996, are not necessarily indicative of the results that may be expected for the year ending December 31, 1996. For further information, refer to the consolidated financial statements and footnotes thereto included in Columbia/HCA's annual report on Form 10-K for the year ended December 31, 1995.

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 2--EARNINGS PER SHARE

A 3-for-2 stock split in the form of a stock dividend was distributed on October 15, 1996, to shareholders of record as of October 1, 1996. Retroactive recognition has been given to the stock split in the accompanying financial statements and notes.

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

NOTE 3--BUSINESS COMBINATIONS

The following is a summary of hospital and other healthcare entity acquisitions consummated during the respective nine-month periods (dollars in millions):

	1996	1995
	-----	-----
Number of hospitals.....	14	23
Number of licensed beds.....	2,652	4,639
Purchase price information:		
Hospitals:		
Fair value of assets acquired.....	\$ 734	\$1,588
Liabilities assumed.....	(108)	(108)
	-----	-----
Net assets acquired.....	626	1,480
Contributions from minority partners.....	(149)	(330)

	-----	-----
	477	1,150
Other healthcare entities.....	179	129
	-----	-----
Net cash used for acquisitions.....	\$ 656	\$1,279
	=====	=====

COLUMBIA/HCA HEALTHCARE CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)
UNAUDITED

NOTE 4--INCOME TAXES

The Internal Revenue Service ("IRS") has issued statutory notices of deficiency in connection with its examinations of HCA-Hospital Corporation of America's ("HCA") federal income tax returns for 1981 through 1988, 1991 and 1992. Columbia/HCA is currently contesting the 1981 through 1988 claimed deficiencies in the United States Tax Court ("Tax Court"), the 1991 claimed deficiency in the United States Court of Federal Claims, and the 1992 claimed deficiency in the Tax Court. The IRS has also proposed certain adjustments in connection with its examination of HCA's 1989 and 1990 federal income tax returns. Columbia/HCA is currently contesting the 1989 and 1990 adjustments with the IRS.

The IRS has also issued a statutory notice of deficiency in connection with its examination of Healthtrust, Inc.--The Hospital Company's ("Healthtrust") 1990 and 1991 federal income tax returns. Columbia/HCA is currently contesting the claimed 1990 and 1991 deficiencies in Tax Court.

The following is a discussion of certain disputed items:

1981-1988 Tax Litigation

Tax Court decisions are expected in 1996 regarding disputes over the valuation of the Healthtrust preferred stock and stock purchase warrants HCA received in connection with the sale of certain of its subsidiaries to Healthtrust in 1987 and the depreciable lives utilized by HCA for constructed hospital facilities. The IRS is claiming an additional \$33 million in income taxes and \$128 million in interest through September 30, 1996 with respect to these issues.

A Tax Court decision is also expected in 1996 regarding HCA's claim that insurance premiums paid to its wholly owned insurance subsidiary, Parthenon, are deductible. Through September 30, 1996, Columbia/HCA is seeking a refund totaling \$62 million in income taxes and \$147 million in interest.

Tax Court Decisions

In September 1996, the Tax Court ruled in the IRS's favor with respect to the formula for calculating the tax reserve for doubtful accounts and in Columbia/HCA's favor with respect to the eligibility of certain receivables for the reserve method. The Tax Court also ruled in the IRS's favor with respect to the timing of the recognition of deferred income in connection with HCA's sale of certain subsidiaries to Healthtrust in 1987. As a result of these decisions, Columbia/HCA owed additional income taxes of \$76 million and interest of \$76 million through September 30, 1996. These rulings did not have any effect on the Company's results of operations.

Stock Option Compensation

The IRS has proposed the disallowance of certain stock option compensation which HCA deducted in calculating taxable income for 1992. If the IRS prevails on this issue, Columbia/HCA would owe additional income taxes of \$178 million and interest of \$62 million through September 30, 1996.

Executive Compensation

The IRS has proposed the disallowance of certain executive compensation which Healthtrust deducted in calculating taxable income for 1991. If the IRS prevails on this issue, Columbia/HCA would owe additional income taxes of \$12 million and interest of \$5 million through September 30, 1996.

COLUMBIA/HCA HEALTHCARE CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)
UNAUDITED

NOTE 4--INCOME TAXES (CONTINUED)

Management believes that HCA and Healthtrust properly reported income and paid 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.

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

BUSINESS STRATEGY

Columbia/HCA's business strategy centers on working with physicians and other health care providers to develop comprehensive, integrated health care delivery networks in targeted markets. This strategy typically involves significant health care facility acquisition and consolidation activities.

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:

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.

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 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 facilities which provide health care related 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.

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

RESULTS OF OPERATIONS

The following is a summary of operations before extraordinary charges for the quarters and nine months ended September 30, 1996 and 1995 (dollars in millions, except per share amounts):

	QUARTER			
	1996		1995	
	AMOUNT	RATIO	AMOUNT	RATIO
Revenues.....	\$4,887	100.0%	\$4,371	100.0%
Salaries and benefits.....	1,950	39.9	1,788	40.9
Supplies.....	659	13.5	629	14.4
Other operating expenses.....	1,022	20.9	849	19.4
Provision for doubtful accounts.....	316	6.5	258	5.9
Equity in earnings of affiliates.....	(39)	(0.8)	(2)	-
	3,908	80.0	3,522	80.6
EBDITA(a).....	979	20.0	849	19.4
Depreciation and amortization.....	302	6.1	251	5.8
Interest expense.....	122	2.5	111	2.5
Income before minority interests and income taxes.....	555	11.4	487	11.1
Minority interests.....	36	0.8	30	0.6
Income before income taxes.....	519	10.6	457	10.5
Provision for income taxes.....	208	4.2	183	4.2
Income before extraordinary charges.....	\$ 311	6.4	\$ 274	6.3
Earnings per share before extraordinary charges.....	\$.46		\$.40	
% changes from prior year:				
Revenues.....	11.8%			
EBDITA.....	15.3			
Income before income taxes.....	13.5			
Income before extraordinary charges.....	13.2			
Earnings per share before extraordinary charges.....	15.0			

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

RESULTS OF OPERATIONS (CONTINUED)

	NINE MONTHS			
	1996		1995	
	AMOUNT	RATIO	AMOUNT	RATIO
Revenues.....	\$14,771	100.0%	\$13,112	100.0%
Salaries and benefits.....	5,873	39.8	5,291	40.4
Supplies.....	2,020	13.7	1,907	14.5
Other operating expenses.....	2,978	20.2	2,444	18.7
Provision for doubtful accounts.....	875	5.9	746	5.7
Equity in earnings of affiliates.....	(127)	(0.9)	(9)	(0.1)
	11,619	78.7	10,379	79.2
EBDITA(a).....	3,152	21.3	2,733	20.8
Depreciation and amortization.....	849	5.7	730	5.5
Interest expense.....	379	2.6	347	2.6
Merger and facility consolidation costs.....	-	-	387	3.0
Income before minority interests and income taxes.....	1,924	13.0	1,269	9.7
Minority interests.....	102	0.7	80	0.6
Income before income taxes.....	1,822	12.3	1,189	9.1
Provision for income taxes.....	731	4.9	479	3.7
Income before extraordinary charges.....	\$ 1,091	7.4	\$ 710	5.4
Earnings per share:				
Excluding merger and facility consolidation costs.....	\$ 1.61		\$ 1.40	
Merger and facility consolidation costs.....	-		(.35)	
Income before extraordinary charges.....	\$ 1.61		\$ 1.05	
% changes from prior year:				
Revenues.....	12.7%			
EBDITA.....	15.3			
Income before income taxes.....	53.2			
Income before extraordinary charges.....	53.6			
Earnings per share before extraordinary charges.....	53.3			
Other information excluding the effect of merger and facility consolidation costs:				
Income before income taxes.....	\$ 1,822	12.3%	\$ 1,576	12.1%
Income before extraordinary charges.....	1,091	7.4	945	7.2
% changes from prior year:				
Income before income taxes.....	15.6%			
Income before extraordinary charges.....	15.4			
Earnings per share before extraordinary charges.....	15.0			

(a) Income before merger and facility consolidation costs, depreciation, interest, minority interests, income taxes and amortization ("EBDITA"). Although EBDITA is not a measure of operating performance calculated in accordance with generally accepted accounting principles, it is commonly

used as an analytical indicator within the health care provider industry. In addition, EBDITA also serves as a measurement of leverage capacity and debt service ability. EBDITA should not be considered as a measure of profitability or liquidity or as an alternative to net income, cash flows generated by operating, investing or financing activities or other financial statement data presented in the condensed consolidated financial statements as an indicator of financial performance.

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

RESULTS OF OPERATIONS (CONTINUED)

Quarters Ended September 30, 1996 and 1995

Revenues increased 11.8% to approximately \$4.9 billion in 1996 compared to the same period last year, primarily as a result of growth in both inpatient and outpatient volumes. On a same-hospital basis, 1996 revenues increased 10.6%, admissions increased 4.0% and adjusted admissions (adjusted to reflect outpatient activity) increased 7.8% from a year ago. The increase in outpatient activity is primarily a result of expanding home health and other outpatient ancillary services.

Income before income taxes and extraordinary charges increased to \$519 million in 1996 from \$457 million in 1995 and pretax margins increased to 10.6% in 1996 from 10.5% in 1995. The improvement in pretax income was attributable to the combination of growth in revenues and improvement in the margin. Pretax margins increased primarily due to increased participation in the Company's standard purchase contracts for medical supplies, improvements in productivity and an increase in equity in earnings of affiliates. Supply costs declined as a percentage of revenues to 13.5% in 1996 from 14.4% in 1995 and salaries and benefits also declined as a percentage of revenues from 40.9% in 1995 to 39.9% in 1996. The improvement in pretax margins was partially offset by an increase in other operating expenses as a percentage of revenues from 19.4% in 1995 to 20.9% in 1996. This was due, in part, to the outsourcing of certain services.

Equity in earnings of affiliates increased as a percentage of revenues to 0.8% in 1996 compared to less than 0.1% in 1995. Equity in earnings of affiliates represents Columbia/HCA's portion of earnings from its nonconsolidated subsidiaries and totaled \$39 million in 1996 and \$2 million in 1995. The increase was primarily due to more of the Company's development activities being structured as non-consolidated joint ventures.

Income before extraordinary charges increased 13.2% to \$311 million (\$.46 per share) in 1996 compared to \$274 million (\$.40 per share) in 1995.

Nine Months Ended September 30, 1996 and 1995

Revenues increased 12.7% to approximately \$14.8 billion in 1996 compared to 1995 as a result of acquisitions and growth in inpatient and outpatient volumes. On a same hospital basis, 1996 revenues increased 9.7%, admissions increased 3.4% and adjusted admissions (adjusted to reflect outpatient activity) increased 7.4% from 1995. The increase in outpatient activity is primarily a result of expanding home health and other outpatient ancillary services.

Income before taxes and extraordinary charges increased to \$1.8 billion in 1996 from \$1.2 billion in 1995 and pretax margins increased to 12.3% in 1996 from 9.1% in 1995. Excluding the effect of the merger and facility consolidation costs incurred in 1995, income before taxes and extraordinary charges increased 15.6% to \$1.8 billion from \$1.6 billion in 1995 and pretax margins increased to 12.3% in 1996 from 12.1% in 1995. The improvement in pretax income was attributable to the combination of growth in revenues and improvement in the margin. Pretax margins increased primarily due to increased participation in the Company's standard purchase contracts for medical supplies, improvements in productivity and an increase in equity in earnings of affiliates. Supply costs declined as a percentage of revenues to 13.7% in 1996 from 14.5% in 1995 and salaries and benefits declined as a percentage of revenues to 39.8% from 40.4% in 1995. The improvement in pretax margins was partially offset by an increase in other operating expenses as a percentage of revenues from 18.7% in 1995 to 20.2% in 1996. This was due, in part, to the outsourcing of certain services.

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

RESULTS OF OPERATIONS (CONTINUED)

Nine Months Ended September 30, 1996 and 1995 (continued)

Equity in earnings of affiliates increased as a percentage of revenues to 0.9% in 1996 compared to 0.1% in 1995. Equity in earnings of affiliates totaled \$127 million in 1996 and \$9 million in 1995. The increase was primarily due to more of the Company's development activities being structured as non-consolidated joint ventures.

Income before extraordinary charges increased 53.6% to \$1.1 billion (\$1.61 per share) in 1996 compared to \$710 million (\$1.05 per share) in 1995. Excluding the effects of the merger and facility consolidation costs charged in 1995, income before extraordinary charges increased 15.4% to \$1.1 billion (\$1.61 per share) in 1996 compared to \$945 million (\$1.40 per share) in 1995.

LIQUIDITY

Cash provided by operating activities totaled approximately \$1.9 billion for the nine months ended September 30, 1996 compared to \$1.5 billion for the first nine months of 1995. During 1996, cash flows from operating activities have exceeded the funds utilized for Columbia/HCA's capital expenditure program and acquisitions. Capital expenditures and acquisitions in 1995 exceeded cash provided by operating activities by \$827 million and was funded by the issuance of long-term debt and commercial paper borrowings.

As of October 31, 1996, Columbia/HCA had approximately \$1.7 billion of credit available under its revolving credit agreements. Working capital totaled \$1.4 billion at September 30, 1996 and \$1.5 billion at December 31, 1995. 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.

Investments of Columbia/HCA's professional liability insurance subsidiaries to maintain statutory equity and pay claims totaled \$1.2 billion at September 30, 1996 and December 31, 1995.

The Company has entered into various joint venture agreements whereby the partners have an option to sell or "put" their interest in the joint ventures back to Columbia/HCA at prices based on fair value. The combined put price at November 1, 1996 was approximately \$1.0 billion.

Columbia/HCA's ratio of earnings to fixed charges was 4.34 and 4.20 for the quarters ended September 30, 1996 and 1995, respectively, and 4.79 and 3.71 for the nine months ended September 30, 1996 and 1995, respectively. The ratio for the nine months ended September 30, 1995 was negatively impacted by the \$387 million pretax charge incurred related to the merger and facility consolidation costs.

CAPITAL RESOURCES

Excluding acquisitions, capital expenditures totaled \$1.1 billion for both the nine months ended September 30, 1996 and 1995. At September 30, 1996, there were projects under construction which had an estimated additional cost to complete of approximately \$993 million. Planned capital expenditures in 1996 (excluding acquisitions) are expected to approximate \$1.5 billion. Management believes that its capital expenditure program is adequate to expand, improve and equip existing health care facilities.

Columbia/HCA also expended \$656 million and \$1.3 billion for acquisitions during the respective nine months ended September 30, 1996 and 1995. See Note 3 of the Notes to Condensed Consolidated Financial Statements for a

description of these activities. In addition, Columbia/HCA made investments in and advances

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

CAPITAL RESOURCES (CONTINUED)

to affiliates of \$37 million in 1996. 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 expects 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 credit facilities and equity.

OTHER INFORMATION

Resolution of various loss contingencies, including litigation pending against Columbia/HCA in the ordinary course of business, is not expected to have a material adverse effect on financial position or results of operations.

Columbia/HCA's credit facilities contain customary covenants which include (i) limitations on additional debt, (ii) certain limitations on sales of assets, mergers and changes of ownership and (iii) maintenance of certain interest coverage ratios. Columbia/HCA was in compliance with all such covenants at September 30, 1996.

In recent years, an increasing number of legislative proposals have been introduced or proposed in Congress and in some state legislatures that would significantly affect health care systems in Columbia/HCA's markets. The cost of certain proposals would be funded in significant part by reductions in payments by government programs, including Medicare and Medicaid, to health care providers such as hospitals. While the Company is unable to predict which, if any, proposals for health care reform will be adopted, there can be no assurance that proposals adverse to the business of Columbia/HCA will not be adopted.

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

OPERATING DATA

	1996	1995
CONSOLIDATED	-----	-----
Number of hospitals in operation at:		
March 31.....	320	318
June 30.....	326	321
September 30.....	325	319
December 31.....		319
Number of freestanding outpatient surgical centers in operation at:		
March 31.....	127	111
June 30.....	130	115
September 30.....	130	118
December 31.....		134
Licensed hospital beds at:		
March 31.....	62,197	61,261
June 30.....	63,217	61,885
September 30.....	63,063	61,255
December 31.....		61,347
Weighted average licensed beds:		
Quarter:		
First.....	62,330	60,960
Second.....	62,937	61,801
Third.....	63,179	62,211
Fourth.....		61,485
Year.....		61,617
Average daily census:		
Quarter:		
First.....	28,428	27,713
Second.....	26,193	25,384
Third.....	25,111	24,176
Fourth.....		26,429
Year.....		25,917
Admissions:		
Quarter:		
First.....	490,800	454,500
Second.....	463,100	435,100
Third.....	462,400	430,400
Fourth.....		454,800
Year.....		1,774,800
Length of stay:		
Quarter:		
First.....	5.3	5.5
Second.....	5.1	5.3
Third.....	5.0	5.2
Fourth.....		5.4
Year.....		5.3

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

OPERATING DATA (CONTINUED)

NON-CONSOLIDATED (A)	1996	1995
	-----	-----
Number of hospitals in operation at:		
March 31.....	20	2
June 30.....	19	2
September 30.....	20	4
December 31.....		19
Number of freestanding outpatient surgical centers in operation at:		
March 31.....	3	-
June 30.....	3	-
September 30.....	3	-
December 31.....		3
Licensed hospital beds at:		
March 31.....	4,815	362
June 30.....	4,677	362
September 30.....	5,052	608
December 31.....		4,455

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(a) The non-consolidated facilities include facilities operated through 50/50 joint ventures which are not controlled by Columbia/HCA. They are accounted for using the equity method of accounting and are, therefore, not included on a fully consolidated basis in the condensed consolidated financial statements.

PART II: OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS.

A lawsuit captioned United States of America ex rel. James Thompson v. Columbia/HCA Healthcare Corporation et al., was filed on March 10, 1995 in the United States District Court for the Southern District of Texas, Corpus Christi Division (Civil Action No. C-95-110). The lawsuit is a qui tam action brought by a private party (or "relator") on behalf of the United States of America. The relator claims that the defendants (the Company and certain subsidiaries and affiliated partnerships) engaged in a widespread strategy to pay physicians money for referrals and engaged in other conduct to induce referrals, such as: (i) offering physicians equity interests in hospitals; (ii) offering loans to physicians; (iii) paying money under the guise of "consultation fees" to physicians to guarantee their capital investment; (iv) paying consultation fees, rent or other monies to physicians; (v) providing free or reduced rate rents for office space; (vi) providing free or reduced-rate vacations and trips; (viii) providing income guarantees; and (ix) granting physicians exclusive rights to perform procedures in particular fields of practice. The lawsuit is premised on alleged violations of the False Claims Act, 31 U.S.C. Section 3729 et seq. The complaint seeks damages of three times the amount of all Medicare claims (involving false claims) presented by the defendants to the federal government, a civil penalty of not less than \$5,000 nor more than \$10,000 for each such Medicare or Medicaid claim, attorney's fees and costs. Although expressly permitted to do so, the United States has thus far declined to intervene in the case and assume prosecution of the claims asserted by the relator. The defendants filed a Motion to Dismiss the Second Amended Complaint on November 29, 1995, which was granted by the court on July 22, 1996. On August 20, 1996, the relator filed a notice of its intention to appeal the dismissal to the Fifth Circuit Court of Appeals.

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K.

(a)Exhibits:

Exhibit 11--Statement re Computation of Earnings Per 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 July 2, 1996, Columbia/HCA filed a report on Form 8-K related to its medium term note program.

On July 5, 1996, Columbia/HCA filed a report on Form 8-K which included the terms and conditions related to the issuance of \$200 million in notes and debentures.

On September 25, 1996, Columbia/HCA filed a report on Form 8-K regarding the announcement of a 3-for-2 stock split in the form of a stock dividend, which was distributed October 15, 1996. A copy of the release issued by Columbia/HCA on September 12, 1996 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 12, 1996

/s/ Kenneth C. Donahey

KENNETH C. DONAHEY
SENIOR 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, 1996 AND 1995
 (DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	QUARTER		NINE MONTHS	
	1996	1995	1996	1995
PRIMARY EARNINGS PER SHARE:				
Earnings:				
Income before extraordinary charges.....	\$ 311	\$ 274	\$ 1,091	\$ 710
Extraordinary charges on extinguishments of debt, net of income tax benefits....	-	(7)	-	(103)
Net income.....	\$ 311	\$ 267	\$ 1,091	\$ 607
Shares used in the computation (000):				
Weighted average shares outstanding.....	670,938	665,911	670,892	664,598
Dilutive effect of common stock equivalents.....	6,479	8,249	6,922	7,680
Shares used in computing earnings per share.....	677,417	674,160	677,814	672,278
Primary earnings per share:				
Income before extraordinary charges.....	\$.46	\$.40	\$ 1.61	\$ 1.05
Extraordinary charges on extinguishments of debt.....	-	(.01)	-	(.15)
Net income.....	\$.46	\$.39	\$ 1.61	\$.90
FULLY DILUTED EARNINGS PER SHARE:				
Earnings:				
Income before extraordinary charges.....	\$ 311	\$ 274	\$ 1,091	\$ 710
Extraordinary charges on extinguishments of debt, net of income tax benefits....	-	(7)	-	(103)
Net income.....	\$ 311	\$ 267	\$ 1,091	\$ 607
Shares used in the computation (000):				
Weighted average shares outstanding.....	670,938	665,911	670,892	664,598
Dilutive effect of common stock equivalents.....	6,831	8,515	7,222	8,255
Shares used in computing earnings per share.....	677,769	674,426	678,114	672,853
Fully diluted earnings per share:				
Income before extraordinary charges.....	\$.46	\$.40	\$ 1.61	\$ 1.05
Extraordinary charges on extinguishments of debt.....	-	(.01)	-	(.15)
Net income.....	\$.46	\$.39	\$ 1.61	\$.90

COLUMBIA/HCA HEALTHCARE CORPORATION
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
 FOR THE QUARTERS AND NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995
 (DOLLARS IN MILLIONS)

	QUARTER		NINE MONTHS	
	1996	1995	1996	1995
EARNINGS:				
Income before minority interests and income taxes.....	\$555	\$487	\$1,924	\$1,269
Fixed charges, exclusive of capitalized interest.....	157	143	481	442
	-----	-----	-----	-----
	\$712	\$630	\$2,405	\$1,711
	=====	=====	=====	=====
FIXED CHARGES:				
Interest charged to expense.....	\$122	\$111	\$ 379	\$ 347
Interest portion of rental expense and amortization of deferred loan costs.....	35	32	102	95
	-----	-----	-----	-----
Fixed charges, exclusive of capitalized interest.....	157	143	481	442
Capitalized interest.....	7	7	21	20
	-----	-----	-----	-----
	\$164	\$150	\$ 502	\$ 462
	=====	=====	=====	=====
Ratio of earnings to fixed charges.....	4.34	4.20	4.79	3.71
	=====	=====	=====	=====

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM 10Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000

9-MOS			
	DEC-31-1996		
	JAN-01-1996		
	SEP-30-1996		10
		0	
		4,136	
		1,341	
		432	
		4,084	
			15,521
		5,198	
		20,657	
	2,673		
			6,859
	0		
		0	
			7
		8,208	
20,657			0
	14,771		
			0
		7,893	
		2,978	
		875	
		379	
		1,822	
		731	
	1,091		
		0	
		0	
			0
		1,091	
		1.61	
		1.61	