

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

Mark One:

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

For the Fiscal Year Ended December 31, 1997

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EX-
CHANGE 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)
ONE PARK PLAZA

75-2497104
(I.R.S. Employer
Identification No.)

NASHVILLE, TENNESSEE
(Address of Principal Executive
Offices)

37203
(Zip Code)

Registrant's Telephone Number, Including Area Code: (615) 344-9551

Securities Registered Pursuant to Section 12(b) of the Act:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, \$.01 Par Value	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

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 (or for such shorter period that the
Registrant was required to file such reports), and (2) has been subject to
such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item
405 of Regulation S-K is not contained herein, and will not be contained, to
the best of Registrant's knowledge, in definitive proxy or information
statements incorporated by reference in Part III of this Form 10-K or any
amendment to this Form 10-K. ☐

As of March 16, 1998, there were outstanding 621,527,226 shares of the Reg-
istrant's Common Stock and 21,000,000 shares of the Registrant's Nonvoting
Common Stock. As of March 16, 1998 the aggregate market value of the Common
Stock held by non-affiliates was approximately \$17,188,414,000. For purposes
of the foregoing calculation only, the Registrant's directors, executive offi-
cers, and The Columbia/HCA Healthcare Corporation Stock Bonus Plan, The
Columbia/HCA Healthcare Corporation Salary Deferral Plan and the San Leandro
Retirement and Savings Plan have been deemed to be affiliates.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for its 1998 Annual
Meeting of Stockholders are incorporated by reference into Part III hereof.

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PART I

ITEM 1. BUSINESS.

GENERAL

Columbia/HCA Healthcare Corporation is one of the leading providers of health care services in the United States. At December 31, 1997, the Company operated 318 general, acute care hospitals and 18 psychiatric hospitals. In addition, as part of its comprehensive health care networks, the Company operated 145 outpatient surgery centers and provided extensive outpatient and ancillary services, including home health (the Company plans to divest its home health business, see NOTE 7 of the notes to consolidated financial statements). The facilities "operated" by the Company included 27 hospitals and five surgery centers which were operated through 50/50 joint ventures that were managed by the Company, but which were not consolidated for financial reporting purposes. The term the "Company" as used herein refers to Columbia/HCA Healthcare Corporation and its affiliates unless otherwise stated or indicated by context.

The Company's primary objective is to provide the communities it serves a comprehensive array of quality health care services in the most cost effective manner possible. The Company's general, acute care hospitals usually provide a full range of services commonly available in hospitals to accommodate such medical specialties as internal medicine, general surgery, cardiology, oncology, neurosurgery, orthopedics and obstetrics, as well as diagnostic and emergency services. Outpatient and ancillary health care services are provided by the Company's general, acute care hospitals as well as at freestanding facilities operated by the Company including outpatient surgery and diagnostic centers, rehabilitation facilities, home health care agencies and other facilities. In addition, the Company operates psychiatric hospitals which generally provide a full range of mental health care services in inpatient, partial hospitalization and outpatient settings.

In August 1997, the Company acquired Value Health, Inc. ("Value Health") in a transaction accounted for as a purchase (the "Value Health Merger"). The Company plans to divest three of the four primary Value Health business units (see NOTE 7 of the notes to consolidated financial statements.) During April 1995, the Company acquired Healthtrust, Inc.--The Hospital Company ("Healthtrust") in a merger transaction accounted for as a pooling of interests (the "Healthtrust Merger"). Healthtrust began operations through the acquisition of a group of hospitals and related assets from Hospital Corporation of America (the predecessor to HCA) in September 1987. During May 1994, Healthtrust acquired EPIC Holdings, Inc. ("EPIC") in a transaction accounted for as a purchase. During September 1994, the Company acquired Medical Care America, Inc. ("MCA") in a transaction accounted for as a purchase. During February 1994, the Company acquired HCA-Hospital Corporation of America ("HCA") in a merger transaction accounted for as a pooling of interests. Effective September 1993, the Company acquired Galen Health Care, Inc. ("Galen") in a merger transaction accounted for as a pooling of interests. Galen began operations as an independent publicly held corporation upon the distribution of all of its common stock by its then 100% owner, Humana Inc., in March 1993.

The Company, through various predecessor entities, began operations on July 1, 1988. The Company was incorporated in Nevada in January 1990 and reincorporated in Delaware in September 1993. The Company's principal executive offices are located at One Park Plaza, Nashville, Tennessee 37203, and its telephone number at such address is (615) 344-9551.

CHALLENGES AND REORGANIZATION OF THE COMPANY

The Company encountered significant challenges and changes during 1997. The Company is currently the subject of several federal investigations into its business practices, as well as governmental investigations by numerous states. The Company is also named in various legal proceedings. In addition, the Company experienced changes in numerous management positions. The new management team developed and initiated significant changes in business strategy for the Company during 1997. These factors, along with the unfavorable media coverage related to the investigations, may have contributed to a slowdown in the Company's revenue growth and a decline in results of operations. Management is unable to predict if, or when, the Company can return to its historical revenue growth rates, historical operating margins or historical net income growth rates.

The Company is facing significant legal challenges. The Company is the subject of various federal and state investigations, qui tam actions, stockholder derivative and class action complaints filed in federal court, stockholder derivative actions filed in state courts, patient/payer actions and general liability claims. See Item 3--"Legal Proceedings."

Management believes the ongoing investigations, litigation and related media coverage are having a negative effect on the Company's results of operations. It is too early to predict the outcome or effect that the ongoing investigations and litigation, the initiation of additional investigations or litigation, if any, and the related media coverage will have on the Company's financial condition or results of operations in future periods. Were the Company to be found in violation of federal or state laws relating to Medicare, Medicaid or similar programs, the Company could be subject to substantial monetary fines, civil and criminal penalties and exclusion from participation in the Medicare and Medicaid programs. Any such sanctions could have a material adverse effect on the Company's financial position and results of operations.

During 1997, the Company experienced a significant change in management and changes in its business strategy. On July 25, 1997, the Company announced the resignations of Richard L. Scott, Chairman and Chief Executive Officer and David T. Vandewater, President and Chief Operating Officer. Thomas F. Frist, Jr., M.D., Vice Chairman of the Company's Board of Directors, was named Chairman and Chief Executive Officer. On August 4, 1997, the Company named Jack O. Bovender, Jr. as President and Chief Operating Officer.

On August 7, 1997, in an effort to address some areas of concern that may have led to the investigations by certain government agencies, management announced several significant steps that are being implemented to redefine the Company's approach to a number of business practices. Some of the steps include: elimination of annual cash incentive compensation for the Company's employees, divestiture of the home health care business, the unwinding of physician interests in hospitals, significant expansion of compliance programs, increased disclosures in Medicare cost reports, changes in laboratory billing procedures, increased reviews of Medicare coding and further guidelines on any transactions with physicians. These changes have been developed and are being implemented with consideration to laws, regulations and existing contractual agreements. Management is not currently able to predict what effect such actions might have on the Company's financial position or results of operations.

On November 17, 1997, the Company announced that its Board of Directors had approved an internal operating reorganization plan. Effective January 1, 1998, the Company was organized into five principal groups--Eastern, Western, Atlantic, Pacific and America.

The Board of Directors also authorized the evaluation of various restructuring alternatives which could include divestitures of certain assets to third parties and spin-offs of certain other

assets to the Company's stockholders. As part of these alternatives, the Company is considering restructuring into a smaller, more focused company located in strategic markets. No restructuring plan has been approved by the Board of Directors and there can be no assurances that a plan will ultimately be approved or implemented. Any spin-off or other restructuring alternative would require Board of Directors approval as well as legal, regulatory and governmental approvals.

BUSINESS STRATEGY

The Company's strategy is to be a comprehensive provider of quality health care services in select markets. The Company maintains and replaces equipment, renovates and constructs replacement facilities and adds new services to increase the attractiveness of its hospitals and other facilities to local physicians and patients. By developing a comprehensive health care network with a broad range of health care services located throughout a market area, the Company achieves greater visibility and is better able to attract and serve physicians and patients. The Company is also able to reduce operating costs by sharing certain services among several facilities in the same market and is better positioned to work with health maintenance organizations ("HMOs"), preferred provider organizations ("PPOs") and employers.

The Company generally seeks to operate each of its facilities as part of a network with other health care facilities that it owns or operates within the same region. In instances where acquisitions of additional facilities in the area are not possible or practical, the Company may seek joint ventures or partnership arrangements with other local facilities.

HEALTH CARE FACILITIES

The Company currently owns, manages or operates hospitals, ambulatory surgery centers, diagnostic centers, cardiac rehabilitation centers, physical therapy centers, radiation oncology centers, comprehensive outpatient rehabilitation centers and home health care agencies and programs. The Company plans to divest its home health business and significant portions of Value Health, Inc. as a component of the change in business strategy and restructuring program. See Note 7 of the notes to consolidated financial statements.

The Company currently operates 318 general, acute care hospitals with 65,184 licensed beds. Most of the Company's general, acute care hospitals provide medical and surgical services, including inpatient care, intensive and cardiac care, diagnostic services and emergency services. The general, acute care hospitals also provide outpatient services such as outpatient surgery, laboratory, radiology, respiratory therapy, cardiology and physical therapy. A local advisory board, which usually includes members of the hospital's medical staff, generally makes recommendations concerning the medical, professional and ethical practices at each hospital and monitors such practices. However, the hospital is ultimately responsible for ensuring that these practices conform to established standards. When the Company acquires a hospital, it establishes quality assurance programs to support and monitor quality of care standards and to meet accreditation and regulatory requirements. Patient care evaluations and other quality of care assessment activities are monitored on a continuing basis.

Like most hospitals, the Company's hospitals do not engage in extensive medical research and medical education programs. However, some of the Company's hospitals have an affiliation with medical schools, including the clinical rotation of medical students.

The Company currently operates 18 psychiatric hospitals with 1,914 licensed beds. The Company's psychiatric hospitals provide therapeutic programs tailored to child psychiatric, adolescent psychiatric, adult psychiatric, adolescent alcohol or drug abuse and adult alcohol or drug abuse patients. The hospitals use the "treatment team" concept whereby the admitting

physician, team psychologist, social workers, nurses, therapists and counselors coordinate each phase of therapy. Services provided by this team include crisis intervention, individual psychotherapy, group and family therapy, social services, chemical dependency counseling, behavioral modification and physical therapy. Family aftercare plans are actively promoted from the time of admission, through hospitalization and after discharge. An aftercare plan measures each patient's post-program progress and utilizes one or more self-help groups. Program procedures are designed to ensure that quality standards are achieved and maintained. Certain of the Company's general, acute care hospitals also have a limited number of licensed psychiatric beds.

Other outpatient or related health care services operated by the Company include ambulatory surgery centers, diagnostic centers, outpatient physical therapy/rehabilitation centers, outpatient radiation therapy centers, cardiac rehabilitation centers and skilled nursing services. These outpatient and related services are an integral component of the Company's strategy to develop a comprehensive health care network in each of its target markets.

In addition to providing capital resources, the Company makes available a variety of management services to its health care facilities, most significantly: ethics and compliance programs; national supply and equipment purchasing and leasing contracts; accounting, financial and clinical systems; governmental reimbursement assistance; construction planning and coordination; information systems; legal; personnel management and internal audit.

SOURCES OF REVENUE

Hospital revenues depend upon inpatient occupancy levels, the ancillary services and therapy programs ordered by physicians and provided to patients, the volume of outpatient procedures and the charges or negotiated payment rates for such services. Charges and reimbursement rates for inpatient routine services vary significantly depending on the type of service (e.g., medical/surgical, intensive care or psychiatric) and the geographic location of the hospital. The Company has experienced an increase in the percentage of patient revenues attributable to outpatient services. This increase is primarily the result of advances in technology (which allow more services to be provided on an outpatient basis), acquisitions of additional outpatient facilities and increased pressures from Medicare, Medicaid, HMOs, PPOs, employers and insurers to reduce hospital stays and provide services, where possible, on a less expensive outpatient basis.

The Company receives payment for patient services from the federal government primarily under the Medicare program, state governments under their respective Medicaid programs, HMOs, PPOs and other private insurers as well as directly from patients. The approximate percentages of patient revenues from continuing operations of the Company's facilities from such sources during the periods specified below were as follows:

	YEARS ENDED DECEMBER 31,		
	1997	1996	1995
Medicare.....	34%	35%	36%
Medicaid.....	6	6	6
Other sources.....	60	59	58
Total.....	100%	100%	100%
	=====	=====	=====

Medicare is a federal program that provides certain hospital and medical insurance benefits to persons age 65 and over, some disabled persons and persons with end-stage renal disease. Medicaid is a federal-state program administered by the states which provides hospital benefits

to qualifying individuals who are unable to afford care. Substantially all of the Company's hospitals are certified as providers of Medicare and Medicaid services. Amounts received under the Medicare and Medicaid programs are generally significantly less than the hospital's customary charges for the services provided.

To attract additional volume, most of the Company's hospitals offer discounts from established charges to certain large group purchasers of health care services, including Blue Cross, other private insurance companies, employers, HMOs, PPOs and other managed care plans. Blue Cross is a private health care program that funds hospital benefits through independent plans that vary in each state. These discount programs limit the Company's ability to increase charges in response to increasing costs. See "Competition." Patients are generally not responsible for any difference between customary hospital charges and amounts reimbursed for such services under Medicare, Medicaid, some Blue Cross plans, HMOs or PPOs, but are responsible to the extent of any exclusions, deductibles or co-insurance features of their coverage. The amount of such exclusions, deductibles and co-insurance has generally been increasing each year. Collection of amounts due from individuals is typically more difficult than from governmental or business payers.

Medicare

Under the Medicare program the Company receives reimbursement under a prospective payment system ("PPS") for the routine and ancillary operating costs of most Medicare inpatient hospital services. Psychiatric, long-term care, rehabilitation, specially designated children's hospitals and certain designated cancer research hospitals, as well as psychiatric or rehabilitation units that are distinct parts of a hospital and meet Health Care Financing Administration ("HCFA") criteria for exemption, are currently exempt from PPS and are reimbursed on a cost based system, subject to certain cost limits. The Balanced Budget Act of 1997 ("BBA-97") mandates a prospective payment system for skilled nursing facility services for Medicare cost reporting periods commencing after June 30, 1998, hospital outpatient services beginning January 1, 1999, home health services for Medicare cost reporting periods beginning after September 30, 1999, and inpatient rehabilitation hospital services for Medicare cost reporting periods beginning after September 30, 2000. Prior to the commencement of the prospective payment systems, payment constraints will be applied to home health services and inpatient rehabilitation, psychiatric and long-term hospital services for Medicare cost reporting periods beginning on or after October 1, 1997.

Under PPS, fixed payment amounts per inpatient discharge were established based on the patient's assigned diagnosis related group ("DRG"). DRGs classify patients' treatments for illnesses according to the estimated intensity of hospital resources necessary to furnish care for each principal diagnosis. DRG rates have been established for each individual hospital participating in the Medicare program and are based upon a statistically normal distribution of severity. When treatments for certain patients fall well outside the normal distribution (defined as "outliers"), providers are afforded additional payments. Under PPS, hospitals may retain payments in excess of costs but must absorb costs in excess of such payments; therefore, hospitals are encouraged to operate more efficiently.

DRG rates are updated and recalibrated annually and have been affected by several recent federal enactments. The index used by HCFA to adjust the DRG rates gives consideration to the inflation experienced by hospitals in purchasing goods and services ("market basket"). However, for several years the percentage increases to the DRG rates have been lower than the percentage increases in the costs of goods and services purchased by hospitals. The market basket is adjusted each federal fiscal year ("FY"), which begins on October 1. The market basket for FY 1995 was 3.6%, FY 1996 was 3.5%, FY 1997 was 2.5% and for FY 1998 will be 2.7%.

The Omnibus Budget Reconciliation Act of 1993 ("OBRA-93") set the updates to the DRG rates for FY 1995 as market basket minus 2.5%; FY 1996 as market basket minus 2%; and FY 1997 as market basket minus 0.5%. The BBA-97 establishes the DRG updates as follows: FY 1998 0%; FY 1999 as market basket minus 1.9%; FY 2000 as market basket minus 1.8%; FY 2001 and 2002 as market basket minus 1.1%; and FY 2003 and after as market basket.

The BBA-97 establishes a prospective payment system for all hospital outpatient services based upon hospital costs (with the exception of physical, occupational and speech therapies) for services provided after December 31, 1998. These therapy services will be reimbursed based upon a separate fee schedule. The hospital outpatient payments for 1998 are required to be set at the same amount as would have been paid under the present system which is the lesser of 94.2% of reasonable costs, charges, or a blend of fees and costs for approved ambulatory surgery procedures, diagnostic radiology procedures, and other diagnostic procedures. The BBA-97 also made a change in the formula for determining the amount of the fees in the aforementioned blend that effectively reduces payment amounts.

Subsequent to September 30, 1991 and through FY 1992, capital related payments for inpatient hospital services were made at the rate of 90% of reasonable capital costs. The PPS capital costs reimbursement applies an estimated national average of FY 1989 Medicare capital costs per patient discharge updated to FY 1992 by the estimated increase in Medicare capital costs per discharge (the "Federal Rate"). Capital PPS is applicable to cost reports beginning on or after October 1, 1991. Under capital PPS reimbursement, a 10 year transition period has been established. A hospital is paid under one of the following two different payment methodologies during this transition period: (i) hospitals with a hospital-specific rate (the rate established for a hospital based on the cost report ending on or before December 31, 1990) below the Federal Rate would be paid on a fully prospective payment methodology and (ii) hospitals with a hospital-specific rate above the Federal Rate would be paid based on a hold-harmless payment methodology or 100% of the Federal Rate, whichever results in a higher payment. A hospital is generally paid under one methodology throughout the entire transition, although a hospital can transition to the full Federal Rate if it exceeds the hold-harmless payment rate. After the transition period, all hospitals will be paid the Federal Rate.

The impact of PPS capital reimbursement in the first two years was not material to Medicare capital reimbursement. The hospital-specific rates for FY 1994 decreased 2.16%. The established Federal Rate for FY 1994 was reduced by 9.33% to \$378 per patient discharge and for FY 1995 was reduced by 0.4% to \$377 per patient discharge. The hospital-specific rate for FY 1996 increased 21.1% and decreased by 4.32% for FY 1997. The Federal Rate for FY 1996 increased 22.5% to \$462 and decreased to \$439 for FY 1997 per patient discharge. These changes were primarily the result of the expiration of a budget neutrality provision of The Omnibus Budget Reconciliation Act of 1990 that limited payments to 90% of payments estimated to have been made on a reasonable cost basis during the fiscal year. Legislation passed by Congress and vetoed by the President would have resulted in a reduction of capital payment rates for FY 1996. The BBA-97 reduces the hospital-specific rate for FY 1998 by 14.4% and the Federal Rate for FY 1998 decreases to \$371 per patient discharge.

Home health visits are paid based upon reasonable costs, subject to aggregated cost per visit limits. For Medicare cost reporting periods beginning after September 30, 1997, these limits are reduced by the amount of the update for Medicare cost reporting periods beginning after June 30, 1994 and before July 1, 1996 and are further reduced by calculating the limits to equal 105% of the median costs of freestanding home health agencies rather than 112% of such median costs as was the case before October 1, 1997. Further, aggregate payments are limited to an agency-specific per-beneficiary cost from the 12 month Medicare cost reporting period ending after September 30, 1993 and before October 1, 1994, updated for inflation. The per beneficiary limit will be a blend of 75% of 98% of the agency-specific amount and 25% of 98% of a standardized regional average.

Payments to PPS-exempt hospitals and units, (i.e., inpatient psychiatric, rehabilitation and long-term hospital services), are based upon reasonable cost, subject to a cost per discharge target. These limits are updated annually by a market basket index. For FY 1995, 1996 and 1997, the market basket was 4.7%, 4.4%, and 3.5% respectively. The update for each year was market basket minus 1%. The BBA-97 reduces the FY 1998 update to 0%. Capital payments, which have been 100% of reasonable cost will be reduced by 15% for FY 1998 through 2002. Furthermore, limits have been established for the cost per discharge target at the 75th percentile for each category of PPS-exempt hospitals and hospital units, i.e., psychiatric, rehabilitation and long-term hospitals. These caps are \$10,547, \$19,250, and \$37,688 per discharge, respectively, for FY 1998. In addition the cost per discharge for new hospitals/hospital units cannot exceed 110% of the national median target rate for hospitals in the same category. For FY 1998 these amounts are \$8,517, \$16,738, and \$18,947 per discharge for psychiatric, rehabilitation and long-term hospital services, respectively.

Prospective payments for skilled nursing facilities ("SNFs") will be based upon per diems, which will be phased in over a four-year period starting with cost reporting periods beginning after June 30, 1998. In the first year, payments will be based on 75% of facility-specific rates and 25% federal rate; year two will be 50% facility-specific rates and 50% federal rate; year three will be 25% facility-specific rates and 75% federal rate; and year four 100% federal rate. The facility-specific and federal rates will be updated annually. For 1999, the facility-specific rate will be updated by the SNF market basket minus 1% and thereafter by the SNF market basket. For 1999 through 2002 the federal rate will be updated by the SNF market basket minus 1%.

The BBA-97 reduced Medicare payment for enrollees' bad debts resulting from non-payment of deductibles and coinsurance by 25% in FY 1998, 40% in FY 1999 and 45% in FY 2000 and after.

The BBA-97 also mandates a change in payment for certain hospital discharges to post acute care providers. Beginning October 1, 1998, the Secretary of Health and Human Services is required to identify 10 high-volume DRGs that utilize a disproportionate amount of post discharge services to SNFs, PPS-exempt hospitals and units, and home health agencies. Payments to a hospital for these 10 DRGs, if the patient is discharged to one of the aforementioned post acute services, will be a per-diem not to exceed the DRG payment (the so-called transfer payment rate).

The changes in Medicare payments as a result of the BBA-97 may have a material effect on the Company's results of operation.

Medicaid

Most state Medicaid payments are made under a prospective payment system or under programs which negotiate payment levels with individual hospitals. Medicaid reimbursement is often less than a hospital's cost of services. Medicaid is currently funded approximately 50% by the states and approximately 50% by the federal government. The federal government and many states are currently considering significant reductions in the level of Medicaid funding while at the same time expanding Medicaid benefits, which could adversely affect future levels of Medicaid reimbursement received by the Company's hospitals.

On November 27, 1991, Congress enacted the Medicaid Voluntary Contribution and Provider-Specific Tax Amendments of 1991 (the "Medicaid Amendments"), which limit the amount of voluntary contributions and provider-specific taxes that can be used by states to fund Medicaid and require the use of broad-based taxes for such funding. As a result of enactment of the Medicaid Amendments, certain states in which the Company operates have adopted broad-based provider taxes to fund their Medicaid programs. To date, the impact upon the Company of these new taxes has not been materially adverse. However, the Company is unable to predict whether any additional broad-based provider taxes will be adopted by the states in which it operates and, accordingly, is unable to assess the effect thereof on its results of operations or financial position.

Annual Cost Reports

Review of previously submitted annual cost reports and the cost report preparation process are areas included in the ongoing government investigations. It is too early to predict the outcome of these investigations, but if the Company were found to be in violation of federal or state laws relating to Medicare, Medicaid or similar programs, the Company could be subject to substantial monetary fines, civil and criminal penalties and exclusion from participation in the Medicare and Medicaid programs. Any such sanctions could have a material adverse effect on the Company's financial position and results of operations.

The Company's annual cost reports which are required under the Medicare and Medicaid programs are subject to routine audits, which may result in adjustments to the amounts ultimately determined to be due the Company under these reimbursement programs. These audits often require several years to reach the final determination of amounts earned under the programs. Providers also have rights of appeal, and the Company is currently contesting certain issues raised in audits of prior years' reports. Management believes that adequate provision has been made in its financial statements for any material retroactive adjustments that might result from such audits and that final resolution of the contested issues will not have a material adverse effect upon the Company's results of operations or financial position.

Managed Care

Pressures to control the cost of health care have resulted in increases to the percentage of admissions and net revenues attributable to managed care payers. The percentage of the Company's admissions attributable to managed care payers increased from 31.9% in 1996 to 35.2% in 1997 and the percentage of the Company's net revenue from continuing operations attributable to managed care payers increased from 25.2% in 1996 to 28.4% in 1997. The Company expects that the trend of increasing percentages related to managed care payers will continue in the future. The Company generally receives lower payments from managed care payers than from traditional commercial/indemnity insurers.

Commercial Insurance

The Company's hospitals provide services to individuals covered by private health care insurance. Private insurance carriers either reimburse their policy holders or make direct payments to the Company's hospitals based upon the particular hospital's established charges and the particular coverage provided in the insurance policy. Blue Cross is a health care financing program that provides its subscribers with hospital benefits through independent organizations that vary from state to state. The Company's hospitals are paid directly by local Blue Cross organizations on the basis agreed to by each hospital and Blue Cross by a written contract.

Commercial insurers are continuing efforts to limit the costs of hospital services by adopting prospective payment or DRG based payment systems for more inpatient and outpatient services. To the extent such efforts are successful and reduce the insurers' reimbursements to hospitals for the costs of providing services to their beneficiaries, such efforts may have a negative impact on the operating results of the Company's hospitals.

HOSPITAL UTILIZATION

The Company believes that the two most important factors relating to the overall utilization of a hospital are the quality and market position of the hospital and the number and quality of physicians providing patient care within the facility. Generally, the Company believes that the ability of a hospital to be a market leader is determined by its breadth of services, level of technology, emphasis on quality of care and convenience for patients and physicians. Other factors

which impact utilization include the growth in local population, local economic conditions and market penetration of managed care programs.

The following table sets forth certain operating statistics for hospitals owned by the Company for each of the most recent five years. Medical/surgical hospital operations are subject to certain seasonal fluctuations, including decreases in patient utilization during holiday periods and increases in the cold weather months. Psychiatric hospital operations are also subject to certain seasonal fluctuations, including decreases in patient occupancy during the summer months and holiday periods.

	YEARS ENDED DECEMBER 31,				
	1997(g)	1996(g)	1995(g)	1994	1993
Number of hospitals (a).	309	319	319	311	274
Weighted average licensed beds (b).....	61,096	62,708	61,617	57,517	53,247
Admissions (c).....	1,915,100	1,895,400	1,774,800	1,565,500	1,451,000
Average length of stay (days) (d).....	5.0	5.1	5.3	5.6	5.8
Average daily census (e).....	26,006	26,583	25,917	23,841	22,973
Occupancy rate (f).....	43%	42%	42%	41%	43%

- - - - -
- (a) End of period.
- (b) Represents the average number of licensed beds weighted based on periods owned. Licensed beds are those beds for which a facility has been granted approval to operate from the applicable state licensing agency.
- (c) Represents the total number of patients admitted (in the facility for a period in excess of 23 hours) to the Company's hospitals.
- (d) Represents the average number of days admitted patients stay in the Company's hospitals.
- (e) Represents the average number of patients in the Company's hospital beds each day.
- (f) Represents the percentage of hospital licensed beds occupied by patients.
- (g) Excludes 27 facilities in 1997, 22 facilities in 1996 and 19 facilities in 1995 that are not consolidated (accounted for using the equity method) for financial reporting purposes.

Hospitals have experienced significant shifts from inpatient to outpatient care as well as decreases in average lengths of inpatient stay, primarily as a result of hospital payment changes by Medicare, insurance carriers, managed care programs and self-insured employers. These changes generally encouraged the utilization of outpatient, rather than inpatient, services whenever possible, and shortened lengths of stay for inpatient care. Another factor affecting hospital utilization levels is improved treatment protocols as a result of medical technology and pharmacological advances.

COMPETITION

Generally, other hospitals in the local markets served by most of the Company's hospitals provide services that are offered by the Company's hospitals. Additionally, in the past several years, the number of freestanding outpatient surgery and diagnostic centers in the geographic areas in which the Company operates has increased significantly. As a result, most of the Company's hospitals operate in an increasingly competitive environment. The rates charged by the Company's hospitals are intended to be competitive with those charged by other local hospitals for similar services. In some cases, competing hospitals are more established than the Company's hospitals. Some competing hospitals are owned by tax-supported government agencies and many others by tax-exempt entities which may be supported by endowments and charitable contributions and are exempt from sales, property and income taxes. Such exemptions and support are not available to the Company's hospitals. In addition, in certain localities served by the Company, there are large teaching hospitals which provide highly specialized facilities,

equipment and services which may not be available at most of the Company's hospitals. Psychiatric hospitals frequently attract patients from areas outside their immediate locale and, therefore, the Company's psychiatric hospitals compete with both local and regional hospitals, including the psychiatric units of general, acute care hospitals.

The Company believes that its hospitals compete within local markets on the basis of many factors, including the quality of care, ability to attract and retain quality physicians, location, breadth of services, technology offered and prices charged. The competition among hospitals and other health care providers has intensified in recent years as hospital occupancy rates have declined. The Company's strategies are designed, and management believes that its hospitals are positioned, to be competitive under these changing circumstances.

One of the most significant factors in the competitive position of a hospital is the number and quality of physicians affiliated with the hospital. Although physicians may at any time terminate their affiliation with a hospital operated by the Company, the Company's hospitals seek to retain physicians of varied specialties on the hospitals' medical staffs and to attract other qualified physicians. The Company believes that physicians refer patients to a hospital primarily on the basis of the quality of services it renders to patients and physicians, the quality of other physicians on the medical staff, the location of the hospital and the quality of the hospital's facilities, equipment and employees. Accordingly, the Company strives to maintain high ethical and professional standards and quality facilities, equipment, employees and services for physicians and their patients.

Another major factor in the competitive position of a hospital is management's ability to negotiate service contracts with purchasers of group health care services. HMOs and PPOs attempt to direct and control the use of hospital services through managed care programs and to obtain discounts from hospitals' established charges. In addition, employers and traditional health insurers are increasingly interested in containing costs through negotiations with hospitals for managed care programs and discounts from established charges. Generally, hospitals compete for service contracts with group health care service purchasers on the basis of price, market reputation, geographic location, quality and range of services, quality of the medical staff and convenience. The importance of obtaining contracts with managed care organizations varies from market to market depending on the market strength of such organizations.

State certificate of need ("CON") laws, which place limitations on a hospital's ability to expand hospital services and add new equipment, may also have the effect of restricting competition. The application process for approval of covered services, facilities, changes in operations and capital expenditures is, therefore, highly competitive. In those states which have no CON laws or which set relatively high levels of expenditures before they become reviewable by state authorities, competition in the form of new services, facilities and capital spending is more prevalent. The Company has not experienced, and does not expect to experience, any material adverse effects from state CON requirements or from the imposition, elimination or relaxation of such requirements. See "Regulation and Other Factors."

The Company, and the health care industry as a whole, face the challenge of continuing to provide quality patient care while dealing with rising costs, strong competition for patients and a general reduction of reimbursement rates by both private and government payers. As both private and government payers reduce the scope of what may be reimbursed and reduce reimbursement levels for what is covered, federal and state efforts to reform the United States health care system may further impact reimbursement rates. Changes in medical technology, existing and future legislation, regulations and interpretations and competitive contracting for provider services by private and government payers may require changes in the Company's facilities, equipment, personnel, rates and/or services in the future.

The hospital industry and the Company's hospitals continue to have significant unused capacity and substantial competition for patients. Inpatient utilization, average lengths of stay and average occupancy rates continue to be negatively affected by payer-required pre-admission authorization, utilization review and by payer pressure to maximize outpatient and alternative health care delivery services for less acutely ill patients. Increased competition, admissions constraints and payer pressures are expected to continue. To meet these challenges, the Company expands many of its facilities to include outpatient centers, offers discounts to private payer groups, enters into capitation contracts in some service areas, upgrades facilities and equipment and offers new programs and services.

REGULATION AND OTHER FACTORS

Licensure, Certification and Accreditation

Health care facility construction and operation is subject to federal, state and local regulations relating to the adequacy of medical care, equipment, personnel, operating policies and procedures, fire prevention, rate-setting and compliance with building codes and environmental protection laws. Facilities are subject to periodic inspection by governmental and other authorities to assure continued compliance with the various standards necessary for licensing and accreditation. All of the Company's health care facilities are properly licensed under appropriate state laws. Substantially all of the Company's general, acute care hospitals are certified under the Medicare program or are accredited by the Joint Commission on Accreditation of Healthcare Organizations ("Joint Commission"), the effect of which is to permit the facilities to participate in the Medicare and Medicaid programs. Certain of the Company's psychiatric hospitals do not participate in these programs. Should any facility lose its Joint Commission accreditation, or otherwise lose its certification under the Medicare program, the facility would be unable to receive reimbursement from the Medicare and Medicaid programs. Management believes that the Company's facilities are in substantial compliance with current applicable federal, state, local and independent review body regulations and standards. The requirements for licensure, certification and accreditation are subject to change and, in order to remain qualified, it may be necessary for the Company to effect changes in its facilities, equipment, personnel and services.

Certificates of Need

The construction of new facilities, the acquisition of existing facilities, and the addition of new beds or services may be subject to review by state regulatory agencies under a CON program. The Company operates hospitals in some states that require approval under a CON program. Such laws generally require appropriate state agency determination of public need and approval prior to the addition of beds or services or certain other capital expenditures. Failure to obtain necessary state approval can result in the inability to expand facilities, complete an acquisition or change ownership. Further, violation may result in the imposition of civil or, in some cases, criminal sanctions, the denial of Medicare or Medicaid reimbursement or the revocation of a facility's license.

State Rate Review

Some states in which the Company owns hospitals have adopted legislation mandating rate or budget review for hospitals or have adopted taxes on hospital revenues, assessments or licensure fees to fund indigent health care within the state.

In Florida, a budget review process and limitations on net revenue increases per admission have been in effect with respect to the Company's hospitals since January 1, 1986. The increase in hospital net revenues per admission is limited to an annually-determined percentage increase in costs that Florida hospitals pay for goods and services plus a statutory 2%, plus additional amounts which recognize the effect of patient days related to Medicare, Medicaid and

uncompensated charity care. This law limits the ability of Florida hospitals to increase rates to maintain operating margins. The Company operated 52 hospitals aggregating 12,105 beds in Florida as of December 31, 1997.

In the aggregate, state rate or budget review and indigent tax provisions have not materially adversely affected the Company's results of operations. The Company is unable to predict whether any additional state rate or budget review or indigent tax provisions will be adopted and, accordingly, is unable to assess the effect thereof on its results of operations or financial condition.

Utilization Review

Federal law contains numerous provisions designed to ensure that services rendered by hospitals to Medicare and Medicaid patients meet professionally recognized standards, are medically necessary and that claims for reimbursement are properly filed. These provisions include a requirement that a sampling of admissions of Medicare and Medicaid patients must be reviewed by peer review organizations ("PROs"), which review the appropriateness of Medicare and Medicaid patient admissions and discharges, the quality of care provided, the validity of DRG classifications and the appropriateness of cases of extraordinary length of stay or cost. PROs may deny payment for services provided, may assess fines and also have the authority to recommend to the Department of Health and Human Services ("HHS") that a provider which is in substantial noncompliance with the standards of the PRO be excluded from participating in the Medicare program. Utilization review is also a requirement of most non-governmental managed care organizations.

Medicare Regulations and Fraud and Abuse

Participation in the Medicare program is heavily regulated by federal statute and regulation. If a hospital provider fails substantially to comply with the numerous conditions of participation in the Medicare program or performs certain prohibited acts (e.g., (i) making false claims to Medicare for services not rendered or misrepresenting actual services rendered in order to obtain higher reimbursement; (ii) paying remuneration for Medicare referrals (so called "fraud and abuse" which is prohibited by the "anti-kickback" provisions of the Social Security Act); (iii) failing to stabilize all individuals who come to its emergency room who have an "emergency medical condition," whether or not any such individual is eligible for Medicare; (iv) transferring any stabilized patient to another health care facility before such other facility has agreed to the transfer of such patient, while such other facility does not have sufficient room and staff to treat the patient, without the patient's emergency department medical records, or without appropriate life support equipment; and (v) transferring any unstabilized patient (except those transferred at the patient's request or with physician certification that the medical risks from the transfer are less harmful than continued treatment at the transferring facility), such hospital's participation in the Medicare program may be terminated or civil or criminal penalties may be imposed upon such hospital under certain provisions of the Social Security Act.

Moreover, HHS and the courts have interpreted the "fraud and abuse" anti-kickback provisions of the Social Security Act (presently codified in Section 1128B(b) of the Social Security Act, hereinafter the "Antifraud Amendments") broadly to include the intentional offer, payment, solicitation or receipt of anything of value if one purpose of the payment is to induce the referral of Medicare business. Health care providers generally are concerned that many relatively innocuous, or even beneficial, commercial arrangements with their physicians may technically violate this strict interpretation of the Antifraud Amendments.

In 1976 Congress established the Office of Inspector General ("OIG") at HHS to identify and eliminate fraud, abuse and waste in HHS programs and to promote efficiency and economy in HHS departmental operations. The OIG carries out this mission through a nationwide program

of audits, investigations and inspections. In order to provide guidance to health care providers on ways to engage in legitimate business practices and avoid scrutiny under the fraud and abuse statutes, the OIG has from time to time issued "fraud alerts" identifying features of transactions, which, if present, may indicate that the transaction violates the fraud and abuse law. In May 1992, the OIG issued a special fraud alert regarding hospital incentives to physicians. The alert identified the following incentive arrangements as potential violations of the statute: (a) payment of any sort of incentive by the hospital each time a physician refers a patient to the hospital, (b) the use of free or significantly discounted office space or equipment (in facilities usually located close to the hospital), (c) provision of free or significantly discounted billing, nursing or other staff services, (d) free training for a physician's office staff in areas such as management techniques and laboratory techniques, (e) guarantees which provide that, if the physician's income fails to reach a predetermined level, the hospital will supplement the remainder up to a certain amount, (f) low-interest or interest-free loans, or loans which may be forgiven if a physician refers patients (or some number of patients) to the hospital, (g) payment of the costs of a physician's travel and expenses for conferences, (h) coverage on the hospital's group health insurance plans at an inappropriately low cost to the physician and (i) payment for services (which may include consultations at the hospital) which require few, if any, substantive duties by the physician, or payment for services in excess of the fair market value of services rendered. In this fraud alert the OIG encouraged persons having information about hospitals who offer the above types of incentives to physicians to report such information to the OIG.

In addition, on July 29, 1991, the OIG issued final regulations outlining certain "safe harbor" practices, which, although potentially capable of inducing prohibited referrals of business under Medicare or state health programs, would not be subject to enforcement action under the Social Security Act. The practices covered by the regulations include certain physician joint venture transactions, rental of space and equipment, personal services and management contracts, sales of physician practices, referral services, warranties, discounts, payments to employees, group purchasing organizations and waivers of beneficiary deductibles and co-payments. Certain of the Company's current arrangements with physicians, including joint ventures, do not qualify for the current safe harbor exemptions and, as a result, such arrangements risk scrutiny by the OIG and may be subject to enforcement action. The failure of these arrangements to satisfy all of the conditions of the applicable safe harbor criteria does not mean that the arrangements are illegal. Nevertheless, certain of the Company's current financial arrangements with physicians, including joint ventures, and the Company's future financial arrangements with physicians, could be adversely affected by the failure of such arrangements to comply with the safe harbor regulations, or the future adoption of other legislation or regulation in these areas.

Section 1877 of the Social Security Act (commonly known as "Stark I") prohibits referrals of Medicare and Medicaid patients to clinical laboratories with which a referring physician has a financial relationship. OBRA-93 included certain amendments to Section 1877 (such amendments commonly known as "Stark II") which substantially broadened the scope of prohibited physician self-referrals to include referrals by physicians to entities with which the physician has a financial relationship and which provide certain "designated health services" which are reimbursable by Medicare or Medicaid. "Designated health services" include not only the clinical laboratory services which were the only such services covered by Stark I, but also, among other things, physical and occupational therapy services, radiology services, durable medical equipment, home health, and inpatient and outpatient hospital services. Sanctions for violating Stark I or II include civil money penalties up to \$15,000 per prohibited service provided, assessments equal to 200% of the dollar value of each such service provided and exclusion from the Medicare and Medicaid programs. Stark II contains certain exceptions to the self-referral prohibition, including an exception if the physician has an ownership interest in the entire hospital. Stark II became effective January 1, 1995 and proposed regulations implementing the new provisions were

published on January 9, 1998. The Company cannot predict the final form that such regulations will take or the effect that Stark II or the regulations promulgated thereunder will have on the Company.

Many states in which the Company operates also have laws that prohibit payments to physicians for patient referrals with statutory language similar to the Antifraud Amendments, but with broader effect since they apply regardless of the source of payment for care. These statutes typically provide criminal and civil penalties as well as loss of licensure. Many states also have passed legislation similar to Stark II, but with broader effect, since the legislation applies regardless of the source of payment for care. The scope of these state laws is broad, and little precedent exists for their interpretation or enforcement.

On August 21, 1996, President Clinton signed significant new federal health reform legislation known as the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). Most important for health care providers, the new law includes comprehensive and far-reaching amendments or supplements to the Antifraud Amendments. It also contains substantive provisions relating to portability of health insurance coverage and limitations on preexisting condition exclusions. Under HIPAA, health care fraud, now defined as knowingly and willfully executing or attempting to execute a "scheme or device" to defraud any health care benefit program, is made a federal criminal offense. In addition, for the first time, federal enforcement officials will have the ability to exclude from Medicare and Medicaid any investors, officers and managing employees associated with business entities that have committed health care fraud, even if the investor, officer or employee had no knowledge of the fraud. HIPAA also establishes a new violation for the payment of inducements to Medicare or Medicaid beneficiaries in order to influence those beneficiaries to order or receive services from a particular provider or practitioner. Most of the provisions of HIPAA became effective January 1, 1997.

HIPAA was followed by BBA-97 which was enacted by Congress on August 5, 1997. BBA-97 contains a significant number of new fraud and abuse provisions. Civil monetary penalties ("CMP") may now be imposed for violations of the anti-kickback provisions of the Medicare and Medicaid statute (previously, exclusion or criminal prosecution were the only actions under the anti-kickback statute) as well as contracting with an individual or entity that the provider knows or should know is excluded from a federal health care program. BBA-97 provides for a CMP of \$50,000 and damages of not more than three times the amount of remuneration in the prohibited activity. In addition, BBA-97 also has important discharge planning and reimbursement provisions as well as surety bond requirements for home health agencies.

The Social Security Act also imposes criminal and civil penalties for making false claims to Medicare and Medicaid for services not rendered or for misrepresenting actual services rendered in order to obtain higher reimbursement. Like the Antifraud Amendments, this statute is very broad. Careful and accurate coding of claims for reimbursement must be performed to avoid liability under the false claims statutes.

The Company is currently the subject of government investigations into the Company's business practices in several states. See Item 3--"Legal Proceedings."

Certain of the Company's current financial arrangements with physicians, including joint ventures, and the Company's future development of joint ventures and other financial arrangements with physicians, could be adversely affected by the failure of such arrangements to comply with the Antifraud Amendments, Section 1877, current state laws or other legislation or regulation in these areas adopted in the future. The Company is unable to predict the effect of such regulations, whether other legislation or regulations at the federal or state level in any of

these areas will be adopted, what form such legislation or regulations may take or their impact on the Company. The Company is continuing to enter into new financial arrangements with physicians and other providers in a manner structured to comply in all material respects with these laws. There can be no assurance, however, that (i) governmental officials charged with the responsibility for enforcing these laws will not assert that the Company is in violation thereof or (ii) such statutes will ultimately be interpreted by the courts in a manner consistent with the Company's interpretation.

The federal Medicaid regulations also prohibit fraudulent and abusive practices and authorize the exclusion from such program of providers in violation of such regulations.

State Legislation

Some of the states in which the Company operates have laws that prohibit corporations and other entities from employing physicians and practicing medicine for a profit or that prohibit certain direct and indirect payments or fee-splitting arrangements between health care providers that are designed to induce or encourage the referral of patients to, or the recommendation of, particular providers for medical products and services. In addition, some states restrict certain business relationships between physicians and pharmacies. Possible sanctions for violation of these restrictions include loss of licensure and civil and criminal penalties. These statutes vary from state to state, are often vague and have seldom been interpreted by the courts or regulatory agencies. Although the Company exercises care in an effort to structure its arrangements with health care providers to comply with the relevant state statutes, and although management believes that the Company is in compliance with these laws, there can be no assurance that (i) governmental officials charged with responsibility for enforcing these laws will not assert that the Company or certain transactions in which it is involved are in violation of such laws and (ii) such state laws will ultimately be interpreted by the courts in a manner consistent with the practices of the Company.

Health Care Reform

Health care, as one of the largest industries in the United States, continues to attract much legislative interest and public attention. In recent years, an increasing number of legislative proposals have been introduced or proposed in Congress and in some state legislatures that would effect major changes in the health care system, either nationally or at the state level. Among the proposals under consideration are cost controls on hospitals, insurance market reforms to increase the availability of group health insurance to small businesses, requirements that all businesses offer health insurance coverage to their employees and the creation of a single government health insurance plan that would cover all citizens. The costs of certain proposals would be funded in significant part by reductions in payments by governmental programs, including Medicare and Medicaid, to health care providers such as hospitals. There can be no assurance that future health care legislation or other changes in the administration or interpretation of governmental health care programs will not have a material adverse effect on the Company's business, financial condition or results of operations.

Conversion Legislation

Many states have enacted or are considering enacting laws affecting the conversion or sale of not-for-profit hospitals. These laws, in general, include provisions relating to attorney general approval, advance notification and community involvement. In addition, state attorneys general in states without specific conversion legislation may exercise authority over these transactions based upon existing law. In many states there has been an increased interest in the oversight of

not-for-profit conversions. The adoption of conversion legislation and the increased review of not-for-profit hospital conversions may limit the Company's ability to grow through acquisitions of not-for-profit hospitals.

Revenue Ruling 98-15

During March 1998, the IRS issued guidance regarding the tax consequences of joint ventures between for-profit and not-for-profit hospitals. The Company has not determined the impact of the tax ruling on its existing joint ventures, or the development of future ventures, and is consulting with its joint venture partners and tax advisers to develop an appropriate course of action. The tax ruling could limit joint venture development with not-for-profit hospitals, require the restructuring of certain existing joint ventures with not-for-profits and influence the exercise of "put agreements" (that require the Company to purchase the partner's interest in the joint venture) by certain existing joint venture partners.

ENVIRONMENTAL MATTERS

The Company is subject to various federal, state and local statutes and ordinances regulating the discharge of materials into the environment. Management does not believe that the Company will be required to expend any material amounts in order to comply with these laws and regulations or that compliance will materially affect its capital expenditures, earnings or competitive position.

INSURANCE

As is typical in the health care industry, the Company is subject to claims and legal actions by patients in the ordinary course of business. Through a wholly-owned insurance subsidiary, the Company insures a substantial portion of its general and professional liability risks. The Company's health care facilities are insured by the insurance subsidiary for losses of up to \$25 million per occurrence, a portion of which is reinsured with unrelated commercial carriers. The Company also maintains general and professional liability insurance with unrelated commercial carriers for losses in excess of amounts insured by its insurance subsidiary.

The Company and its insurance subsidiary maintain allowances for loss for professional and general liability risks which totalled \$1.3 billion at December 31, 1997. Management considers such allowances, which are based on actuarially determined estimates, to be adequate for such liability risks. Any losses incurred in excess of the established allowances for loss will be reflected as a charge to earnings of the Company. Any losses incurred in excess of amounts funded and maintained with commercial excess liability insurance carriers will be funded from the Company's working capital. While the Company's cash flow has been adequate to provide for professional and general liability claims in the past, there can be no assurance that such amounts will continue to be adequate. If payments for general and professional liabilities exceed anticipated losses, the results of operations and financial condition of the Company could be adversely affected.

EMPLOYEES AND MEDICAL STAFFS

At December 31, 1997, the Company had approximately 295,000 employees, including approximately 65,000 part-time employees. Employees at 14 hospitals are represented by various labor unions. The Company considers its employee relations to be satisfactory. While the Company's hospitals experience union organizational activity from time to time, the Company does not expect such efforts to materially affect its future operations. The Company's hospitals, like most hospitals, have experienced labor costs rising faster than the general inflation rate. In recent years, the Company generally has not experienced material difficulty in recruiting and retaining employees, including nurses and professional staff members, primarily as a result of staff retention programs and general economic conditions. There can be no assurance as to future availability and cost of qualified medical personnel. References herein to "employees" refer to employees of affiliates of the Company.

The Company's hospitals are staffed by licensed physicians who have been admitted to the medical staff of individual hospitals. With certain exceptions, physicians generally are not employees of the Company's hospitals. However, some physicians provide services in the Company's hospitals under contracts, which generally describe a term of service, provide and establish the duties and obligations of such physicians, require the maintenance of certain performance criteria and fix compensation for such services. Any licensed physician may apply to be admitted to the medical staff of any of the Company's hospitals, but admission to the staff must be approved by the hospital's medical staff and the appropriate governing board of the hospital in accordance with established credentialing criteria. Members of the medical staffs of the Company's hospitals often also serve on the medical staffs of other hospitals, and may terminate their affiliation with a hospital at any time.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Company as of March 16, 1998, were as follows:

NAME ----	AGE ---	POSITION(S) -----
		Chairman of the Board and Chief Executive
Thomas F. Frist, Jr., M.D..	59	Officer
Jack O. Bovender, Jr.....	52	President and Chief Operating Officer
David G. Anderson.....	50	Vice President--Finance and Treasurer
Richard M. Bracken.....	45	President--Western Group
Victor L. Campbell.....	51	Senior Vice President
Kenneth C. Donahey.....	47	Senior Vice President and Controller
W. Leon Drennan.....	42	President--Physician Services
Rosalyn S. Elton.....	36	Vice President--Financial Planning
James A. Fitzgerald, Jr....	43	Vice President--Operations Support
James M. Fleetwood, Jr.....	50	President--America Group
V. Carl George.....	54	Vice President--Development
Jay F. Grinney.....	47	President--Eastern Group
Neil D. Hemphill.....	44	Senior Vice President--Human Resources
		Senior Vice President--Quality and Medical
Frank M. Houser, M.D.....	57	Director
Daniel J. Moen.....	46	President--Columbia Sponsored Networks
A. Bruce Moore, Jr.....	38	Vice President--Operations Administration
		Senior Vice President--Columbia Sponsored
Richard A. Schweinhart.....	48	Networks
James D. Shelton.....	44	President--Pacific Group
Joseph N. Steakley.....	43	Vice President--Audit and Consulting Services
Robert A. Waterman.....	44	Senior Vice President and General Counsel
David R. White.....	50	President--Atlantic Group
Noel Brown Williams.....	43	Senior Vice President and Chief Information
		Officer
Alan R. Yuspeh.....	48	Senior Vice President--Ethics, Compliance and
		Corporate Responsibility

Thomas F. Frist, Jr., M.D. has served as Chairman of the Board and Chief Executive Officer since July 1997. Previously, he served as Vice Chairman of the Board of the Company since April 1995. From February 1994 to April 1995, he was Chairman of the Board of the Company. Dr. Frist was Chairman of the Board, President and Chief Executive Officer of HCA-Hospital Corporation of America ("HCA") from 1988 to February 1994. Dr. Frist was previously Chairman and Chief Executive Officer of Hospital Corporation of America from August 1985 until September 1987.

Jack O. Bovender, Jr. has served as President and Chief Operating Officer of the Company since August 1997. From April 1994 to August 1997, he was retired after serving as Chief Operating Officer of HCA from 1992 until 1994. Prior to 1992, Mr. Bovender held several senior level positions with HCA.

David G. Anderson has served as Vice President--Finance of the Company since September 1993 and was elected to the additional position of Treasurer in November 1996. From March 1993 until September 1993, Mr. Anderson served as Vice President Finance and Treasurer of Galen Health Care, Inc. From July 1988 to March 1993, Mr. Anderson served as Vice President Finance and Treasurer of Humana Inc.

Richard M. Bracken has served as President--Western Group of the Company since August 1997. From January 1995 to August 1997, Mr. Bracken served as President of the Pacific Division of the Company. From July 1993 to December 1994, he served as President of Nashville Healthcare Network, Inc. From December 1981 to June 1993, he served in various hospital Chief Executive Officer and Administrator positions with HCA.

Victor L. Campbell has served as Senior Vice President of the Company since February 1994. Prior to that time, Mr. Campbell served as HCA's Vice President for Investor, Corporate, and Government Relations. Mr. Campbell joined HCA in 1972. Mr. Campbell is currently a director of the Federation of American Health Systems and the American Hospital Association.

Kenneth C. Donahey has served as Senior Vice President and Controller of the Company since April 1995. Prior to that time, Mr. Donahey served as Senior Vice President and Controller of Healthtrust from April 1993 to April 1995. Mr. Donahey served as Vice President and Controller of Healthtrust from 1987 to 1993.

W. Leon Drennan has served as President--Physician Services for the Company since January 1998. Mr. Drennan served as Senior Vice President--Internal Audit of the Company from February 1995 to December 1997. From February 1994 to January 1995, Mr. Drennan served as Vice President--Internal Audit of the Company. Mr. Drennan served as Vice President--Internal Audit for HCA from 1987 until 1994.

Rosalyn S. Elton has served as Vice President--Financial Planning of the Company since August 1993. From October 1990 to August 1993, Ms. Elton served as Vice President--Financial Planning and Treasury.

James A. Fitzgerald, Jr. has served as Vice President--Operations Support of the Company since 1994. From 1993 to 1994, he served as the Assistant Vice President of Operations Support. From July 1981 to 1993, Mr. Fitzgerald served as Director of Internal Audit for HCA.

James M. Fleetwood, Jr. has served as President--America Group of the Company since January 1, 1998. Mr. Fleetwood served as President--Florida Group of the Company from May 1996 to January 1998. Mr. Fleetwood served as President of the Company's North Florida Division from April 1995 to May 1996. From August 1992 to April 1995, Mr. Fleetwood was a Regional Vice President of Healthtrust. Mr. Fleetwood served as the Administrator and Chief Executive Officer of Plantation General Hospital in Plantation, Florida from July 1989 to August 1992.

V. Carl George has served as Vice President --Development of the Company since April 1995. From August 1987 to April 1995, Mr. George served as Director of Development for Healthtrust.

Jay F. Grinney has served as President--Eastern Group of the Company since May 1996. From October 1993 to May 1996, Mr. Grinney served as President of the Greater Houston Division of the Company. From November 1992 to October 1993, Mr. Grinney served as Chief Operating Officer of the Houston Region of the Company. From June 1990 to November 1992, Mr. Grinney served as President and Chief Executive Officer of Rosewood Medical Center in Houston, Texas.

Neil D. Hemphill has served as Senior Vice President--Human Resources of the Company since February 1994. Mr. Hemphill served as Vice President--Human Resources of the Company from June 1992 to February 1994. Mr. Hemphill was a Director of Human Resources of Republic Health Corporation from January 1985 to June 1992.

Frank M. Houser, M.D. has served as Senior Vice President --Quality and Medical Director of the Company since November 1997. Dr. Houser served as President--Physician Management Services of the Company from May 1996 to November 1997. Dr. Houser served as President of the Georgia Division of the Company from December 1994 to May 1996. From May 1993 to December 1994, Dr. Houser served as the Medical Director of External Operations at The Emory Clinic, Inc. in Atlanta, Georgia. Dr. Houser served as State Public Health Director, Georgia Department of Human Resources, from July 1991 to May 1993.

Daniel J. Moen has served as President--Columbia Sponsored Networks since March 1996, and served as President of the Company's Florida Group from February 1994 until March 1996. Mr. Moen was President of the Company's South Florida Division from October 1991 until February 1994.

A. Bruce Moore, Jr. has served as Vice President--Operations Administration of the Company since September 1997. From October 1996 to September 1997 Mr. Moore served as Vice President--Benefits of the Company. Mr. Moore served as Vice President of Compensation of the Company from March 1995 until October 1996. From February 1994 to March 1995, Mr. Moore served as Director--Compensation of the Company. Mr. Moore also served as Director--Compensation for HCA from November 1987 until February 1994.

Richard A. Schweinhart has served as Senior Vice President--Columbia Sponsored Networks of the Company since March 1996. From April 1995 until March 1996, Mr. Schweinhart served as Senior Vice President--Nonhospital Operations, and from September 1993 until April 1995 as Senior Vice President--Finance of the Company. Mr. Schweinhart served as Senior Vice President--Finance for both Galen and Humana from November 1991 to September 1993.

James D. Shelton has served as President--Pacific Group since January 1, 1998. Mr. Shelton served as President--Central Group of the Company from June 1994 until January 1998. From May 1993 to June 1994, Mr. Shelton was employed by National Medical Enterprises, Inc. ("NME") (presently called Tenet Healthcare Corporation) as Executive Vice President of the Central Division. Mr. Shelton served as Senior Vice President of Operations for NME from August 1986 until May 1993.

Joseph N. Steakley has served as Vice President--Audit and Consulting Services since November 1997. From December 1975 until October 1997, Mr. Steakley worked for Ernst & Young LLP where he served as a partner from October 1989.

Robert A. Waterman has served as Senior Vice President and General Counsel of the Company since November 1997. Mr. Waterman served as a partner in the law firm of Latham & Watkins from September 1993 to October 1997; he was also Chair of the firm's healthcare group during 1997. Prior to September 1993, Mr. Waterman was a partner in the law firm of McCutchen, Doyle, Brown & Enersen.

David R. White has served as President--Atlantic Group since January 1, 1998. Mr. White joined the Company in March 1994 and served as President--Mid-America Group of the Company since June 1995. Before this period, he served as Executive Vice President and Chief Operating Officer with Community Health Systems, Inc. for eight years.

Noel Brown Williams has served as Senior Vice President and Chief Information Officer of the Company since October 1997. From October 1996 to September 1997, Ms. Williams served as Chief Information Officer for American Services Group/Prison Health Services, Inc. From September 1995 to September 1996, Ms. Williams worked as an independent consultant. From June 1993 to June 1995, Ms. Williams served as Vice President, Information Services for Columbia/HCA Information Services. From February 1979 to June 1993, she held various positions with HCA Information Services.

Alan R. Yuspeh has served as Senior Vice President--Ethics, Compliance and Corporate Responsibility of the Company since October 1997. From September 1991 until October 1997, Mr. Yuspeh was a partner with the law firm of Howrey & Simon. As a part of his law practice, Mr. Yuspeh served from 1987 to 1997 as Coordinator of the Defense Industry Initiative on Business Ethics and Conduct.

ITEM 2. PROPERTIES.

The following table lists, by state, the number of hospitals owned, managed or operated by the Company as of December 31, 1997:

STATE	HOSPITALS	LICENSED BEDS
-----	-----	-----
Alabama.....	9	1,303
Alaska.....	1	254
Arizona.....	5	789
Arkansas.....	4	909
California.....	16	3,006
Colorado.....	9	2,226
Florida.....	52	12,105
Georgia.....	19	3,193
Idaho.....	2	462
Illinois.....	8	2,584
Indiana.....	2	460
Kansas.....	5	1,707
Kentucky.....	13	2,505
Louisiana.....	20	3,093
Massachusetts.....	2	501
Mississippi.....	2	284
Missouri.....	3	767
Nevada.....	2	808
New Hampshire.....	2	295
New Mexico.....	2	381
North Carolina.....	7	996
Ohio.....	4	1,617
Oklahoma.....	8	1,532
Oregon.....	2	198
South Carolina.....	5	932
Tennessee.....	29	4,271
Texas.....	66	13,150
Utah.....	7	951
Virginia.....	15	3,534
Washington.....	1	119
West Virginia.....	7	1,284
Wyoming.....	1	70
INTERNATIONAL		

Spain.....	1	110
Switzerland.....	1	185
United Kingdom.....	4	517
	---	-----
	336	67,098
	===	=====

In addition to the hospitals listed in the above table, the Company operates 145 outpatient surgery centers. The Company also operates medical office buildings in conjunction with its hospitals. These office buildings are primarily occupied by physicians who practice at the Company's hospitals.

The Company owns and maintains its headquarters in approximately 580,000 square feet of space in five office buildings in Nashville, Tennessee.

The Company's headquarters, hospitals and other facilities are suitable for their respective uses and are, in general, adequate for the Company's present needs.

ITEM 3. LEGAL PROCEEDINGS.

FEDERAL AND STATE INVESTIGATIONS

In March 1997, various facilities of the Company's El Paso, Texas operations were searched by federal authorities pursuant to search warrants, and the government removed various records and documents. In February 1998, an additional warrant was executed and a single computer was seized. The Company believes it may be a target in this investigation.

In July 1997, various Company affiliated facilities and offices were searched pursuant to search warrants issued by the United States District Court in several states. During July, September and November 1997, the Company was also served with subpoenas requesting records and documents related to laboratory billing, diagnosis related group ("DRG") coding and home health operations in various states. In January 1998, the Company received a subpoena which requested records and documents relating to physician relationships.

Also, in July 1997, the United States District Court for the Middle District of Florida, in Fort Myers, issued an indictment against three employees of a subsidiary of the Company. The indictment relates to the alleged false characterization of interest payments on certain debt resulting in Medicare and CHAMPUS overpayments since 1986 to Columbia Fawcett Memorial Hospital, a Port Charlotte, Florida hospital that was acquired by the Company in 1992. The Company has been served with subpoenas for various records and documents.

The Company is cooperating in these investigations and understands it is a target in these investigations.

In addition, several hospital facilities affiliated with the Company have received individual governmental inquiries, both informal and formal, requesting information related to reimbursement from government programs.

While it is too early to predict the outcome of any of the ongoing investigations or the initiation of any additional investigations, were the Company to be found in violation of federal or state laws relating to Medicare, Medicaid or similar programs, the Company could be subject to substantial monetary fines, civil and criminal penalties and exclusion from participation in the Medicare and Medicaid programs. Any such sanctions could have a material adverse effect on the Company's financial position and results of operations. See NOTE 15 of the notes to consolidated financial statements.

The Company is the subject of a formal order of investigation by the Securities and Exchange Commission (the "Commission"). The Company understands that the investigation includes the anti-fraud, periodic reporting and internal accounting control provisions of the federal securities laws.

QUI TAM ACTIONS

Several qui tam actions have been brought by private parties ("relators") on behalf of the United States of America. To the best of the Company's knowledge, the actions allege, in general, that the Company and certain subsidiaries and/or affiliated partnerships violated the False Claims Act for improper claims submitted to the government for reimbursement. The government has declined to intervene in any qui tam actions filed to date.

The matter of United States of America, ex rel. Scott Pogue v. American Healthcorp, Inc., et al. (Civil Action No. 3-94-0515) was filed under seal on June 23, 1994, in the United States District Court for the Middle District of Tennessee. On February 6, 1995, the United States filed its Notice of Non-Intervention and on that same date, the District Court ordered the Complaint unsealed. The relator contends that sums paid to Medical Directors by the Diabetes Treatment Centers of America and those who served as Medical Directors at a hospital or facility affiliated with the Company, were, in fact, unlawful payments for the referrals of their patients.

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 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. (S)3729 et seq. The complaint seeks damages of three times the amount of all Medicare or Medicaid 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, attorneys' 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 appealed to the United States Court of Appeals for the Fifth Circuit and, on October 23, 1997, the Fifth Circuit affirmed in part and vacated and remanded in part the Trial Court's rulings.

On or around December 21, 1995, a matter entitled United States of America, ex rel. Roy Meidinger v. Lee Memorial Health Systems, Case No. 95-423-FTM-99D, was filed in the United States District Court for the Middle District Court of Florida, Fort Myers Division. In this matter, the plaintiff filed under seal, a False Claims Act case against approximately 2,500 health care providers and insurance companies, including Columbia Southwest Regional Medical Center. On December 16, 1996, the United States declined to intervene. In June 1997, the District Court entered an order directing plaintiff to serve the defendants. In late November and early December 1997, each of the six defendants moved to dismiss the Complaint. On January 20, 1998, plaintiff filed his opposition to the defendant's motion to dismiss. The Court has not yet ruled on the defendant's motions.

The matter of United States of America, ex rel. Sandra Russell; and Sandra Russell in her own right v. EPIC Healthcare Management Group, and Hearthstone Home Health, Inc. d/b/a Continue Care Health Services, No. H-95-00151, was filed in the United States District Court for the Southern District of Texas, Houston Division, in January, 1995. This matter was filed under seal. The Complaint alleges that the relator was required to submit claims, records and/or statements for Medicare reimbursement which were false. The government declined to intervene in May 1996, and the defendant moved to dismiss in May 1997. No ruling has been made on the motion to dismiss.

The Company intends to pursue the defense of the Qui Tam actions vigorously.

SHAREHOLDER DERIVATIVE AND CLASS ACTION COMPLAINTS FILED IN THE U.S.
DISTRICT COURTS

Since April 8, 1997, numerous securities class action and derivative lawsuits have been filed in the United States District Court for the Middle District of Tennessee against the Company and a number of its current and former directors, officers and employees.

On August 26, 1997, the Court entered an order consolidating all of the securities class action claims into a single-captioned case, *Morse v. McWhorter*, Case No. 3-97-0370. All of the other individual securities class action lawsuits were administratively closed by the Court. The consolidated *Morse* lawsuit is a purported class action seeking the certification of a class of persons or entities who acquired the Company's common stock from April 9, 1994 to September 9, 1997. The consolidated lawsuit is brought against the Company, Richard Scott, David Vandewater, Thomas Frist, Jr., R. Clayton McWhorter, Carl E. Reichardt, Magdalena Averhoff, M.D., T. Michael Long, and Donald S. MacNaughton. The lawsuit alleges, among other things, that the defendants committed violations of the federal securities laws by materially inflating the Company's revenues and earnings through a number of practices, including upcoding, maintaining reserve cost reports, disseminating false and misleading statements, cost shifting, illegal reimbursements, improper billing, unbundling, and violating various Medicare laws. The lawsuit seeks compensatory damages, costs, and expenses. Plaintiffs filed their Motion for Class Certification on February 11, 1998. The defendants' motions to dismiss and motion for oral argument have been referred to the Magistrate Judge for consideration.

On August 26, 1997, the Court entered an order consolidating all of the derivative law claims into a single-captioned case, *McCall v. Scott*, No. 3-97-0838. All of the other derivative lawsuits were administratively closed by the Court. The consolidated *McCall* lawsuit is brought against the Company, Thomas Frist, Jr., Richard L. Scott, David T. Vandewater, R. Clayton McWhorter, Magdalena Averhoff, M.D., Frank S. Royal, M.D., T. Michael Long, William T. Young and Donald S. MacNaughton. The lawsuit alleges, among other things, derivative claims against the individual defendants that they intentionally or negligently breached their fiduciary duties to the Company by authorizing, permitting, or failing to prevent the Company from engaging in various schemes to improperly increase revenue, upcoding, improper cost reporting, improper referrals, improper acquisition practices, and overbilling. In addition, the lawsuit asserts a derivative claim against some of the individual defendants for breaching their fiduciary duties by engaging in insider trading. The lawsuit seeks restitution, damages, recoupment of fines or penalties paid by the Company, restitution and pre-judgment interest against the alleged insider trading defendants, and costs and disbursements. In addition, the lawsuit seeks orders: (i) prohibiting the Company from paying individual defendants employment benefits, (ii) terminating all improper business relationships with individual defendants, and (iii) requiring the Company to implement effective corporate governance and internal control mechanisms designed to monitor compliance with federal and state laws and ensure reports to the Board of Material Violations.

The matter of *Landgraff v. Columbia/HCA Healthcare Corporation* was filed on November 7, 1997, in the United States District Court for the Northern District of Georgia, Atlanta Division, Civil Action No. 97-CV-3381. The suit seeks certification of a class of all participants in the Columbia/HCA Stock Bonus Plan, alleging violations of ERISA. The suit alleges the Company breached its fiduciary duty to plan participants, fraudulently concealed information from the public and fraudulently inflated the Company's stock price through billing fraud and illegal kickbacks for physician referrals. On January 9, 1998, the parties stipulated to transfer venue of the case to the United States District Court for the Middle District of Tennessee. Defendants filed a Motion to Dismiss on March 6, 1998.

The Company intends to pursue the defense of these Shareholder Derivative and Class Action Complaints vigorously.

SHAREHOLDER DERIVATIVE ACTIONS FILED IN STATE COURTS

Several derivative actions have been filed in State Court by certain purported stockholders of the Company against certain of the Company's current and former officers and directors alleging breach of fiduciary duty, and failure to take reasonable steps to ensure that the Company did not engage in illegal practices thereby exposing the Company to significant damages. The Company intends to pursue the defense of these shareholder derivative actions vigorously.

Two purported derivative actions entitled Evelyn Barron, et al. v. Magdalena Averhoff, et al. (Civil Action No. 15822NC) and John Kovalchick v. Magdalena Averhoff, et al. (Civil Action No. 15829NC) have been filed in the Court of Chancery of the State of Delaware in and for New Castle County. The actions were brought on behalf of the Company by certain purported shareholders of the Company against certain of the Company's current and former officers and directors. On approximately August 14, 1997, a similar purported derivative action entitled State Board of Administration of Florida v. Magdalena Averhoff, et al. (No. 97-2729) was filed in the Circuit Court in Davidson County, Tennessee on behalf of the Company by certain purported shareholders of the Company against certain of the Company's current and former directors and officers.

The matter of Louisiana State Employees Retirement System v. Averhoff, et al and Columbia/HCA Healthcare Corporation, another derivative action, was filed on March 20, 1998, in the Circuit Court of the Eleventh Judicial Circuit, Dade County, Florida, General Jurisdiction Division, Case No. 98-6050 CA04. The Louisiana State Employees Retirement System is the public pension fund of the State of Louisiana. The suit alleges breach of fiduciary duties resulting in damage to the Company's good will, business reputation and the ability to consummate future mergers and acquisitions.

PATIENT/PAYER ACTIONS

The Company has from time to time received several purported class action lawsuits which have been filed by patients or payers against the Company and/or certain of its current and former officers and directors alleging, in general, improper and fraudulent billing, coding and physician referrals, as well as other violations of law.

The matter of Boysen v. Columbia/HCA Healthcare Corporation was filed September 8, 1997, in the United States District Court for the Middle District of Tennessee, Nashville Division, (Civil Action No. 3-97-0936). The lawsuit, which seeks certification of a national class comprised of all persons or entities who have paid for medical services provided by the Company, alleges, among other things, that the Company has engaged in a pattern and practice of (i) inflating diagnosis and medical treatments of its patients to receive larger payments from the purported class members; (ii) providing unnecessary medical care; and (iii) billing for services never rendered. The lawsuit seeks equitable relief in the form of an accounting, as well as damages, attorneys' fees and costs of suit. The Company filed its Answer on November 17, 1997. Plaintiff has filed a Motion for Class Certification, and the Company's opposition to this motion was filed in March 1998.

The matter of Brown v. Columbia/HCA Healthcare Corporation was filed on November 28, 1995, in the Circuit Court of Palm Beach County, Florida, Case No. 95-9102 AD. This suit alleges that the hospital has charged excessive amounts for pharmaceuticals, medical supplies, laboratory tests, medical equipment and related medical services such as x-rays. The suit seeks certification of a nationwide class, and damages for patients who have paid bills containing allegedly excessive amounts for the allegedly unreasonable portion of the charges and attorneys' fees. The Company filed a Motion to Dismiss on December 18, 1995, and an Amended Motion to Dismiss on January 3, 1996. Plaintiff amended the Complaint and the Company filed an Answer and defenses on June 19, 1996. On October 15, 1997, Harald Jackson moved to intervene in the lawsuit. The Court denied Jackson's Motion on December 19, 1997. No class has been certified. Discovery is ongoing.

On October 27, 1997, Colville v. Columbia/Palm Drive Hospital was filed in the Sonoma County Superior Court, California, Case No. 217646. The suit seeks certification of a class comprised of uninsured patients treated at the Company's hospitals and entities in California who have been treated and charged different fees than any other patient. The suit alleges that the Company fraudulently overcharged the plaintiffs and that it unlawfully charges uninsured patients at a higher rate for the same services, compared to patients with insurance or Medicare. On March 6, 1998, the Company filed a Demurrer Motion and Motion to Quash. A hearing is set for May 13, 1998.

Doe v. HCA Health Services of Tennessee, Inc. dba Donelson Hospital fka Summit Medical Center is a class action suit filed on August 17, 1992 in the First Circuit Court for Davidson County, Tennessee. This suit claims the Company's charges for hospital services and supplies for medical services (a hysterectomy in the plaintiff's case) exceeded the reasonable costs of its goods and services, that the overcharges constitute a breach of contract and an unfair or deceptive trade practice within the meaning of the Tennessee Consumer Protection Act, and a breach of the duty of good faith and fair dealing under Tennessee statute and common law. In 1997, this case was certified as a class action consisting of all past, present and future patients at Summit Medical Center. Defendant filed a Motion for Summary Judgment relying upon the favorable decision of another Nashville Circuit Judge in a factually similar case. In March 1997, the Court denied the Motion for Summary Judgment and has ordered the parties into mediation.

The matter of Douglas v. Columbia/HCA Healthcare Corporation is a class action filed on March 5, 1998, in the Circuit Court of Cook County, Illinois, County Department, Chancery Division, Case No. 98 02942. This suit alleges that defendants were involved in fraudulent and deceptive acts including wrongful billing, unnecessary treatment and wrongful diagnosis of patients with illnesses that necessitate higher medical fees for financial gain. This matter was served on March 18, 1998 and no answer has been filed at this time.

Ferguson v. Columbia/HCA Healthcare Corporation was filed on September 16, 1997, in the Circuit Court for Washington County, Tennessee, Civil Action No. 18679. This lawsuit seeks certification of a national class comprised of all those who paid or were responsible for payment of any portion of a bill for medical care or treatment provided by the Company and alleges, among other things, that the Company engaged in billing fraud by excessively billing patients for services rendered, billing patients for services not rendered or not medically necessary, uniformly using improper codes to report patient diagnosis, and improperly and illegally recruiting doctors to refer patients to the Company's hospitals. Plaintiff filed a Motion for Class Certification on September 16, 1997. On December 15, 1997, the Company filed a Motion for Summary Judgment. On January 28, 1998, plaintiff filed a Motion for Leave to File a Second Amended Class Action Complaint to Add an Additional Class Representative.

The matter of Hoop v. Columbia/HCA Healthcare Corporation was filed on August 18, 1997, in the District Court of Johnson County, Texas, Civil Action No. 249-171-97. This suit seeks certification of a class in Texas comprised of persons who paid for any portion of an improper or fraudulent bill for medical services rendered by any Texas facility owned or operated by the Company. The lawsuit alleges the Company perpetrated a fraudulent scheme that consisted of systematic and routine overbilling through false and inaccurate bills, including padding, billing for services never provided, and exaggerating the seriousness of patients' illnesses. The lawsuit alleges the Company systematically entered into illegal kickback schemes with doctors for patient referrals. The Company filed its answer on November 7, 1997.

The matter of Jackson v. Columbia/HCA Healthcare Corporation was filed on December 23, 1997, in the Circuit Court, Palm Beach County, Florida, Civil Action No. 97-011419. The suit seeks certification of a national class of persons or entities that have paid for medical services,

alleging the Company systematically and unlawfully inflated prices, concealed its practice of inflating prices and engaged in and concealed a uniform practice of overbilling.

The matter of Johnson v. Plantation General Hospital was filed on August 5, 1991, in the Circuit Court for the Seventeenth Judicial Circuit, State of Florida, Broward County, Case No. 92-06823 Div. 2. The suit alleges the hospital charged excessive amounts for pharmaceuticals, medical supplies and laboratory tests. The suit sought certification of a class, a price reduction on all outstanding bills in the amount of the allegedly excessive portion of the charges, damages for patients who have paid bills containing allegedly excessive amounts for the alleged unreasonable portion of the charges and attorneys' fees. On September 18, 1995, the trial court certified the class and the Fourth District Court of Appeal affirmed. On October 22, 1996, the hospital filed a Motion for Summary Judgment on Counts II and III on the basis of the voluntary payment defense. The Court granted the motion on November 19, 1997. Count I is still pending. Trial has been set for June 29, 1998.

The matter of Operating Engineers Local No. 312 Health & Welfare Fund v. Columbia/HCA Healthcare Corporation was filed on October 6, 1997 in the United States District Court for the Eastern District of Texas, Civil Action No. 597CV203. The suit alleges four counts of violations of RICO. The alleged RICO violations are based on allegations that the Company has employed one or more schemes or artifices to defraud the plaintiff and purported class members through fraudulent billing for services not performed, fraudulent overcharging in excess of correct rates and fraudulent concealment and misrepresentation. On October 22, 1997, the Company filed a Motion to Transfer Venue and to Dismiss the Lawsuit on Jurisdiction and Venue Grounds because the RICO claims are deficient. The motion to transfer was denied on January 23, 1998. The motion to dismiss has not yet been ruled upon.

The Company denies the aforementioned allegations and intends to pursue the defense of these actions vigorously.

While it is premature to predict the outcome of the qui tam, shareholder derivative and class action lawsuits, the amounts claimed may be substantial. It is possible that an adverse resolution, individually or in the aggregate, could have a materially adverse impact on the Company's liquidity, financial position and results of operations. See NOTE 15 of the notes to consolidated financial statements.

The Company believes the ongoing investigations, qui tam, shareholder cases, class action overcharging cases and related media coverage are having a negative effect on the Company's financial position and results of operations. However, the Company is unable to measure the effect or predict the magnitude that these matters and the related media coverage could have on the Company's future results of operations and financial position.

GENERAL LIABILITY CLAIMS

The Company is subject to claims and suits arising in the ordinary course of business, including claims for personal injuries or for wrongful restriction of, or interference with, physicians' staff privileges. In certain of these actions the claimants have asked for punitive damages against the Company, which are usually not covered by insurance. In the opinion of management, the ultimate resolution of these pending claims and legal proceedings will not have a material adverse effect on the Company's results of operations or financial position.

A class action styled Mary Forsyth, et al v. Humana, Inc., et al, Case No. CV-S-89-249-DWH, was filed on March 29, 1989, in the United States District Court for the District of Nevada (the "Forsyth" case). Plaintiffs are two classes of individuals who paid for, or received coverage under, group insurance policies sold in the State of Nevada by Humana Insurance. They allege violations

of antitrust laws, ERISA and RICO which arise from the sale of the policies and from incentives provided under the policies for insureds to use Humana Sunrise Hospital in Las Vegas. In 1993, the United States District Court granted summary judgment dismissing most of plaintiff's claims but granted plaintiffs judgment on one claim that the client assesses as having a maximum exposure of under \$4 million, plus attorney's fees. Plaintiffs appealed to the United States Court of Appeals for the Ninth Circuit which, on May 23, 1997, affirmed the judgment on the ERISA claims; reversed as to the antitrust claims; and reversed in part as to the RICO claims, but affirmed the District Court's grant of summary judgment limiting RICO damages to three times the ERISA damages, with exposure assessed at under \$12 million. Plaintiffs claim approximately \$133 million in antitrust damages that is subject to statutory trebling. Humana has petitioned the Supreme Court for a Writ of Certiorari on the RICO claims, which is pending. The antitrust claims have been remanded to the United States District Court in Nevada. Trial of these claims is stayed pending a decision on the Petition for Writ of Certiorari. Humana has filed a Motion for Summary Judgment on all remaining antitrust claims raising issues that were not reached by the District Court. The court vacated the February trial date and set oral argument for January 30, 1998. The Court has ordered that a status report be filed on March 23, 1998.

On December 4, 1997, a lawsuit captioned Florida Software Systems, Inc., a Florida corporation v. Columbia/HCA Healthcare Corporation, a Delaware corporation, was filed in the United States District Court for the Middle District of Florida (Civil Action No. 97-2866-C.V.-T-17b). The lawsuit alleges that the Company breached an agreement under which Florida Software Systems, Inc. was allegedly granted the exclusive right to provide medical claims management for certain claims made by the Company for payment to any third party payors in connection with the rendition of medical care or services. The lawsuit alleges claims for fraud, breach of implied contract, and breach of contract. The lawsuit seeks compensatory and punitive damages, attorney's fees and costs of the suit. The Company believes that the allegations in the Complaint are without merit and intends to pursue the defense of this action vigorously.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matters were submitted to a vote of security holders during the fourth quarter of 1997.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's Common Stock is traded on the New York Stock Exchange, Inc. (the "NYSE") (symbol "COL"). The table below sets forth, for the calendar quarters indicated, the high and low sales prices per share reported on the NYSE Composite Tape for the Company's Common Stock. All prices have been adjusted to reflect a 3-for-2 stock split in the form of a stock dividend effective October 15, 1996.

	HIGH	LOW
	-----	-----
1997:		
First Quarter.....	\$44.88	\$31.25
Second Quarter.....	40.00	30.38
Third Quarter.....	40.44	26.63
Fourth Quarter.....	32.13	25.75
1996:		
First Quarter.....	\$39.08	\$33.42
Second Quarter.....	38.17	32.92
Third Quarter.....	39.25	31.67
Fourth Quarter.....	41.88	34.50

At the close of business on March 23, 1998, there were approximately 18,700 holders of record of the Company's Common Stock and one holder of record of the Company's Nonvoting Common Stock.

The Company currently pays a regular quarterly dividend of \$.02 per share. While it is the present intention of the Company's Board of Directors to continue paying a quarterly dividend of \$.02 per share, the declaration and payment of future dividends by the Company will depend upon many factors, including the Company's earnings, financial condition, business needs, capital and surplus and regulatory considerations.

ITEM 6. SELECTED FINANCIAL DATA

COLUMBIA/HCA HEALTHCARE CORPORATION
SELECTED FINANCIAL DATA
AS OF AND FOR THE YEARS ENDED DECEMBER 31
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	1997	1996	1995	1994	1993
	-----	-----	-----	-----	-----
SUMMARY OF OPERATIONS:					
Revenues.....	\$ 18,819	\$ 18,786	\$ 17,132	\$ 14,543	\$ 12,678
Salaries and benefits.....	7,631	7,205	6,779	5,963	5,202
Supplies.....	2,722	2,655	2,536	2,144	2,015
Other operating expenses.....	4,263	3,689	3,203	2,661	2,286
Provision for doubtful accounts.....	1,420	1,196	994	853	699
Depreciation and amortization.....	1,238	1,143	976	804	689
Interest expense.....	493	488	458	387	415
Equity in earnings of affiliates.....	(68)	(173)	(28)	(8)	(9)
Restructuring of operations and investigation related costs.....	140	--	--	--	--
Impairment of long-lived assets.....	442	--	--	--	--
Merger, facility consolidation and other costs.....	--	--	387	159	151
	-----	-----	-----	-----	-----
	18,281	16,203	15,305	12,963	11,448
	-----	-----	-----	-----	-----
Income from continuing operations before minority interests and income taxes.....	538	2,583	1,827	1,580	1,230
Minority interests in earnings of consolidated entities.....	150	141	113	40	18
	-----	-----	-----	-----	-----
Income from continuing operations before income taxes.....	388	2,442	1,714	1,540	1,212
Provision for income taxes.....	206	981	689	611	492
	-----	-----	-----	-----	-----
Income from continuing operations.....	182	1,461	1,025	929	720
Discontinued operations:					
Income from operations of discontinued businesses, net of income taxes.....	12	44	39	--	16
Estimated loss on disposal of discontinued businesses, net of income tax benefit.....	(443)	--	--	--	--
Extraordinary charges on extinguishments of debt, net of income tax benefits.....	--	--	(103)	(115)	(97)
Cumulative effect of accounting change, net of income tax benefit..	(56)	--	--	--	--
	-----	-----	-----	-----	-----
Net income (loss).....	\$ (305)	\$ 1,505	\$ 961	\$ 814	\$ 639
	=====	=====	=====	=====	=====
Basic earnings (loss) per share:					
Income from continuing operations.....	\$.28	\$ 2.17	\$ 1.54	\$ 1.46	\$ 1.18
Discontinued operations:					
Income from operations of discontinued businesses.....	.02	.07	.06	--	.03
Estimated loss on disposal of discontinued businesses.....	(.67)	--	--	--	--
Extraordinary charges on extinguishments of debt.....	--	--	(.16)	(.18)	(.16)
Cumulative effect of accounting change.....	(.09)	--	--	--	--
	-----	-----	-----	-----	-----
Net income (loss).....	\$ (.46)	\$ 2.24	\$ 1.44	\$ 1.28	\$ 1.05
	=====	=====	=====	=====	=====
Shares used in computing basic earnings per share (in thousands)...	657,931	670,774	665,407	634,837	608,345
Diluted earnings (loss) per share:					
Income from continuing operations.....	\$.27	\$ 2.15	\$ 1.52	\$ 1.44	\$ 1.16
Discontinued operations:					
Income from operations of discontinued businesses.....	.02	.07	.06	--	.03
Estimated loss on disposal of discontinued businesses.....	(.67)	--	--	--	--
Extraordinary charges on extinguishments of debt.....	--	--	(.15)	(.18)	(.16)
Cumulative effect of accounting change.....	(.08)	--	--	--	--
	-----	-----	-----	-----	-----
Net income (loss).....	\$ (.46)	\$ 2.22	\$ 1.43	\$ 1.26	\$ 1.03
	=====	=====	=====	=====	=====
Shares used in computing diluted earnings per share (in thousands).	663,090	677,886	673,071	643,943	619,554
Cash dividends per common share.....	\$.07	\$.08	\$.08	\$.08	\$.04
Redemption of preferred stock purchase rights.....	\$.01	--	--	--	--

ITEM 6. SELECTED FINANCIAL DATA (CONTINUED)

COLUMBIA/HCA HEALTHCARE CORPORATION
 SELECTED FINANCIAL DATA
 AS OF AND FOR THE YEARS ENDED DECEMBER 31--(CONTINUED)
 (DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	1997	1996	1995	1994	1993
	-----	-----	-----	-----	-----
FINANCIAL POSITION:					
Assets.....	\$ 22,002	\$ 21,116	\$ 19,805	\$ 16,278	\$ 12,685
Working capital.....	1,650	1,389	1,409	1,092	835
Net assets of discontinued operations.....	841	212	142	--	--
Long-term debt, including amounts due within one year.....	9,408	6,982	7,380	5,672	4,682
Minority interests in equity of consolidated entities.....	836	836	722	278	67
Stockholders' equity....	7,250	8,609	7,129	6,090	4,158
CASH FLOW DATA:					
Cash provided by continuing operating activities.....	\$ 1,483	\$ 2,589	\$ 2,264	\$ 1,747	\$ 1,585
Cash used in investing activities.....	(2,746)	(2,219)	(3,610)	(1,946)	(967)
Cash provided by (used in) financing activities.....	1,260	(489)	1,510	(81)	(684)
OPERATING DATA:					
Number of hospitals at end of period.....	309	319	319	311	274
Number of licensed beds at end of period (a)...	60,643	61,931	61,347	59,595	53,245
Weighted average licensed beds (b).....	61,096	62,708	61,617	57,517	53,247
Average daily census (c).....	26,006	26,538	25,917	23,841	22,973
Occupancy (d).....	43%	42%	42%	41%	43%
Admissions (e).....	1,915,100	1,895,400	1,774,800	1,565,500	1,451,000
Average length of stay (days) (f).....	5.0	5.1	5.3	5.6	5.8

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- (a) Licensed beds are those beds for which a facility has been granted approval to operate from the applicable state licensing agency.
- (b) Weighted average licensed beds represents the average number of licensed beds weighted based on periods owned.
- (c) Represents the average number of patients in hospital beds each day.
- (d) Represents the percentage of hospital licensed beds occupied by patients.
- (e) Represents the total number of patients admitted (in the facility for a period in excess of 23 hours) to the Company's hospitals.
- (f) Represents the average number of days admitted patients stay in the Company's hospitals.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

COLUMBIA/HCA HEALTHCARE CORPORATION
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS

The Selected Financial Data and the accompanying consolidated financial statements set forth certain information with respect to the financial position, results of operations and cash flows of Columbia/HCA Healthcare Corporation (the "Company") which should be read in conjunction with the following discussion and analysis.

INVESTIGATIONS AND CHANGES IN MANAGEMENT AND BUSINESS STRATEGY

The Company encountered significant challenges and changes during 1997. The Company is currently the subject of several federal investigations into its business practices, as well as governmental investigations by numerous states. In addition, the Company is named in various legal proceedings. The Company also experienced changes in numerous management positions. The new management team has developed and initiated significant changes in business strategy for the Company during 1997. These factors, along with the unfavorable media coverage related to the investigations, may have contributed to a slowdown in the Company's revenue growth and

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COLUMBIA/HCA HEALTHCARE CORPORATION

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

INVESTIGATIONS AND CHANGES IN MANAGEMENT AND BUSINESS STRATEGY (CONTINUED)

a decline in results of operations. Management is unable to predict if, or when, the Company can return to its historical revenue growth rates, historical operating margins or historical net income growth rates.

Investigations

In March 1997, various facilities of the Company's El Paso, Texas operations were searched by federal authorities pursuant to search warrants and the government removed various records and documents. In February 1998, an additional warrant was executed and a single computer was seized. The Company believes it may be a target in this investigation.

In July 1997, various Company affiliated facilities and offices were searched pursuant to search warrants issued by the United States District Court in several states. During July, September and November 1997, the Company was also served with subpoenas requesting records and documents related to laboratory billing, diagnosis related group ("DRG") coding and home health operations in various states. In January 1998, the Company received a subpoena which requested records and documents relating to physician relationships.

Also, in July 1997, the United States District Court for the Middle District of Florida, in Fort Myers, issued an indictment against three employees of a subsidiary of the Company. The indictment relates to the alleged false characterization of interest payments on certain debt resulting in Medicare and CHAMPUS overpayments since 1986 to Columbia Fawcett Memorial Hospital, a Port Charlotte, Florida hospital that was acquired by the Company in 1992. The Company has been served with subpoenas for various records and documents.

The Company is cooperating in these investigations and understands it is a target in these investigations.

Management believes the ongoing investigations, litigation and related media coverage are having a negative effect on the Company's results of operations. It is too early to predict the outcome or effect that the ongoing investigations and litigation, the initiation of additional investigations or litigation if any, and the related media coverage will have on the Company's financial condition or results of operations in future periods. Were the Company to be found in violation of federal or state laws relating to Medicare, Medicaid or similar programs, the Company could be subject to substantial monetary fines, civil and criminal penalties and exclusion from participation in the Medicare and Medicaid programs. Any such sanctions could have a material adverse effect on the Company's financial position and results of operations. See NOTE 15 of the notes to consolidated financial statements.

The Company is the subject of a formal order of investigation by the Securities and Exchange Commission (the "Commission"). The Company understands that the investigation includes the anti-fraud, periodic reporting and internal accounting control provisions of the federal securities laws.

Changes in Management and Business Strategy

During 1997, the Company experienced a significant change in management and changed its business strategy. On July 25, 1997, the Company announced the resignations of Richard L. Scott,

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INVESTIGATIONS AND CHANGES IN MANAGEMENT AND BUSINESS STRATEGY (CONTINUED)

Chairman and Chief Executive Officer and David T. Vandewater, President and Chief Operating Officer. Thomas F. Frist, Jr., M.D., Vice Chairman of the Company's Board of Directors, was named Chairman and Chief Executive Officer. On August 4, 1997, the Company named Jack O. Bovender, Jr. as President and Chief Operating Officer.

On August 7, 1997, in an effort to address some areas of concern that may have led to the investigations by certain government agencies, management announced several significant steps that are being implemented to redefine the Company's approach to a number of business practices. Some of the steps include: elimination of annual cash incentive compensation for the Company's employees, divestiture of the home health care business, unwinding of physician interests in hospitals, significant expansion of compliance programs, increased disclosures in Medicare cost reports, changes in laboratory billing procedures, increased reviews of Medicare coding and further guidelines on any transactions with physicians. These changes have been developed and are being implemented with consideration to laws, regulations and existing contractual agreements. Management is not currently able to predict what effect such actions might have on the Company's financial position or results of operations.

On November 17, 1997, the Company announced that its Board of Directors had approved an internal operating reorganization plan. Effective January 1, 1998, the Company was organized into five principal groups--Eastern, Western, Atlantic, Pacific and America.

The Board of Directors also authorized the evaluation of various restructuring alternatives which could include divestitures of certain assets to third parties and spin-offs of certain other assets to the Company's stockholders. As part of these alternatives, the Company is considering restructuring into a smaller, more focused company located in strategic markets. No restructuring plan has been approved by the Board and there can be no assurances that a plan will ultimately be approved or implemented. Any spin-off or other restructuring alternative would require Board of Directors approval as well as various legal, regulatory and governmental approvals.

BUSINESS STRATEGY

The Company's strategy is to be a comprehensive provider of quality health care services in select markets. The Company maintains and replaces equipment, renovates and constructs replacement facilities and adds new services to increase the attractiveness of its hospitals and other facilities to local physicians and patients. By developing a comprehensive health care network with a broad range of health care services located throughout a market area, the Company achieves greater visibility and is better able to attract and serve physicians and patients. The Company is also able to reduce operating costs by sharing certain services among several facilities in the same market and is better positioned to work with health maintenance organizations ("HMOs"), preferred provider organizations ("PPOs") and employers.

The Company generally seeks to operate each of its facilities as part of a network with other health care facilities that it owns or operates within the same region. In instances where acquisitions of additional facilities in the area are not possible or practical, the Company may seek joint ventures or partnership arrangements with other local facilities.

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

RESULTS OF OPERATIONS

Background Information

Value Health Merger

On August 6, 1997, the Company completed a merger transaction with Value Health, Inc. ("Value Health") (the "Value Health Merger"). Value Health is a provider of specialty managed care benefit programs. The Value Health Merger has been accounted for by the purchase method and accordingly, the results of operations of Value Health have been included with those of the Company for periods subsequent to the acquisition date (see NOTE 8 of the notes to consolidated financial statements.)

Discontinued Operations

As part of the Company's change in business strategy, the Company implemented a plan to sell its home health care business and divest three of the four business units acquired through the Value Health Merger. As a result of the plan to divest these businesses, the Company's consolidated financial statements and related notes have been adjusted and restated to reflect the results of operations and net assets of the home health care and Value Health businesses to be disposed of as discontinued operations (see NOTE 7 of the notes to consolidated financial statements.)

Healthtrust Merger

In April 1995, the Company completed a merger transaction with Healthtrust, Inc.-The Hospital Company ("Healthtrust") (the "Healthtrust Merger"). For accounting purposes, the Healthtrust Merger was treated as a pooling of interests. Accordingly, the accompanying consolidated financial statements and selected financial and operating data included in this discussion and analysis include the operations of Healthtrust for all periods presented.

Revenue/Volume Trends

In addition to the impact of the ongoing government investigations and related media coverage, the Company's revenues continue to be affected by the trend toward certain services being performed more frequently on an outpatient basis and an increasing proportion of revenue being derived from fixed payment sources, including Medicare, Medicaid and managed care plans. Admissions related to Medicare, Medicaid and managed care plan patients during 1997, 1996 and 1995 were 88%, 86% and 82%, respectively, of total admissions.

Insurance companies, government programs (other than Medicare) and employers purchasing health care services for their employees are negotiating discounted amounts that they will pay health care providers rather than paying standard prices. These purchasers then become discounted payers, similar to HMOs and PPOs, in virtually all markets and make it increasingly difficult for providers to maintain their historical revenue growth trends. Revenues from capitation arrangements (prepaid health service agreements) are less than 1% of consolidated revenues.

The growth in outpatient services is expected to continue in the health care industry as procedures performed on an inpatient basis are converted to outpatient procedures through continuing advances in pharmaceutical and medical technologies. The redirection of certain

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

RESULTS OF OPERATIONS (CONTINUED)

Revenue/Volume Trends (Continued)

procedures to an outpatient basis is also influenced by pressures from payers to direct certain procedures from inpatient care to outpatient care. Outpatient revenues grew to 37% of net patient revenues in 1997 from 36% in 1996 and 35% in 1995.

The Company expects patient volumes from Medicare and Medicaid to continue to increase due to the general aging of the population and the expansion of the state Medicaid programs. The Medicare program currently reimburses the Company under a prospective payment system ("PPS") for routine and ancillary operating costs of most Medicare inpatient services. PPS reimburses the Company primarily based on established rates that are dependent on each patient's diagnosis, regardless of the provider's cost to treat the patient or the length of time the patient stays in the hospital. Some inpatient services and most outpatient services are currently exempt from PPS and are reimbursed on a cost based system in which reimbursement is based primarily upon the provider's cost to treat the patient and certain government fee schedules and blended rates, subject to certain cost limits. Under the Balanced Budget Act of 1997 (the "BBA-97"), reimbursement for some inpatient and outpatient services previously reimbursed on a cost based system is being converted to the PPS method, effective over various periods, beginning June 30, 1998. Services being converted to the PPS method include skilled nursing facility services, hospital outpatient services, home health services and inpatient rehabilitation hospital services. Prior to the commencement to the PPS method, payment constraints will be applied to home health services and inpatient rehabilitation, psychiatric and long-term hospital services for Medicare cost reporting periods beginning on or after October 1, 1997.

The Medicare program's established rates are indexed for inflation annually, but these increases have historically been less than the actual inflation rate and the Company's increases to its standard charges. BBA-97 reduces reimbursements from the various states' Medicaid programs in addition to the Medicare program. Management believes the reduction in payments could be significant, but cannot at this time, predict the ultimate effect on the Company's future results of operations.

Reductions in Medicare reimbursement, increasing percentages of the patient volume being related to patients participating in managed care plans and continuing trends toward more services being performed on an outpatient basis are expected to present an ongoing challenge to the Company. To achieve and maintain a reasonable operating margin in the future periods, the Company must increase patient volumes while controlling the costs of providing services. Management believes that the proper response to this challenge includes the delivery of a broad range of quality health care services to patients through comprehensive health care networks with operating decisions being made by the local management teams and local physicians.

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

RESULTS OF OPERATIONS (CONTINUED)

The following is a summary of results from continuing operations for the years ended December 31, 1997, 1996 and 1995 (dollars in millions, except per share amounts):

	1997		1996		1995	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
Revenues.....	\$18,819	100.0	\$18,786	100.0	\$17,132	100.0
Salaries and benefits.....	7,631	40.6	7,205	38.4	6,779	39.6
Supplies.....	2,722	14.5	2,655	14.1	2,536	14.8
Other operating expenses.....	4,263	22.6	3,689	19.6	3,203	18.7
Provision for doubtful accounts.....	1,420	7.5	1,196	6.4	994	5.8
Depreciation and amortization..	1,238	6.6	1,143	6.1	976	5.6
Interest expense.....	493	2.6	488	2.6	458	2.7
Equity in earnings of affiliates.....	(68)	(0.4)	(173)	(0.9)	(28)	(0.2)
Restructuring of operations and investigation related costs...	140	0.7	--	--	--	--
Impairment of long-lived assets.....	442	2.4	--	--	--	--
Merger and facility consolidation costs.....	--	--	--	--	387	2.3
	18,281	97.1	16,203	86.3	15,305	89.3
Income from continuing operations before minority interests and income taxes....	538	2.9	2,583	13.7	1,827	10.7
Minority interests in earnings of consolidated entities.....	150	0.8	141	0.7	113	0.7
Income from continuing operations before income taxes.....	388	2.1	2,442	13.0	1,714	10.0
Provision for income taxes.....	206	1.1	981	5.2	689	4.0
Income from continuing operations.....	\$ 182	1.0	\$ 1,461	7.8	\$ 1,025	6.0
Basic earnings per share from continuing operations.....	\$.28		\$ 2.17		\$ 1.54	
Diluted earnings per share from continuing operations.....	\$.27		\$ 2.15		\$ 1.52	
% changes from prior year:						
Revenues.....	0.2%		9.7%		17.8%	
Income from continuing operations before income taxes.....	(84.1)		42.4		11.3	
Income from continuing operations.....	(87.5)		42.5		10.4	
Basic earnings per share from continuing operations.....	(87.1)		40.9		5.5	
Diluted earnings per share from continuing operations...	(87.4)		41.4		5.6	
Admissions (a).....	1.0		6.8		13.4	
Equivalent admissions (b).....	2.7		8.8		18.0	
Revenues per equivalent admission.....	(2.4)		0.8		(0.1)	
Same--facility % changes from prior year (c):						
Revenues.....	1.1		6.6		10.2	
Admissions (a).....	1.7		3.8		4.6	
Equivalent admissions (b).....	3.5		5.8		8.6	
Revenues per equivalent admission.....	(2.3)		0.7		1.5	

(a) Admissions represent the total number of patients admitted (in the facility for a period in excess of 23 hours) to the Company's hospitals.

(b) Equivalent admissions is used by management and certain investors as a general measure of combined inpatient and outpatient volume. Equivalent admissions are computed by multiplying admissions (inpatient volume) by the sum of gross inpatient revenue and gross outpatient revenue and then dividing the resulting amount by gross inpatient revenue. The equivalent admissions computation "equates" outpatient revenue to the volume measure

(admissions) used to measure inpatient volume resulting in a general measure of combined inpatient and outpatient volume.

- (c) "Same-facility" information excludes the operations of hospitals and their related facilities which were either acquired or divested during the current and prior year.

COLUMBIA/HCA HEALTHCARE CORPORATION

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

RESULTS OF OPERATIONS (CONTINUED)

Years Ended December 31, 1997 and 1996

Income from continuing operations before income taxes declined 84.1% to \$388 million in 1997 from \$2.4 billion in 1996 and pretax margins decreased to 2.1% in 1997 from 13.0% in 1996. The decrease in pretax income was primarily attributable to the impairment charges on long-lived assets, restructuring and investigation related costs, a decline in revenue growth rates and decreases in the operating margin. Excluding the asset impairment charges and restructuring and investigation related costs, income from continuing operations before income taxes declined 60.3% to \$970 million in 1997 from \$2.4 billion in 1996 and pretax margins decreased to 5.2% in 1997 from 13.0% in 1996. The operating results declines, excluding the significant non-recurring charges, were attributable to declines in revenue growth rates and increases in operating expenses as a percent of revenues.

Revenues increased 0.2% to \$18.82 billion in 1997 compared to \$18.79 billion in 1996. Inpatient admissions increased 1.0% from a year ago. On a same-facility basis, revenues increased 1.1%, admissions increased 1.7% and equivalent admissions (adjusted to reflect combined inpatient and outpatient volume) increased 3.5% from a year ago. The increase in outpatient activity is primarily a result of the continuing trend of certain services, previously being provided in an inpatient setting, being converted to an outpatient setting (average daily outpatient visits increased 7.1% in 1997 compared to 1996).

The volume growth rates experienced in 1997 were less than the rates experienced in prior years, which management believes was due, in part, to the reactions of certain physicians and patients to the negative media coverage related to the ongoing governmental investigations and increased competition.

The revenue growth rate in 1997 was less than rates experienced in prior years which management believes was attributable to several factors, including, divestitures of facilities (there were 10 fewer consolidated facilities at the end of 1997 compared to 1996), delays experienced in obtaining Medicare cost report settlements (cost report settlements resulted in favorable revenue adjustments of \$43 million in 1997 compared to \$242 million in 1996) and decreases in Medicare rates of reimbursement mandated by BBA-97 which became effective October 1, 1997 (lowered 1997 revenues by approximately \$50 million). Also contributing to the decline were continued increases in discounts from the growing number of managed care payers which required management to increase estimates for discounts from managed care payers. During 1997, managed care as a percent of total admissions increased to 35% compared to 32% during 1996. Net revenues per equivalent admission declined 2.4% to \$6,486 in 1997 from \$6,648 in 1996.

Operating expenses increased as a percentage of revenues in every expense category. The increases, as described below, were primarily attributable to the Company's inability during the third and fourth quarters of 1997 to adjust expenses on a timely basis in line with the decreases experienced in volume trends. Management attention to the investigations, reactions by certain physicians and patients to the negative media coverage and management changes at several levels and locations throughout the Company contributed to the Company's inability to implement changes to reduce operating expenses in response to the volume and revenue growth rate declines.

COLUMBIA/HCA HEALTHCARE CORPORATION

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

RESULTS OF OPERATIONS (CONTINUED)

Years Ended December 31, 1997 and 1996 (Continued)

Salaries and benefits, as a percentage of revenues, increased to 40.6% in 1997 from 38.4% in 1996. The primary reason for the increase was the decline in revenues per equivalent admission. In addition, the Company was unable to adjust staffing on a timely basis corresponding with the declining equivalent admission growth rate.

Supply costs increased as a percentage of revenues to 14.5% in 1997 from 14.1% in 1996 due to a decline in net revenue per equivalent admission while the cost of supplies per equivalent admission remained relatively unchanged.

Other operating expenses, as a percentage of revenues, increased to 22.6% in 1997 from 19.6% in 1996. The increase was due, in part, to an increase in contract services as a percentage of revenues to 8.9% in 1997 from 7.6% in 1996, which resulted from payments to third parties on a fee basis for both new services and services previously performed by Company employees. Included in other operating expenses in 1997 are costs associated with start-up activities which were previously capitalized and subsequently amortized. The Company changed its policy on accounting for start-up costs effective January 1, 1997, which resulted in approximately \$106 million being recorded as other operating expenses for 1997, compared to such costs being capitalized and the related expense recorded as amortization expense during 1996. (See NOTE 11 of the notes to consolidated financial statements.) Also included in other operating expenses are professional fees, repairs and maintenance, rents and leases, utilities, insurance and non-income taxes. There were no significant changes in any of these expenses as a percentage of revenues.

Provision for doubtful accounts, as a percentage of revenues, increased to 7.5% in 1997 from 6.4% in 1996 due to internal factors such as computer information system conversions (including patient accounting systems) at various facilities and external factors such as payer mix shifts to managed care plans (resulting in increased amounts of patient co-payments and deductibles) and payer remittance slowdowns. The information system conversions hampered the business office billing functions and collection efforts in those facilities as some resources were directed to installing and converting systems and building new data files, rather than devoting full effort to billing and collecting receivables. The Company experienced an increased occurrence of charge audits from certain payers due to the negative publicity surrounding the government investigations which have resulted in delays in the collection of receivables. The delays in collections resulted in an increase in receivables reserved under the Company's bad debt allowance policy. Management is unable at this time to predict when or if, these delays in collecting accounts receivable will improve or the effect these delays will have on the ultimate amounts collected.

Equity in earnings of affiliates decreased as a percentage of revenues to 0.4% in 1997 from 0.9% in 1996 primarily due to decreased profitability at certain facilities acquired through joint ventures during 1995 and 1996. Offsetting the decreased profitability were increases in the number of facilities accounted for using the equity method of accounting. As of December 31, 1997, there were 27 hospitals and five freestanding surgery centers compared to 22 hospitals and four freestanding surgery centers at December 31, 1996.

Depreciation and amortization increased as a percentage of revenues to 6.6% in 1997 from 6.1% in 1996, primarily due to the slowdown in revenue growth and increased capital

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

RESULTS OF OPERATIONS (CONTINUED)

Years Ended December 31, 1997 and 1996 (Continued)

expenditures related to ancillary services (such as outpatient services) and information systems. Capital expenditures in these areas generally result in shorter depreciation and amortization lives for the assets acquired than typical hospitals acquisitions. Included in the overall increase in depreciation and amortization was a decrease in amortization during 1997 related to the Company's new policy of expensing start-up costs through operating expenses rather than capitalizing and expensing through amortization.

Interest expense increased to \$493 million in 1997 compared to \$488 million last year primarily as a result of an increase in the average outstanding debt during 1997 compared to last year. This was due, in part, to the additional debt incurred in 1997 related to the Company's \$1.0 billion common stock repurchase program. The interest expense associated with the increase in debt incurred related to the Value Health Merger has been allocated to "Discontinued operations" and is therefore not included in interest expense from continuing operations.

During 1997, the Company recorded \$442 million of asset impairment charges. The charges primarily relate to hospital and surgery center facilities to be sold or closed (\$402 million) and physician practices where projected future cash flows were less than the carrying value of the related assets (\$40 million). See NOTE 6 of the notes to consolidated financial statements.

The Company incurred \$140 million of costs during 1997 in connection with the investigations and changes in management and business strategy. These costs included \$61 million in severance costs, \$44 million in professional fees related to the investigations, \$20 million related to certain cancelled projects and \$15 million in other costs.

Minority interests increased slightly as a percentage of revenues to 0.8% in 1997 from 0.7% in 1996.

Income from continuing operations decreased 87.5% to \$182 million (\$.27 per diluted share) during 1997 compared to \$1.5 billion (\$2.15 per diluted share) in 1996. Excluding the asset write-downs, restructuring and investigation related costs, income from continuing operations declined 61.3% to \$565 million (\$.85 per diluted share) in 1997 from \$1.5 billion (\$2.15 per diluted share) in 1996.

Years Ended December 31, 1996 and 1995

Income from continuing operations before income taxes increased 42.4% to \$2.4 billion in 1996 from \$1.7 billion in 1995 and pretax margins increased to 13.0% in 1996 from 10.0% in 1995. Excluding the effects of merger and facility consolidation costs charged in 1995, income from continuing operations before income taxes increased 16.1% to \$2.4 billion from \$2.1 billion in 1995 and pretax margins increased to 13.0% in 1996 from 12.3% in 1995. The increase in pretax income was attributable to growth in revenues and improvements in the margin.

Revenues increased 9.7% to \$18.8 billion in 1996 compared to \$17.1 billion in 1995. Revenues from facilities acquired during 1996 (including 14 hospitals) and increased revenues from facilities acquired during 1995 (including 29 hospitals) totaled \$1.5 billion. The revenue increases from acquisitions were partially offset by \$800 million in revenues related to facilities sold and facilities contributed to joint ventures which are accounted for under the equity method.

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

RESULTS OF OPERATIONS (CONTINUED)

Years Ended December 31, 1996 and 1995 (Continued)

On a same-facility basis, revenues increased 6.6%, admissions increased 3.8% and equivalent admissions (adjusted to reflect combined inpatient and outpatient volume) increased 5.8% from a year ago. The increase in outpatient activity is primarily a result of continued increases in outpatient services.

Salaries and benefits as a percentage of revenues declined to 38.4% in 1996 from 39.6% in 1995. This was due, in part, to improvements in labor productivity (man hours per equivalent admission declined 7.1%) resulting from the sharing of "best demonstrated processes" among certain Company facilities. The outsourcing of certain services (services outsourced at various facilities, included, among others, laboratory, rehabilitation, dietary and linen services) also contributed to the improvement in this area while shifting some salaries and benefits cost to other operating expenses.

Supply costs declined as a percentage of revenues to 14.1% in 1996 from 14.8% in 1995 due to enhanced levels of participation in the Company's standard purchasing contracts for medical supplies (which provide for progressive discounts based upon the volume of purchases made by the Company).

The improvement in pretax margin was partially offset by increases in other operating expenses and the provision for doubtful accounts.

Other operating expenses, as a percentage of revenues, increased to 19.6% in 1996 from 18.7% in 1995. This was primarily due to contract services expense which increased to 7.6% from 6.7% of revenues in the prior year. Contributing to this increase was the outsourcing of certain services which are paid on a fee basis to third parties for services previously performed by Company employees. Also included in other operating expenses are professional fees, repairs and maintenance, rents and leases, utilities, insurance and non-income taxes. There were no significant changes in any of these expenses as a percent of revenues.

Provision for doubtful accounts, as a percent of revenues, increased to 6.4% in 1996 from 5.8% in 1995 due, in part, to computer information system conversions (including patient accounting systems) at various facilities. The information systems conversions hampered the business office billing functions and collection efforts in those facilities as some facility resources were directed to installing and converting systems and building new data files rather than devoting their full effort to billing and collecting receivables.

Equity in earnings of affiliates increased as a percentage of revenues to 0.9% in 1996 from 0.2% in 1995 primarily due to more of the Company's development activities being structured as non-consolidated joint ventures. As of December 31, 1996, there were 22 non-consolidated hospitals and 4 non-consolidated surgery centers compared to 19 non-consolidated hospitals and 3 non-consolidated surgery centers at December 31, 1995 (most 1995 joint venture activity occurred during the fourth quarter).

Depreciation and amortization increased as a percentage of revenues to 6.1% in 1996 from 5.6% in 1995 primarily due to increased capital expenditures in outpatient services and information systems areas, all of which generally result in shorter depreciation and amortization lives for the assets acquired than typical hospital acquisitions.

COLUMBIA/HCA HEALTHCARE CORPORATION

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

RESULTS OF OPERATIONS (CONTINUED)

Years Ended December 31, 1996 and 1995 (Continued)

Interest expense and minority interests in earnings of consolidated entities as a percentage of revenues remained relatively flat compared to last year.

During 1995, the Company recorded \$387 million of merger and facility consolidation costs in connection with the Healthtrust Merger. The Company did not record any such costs in 1996.

Income from continuing operations increased 42.5% to \$1.5 billion (\$2.15 per diluted share) during 1996 compared to \$1.0 billion (\$1.52 per diluted share) in 1995. Excluding the effects of the merger and facility consolidation costs in 1995, income from continuing operations increased 15.9% to \$1.5 billion (\$2.15 per diluted share) in 1996 compared to \$1.3 billion (\$1.87 per diluted share) in 1995.

Liquidity

Cash provided by continuing operating activities totaled \$1.5 billion in 1997 compared to \$2.6 billion in 1996 and \$2.3 billion in 1995. The decrease in 1997 from 1996 and 1995 was primarily due to the \$305 million net loss incurred during 1997. Also contributing to the decline was an increase in income taxes receivable resulting from estimated tax payments made based upon more profitable prior quarters (subsequent to year end, the Company applied for and received a refund for approximately \$350 million of excess estimated payment amounts). The cash flow impact of the approximate \$1.8 billion decline in net income from 1996 to 1997 was partially offset by the significant noncash charges incurred in 1997 related to asset impairments and discontinued operations of approximately \$730 million.

Cash used in investing activities in 1997 exceeded cash provided by continuing operating activities by \$1.3 billion and was funded by the issuance of long-term debt, commercial paper and bank borrowings. Included in investing activities for 1997 is the cash required to acquire Value Health, Inc. (approximately \$1.2 billion). During 1996, cash flows provided by continuing operating activities exceeded cash used in investing activities by \$370 million. The excess funds generated from operations were used to pay down long-term debt and commercial paper borrowings. Cash flows from investing activities during 1995 exceeded cash provided by continuing operating activities by \$1.3 billion primarily due to \$1.5 billion in acquisitions of hospitals and health care entities. The acquisitions were funded by the issuance of long term debt, commercial paper and bank borrowings.

The Company repurchased approximately 29.4 million shares of its common stock pursuant to its \$1.0 billion stock repurchase program announced and completed in 1997. The repurchase was funded by the issuance of long-term debt, commercial paper and bank borrowings.

Working capital totaled \$1.7 billion at December 31, 1997 and \$1.4 billion at December 31, 1996. Management believes that cash flows from operations, amounts available under the Company's bank revolving credit facilities and proceeds from expected asset sales will be sufficient to meet expected liquidity needs during 1998.

Investments of the Company's professional liability insurance subsidiary to maintain statutory equity and pay claims totaled \$1.4 billion and \$1.1 billion at December 31, 1997 and 1996, respectively.

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

RESULTS OF OPERATIONS (CONTINUED)

Liquidity (Continued)

As discussed previously, the Company announced the cessation of sales of interests in hospitals to physicians and its intention to repurchase existing physician interests in the Company's hospitals. As of December 31, 1997, the Company had repurchased approximately \$73 million of physician interests and intends to repurchase the remaining physician interests of approximately \$130 million during 1998 or 1999.

The Company has various agreements with joint venture partners whereby the partners have an option to sell or "put" their interests in the joint venture back to the Company within specific periods at fixed prices or prices based on certain formulas. The combined put price under all such agreements was approximately \$1.0 billion at December 31, 1997. The Company cannot predict if, or when, their joint venture partners will exercise such options (no put options have been exercised through December 31, 1997). During March 1998, the Internal Revenue Service ("IRS") issued guidance regarding the tax consequences of joint ventures between for-profit and not-for-profit hospitals. The Company has not determined the impact of the tax ruling on its existing joint ventures and is consulting with its joint venture partners and tax advisers to develop an appropriate course of action. The tax ruling could require the restructuring of certain joint ventures with not-for-profits or influence the exercise of the put agreements by certain joint venture partners.

The Company has announced agreements to sell Value Behavioral Health and Value Rx (businesses recently acquired through the Value Health Merger), for \$230 million and \$445 million in cash, respectively. The sales of both businesses are expected to be completed during the second quarter of 1998 and the net proceeds will be used to repay bank borrowings (see NOTE 21 of the notes to consolidated financial statements).

The settlement of the government investigations and the various lawsuits and legal proceedings that have been asserted could result in substantial liabilities to the Company. The ultimate liabilities cannot be reasonably estimated, as to the timing or amounts, at this time; however, it is possible that results of operations, financial position and liquidity could be materially, adversely affected upon the resolution of certain of these contingencies.

Capital Resources

Excluding acquisitions, capital expenditures were \$1.4 billion in both 1997 and 1996 and \$1.5 billion in 1995. Planned capital expenditures (including construction projects) in 1998 are expected to approximate \$1.4 billion. Management believes that its capital expenditure program is adequate to expand, improve and equip its existing health care facilities.

The Company expended \$411 million (excluding the Value Health Merger, see NOTE 8 of the notes to consolidated financial statements), \$748 million and \$1.5 billion for acquisitions during 1997, 1996 and 1995, respectively. The continued decline in acquisitions from prior years can be partially attributed to increased regulatory review procedures in certain states that have extended the timing between the initiation and consummation of certain transactions. The government investigations and changes in management and business strategy have resulted in declines in the Company's acquisition plans compared to prior years. The Company's investments in and advances to affiliates (generally 50% interests in joint ventures that are accounted for using the equity method) also declined to \$29 million and \$61 million in 1997 and 1996, respectively, compared to \$609 million in 1995.

COLUMBIA/HCA HEALTHCARE CORPORATION

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

RESULTS OF OPERATIONS (CONTINUED)

Capital Resources (Continued)

The Company expects to finance all capital expenditures with internally generated and borrowed funds. Available sources of capital include public or private debt, unused bank revolving credit facilities and equity. At December 31, 1997, there were projects under construction which had an estimated additional cost to complete and equip over the next few years of approximately \$1.3 billion.

The Company's bank revolving credit facilities (the "Credit Facilities") are comprised of a \$2.0 billion five-year revolving credit agreement expiring February 2002 and a \$3.0 billion 364-day revolving credit agreement expiring June 1998. Borrowings under the 364-day revolving credit agreement do not mature until one year subsequent to the end of the 364-day period. As of February 28, 1998, Columbia had approximately \$650 million of credit available under the Credit Facilities.

The Company's Credit Facilities contain customary covenants which include (i) limitations on additional debt, (ii) limitations on sales of assets, mergers and changes of ownership, (iii) limitations on repurchases of the Company's common stock, (iv) maintenance of certain interest coverage ratios and (v) attaining certain minimum levels of consolidated earnings before interest, taxes, depreciation and amortization. The Credit Facilities also provide for the mandatory prepayment of loans thereunder, and a corresponding reduction of commitments in the case of certain asset sales and certain debt or equity issuances. The Company is currently in compliance with all such covenants.

During 1997, the Company's senior debt credit ratings were downgraded from A2 to Baa2 and from A- to BBB by Moody's Investors Service ("Moody's") and Standard and Poor's ("S&P"), respectively. The Company's commercial paper ratings were downgraded from P-1 to P-3 and from A-2 to A-3 by Moody's and S&P, respectively. The decline in the Company's commercial paper ratings has significantly limited access to this financing source. As such, during the third quarter of 1997, the Company began replacing amounts outstanding under its commercial paper programs with borrowings under its Credit Facilities. In February 1998, Moody's further downgraded the Company's senior debt credit rating to Ba2 and its commercial paper rating to NP (not prime).

As part of the Company's new business strategy discussed earlier, the Company announced it is evaluating various restructuring alternatives which could include divestitures of certain assets to third parties and spin-offs of certain assets to the Company's shareholders. These restructuring alternatives could have the effect of materially changing the capital structure of the Company. At this time, management has not determined the composition of the future capital structure of the Company.

IMPACT OF YEAR 2000 COMPUTER ISSUES

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. The Company's computer programs, certain building infrastructure components (including, elevators, alarm systems and certain HVAC systems) and certain computer aided medical equipment that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failures or miscalculations causing disruption of operations or medical equipment malfunctions that could affect patient diagnosis and treatment.

COLUMBIA/HCA HEALTHCARE CORPORATION

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

IMPACT OF YEAR 2000 COMPUTER ISSUES (CONTINUED)

The Company has completed the assessment phase of its Year 2000 project and determined that it will be required to evaluate, test and modify (when needed) approximately 8,000 internally developed software programs and approximately 350,000 pieces of equipment. The Company presently believes that with modifications to existing software and conversions to new software, the Year 2000 Issue will not pose material operational problems for its computer systems. However, if such modifications and conversions are not made, or are not completed timely, the Year 2000 Issue could have a material impact on the operations of the Company.

The Company has initiated formal communications with its significant suppliers and large customers to determine the extent to which the Company's interface systems are vulnerable to those third parties' failure to remediate their own Year 2000 Issues. However, there can be no guarantee that the systems of other companies on which the Company's systems rely will be timely converted and would not have an adverse effect on the Company's systems.

The Company will utilize both internal and external resources to reprogram or replace and test software and medical equipment for Year 2000 modifications. The Company anticipates that the various components of the Year 2000 project procedures will continue throughout 1998 and 1999. The Year 2000 project is currently estimated to have a minimum total cost of \$60 million related to the review and modification of the Company's computer and software systems. The Company is not able to reasonably estimate the costs to be incurred for the review and modification of the medical equipment and infrastructure elements at this time. The majority of the costs related to the Year 2000 project will be expensed as incurred and are expected to be funded through operating cash flows. The Company has incurred approximately \$15 million of costs related to the assessment of, and preliminary efforts on its Year 2000 project.

The costs of the project and estimated completion dates for the Year 2000 modifications are based on management's best estimates, which were derived utilizing numerous assumptions of future events, including the continued availability of certain resources, third party modification plans and other factors. However, there can be no guarantee that these estimates will be achieved and actual results could differ materially from those anticipated. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, the ability to locate and correct all relevant computer codes and all medical equipment.

EFFECTS OF INFLATION AND CHANGING PRICES

Various federal, state and local laws have been enacted that, in certain cases, limit the Company's ability to increase prices. Revenues for acute care hospital services rendered to Medicare patients are established under the federal government's prospective payment system. Total Medicare revenues approximated 34% in 1997, 35% in 1996 and 36% in 1995.

Management believes that hospital industry operating margins have been, and may continue to be, under significant pressure because of deterioration in inpatient volumes, changes in payer mix, and growth in operating expenses in excess of the increase in prospective payments under the Medicare program. Management expects that the average rate of increase in Medicare prospective payments will range from no increase to a 0.6% increase in 1998. In addition, as a result of increasing regulatory and competitive pressures, the Company's ability to maintain operating margins through price increases to non-Medicare patients is limited.

COLUMBIA/HCA HEALTHCARE CORPORATION

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

HEALTH CARE REFORM

In recent years, an increasing number of legislative proposals have been introduced or proposed to Congress and in some state legislatures that would significantly affect health care systems in the Company's markets. The cost of certain proposals would be funded in significant part by reduction in payments by government programs, including Medicare and Medicaid, to health care providers (similar to the reductions incurred as part of BBA-97 as previously discussed). 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 the Company will not be adopted.

OTHER INFORMATION

The Company is contesting income taxes and related interest proposed by the IRS for prior years aggregating approximately \$271 million as of December 31, 1997. 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 the Company. (See NOTE 10 of the notes to consolidated financial statements for a description of the pending IRS disputes).

SUBSEQUENT EVENT

Subsequent to year end, the Company announced agreements to sell Value Behavioral Health and Value Rx (two of the three Value Health units to be divested) for \$230 million and \$445 million in cash, respectively. The proceeds from the sales (expected to be completed in the second quarter of 1998) are expected to be used to repay bank borrowings.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this Annual Report on Form 10-K including, without limitation, statements containing the words "believes", "anticipates", "expects", and words of similar import, constitute "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the following: (i) the outcome of the known and unknown governmental investigations and litigation involving the Company's business practices; (ii) the recently enacted changes in the Medicare and Medicaid programs affecting reimbursement to health care providers and insurers; (iii) legislative proposals for health care reform; (iv) the ability to enter into managed care provider arrangements on acceptable terms; (v) liability and other claims asserted against the Company; (vi) changes in business strategy or development plans; (vii) the departure of key executive officers from the Company; and (viii) the availability and terms of capital to fund the expansion of the Company's business, including the acquisition of additional facilities. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the results of any revision to any of the forward-looking statements contained herein to reflect future events or developments.

PART III

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Information with respect to this Item is contained in the Company's consolidated financial statements indicated in the Index on Page F-1 of this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required by this Item is set forth under the heading "Election of Directors" in the definitive proxy materials of the Company to be filed in connection with its 1998 Annual Meeting of Stockholders, except for the information regarding executive officers of the Company, which is contained in Item 1 of Part I of this Annual Report on Form 10-K. The information required by this Item contained in such definitive proxy materials is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item is set forth under the heading "Executive Compensation" in the definitive proxy materials of the Company to be filed in connection with its 1998 Annual Meeting of Stockholders, which information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

The information required by this Item is set forth under the heading "Principal Stockholders" in the definitive proxy materials of the Company to be filed in connection with its 1998 Annual Meeting of Stockholders, which information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this Item is set forth under the heading "Compensation Committee Interlocks and Insider Participation" in the definitive proxy materials of the Company to be filed in connection with its 1998 Annual Meeting of Stockholders, which information is incorporated herein by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

(a) Documents filed as part of the report:

1. Financial Statements

The accompanying index to financial statements on page F-1 of this Annual Report on Form 10-K is provided in response to this item.

2. List of Financial Statement Schedules

All schedules are omitted because the required information is not present, not present in material amounts or presented within the financial statements.

3. List of Exhibits

- 3.1 Restated Certificate of Incorporation of the Company (filed as Exhibit 3(a) to the Company's Current Report on Form 8-K dated February 11, 1994, and incorporated herein by reference).
- 3.2(a) By-laws of the Company (filed as Exhibit 2.2 to the Company's Registration Statement on Form 8-A dated August 31, 1993, and incorporated herein by reference).
- 3.2(b) Amendment to By-laws of the Company (filed as Exhibit 3.1(b) to the Company's Current Report on Form 8-K dated February 11, 1994, and incorporated herein by reference).
- 4.1 Specimen Certificate for shares of Common Stock, par value \$.01 per share, of the Company (filed as Exhibit 4.1 to the Company's Form SE to Form 10-K for the fiscal year ended December 31, 1993, and incorporated herein by reference).
- 4.2 Columbia Hospital Corporation 9% Subordinated Mandatory Convertible Note Due June 30, 1999 (filed as Exhibit 4.4 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, and incorporated herein by reference).
- 4.3 Registration Rights Agreement between the Company and The 1818 Fund, L.P. dated March 18, 1991 (filed as Exhibit 4.5 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, and incorporated herein by reference).
- 4.4 Securities Purchase Agreement by and between the Company and The 1818 Fund, L.P. dated as of March 18, 1991 (filed as Exhibit 4.6 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, and incorporated herein by reference).
- 4.5 Warrant to purchase shares of Common Stock, par value \$.01 per share, of the Company (filed as Exhibit 4.7 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, and incorporated herein by reference).
- 4.6 Registration Rights Agreement dated as of March 16, 1989, by and among HCA- Hospital Corporation of America and the persons listed on the signature pages thereto (filed as Exhibit (g)(24) to Amendment No. 3 to the Schedule 13E-3 filed by HCA-Hospital Corporation of America, Hospital Corporation of America and The HCA Profit Sharing Plan on March 22, 1989, and incorporated herein by reference).
- 4.7 Assignment and Assumption Agreement dated as of February 10, 1994, between HCA-Hospital Corporation of America and the Company relating to the Regis-

- tration Rights Agreement, as amended (filed as Exhibit 4.7 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, and incorporated herein by reference).
- 4.8 Amended and Restated Rights Agreement dated February 10, 1994 between the Company and Mid-America Bank of Louisville and Trust Company (filed as Exhibit 4.8 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, and incorporated herein by reference).
- 4.9(a) \$1 Billion Credit Agreement dated as of February 10, 1994 (the "364 Day Agreement"), among the Company, the Several Banks and Other Financial Institutions, and Chemical Bank as Agent and as CAF Loan Agent (filed as Exhibit 4.9 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, and incorporated herein by reference).
- 4.9(b) Agreement and Amendment to the 364 Day Agreement dated as of September 26, 1994 (filed as Exhibit 4.9 to the Company's Registration Statement on Form S-4 (File No. 33-56803), and incorporated herein by reference).
- 4.9(c) Agreement and Amendment to the 364 Day Agreement dated as of February 28, 1996 (filed as Exhibit 4.9(c) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995).
- 4.9(d) Agreement and Amendment to the 364 Day Agreement dated as of February 26, 1997 (filed as Exhibit 4.9(d) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, and incorporated herein by reference).
- 4.9(e) Agreement and Amendment to the 364 Day Agreement dated as of June 17, 1997 (filed as Exhibit 10(c) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).
- 4.9(f) First Amendment to the 364 Day Agreement dated as of February 3, 1998 (which agreement is filed herewith).
- 4.9(g) Second Amendment to the 364 Day Agreement dated as of March 26, 1998 (which agreement is filed herewith).
- 4.10(a) \$2 Billion Credit Agreement dated as of February 10, 1994 (the "Credit Facility"), among the Company, the Several Banks and Other Financial Institutions, and Chemical Bank as Agent and as CAF Loan Agent (filed as Exhibit 4.10 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, and incorporated herein by reference).
- 4.10(b) Agreement and Amendment to the Credit Facility dated as of September 26, 1994 (filed as Exhibit 4.10 to the Company's Registration Statement on Form S-4 (File No. 33-56803), and incorporated herein by reference).
- 4.10(c) Agreement and Amendment to the Credit Facility dated as of February 28, 1996 (filed as Exhibit 4.10(c) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995).
- 4.10(d) Agreement and Amendment to the Credit Facility dated as of February 26, 1997 (filed as Exhibit 4.10(d) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, and incorporated herein by reference).
- 4.10(e) Agreement and Amendment to the Credit Facility dated as of June 17, 1997 (filed as Exhibit 10(d) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).
- 4.10(f) Second Amendment to the Credit Facility, dated as of February 3, 1998 (which agreement is filed herewith).
- 4.10(g) Third Amendment to the Credit Facility, dated as of March 26, 1998 (which agreement is filed herewith).

- 4.11 Indenture dated as of December 15, 1993 between the Company and The First National Bank of Chicago, as Trustee (filed as Exhibit 4.11 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, and incorporated herein by reference).
- 10.1 Agreement and Plan of Merger among the Company, COL Acquisition Corporation and Healthtrust, Inc.--The Hospital Company dated as of October 4, 1994 (filed as Exhibit 2 to the Company's Registration Statement on Form S-4 (File No. 33-56803), and incorporated herein by reference).
- 10.2 Agreement and Plan of Merger among the Company, CHOS Acquisition Corporation and HCA-Hospital Corporation of America dated as of October 2, 1993 (filed as Exhibit 2 to the Company's Registration Statement on Form S-4 (File No. 33-50735), and incorporated herein by reference).
- 10.3 Agreement and Plan of Merger between Galen Health Care, Inc. and the Company dated as of June 10, 1993 (filed as Exhibit 2 to the Company's Registration Statement on Form S-4 (File No. 33-49773), and incorporated herein by reference).
- 10.4 Agreement and Plan of Merger among Hospital Corporation of America, HCA- Hospital Corporation of America and TF Acquisition, Inc. dated November 21, 1988 plus a list identifying the contents of all omitted exhibits to the Agreement and Plan of Merger plus an agreement of Hospital Corporation of America to furnish supplementally to the Securities and Exchange Commission upon request a copy of all omitted exhibits (filed as Exhibit 2 to Hospital Corporation of America's Current Report on Form 8-K dated November 21, 1988, and incorporated herein by reference).
- 10.5 Amendment No. 1 to Agreement and Plan of Merger dated as of February 7, 1989, among Hospital Corporation of America, HCA-Hospital Corporation of America and TF Acquisition, Inc. (filed as Exhibit 2(b) to Hospital Corporation of America's Annual Report on Form 10-K for the year ended December 31, 1988, and incorporated herein by reference).
- 10.6 Columbia Hospital Corporation Stock Option Plan (filed as Exhibit 10.13 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, and incorporated herein by reference).*
- 10.7 Columbia Hospital Corporation 1992 Stock and Incentive Plan (filed as Exhibit 10.14 to the Company's Registration Statement on Form S-1 (Reg. No. 33-48886), and incorporated herein by reference).*
- 10.8 Columbia Hospital Corporation Outside Directors Nonqualified Stock Option Plan (filed as Exhibit 28.1 to the Company's Registration Statement on Form S-8 (File No. 33-55272), and incorporated herein by reference).*
- 10.9 HCA-Hospital Corporation of America 1989 Nonqualified Stock Option Plan, as amended through December 16, 1991 (filed as Exhibit 10(g) to HCA-Hospital Corporation of America's Registration Statement on Form S-1 (File No. 33-44906), and incorporated herein by reference).*
- 10.10 Form of Stock Option Agreement under the HCA-Hospital Corporation of America 1989 Nonqualified Stock Option Plan (filed as Exhibit 10(j) to HCA-Hospital Corporation of America's Annual Report on Form 10-K for the year ended December 31, 1989, and incorporated herein by reference).*
- 10.11 HCA-Hospital Corporation of America Nonqualified Initial Option Plan (filed as Exhibit 4.6 to the Company's Registration Statement on Form S-3 (File No. 33-52379), and incorporated herein by reference).*

- 10.12 Termination Agreement between the Company and Carl F. Pollard dated December 16, 1993 (filed as Exhibit 10.11 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, and incorporated herein by reference).*
- 10.13 Form of Indemnity Agreement with certain officers and directors (filed as Exhibit 10(kk) to Galen Health Care, Inc.'s Registration Statement on Form 10, as amended, and incorporated herein by reference).
- 10.14 Form of Severance Pay Agreement between Galen Health Care, Inc. and certain executives (filed as Exhibit 10(jj) to Galen Health Care, Inc.'s Registration Statement on Form 10, as amended, and incorporated herein by reference).*
- 10.15 Form of Severance Agreement between HCA-Hospital Corporation of America and certain executives dated as of November 1, 1993 (filed as Exhibit 10.15 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, and incorporated herein by reference).*
- 10.16 Assumption Agreement among the Company, CHOS Acquisition Corporation and HCA-Hospital Corporation of America dated as of February 10, 1994, relating to the Severance Agreements (filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, and incorporated herein by reference).*
- 10.17 Form of Severance Pay Agreement between the Company and certain executives dated as of June 10, 1993 (filed as Exhibit 10.17 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, and incorporated herein by reference).*
- 10.18 Form of Galen Health Care, Inc. 1993 Adjustment Plan (filed as Exhibit 4.15 to the Company's Registration Statement on Form S-8 (File No. 33-50147), and incorporated herein by reference).*
- 10.19 Columbia/HCA Healthcare Corporation 1997 Annual Incentive Plan (filed as Exhibit 10.19 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, and incorporated herein by reference).*
- 10.20 Columbia/HCA Healthcare Corporation Directors' Retirement Policy (filed as Exhibit 10.20 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, and incorporated herein by reference).*
- 10.21 HCA-Hospital Corporation of America 1992 Stock Compensation Plan (filed as Exhibit 10(t) to HCA-Hospital Corporation of America's Registration Statement on Form S-1 (File No. 33-44906), and incorporated herein by reference).*
- 10.22 Columbia/HCA Healthcare Corporation 1995 Management Stock Purchase Plan (filed as Exhibit 10.22 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, and incorporated herein by reference).*
- 10.23 Employment Agreement, dated November 15, 1993 by and between Medical Care America, Inc. and Donald E. Steen (filed as Exhibit 10.23 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, and incorporated herein by reference).*
- 10.24 Employment Agreement, dated April 24, 1995 by and between the Company and R. Clayton McWhorter (filed as Exhibit 10.24 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, and incorporated herein by reference).*
- 10.25 Amended and Restated Agreement and Plan of Merger among the Company, CVH Acquisition Corporation and Value Health, Inc. dated as of April 14, 1997 (filed as Exhibit 2 to the Company's Current Report on Form 8-K dated April 22, 1997, and incorporated herein by reference).

- 10.26 Separation Agreement between the Company and Richard L. Scott dated July 25, 1997 (filed as Exhibit 10(a) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997, and incorporated herein by reference).*
- 10.27 Separation Agreement between the Company and David T. Vandewater dated July 25, 1997 (filed as Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997, and incorporated herein by reference).*
- 10.28 Columbia/HCA Healthcare Corporation 1997 Director's Plan as revised May 15, 1997 and November 13, 1997 (which plan is filed herewith).*
- 10.29 Columbia/HCA Healthcare Corporation Outside Directors Stock and Incentive Compensation Plan (which plan is filed herewith).*
- 10.30 Columbia/HCA Healthcare Corporation Amended and Restated 1995 Management Stock Purchase Plan (which plan is filed herewith).*
- 10.31 Columbia/HCA Healthcare Corporation Performance Equity Incentive Plan (which plan is filed herewith).*
- 10.32 Separation Agreement between the Company and Don Steen dated October 17, 1997 (which agreement is filed herewith).*
- 10.33 Separation Agreement between the Company and Dan Moen dated September 12, 1997, as amended (which agreement is filed herewith).*
- 12 Statement re Computation of Ratio of Earnings to Fixed Charges.
- 18 Letter re Change in Accounting Principle.
- 21 List of Subsidiaries.
- 23 Consent of Ernst & Young LLP.
- 27.1 Financial Data Schedule for 1997 year-end information.
- 27.2 Restated Financial Data Schedules for periods ended September 30, 1997, June 30, 1997 and March 31, 1997 and year ended December 31, 1996.
- 27.3 Restated Financial Data Schedules for periods ended September 30, 1996, June 30, 1996 and March 31, 1996 and year ended December 31, 1995.

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* Management compensatory plan or arrangement.

(b) Reports on Form 8-K.

On November 17, 1997, the Company announced that its Board of Directors approved an internal operating reorganization plan and authorized the evaluation of various restructuring alternatives.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: March 30, 1998

COLUMBIA/HCA HEALTHCARE CORPORATION

/s/ Thomas F. Frist, Jr., M.D.

By: THOMAS F. FRIST, JR., M.D.
CHAIRMAN AND CHIEF EXECUTIVE
OFFICER

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Thomas F. Frist, Jr., M.D. ----- THOMAS F. FRIST, JR., M.D.	Chairman of the Board and Chief Executive Officer	March 30, 1998
/s/ Kenneth C. Donahey ----- KENNETH C. DONAHEY	Senior Vice President and Controller (Principal Financial and Accounting Officer)	March 30, 1998
/s/ Magdalena Averhoff, M.D. ----- MAGDALENA AVERHOFF, M.D.	Director	March 30, 1998
/s/ Sister Judith Ann Karam, CSA ----- SISTER JUDITH ANN KARAM, CSA	Director	March 30, 1998
/s/ T. Michael Long ----- T. MICHAEL LONG	Director	March 30, 1998
----- DONALD S. MACNAUGHTON	Director	

SIGNATURE

TITLE

DATE

/s/ R. Clayton McWhorter

Director

March 30, 1998

R. CLAYTON MCWHORTER

/s/ Carl E. Reichardt

Director

March 30, 1998

CARL E. REICHARDT

/s/ Frank S. Royal, M.D.

Director

March 30, 1998

FRANK S. ROYAL, M.D.

Director

WILLIAM T. YOUNG

COLUMBIA/HCA HEALTHCARE CORPORATION
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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders Columbia/HCA Healthcare Corporation

We have audited the accompanying consolidated balance sheets of Columbia/HCA Healthcare Corporation as of December 31, 1997 and 1996, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Columbia/HCA Healthcare Corporation at December 31, 1997 and 1996, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

As explained in Note 11 to the Consolidated Financial Statements, effective January 1, 1997, the Company changed its method of accounting for start-up costs.

/s/ ERNST & YOUNG LLP

Nashville, Tennessee
February 12, 1998, except for
Note 21, as to which the date is
February 20, 1998

COLUMBIA/HCA HEALTHCARE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	1997	1996	1995
	-----	-----	-----
Revenues.....	\$18,819	\$18,786	\$17,132
Salaries and benefits	7,631	7,205	6,779
Supplies.....	2,722	2,655	2,536
Other operating expenses.....	4,263	3,689	3,203
Provision for doubtful accounts.....	1,420	1,196	994
Depreciation and amortization.....	1,238	1,143	976
Interest expense.....	493	488	458
Equity in earnings of affiliates.....	(68)	(173)	(28)
Restructuring of operations and investigation related costs.....	140	-	-
Impairment of long-lived assets.....	442	-	-
Merger and facility consolidation costs.....	-	-	387
	-----	-----	-----
	18,281	16,203	15,305
	-----	-----	-----
Income from continuing operations before minority interests and income taxes.....	538	2,583	1,827
Minority interests in earnings of consolidated entities.....	150	141	113
	-----	-----	-----
Income from continuing operations before income taxes.....	388	2,442	1,714
Provision for income taxes.....	206	981	689
	-----	-----	-----
Income from continuing operations.....	182	1,461	1,025
Discontinued operations:			
Income from operations of discontinued businesses, net of income taxes of \$18 in 1997, \$29 in 1996 and \$26 in 1995.....	12	44	39
Estimated loss on disposal of discontinued businesses, net of income tax benefit of \$124....	(443)	-	-
Extraordinary charges on extinguishments of debt, net of income tax benefit of \$67.....	-	-	(103)
Cumulative effect of accounting change, net of income tax benefit of \$36	(56)	-	-
	-----	-----	-----
Net income (loss).....	\$ (305)	\$ 1,505	\$ 961
	=====	=====	=====
Basic earnings (loss) per share:			
Income from continuing operations.....	\$.28	\$ 2.17	\$ 1.54
Discontinued operations:			
Income from operations of discontinued businesses.....	.02	.07	.06
Estimated loss on disposal of discontinued businesses.....	(.67)	-	-
Extraordinary charges on extinguishments of debt..	-	-	(.16)
Cumulative effect of accounting change.....	(.09)	-	-
	-----	-----	-----
Net income (loss).....	\$ (.46)	\$ 2.24	\$ 1.44
	=====	=====	=====
Diluted earnings (loss) per share:			
Income from continuing operations.....	\$.27	\$ 2.15	\$ 1.52
Discontinued operations:			
Income from operations of discontinued businesses.....	.02	.07	.06
Estimated loss on disposal of discontinued businesses.....	(.67)	-	-
Extraordinary charges on extinguishments of debt..	-	-	(.15)
Cumulative effect of accounting change.....	(.08)	-	-
	-----	-----	-----
Net income (loss).....	\$ (.46)	\$ 2.22	\$ 1.43
	=====	=====	=====

The accompanying notes are an integral part of the consolidated financial statements

COLUMBIA/HCA HEALTHCARE CORPORATION
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1997 AND 1996
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	1997	1996
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 110	\$ 113
Accounts receivable, less allowances for doubtful accounts of \$1,661--1997 and \$1,380--1996.....	2,522	2,842
Inventories.....	452	438
Income taxes receivable.....	532	-
Other.....	807	806
	-----	-----
	4,423	4,199
Property and equipment, at cost:		
Land.....	967	970
Buildings.....	7,257	7,390
Equipment.....	7,461	6,725
Construction in progress (estimated cost to complete and equip after December 31, 1997--\$1,263).....	569	602
	-----	-----
Accumulated depreciation.....	16,254	15,687
	(6,024)	(5,314)
	-----	-----
	10,230	10,373
Investments of insurance subsidiary.....	1,422	1,119
Investments in and advances to affiliates.....	1,329	1,293
Intangible assets, net of accumulated amortization of \$510-- 1997 and \$511--1996.....	3,521	3,582
Net assets of discontinued operations.....	841	212
Other.....	236	338
	-----	-----
	\$22,002	\$21,116
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 929	\$ 790
Accrued salaries.....	475	430
Other accrued expenses.....	1,237	1,292
Income taxes payable	-	97
Long-term debt due within one year.....	132	201
	-----	-----
	2,773	2,810
Long-term debt.....	9,276	6,781
Professional liability risks, deferred taxes and other liabilities.....	1,867	2,080
Minority interests in equity of consolidated entities.....	836	836
Stockholders' equity:		
Common stock \$.01 par; authorized 1,600,000,000 voting shares and 50,000,000 nonvoting shares; outstanding 620,452,200 voting shares and 21,000,000 nonvoting shares--1997 and 650,499,400 voting shares and 21,000,000 nonvoting shares--1996	6	7
Capital in excess of par value.....	3,480	4,519
Other.....	13	14
Accumulated other comprehensive income.....	92	52
Retained earnings.....	3,659	4,017
	-----	-----
	7,250	8,609
	-----	-----
	\$22,002	\$21,116
	=====	=====

The accompanying notes are an integral part of the consolidated financial statements

COLUMBIA/HCA HEALTHCARE CORPORATION
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995
(DOLLARS IN MILLIONS)

	COMMON STOCK		CAPITAL IN		ACCUMULATED		
	SHARES	PAR	EXCESS OF	OTHER	OTHER	RETAINED	TOTAL
	(000)	VALUE	PAR VALUE		INCOME	EARNINGS	
	-----	-----	-----	-----	-----	-----	-----
Balances, December 31, 1994.....	662,934	\$ 7	\$4,402	\$27	(\$4)	\$1,658	\$6,090
Comprehensive income:							
Net income.....						961	961
Other comprehensive income, net of tax (See NOTE 19):							
Net unrealized gains on investment securities.....					31		31
Foreign currency translation adjustments.....					7		7
					38	--	38
Total comprehensive income.....					38	961	999
Cash dividends.....						(53)	(53)
Stock options exercised, net.....	5,187		100	(7)			93
Other.....	607		(6)	6			--
Balances, December 31, 1995.....	668,728	7	4,496	26	34	2,566	7,129
Comprehensive income:							
Net income.....						1,505	1,505
Other comprehensive income (loss), net of tax (See NOTE 19):							
Net unrealized gains on investment securities.....					24		24
Foreign currency translation adjustments.....					(6)		(6)
					18	--	18
Total comprehensive income.....					18	1,505	1,523
Cash dividends.....						(54)	(54)
Stock options exercised, net.....	3,859		81	(5)			76
Other.....	(1,088)		(58)	(7)			(65)
Balances, December 31, 1996.....	671,499	7	4,519	14	52	4,017	8,609
Comprehensive loss:							
Net loss.....						(305)	(305)
Other comprehensive income, net of tax (See NOTE 19):							
Net unrealized gains on investment securities.....					38		38
Foreign currency translation adjustments.....					2		2
					40	--	40
Total comprehensive loss.....					40	(305)	(265)
Cash dividends.....						(53)	(53)
Stock repurchases.....	(37,895)	(1)	(1,272)				(1,273)
Stock options exercised, net.....	4,108		100	(4)			96
Other employee benefit plan issuances.....	3,740		108				108
Other.....			25	3			28
Balances, December 31, 1997.....	641,452	\$ 6	\$3,480	\$13	\$92	\$3,659	\$7,250

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The accompanying notes are an integral part of the consolidated financial
statements

COLUMBIA/HCA HEALTHCARE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1997, 1996 AND 1995
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	1997	1996	1995
	-----	-----	-----
Cash flows from continuing operating activities:			
Net income (loss).....	(\$305)	\$ 1,505	\$ 961
Adjustments to reconcile net income (loss) to net cash provided by continuing operating activities:			
Provision for doubtful accounts.....	1,420	1,196	994
Depreciation and amortization.....	1,238	1,143	976
Deferred income taxes.....	(163)	32	15
Write-down of long-lived assets.....	442	-	282
Loss (income) from discontinued operations.....	431	(44)	(39)
Extraordinary charges on extinguishments of debt.....	-	-	103
Cumulative effect of accounting change.....	56	-	-
Increase (decrease) in cash from operating assets and liabilities:			
Accounts receivable.....	(1,167)	(1,360)	(1,068)
Inventories and other assets.....	25	(14)	(157)
Income taxes.....	(619)	237	(80)
Accounts payable and accrued expenses.....	121	(145)	157
Other.....	4	39	120
	-----	-----	-----
Net cash provided by continuing operating activities.....	1,483	2,589	2,264
	-----	-----	-----
Cash flows from investing activities:			
Purchase of property and equipment.....	(1,422)	(1,391)	(1,513)
Acquisition of hospitals and health care entities..	(411)	(748)	(1,478)
Investments in and advances to affiliates.....	(29)	(61)	(609)
Disposition of property and equipment.....	212	166	334
Change in other investments.....	(45)	(158)	(283)
Investment in net assets of discontinued operations, net.....	(1,060)	(26)	(103)
Other.....	9	(1)	42
	-----	-----	-----
Net cash used in investing activities.....	(2,746)	(2,219)	(3,610)
	-----	-----	-----
Cash flows from financing activities:			
Issuance of long-term debt.....	249	459	2,257
Net change in commercial paper and bank borrowings.....	2,453	(579)	1,230
Repayment of long-term debt.....	(318)	(303)	(1,969)
Repurchases of common stock, net.....	(1,082)	(20)	42
Payment of cash dividends and redemption of preferred stock purchase rights.....	(53)	(54)	(50)
Other.....	11	8	-
	-----	-----	-----
Net cash provided by (used in) financing activities.....	1,260	(489)	1,510
	-----	-----	-----
Change in cash and cash equivalents.....	(3)	(119)	164
Cash and cash equivalents at beginning of period....	113	232	68
	-----	-----	-----
Cash and cash equivalents at end of period.....	\$ 110	\$ 113	\$ 232
	=====	=====	=====
Interest payments.....	\$ 471	\$ 499	\$ 479
Income tax payments, net of refunds.....	\$ 1,168	\$ 709	\$ 748

The accompanying notes are an integral part of the consolidated financial statements

COLUMBIA/HCA HEALTHCARE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1--ACCOUNTING POLICIES

Reporting Entity

Columbia/HCA Healthcare Corporation, together with its affiliated subsidiaries, (the "Company") is a Delaware corporation that operates hospitals and related health care entities. At December 31, 1997, the Company owned and operated 309 hospitals, 140 freestanding surgery centers and provided extensive outpatient and ancillary services, including home health (the Company plans to divest its home health business. See NOTE 7). The Company is also a partner in several 50/50 joint ventures that own and operate 27 hospitals and 5 freestanding surgery centers which are accounted for using the equity method. The Company's facilities are located in 35 states, England, Switzerland and Spain.

Basis of Presentation

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The consolidated financial statements include all affiliated subsidiaries and entities controlled by the Company. Significant intercompany transactions have been eliminated. Investments in entities which the Company does not control, but in which it has a substantial ownership interest and can exercise significant influence, are accounted for using the equity method.

During August 1997, the Company completed a merger transaction with Value Health, Inc. ("Value Health") (the "Value Health Merger"). The Value Health 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 the Company for periods subsequent to the acquisition of controlling interest. See NOTE 8 for a description of the specific terms of the Value Health Merger.

During April 1995, the Company completed a merger transaction with Healthtrust, Inc.--The Hospital Company ("Healthtrust") (the "Healthtrust Merger"). The Healthtrust Merger has been accounted for by the pooling of interests method. Accordingly, the consolidated financial statements include the operations of Healthtrust for all periods presented. See NOTE 8 for a description of the specific terms of the Healthtrust Merger.

Revenues

The Company's health care facilities have entered into agreements with third-party payers, including government programs and managed care health plans, under which the facilities are paid based upon established charges, the cost of providing services, predetermined rates per diagnosis, fixed per diem rates or discounts from established charges.

Revenues are recorded at estimated amounts due from patients and third-party payers for the health care services provided. Settlements under reimbursement agreements with third-party payers are estimated and recorded in the period the related services are rendered and are adjusted in future periods as final settlements are determined. The adjustments to estimated

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

NOTE 1--ACCOUNTING POLICIES (CONTINUED)

settlements resulted in increases to revenues of \$43 million, \$242 million and \$145 million in 1997, 1996 and 1995, respectively. Management believes that adequate provisions have been made for adjustments that may result from final determination of amounts earned under these programs.

The Company provides care without charge to patients who are financially unable to pay for the health care services they receive. Because the Company does not pursue collection of amounts determined to qualify as charity care, they are not reported in revenues.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with a maturity of three months or less when purchased. Carrying values of cash and cash equivalents approximate fair value due to the short-term nature of these instruments.

Accounts Receivable

The Company receives payment for services rendered from federal and state agencies (under the Medicare, Medicaid and CHAMPUS programs), managed care health plans, commercial insurance companies, employers and patients. During the years ended December 31, 1997 and 1996, approximately 34% and 35%, respectively, of the Company's revenues related to patients participating in the Medicare program. The Company recognizes that revenues and receivables from government agencies are significant to the Company's operations, but the Company does not believe that there are significant credit risks associated with these government agencies. The Company does not believe that there are any other significant concentrations of revenues from any particular payer that would subject the Company to any significant credit risks in the collection of its accounts receivable.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market.

Long-lived Assets

PROPERTY AND EQUIPMENT

Depreciation expense, computed using the straight-line method, was \$1,082 million in 1997, \$985 million in 1996 and \$857 million in 1995. Buildings and improvements are depreciated over estimated useful lives ranging generally from 10 to 40 years. Estimated useful lives of equipment vary generally from 3 to 10 years.

INTANGIBLE ASSETS

Intangible assets consist primarily of costs in excess of the fair value of identifiable net assets of acquired entities and are amortized using the straight-line method generally over periods ranging from 30 to 40 years for hospital acquisitions and periods ranging from 5 to 20 years for physician practice, home health and clinic acquisitions. Noncompete agreements and debt issuance costs are amortized based upon the terms of the respective contracts or loans.

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

NOTE 1--ACCOUNTING POLICIES (CONTINUED)

When events, circumstances and operating results indicate that the carrying values of certain long-lived assets and the related identifiable intangible assets might be impaired, the Company prepares projections of the undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the projections indicate that the recorded amounts are not expected to be recoverable, such amounts are reduced to estimated fair value.

Professional Liability Insurance Claims

A substantial portion of the Company's professional liability risks is insured through a wholly-owned insurance subsidiary of the Company which is funded annually. Provisions for loss for professional liability risks are based upon actuarially determined estimates.

Allowances for professional liability risks were \$1.3 billion and \$1.2 billion at December 31, 1997 and 1996, respectively. To the extent that subsequent claims information varies from management's estimates, any adjustments resulting therefrom are reflected in current operating results.

Investments of Insurance Subsidiary

Investments of the Company's wholly-owned insurance subsidiary are predominantly classified as "available for sale" per the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"), (see NOTE 13).

During 1997, a portion of the insurance subsidiary's investments (approximately \$57 million of equity securities at December 31, 1997) were classified as trading securities. Trading securities are bought and held principally for the purpose of selling them in the near future. Trading securities are recorded at fair value and unrealized gains and losses are included in results of operations.

Minority Interests in Consolidated Entities

The consolidated financial statements include all assets, liabilities, revenues and expenses of less than 100% owned entities controlled by the Company. Accordingly, management has recorded minority interests in the earnings and equity of such entities.

The Company is a party to several partnership agreements which generally include provisions for the redemption of minority interests using specified valuation techniques.

Earnings Per Share

In 1997, the Financial Accounting Standards Board issued Statement No. 128, "Earnings per Share" ("SFAS 128"). SFAS 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. Earnings per share amounts for all periods have been presented, and restated where appropriate, to conform to the Statement 128 requirements.

Stock Based Compensation

The Company applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and related interpretations in accounting for its employee stock benefit plans. Accordingly, no compensation cost has been recognized for the Company's employee stock benefit plans.

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

NOTE 1--ACCOUNTING POLICIES (CONTINUED)

Comprehensive Income

In June 1997, the Financial Accounting Standards Board issued Statement No. 130, "Reporting Comprehensive Income" ("SFAS 130"). SFAS 130 establishes standards for the reporting and disclosure of comprehensive income and its components in the financial statements. The Company has elected to report comprehensive income and its components in the consolidated statements of stockholders' equity.

Disclosures about Segments of an Enterprise

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). SFAS 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. SFAS 131 is effective for financial statements for fiscal years beginning after December 15, 1997, and therefore, the Company will adopt the new requirements retroactively in 1998. Management has not completed its review of SFAS 131 and the identification of the reportable operating segments has not been determined.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 1997 presentation.

NOTE 2--INVESTIGATIONS

In March 1997, various facilities of the Company's El Paso, Texas operations were searched by federal authorities pursuant to search warrants and the government removed various records and documents. In February 1998, an additional warrant was executed and a single computer was seized. The Company believes it may be a target in this investigation.

In July 1997, various Company affiliated facilities and offices were searched pursuant to search warrants issued by the United States District Court in several states. During July, September and November 1997, the Company was also served with subpoenas requesting records and documents related to laboratory billing, diagnosis related group ("DRG") coding and home health operations in various states. In January 1998, the Company received a subpoena which requested records and documents relating to physician relationships.

Also, in July 1997, the United States District Court for the Middle District of Florida, in Fort Myers, issued an indictment against three employees of a subsidiary of the Company. The indictment relates to the alleged false characterization of interest payments on certain debt resulting in Medicare and CHAMPUS overpayments since 1986 to Columbia Fawcett Memorial Hospital, a Port Charlotte, Florida hospital that was acquired by the Company in 1992. The Company has been served with subpoenas for various records and documents.

The Company is cooperating in these investigations and understands it is a target in these investigations

The Company is the subject of a formal order of investigation by the Securities and Exchange Commission (the "Commission"). The Company understands that the investigation includes the

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

NOTE 2--INVESTIGATIONS (CONTINUED)

anti-fraud, periodic reporting and internal accounting control provisions of the federal securities laws.

Management believes the ongoing investigations and related media coverage are having a negative effect on the Company's results of operations. It is too early to predict the outcome or effect that the ongoing investigations or the initiation of additional investigations if any and the related media coverage will have on the Company's financial condition or results of operations in future periods. Were the Company to be found in violation of federal or state laws relating to Medicare, Medicaid or similar programs, the Company could be subject to substantial monetary fines, civil and criminal penalties and exclusion from participation in the Medicare and Medicaid programs. Any such sanctions could have a material adverse effect on the Company's financial position and results of operations. (See NOTE 15.)

NOTE 3--CHANGE IN MANAGEMENT AND BUSINESS STRATEGY

Change in Management

During 1997, the Company experienced a significant change in management and changed its business strategy. On July 25, 1997, the Company announced the resignations of Richard L. Scott, Chairman and Chief Executive Officer and David T. Vandewater, President and Chief Operating Officer. Thomas F. Frist, Jr., M.D., Vice Chairman of the Company's Board of Directors, was named Chairman and Chief Executive Officer. On August 4, 1997, the Company named Jack O. Bovender, Jr. as President and Chief Operating Officer.

On August 7, 1997, in an effort to address some areas of concern that may have led to the investigations by certain government agencies, management announced several significant steps that are being implemented to redefine the Company's approach to a number of business practices. Some of the steps include: elimination of annual cash incentive compensation for the Company's employees, divestiture of the home health care business, the unwinding of physician interests in hospitals, significant expansion of compliance programs, increased disclosures in Medicare cost reports, changes in laboratory billing procedures, increased reviews of Medicare coding and further guidelines on any transactions with physicians. These changes have been developed and are being implemented with consideration to laws, regulations and existing contractual agreements. Management is not currently able to predict what effect such actions might have on the Company's financial position or results of operations.

On November 17, 1997, the Company announced that its Board of Directors had approved an internal operating reorganization plan. Effective January 1, 1998, the Company was organized into five principal groups--Eastern, Western, Atlantic, Pacific and America.

The Board of Directors also authorized the evaluation of various restructuring alternatives which could include divestitures of certain assets to third parties and spin-offs of certain other assets to the Company's stockholders. As part of these alternatives, the Company is considering restructuring into a smaller, more focused company located in strategic markets. No restructuring plan has been approved by the Board of Directors and there can be no assurances that a plan will ultimately be approved or implemented. Any spin-off or other restructuring alternative would require Board of Directors approval as well as various legal, regulatory and governmental approvals.

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

NOTE 3--CHANGE IN MANAGEMENT AND BUSINESS STRATEGY (CONTINUED)

Business Strategy

The Company's strategy is to be a comprehensive provider of quality health care services in select markets. The Company maintains and replaces equipment, renovates and constructs replacement facilities and adds new services to increase the attractiveness of its hospitals and other facilities to local physicians and patients. By developing a comprehensive health care network with a broad range of health care services located throughout a market area, the Company achieves greater visibility and is better able to attract and serve physicians and patients. The Company is also able to reduce operating costs by sharing certain services among several facilities in the same market and is better positioned to work with health maintenance organizations ("HMOs"), preferred provider organizations ("PPOs") and employers.

The Company generally seeks to operate each of its facilities as part of a network with other health care facilities that it owns or operates within the same region. In instances where acquisitions of additional facilities in the area are not possible or practical, the Company may seek joint ventures or partnership arrangements with other local facilities.

NOTE 4--RESTRUCTURING OF OPERATIONS AND INVESTIGATION RELATED COSTS

During the third and fourth quarters of 1997, the Company recorded the following pretax charges in connection with the restructuring of operations (and the related changes in management and business strategy) and the investigation related costs as discussed in NOTES 2 and 3 (in millions):

Severance costs.....	\$ 61
Professional fees related to investigations.....	44
Cancelled projects.....	20
Other.....	15

Total.....	\$140
	====

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

NOTE 5--MERGER AND FACILITY CONSOLIDATION COSTS

In the second quarter of 1995, the Company recorded the following pretax charges in connection with the Healthtrust Merger (in millions):

Severance costs.....	\$ 46
Investment advisory and professional fees.....	14
Costs of information systems consolidations.....	19
Other.....	26

	105
Write-down of assets in connection with consolidation of duplicative facilities and facility replacements.....	282

Total.....	\$387
	=====

NOTE 6--IMPAIRMENT OF LONG-LIVED ASSETS

The Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of" ("SFAS 121"), during the first quarter of 1996. SFAS 121 addresses accounting for the impairment of long-lived assets and long-lived assets to be disposed of, certain identifiable intangibles and goodwill related to those assets, and provides guidance for recognizing and measuring impairment losses. The statement requires that the carrying amount of impaired assets be reduced to fair value. SFAS 121 is not materially different from the Company's prior policy related to regular periodic reviews of long-lived assets for possible impairment.

During the fourth quarter of 1997, in connection with the changes in management and business strategy (see NOTE 3), the Company decided to close or sell twenty hospital facilities and fifteen surgery centers (primarily optical surgery centers) that were identified as not compatible with the Company's operating plans. The carrying value of these facilities was reduced to fair value, based on estimates of selling values, for a total non-cash charge of \$402 million. The Company expects to complete the majority of these sales or closures during 1998.

The Company recorded, during the fourth quarter of 1997, an impairment loss of approximately \$40 million related to the write-off of intangibles and other long-lived assets of certain physician practices where the recorded asset values were not deemed to be fully recoverable based upon the operating results trend and projected future cash flows. These assets are now recorded at estimated fair value.

The 1997 charges did not have a significant impact on the Company's 1997 cash flows and are not expected to significantly impact cash flows for future periods. As a result of the write-downs, depreciation and amortization expense related to these assets will decrease in future periods. In the aggregate, the net effect of the change in depreciation and amortization expense is not expected to have a material effect on operating results for future periods.

NOTE 7--DISCONTINUED OPERATIONS

As part of the Company's change in business strategy (as described in NOTE 3), the Company has implemented plans to sell its home health care businesses and its pharmacy and behavioral health businesses (including three of the four business units acquired in the Value Health Merger, as discussed in NOTE 8). As a result of the plans to divest these businesses, the Company's

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

NOTE 7--DISCONTINUED OPERATIONS (CONTINUED)

consolidated financial statements and related notes have been adjusted and restated to reflect the results of operations and net assets of the home health care, pharmacy and behavioral health businesses to be disposed of as discontinued operations.

Revenues of the businesses to be disposed of were approximately \$2.0 billion, \$1.1 billion and \$563 million for the three years ended December 31, 1997, 1996 and 1995, respectively. Results of operations for these businesses, including interest expense associated with the debt incurred to complete the Value Health Merger, are included in "Income from operations of discontinued businesses" in the consolidated statements of operations.

The Company anticipates that sales of these businesses will be completed during 1998 (see NOTE 21). Management estimates the Company will incur combined after-tax losses on disposals of the home health care business and the pharmacy and behavioral health care businesses of approximately \$443 million. Accordingly, the estimated loss was recorded in the fourth quarter of 1997 and is reflected in the "Discontinued operations" section of the consolidated statements of operations.

NOTE 8--MERGERS

Value Health Merger

The Value Health Merger was completed on August 6, 1997. Value Health is a provider of specialty managed care benefit programs. In connection with the Value Health Merger, Value Health stockholders received \$20.50 in cash for each Value Health common share. The total purchase price, including transaction costs and the assumption of \$165 million of Value Health debt, was approximately \$1.4 billion.

The Value Health Merger has been accounted for by the purchase method and accordingly, the results of operations of Value Health have been included with those of the Company for periods subsequent to the acquisition date. The excess of the aggregate purchase price over the estimated fair value of net assets acquired, net of write-downs to expected net realizable value recorded as part of the estimated loss discussed in NOTE 7, was approximately \$470 million and is being amortized over a 30 year period.

On August 28, 1997, the Company announced plans to divest three of the four business units acquired in the Value Health Merger. The Value Health businesses to be divested include the managed behavioral health care unit, the information technology unit (which develops disease management programs) and the pharmacy benefit management unit. The results of operations and net assets of these entities are included in discontinued operations (see NOTE 7).

Healthtrust Merger

The Healthtrust Merger was consummated during April 1995. Healthtrust was one of the largest providers of health care services in the United States and, at the merger date, owned and operated 117 acute care hospitals. In connection with the Healthtrust merger, all the outstanding shares of Healthtrust common stock were converted on a tax-free basis into approximately 120,617,700 shares of the Company's voting common stock.

The Healthtrust Merger has been accounted for as a pooling of interests, and accordingly, the consolidated financial statements include the operations of Healthtrust for all periods presented.

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

NOTE 9--OTHER BUSINESS COMBINATIONS

During the past three years, the Company has acquired various hospitals and related health care entities (or controlling interests in such entities), all of which have been accounted for by the purchase method. The aggregate purchase price of these transactions has been allocated to the assets acquired and liabilities assumed based upon their respective fair values. The consolidated financial statements include the accounts and operations of acquired entities for periods subsequent to the respective acquisition dates.

The following is a summary of hospitals and other health care entity acquisitions consummated during the last three years under the purchase method of accounting (excluding the Value Health Merger) (dollars in millions):

	1997	1996	1995
	----	-----	-----
Number of hospitals.....	5	14	29
Number of licensed beds.....	974	2,652	5,647
Purchase price information:			
Hospitals:			
Fair value of assets acquired.....	\$162	\$ 737	\$1,812
Liabilities assumed.....	(39)	(103)	(148)
	----	-----	-----
Net assets acquired.....	123	634	1,664
Contributions from minority partners.....	(24)	(133)	(331)
	----	-----	-----
99	99	501	1,333
Other health care entities.....	312	247	145
	----	-----	-----
Net cash paid.....	\$411	\$ 748	\$1,478
	====	=====	=====

The purchase price paid in excess of the fair value of identifiable net assets of acquired entities aggregated \$221 million in 1997, \$291 million in 1996 and \$574 million in 1995.

The pro forma effect of these acquisitions on the Company's results of operations for the periods prior to the respective consummation dates was not significant.

NOTE 10--INCOME TAXES

Provision for income taxes consists of the following (dollars in millions):

	1997	1996	1995
	----	-----	-----
Current:			
Federal.....	\$313	\$804	\$572
State.....	56	145	102
Deferred:			
Federal.....	(134)	27	12
State.....	(29)	5	3
	----	-----	-----
	\$206	\$981	\$689
	====	=====	=====

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

NOTE 10--INCOME TAXES (CONTINUED)

A reconciliation of the federal statutory rate to the effective income tax rate follows:

	1997	1996	1995
	----	----	----
Federal statutory rate.....	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit....	4.6	4.0	4.0
Non-deductible intangible assets.....	12.7	1.3	1.7
Other items, net.....	0.6	(0.2)	(0.5)
	----	----	----
Effective income tax rate.....	52.9%	40.1%	40.2%
	=====	=====	=====

A summary of the items comprising the deferred tax assets and liabilities at December 31 follows (dollars in millions):

	1997		1996	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
	-----	-----	-----	-----
Depreciation and fixed asset basis differences.....	\$ --	\$648	\$--	\$ 793
Professional liability risks.....	395	--	369	--
Doubtful accounts.....	360	--	158	--
Compensation.....	104	--	98	--
Other.....	170	260	202	262
	-----	-----	-----	-----
	\$1,029	\$908	\$827	\$1,055
	=====	=====	=====	=====

Deferred income taxes of \$423 million and \$415 million at December 31, 1997 and 1996, respectively, are included in other current assets. Noncurrent deferred income tax liabilities totaled \$302 million and \$643 million at December 31, 1997 and 1996, respectively.

At December 31, 1997, federal and state net operating loss carryforwards (expiring in years 1998 through 2003) available to offset future taxable income approximated \$96 million and \$580 million, respectively. Utilization of net operating loss carryforwards in any one year may be limited and, in certain cases, result in a reduction of intangible assets. Net deferred tax assets related to such carryforwards are not significant.

IRS Disputes Resolved During 1997

In October 1997, the United States Tax Court (the "Tax Court") ruled in favor of HCA-Hospital Corporation of America ("HCA") with respect to its claim that insurance premiums paid to its wholly-owned insurance subsidiary ("Parthenon") from 1981 through 1988 were deductible. Through December 31, 1997, the Company was seeking a refund of income tax and interest totaling \$207 million.

In December 1997, the Company and the Internal Revenue Service (the "IRS") filed a stipulated settlement with the Tax Court regarding the IRS proposed disallowance of certain stock option compensation which HCA deducted in calculating its 1992 taxable income. As a result of the settlement, the Company owed additional tax and interest of \$71 million through December 31, 1997. Had the entire deduction been disallowed, the Company would have owed additional tax and interest of \$276 million.

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

NOTE 10--INCOME TAXES (CONTINUED)

Neither the Parthenon decision nor the stock option compensation settlement had a material impact on the Company's results of operations.

Pending IRS Disputes

The Company is currently contesting before the Tax Court and the United States Court of Federal Claims certain claimed deficiencies and adjustments proposed by the IRS in conjunction with its examination of the Company's 1994 federal income tax return, Columbia Healthcare Corporation's ("CHC") 1993 and 1994 federal income tax returns, HCA's 1981 through 1993 federal income tax returns and Healthtrust's 1990 through 1992 federal income tax returns. The disputed items include: the disallowance of certain acquisition-related costs, executive compensation, system conversion costs and insurance premiums which were deducted in calculating taxable income in 1993 and 1994; and the methods of accounting used by certain subsidiaries for calculating taxable income related to vendor rebates and governmental receivables in 1993 and 1994. The IRS is claiming an additional \$271 million in income taxes and interest through December 31, 1997.

The Tax Court opinions received in 1996 and 1997 involving the use of the cash method of accounting by certain of HCA's subsidiaries for the years 1981 through 1986, the timing of the recognition of certain deferred income by HCA and the valuation of Healthtrust preferred stock and stock purchase warrants HCA received in connection with its sale of certain subsidiaries to Healthtrust in 1987, the formula which HCA utilized for calculating the tax reserve for doubtful accounts and the eligibility of certain receivables for the reserve method, and the deductibility of insurance premiums paid to Parthenon may be appealed by the IRS or the Company to the United States Court of Appeals, Sixth Circuit. Any decisions regarding appeal of these rulings are expected to be made during 1998.

Management believes that adequate provisions have been recorded to satisfy final resolution of the disputed issues. Management believes that the Company, CHC, HCA and Healthtrust properly reported taxable 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 the Company.

NOTE 11--ACCOUNTING CHANGE

In the fourth quarter of 1997, the Company changed its method of accounting for start-up costs. The change involved expensing these costs as incurred, rather than capitalizing and subsequently amortizing such costs. The Company believes the new method is preferable due to the changes in the Company's business strategy and reviews of emerging accounting guidance on accounting for similar (i.e., start-up, software system training and process reengineering) costs.

The change in accounting principle resulted in the write-off of the costs capitalized as of January 1, 1997. The cumulative effect of the write-off, which totals \$56 million (net of tax benefit), has been expensed and reflected in the 1997 statement of operations. Had the new method been used in the past, the pro forma effect on prior years would have primarily affected 1996 (such costs incurred for periods prior to 1996 are considered immaterial to operations for those periods). The pro forma effect on 1997 and 1996 follows (dollars in millions, except per share amounts):

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

NOTE 11--ACCOUNTING CHANGE (CONTINUED)

	1997		1996	
	AS		AS	
	REPORTED	PRO FORMA	REPORTED	PRO FORMA
Income from continuing operations.....	\$ 182	\$ 182	\$1,461	\$1,405
Earnings per share--basic.....	\$.28	\$.28	\$ 2.17	\$ 2.08
Earnings per share--diluted.....	\$.27	\$.27	\$ 2.15	\$ 2.07
Net income (loss).....	\$(305)	\$(249)	\$1,505	\$1,449
Earnings (loss) per share--basic.....	\$(.46)	\$(.37)	\$ 2.24	\$ 2.15
Earnings (loss) per share--diluted...	\$(.46)	\$(.38)	\$ 2.22	\$ 2.14

NOTE 12--EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share from continuing operations (dollars in millions, except per share amounts):

	1997	1996	1995
	-----	-----	-----
Numerator (a):			
Income from continuing operations.....	\$ 182	\$ 1,461	\$ 1,025
	=====	=====	=====
Denominator:			
Share reconciliation (in thousands):			
Shares used for basic earnings per share.....	657,931	670,774	665,407
Effect of dilutive securities:			
Stock options.....	4,407	6,214	7,122
Warrants and other.....	752	898	542
	-----	-----	-----
Shares used for dilutive earnings per share.....	663,090	677,886	673,071
	=====	=====	=====
Earnings per share:			
Basic earnings per share from continuing operations.....	\$.28	\$ 2.17	\$ 1.54
	=====	=====	=====
Diluted earnings per share from continuing operations.....	\$.27	\$ 2.15	\$ 1.52
	=====	=====	=====

(a) Amount is used for both basic and diluted earnings per share computations since there is no earnings effect related to the dilutive securities.

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

NOTE 13--INVESTMENTS OF INSURANCE SUBSIDIARY

A summary of the insurance subsidiary's available for sale investments at December 31 follows (dollars in millions):

	1997			
	UNREALIZED AMOUNTS			
	AMORTIZED COST	GAINS	LOSSES	FAIR VALUE
Fixed maturities:				
United States Government.....	\$ 17	\$ -	\$ -	\$ 17
States and municipalities.....	657	24	-	681
Mortgage-backed securities.....	107	2	-	109
Corporate and other.....	128	3	(1)	130
Money market funds.....	63	-	-	63
Redeemable preferred stocks.....	64	-	-	64
	1,036	29	(1)	1,064
Equity securities:				
Perpetual preferred stocks.....	36	1	(1)	36
Common stocks.....	303	130	(18)	415
	339	131	(19)	451
	\$1,375	\$160	\$(20)	1,515
	=====	=====	=====	
Amounts classified as current assets.....				(93)
Investment carrying value.....				\$1,422
				=====
	1996			
	UNREALIZED AMOUNTS			
	AMORTIZED COST	GAINS	LOSSES	FAIR VALUE
Fixed maturities:				
United States Government.....	\$ 28	\$ -	\$ -	\$ 28
States and municipalities.....	462	11	(1)	472
Mortgage-backed securities.....	131	1	(1)	131
Corporate and other.....	126	2	-	128
Money market funds.....	86	-	-	86
Redeemable preferred stocks.....	24	-	-	24
	857	14	(2)	869
Equity securities:				
Perpetual preferred stocks.....	10	-	-	10
Common stocks.....	308	83	(11)	380
	318	83	(11)	390
	\$1,175	\$ 97	\$(13)	1,259
	=====	=====	=====	
Amounts classified as current assets.....				(140)
Investment carrying value.....				\$1,119
				=====

The fair value of investment securities is generally based on quoted market prices.

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

NOTE 13--INVESTMENTS OF INSURANCE SUBSIDIARY (CONTINUED)

Scheduled maturities of investments in debt securities at December 31, 1997 were as follows (dollars in millions):

	AMORTIZED COST	FAIR VALUE
	-----	-----
Due in one year or less.....	\$ 139	\$ 139
Due after one year through five years.....	228	232
Due after five years through ten years.....	323	336
Due after ten years.....	239	248
	-----	-----
	929	955
Mortgage-backed securities.....	107	109
	-----	-----
	\$1,036	\$1,064
	=====	=====

The average expected maturity of the investments in debt securities listed above approximated 4.5 years at December 31, 1997. Expected and scheduled maturities may differ because the issuers of certain securities may have the right to call, prepay or otherwise redeem such obligations without penalty.

The tax equivalent yield on investments (including common stocks) averaged 12% for 1997, 7% for 1996 and 9% for 1995. Tax equivalent yield is the rate earned on invested assets, excluding unrealized gains and losses, adjusted for the benefit of such investment income not being subject to taxation.

Sales of securities for the years ended December 31 are summarized below (dollars in millions). The cost of securities sold is based on the specific identification method.

	1997	1996	1995
	-----	-----	-----
Fixed maturities:			
Cash proceeds.....	\$364	\$287	\$427
Gross realized gains.....	3	3	3
Gross realized losses.....	1	3	1
Equity securities:			
Cash proceeds.....	\$249	\$135	\$149
Gross realized gains.....	76	27	33
Gross realized losses.....	10	13	8

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

NOTE 14--LONG TERM DEBT

Capitalization

A summary of long-term debt at December 31 follows (including related interest rates for 1997) (dollars in millions):

	1997	1996
	-----	-----
Senior collateralized debt, 3.5% to 18.0% (rates generally fixed) payable in periodic installments through 2034.....	\$ 247	\$ 207
Senior debt, 6.0% to 13.3% (rates generally fixed) payable in periodic installments through 2095.....	4,283	4,219
Commercial paper (rates generally floating).....	-	2,302
Bank credit agreements (floating rates averaging 6.2%).....	4,755	-
Bank line of credit	-	130
Subordinated debt, 6.8% to 8.5% (rates generally fixed) payable in periodic installments through 2015.....	123	124
	-----	-----
Total debt, average life of nine years (rates averaging 7.0%)....	9,408	6,982
Less amounts due within one year.....	132	201
	-----	-----
	\$9,276	\$6,781
	=====	=====

Credit Facilities

The Company's revolving credit facilities (the "Credit Facilities") are comprised of a \$2.0 billion, five-year revolving credit agreement expiring February 2002 and a \$3.0 billion, 364-day revolving credit agreement expiring June 1998. Borrowings under the 364-day revolving credit agreement do not mature until one year subsequent to the end of the 364-day period. As of December 31, 1997, the Company had \$1.755 billion and \$3.0 billion outstanding under the five-year and 364-day revolving credit agreements, respectively.

Subsequent to December 31, 1997, the Company amended its Credit Facilities. As of February 1998, interest is payable generally at either LIBOR plus .45% to 1.75% (depending on the Company's credit ratings), the prime lending rate or a competitive bid rate. The Credit Facilities contain customary covenants which include (i) limitations on additional debt, (ii) limitations on sales of assets, mergers and changes of ownership, (iii) limitations on repurchases of the Company's common stock, (iv) maintenance of certain interest coverage ratios and (v) attaining certain minimum levels of consolidated earnings before interest, taxes, depreciation and amortization. The Credit Facilities also provide for the mandatory prepayment of loans thereunder and a corresponding reduction of commitments in the case of certain asset sales and certain debt or equity issuances.

Significant Financing Activities

1997

During 1997, the Company's senior debt credit ratings were downgraded from A2 to Baa2 and from A- to BBB by Moody's Investors Service ("Moody's") and Standard and Poor's ("S&P"), respectively. The Company's commercial paper ratings were downgraded from P-1 to P-3 and from A-2 to A-3 by Moody's and S&P, respectively. The decline in the Company's commercial paper ratings has significantly limited access to this financing source. As such, during the third quarter of 1997, the Company began replacing amounts outstanding under its commercial paper programs with borrowings under its Credit Facilities. In February 1998, Moody's further downgraded the Company's senior debt credit rating to Ba2 and its commercial paper rating to NP (not prime).

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

NOTE 14--LONG TERM DEBT (CONTINUED)

In June 1997, the Company issued \$200 million of 7.00% notes due 2007.

1996

During 1996, the Company issued \$100 million of 6.875% notes due 2001; \$200 million of 7.25% notes due 2008 and \$100 million of 7.75% debentures due 2036.

1995

In connection with the Healthtrust Merger, the Company completed exchange offers for substantially all of Healthtrust's \$1.0 billion subordinated notes and debentures. The Company defeased the remaining \$44 million of unexchanged subordinated notes and debentures.

Also during 1995, the Company issued \$150 million of 6.63% notes due 2002; \$100 million of 6.73% notes due 2003; \$125 million of 6.87% notes due 2003; \$150 million of 8.7% notes due 2010; \$150 million of 9.0% notes due 2014; \$150 million of 7.19% debentures due 2015; \$125 million of 7.58% debentures due 2025; \$150 million of 7.05% debentures due 2027 and \$200 million of 7.5% debentures due 2095.

General Information

Maturities of long-term debt in years 1999 through 2002 (excluding borrowings under the Credit Facilities) are \$228 million, \$420 million, \$229 million and \$271 million, respectively.

During 1995, the Company reduced interest costs and eliminated certain restrictive covenants by refinancing or prepaying high interest rate debt, primarily through the use of existing cash and cash equivalents and issuance of long-term debt, commercial paper and equity. Amounts refinanced or prepaid totaled \$1.8 billion in 1995. After tax losses from refinancing activities aggregated \$103 million.

The estimated fair value of the Company's long-term debt was \$9.5 billion and \$7.3 billion at December 31, 1997 and 1996, respectively, compared to carrying amounts aggregating \$9.4 billion and \$7.0 billion, respectively. The estimate of fair value is based upon the quoted market prices for the same or similar issues of long-term debt with the same maturities.

NOTE 15--CONTINGENCIES

Significant Legal Proceedings

Various lawsuits, claims and legal proceedings (see NOTE 2 for a description of the ongoing government investigations) have been or may be instituted or asserted against the Company, including those relating to shareholder derivative and class action complaints; purported class action lawsuits filed by patients and payers alleging, in general, improper and fraudulent billing, coding and physician referrals, as well as other violations of law; certain qui tam or "whistleblower" actions alleging, in general, unlawful claims for reimbursement or unlawful payments to physicians for the referral of patients and other litigation matters. While the amounts claimed may be substantial, the ultimate liability cannot be determined or reasonably estimated at this time due to the considerable uncertainties that exist. Therefore, it is possible that results of operations, financial position and liquidity in a particular period could be materially, adversely affected upon the resolution of certain of these contingencies.

General Liability Claims

The Company is subject to claims and suits arising in the ordinary course of business, including claims for personal injuries or wrongful restriction of, or interference with, physicians'

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

NOTE 15--CONTINGENCIES (CONTINUED)

staff privileges. In certain of these actions the claimants have asked for punitive damages against the Company, which are usually not covered by insurance. It is management's opinion that the ultimate resolution of these pending claims and legal proceedings will not have a material adverse effect on the Company's results of operations or financial position.

NOTE 16--CAPITAL STOCK AND STOCK REPURCHASES

Capital Stock

The terms and conditions associated with each class of the Company's common stock are substantially identical except for voting rights. All nonvoting common stockholders may convert their shares on a one-for-one basis into voting common stock, subject to certain limitations. In addition, certain voting common stockholders may convert their shares on a one-for-one basis into nonvoting common stock.

On May 15, 1997, the Board of Directors of the Company authorized the redemption of all outstanding preferred stock purchase rights. The redemption price of \$.01 per share was paid on September 1, 1997 and was distributed to stockholders along with the quarterly dividend.

Stock Repurchase Program

The Company announced in April 1997 that the Company's Board of Directors authorized the repurchase of up to \$1 billion of the Company's common stock. At December 31, 1997, the Company had completed the repurchase program by acquiring approximately 29.4 million shares. Repurchased shares are available for reissuance for general corporate purposes.

Other Stock Repurchases

The Board of Directors has authorized the Company to repurchase shares to be used for stock issuances related to the Company's employee stock benefit plans. During 1997, the Company repurchased approximately 8.5 million shares (at a cost of approximately \$273 million) to fund employee stock benefit plan issuances.

NOTE 17--STOCK BENEFIT PLANS

The Columbia/HCA Healthcare Corporation 1992 Stock and Incentive Plan (the "1992 Plan") is the primary plan under which options to purchase common stock may be granted to officers, employees, and directors. In May 1996, the stockholders approved an amendment to the 1992 Plan which increased the number of options authorized to 60,000,000 of which 18,371,000 are available for grant at December 31, 1997. Under the 1992 Plan, options are generally granted at no less than market price on the date of grant. Options are exercisable in whole or in part beginning two to five years after the grant and ending ten years after the grant.

In October 1997, the Compensation Committee of the Company's Board of Directors modified and amended the 1992 Plan agreements to provide for immediate and 100% vesting upon a "change of control" of the Company as defined in the 1992 Plan agreement amendment. The amendment is applicable for all options available for grant as well as all options previously issued under the 1992 Plan.

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

NOTE 17--STOCK BENEFIT PLANS (CONTINUED)

In the past, Columbia has had various other plans under which options to purchase common stock have been granted to officers, employees and directors. Generally, options have been granted at no less than the market price on the date of grant. Exercise provisions vary, but most options are exercisable in whole or in part beginning two to four years after the grant and ending four to fifteen years after grant.

Information regarding these option plans for 1997, 1996 and 1995 is summarized below (share amounts in thousands):

	STOCK OPTIONS	OPTION PRICE PER SHARE	WEIGHTED AVERAGE EXERCISE PRICE
Balances, December 31, 1994.....	24,848	\$0.01 to \$38.11	\$15.29
Granted.....	9,401	26.51 to 32.50	27.39
Exercised.....	(5,484)	0.01 to 31.36	10.81
Cancelled.....	(2,381)	0.14 to 38.11	22.86
Balances, December 31, 1995.....	26,384	0.14 to 38.11	19.87
Granted.....	10,446	26.58 to 38.92	37.13
Exercised.....	(4,329)	0.14 to 35.25	13.27
Cancelled.....	(3,034)	0.40 to 38.11	26.87
Balances, December 31, 1996.....	29,467	0.14 to 38.92	26.23
Granted.....	23,111	26.42 to 43.50	33.68
Conversion of Value Health Stock Options.....	3,189	7.11 to 62.72	32.93
Exercised.....	(4,138)	0.14 to 37.67	16.72
Cancelled.....	(6,614)	0.40 to 55.61	33.70
Balances, December 31, 1997.....	45,015	0.14 to 62.72	30.18
	=====		

	1997	1996	1995
Weighted average fair value for options granted during the year.....	\$ 11.98	\$ 13.47	\$ 9.91
Options exercisable.....	8,892	7,552	8,280
Options available for grant.....	18,436	35,613	13,413

The following table summarizes information regarding the options outstanding at December 31, 1997 (share amounts in thousands):

	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING AT 12/31/97	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE AT 12/31/97	WEIGHTED AVERAGE EXERCISE PRICE
RANGE OF EXERCISE PRICES					
\$ 3.26 to \$38.11.....	235	1 year	\$15.30	235	\$15.30
12.60 to 35.25.....	178	3 years	17.90	176	17.80
7.73 to 42.37.....	2,370	5 years	13.04	2,370	13.04
0.14 to 60.51.....	5,109	6 years	19.52	3,209	15.89
7.11 to 62.72.....	5,903	7 years	28.70	1,505	30.11
25.92 to 47.67.....	9,502	8 years	36.00	984	30.81
28.13 to 43.50.....	21,452	10 years	33.01	147	37.82
0.14 to 12.86.....	266	13 years	6.77	266	6.77
	45,015			8,892	
	=====			=====	

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

NOTE 17--STOCK BENEFIT PLANS (CONTINUED)

The Company has an Employee Stock Purchase Plan ("ESPP") which provides to substantially all employees an opportunity to purchase shares of its common stock at a discount through payroll deductions over six month intervals. Shares of common stock reserved for the Company's employee stock purchase plan were 7,239,000 at December 31, 1997.

The Company applies APB 25 in accounting for its employee stock option and stock purchase plans, and accordingly, compensation cost is not recognized in the financial statements. As required by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), the Company has determined the pro forma net income (loss) and earnings (loss) per share as if compensation cost for the Company's employee stock option and stock purchase plans had been determined based upon their fair value at the grant date. These pro forma amounts are as follows (dollars in millions, except per share amounts):

	1997	1996	1995
	-----	-----	-----
Net income (loss):			
As reported:	\$(305)	\$1,505	\$ 961
Pro forma:	(344)	1,471	937
Basic earnings (loss) per share:			
As reported:	\$(.46)	\$ 2.24	\$1.44
Pro forma:	(.52)	2.19	1.41
Diluted earnings (loss) per share:			
As reported:	\$(.46)	\$ 2.22	\$1.43
Pro forma:	(.52)	2.17	1.39

The pro forma impact only takes into account employee stock options granted since January 1, 1995 and is likely to increase in future years as additional options are granted and amortized ratably over the vesting period.

For SFAS 123 purposes, the weighted average fair values of the Company's stock options granted in 1997, 1996 and 1995 were \$11.98, \$13.47 and \$9.91, respectively. The fair values were estimated using the Black-Scholes option valuation model with the following weighted average assumptions:

	1997	1996	1995
	----	----	----
Risk-free interest rate.....	5.61%	5.81%	5.74%
Expected volatility.....	.239	.239	.239
Expected life, in years.....	6	6	6
Expected dividend yield.....	.23%	.19%	.19%

The pro forma compensation costs related to the shares of common stock issued under the ESPP were \$14 million, \$19 million and \$18 million for the years 1997, 1996 and 1995, respectively. These pro forma costs were estimated based on the difference between the price paid and the fair market value of the stock on the last day of the subscription period.

NOTE 18--EMPLOYEE BENEFIT PLANS

The Company maintains noncontributory defined contribution retirement plans covering substantially all employees. Benefits are determined as a percentage of a participant's earned

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

NOTE 18--EMPLOYEE BENEFIT PLANS (CONTINUED)

income and are vested over specified periods of employee service. Retirement plan expense was \$194 million for 1997, \$164 million for 1996 and \$104 million for 1995. Amounts approximately equal to retirement plan expenses are funded annually.

The Company maintains various contributory benefit plans which are available to employees who meet certain minimum requirements. Certain of the plans require that the Company match amounts ranging from 25% to 100% of a participant's contribution up to certain maximum levels. The cost of these plans totaled \$19 million for 1997, \$18 million for 1996 and \$24 million for 1995. The Company's contributions are funded periodically during the year.

NOTE 19--OTHER COMPREHENSIVE INCOME

The following table sets forth the components of other comprehensive income along with the respective tax provision (benefit) and the reclassification adjustments needed to exclude the portion of other comprehensive income already included in net income (loss), (in millions):

	PRETAX AMOUNT	TAX PROVISION (BENEFIT)	AFTER- TAX AMOUNT
	-----	-----	-----
1997			
Unrealized gains on securities:			
Unrealized holding gains arising during the period.	\$147	\$51	\$96
Less: reclassification adjustments for gains realized in net income.....	(91)	(33)	(58)
	----	----	----
Net unrealized gains.....	56	18	38
Foreign currency translation adjustments:			
Unrealized translation adjustments arising during the period.....	16	6	10
Less: reclassification adjustments for gain realized in net income.....	(13)	(5)	(8)
	----	----	----
Net unrealized translation adjustments.....	3	1	2
	----	----	----
Other comprehensive income.....	\$ 59	\$19	\$40
	=====	=====	=====
1996			
Unrealized gains on securities:			
Unrealized holding gains arising during the period.	\$ 53	\$20	\$33
Less: reclassification adjustments for gains realized in net income.....	(14)	(5)	(9)
	----	----	----
Net unrealized gains.....	39	15	24
Foreign currency translation adjustments.....	(10)	(4)	(6)
	----	----	----
Other comprehensive income.....	\$ 29	\$11	\$18
	=====	=====	=====
1995			
Unrealized gains on securities:			
Unrealized holding gains arising during the period.	\$ 77	\$30	\$47
Less: reclassification adjustments for gains realized in net income.....	(27)	(11)	(16)
	----	----	----
Net unrealized gains.....	50	19	31
Foreign currency translation adjustments.....	12	5	7
	----	----	----
Other comprehensive income.....	\$ 62	\$24	\$38
	=====	=====	=====

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

NOTE 20--ACCRUED EXPENSES AND ALLOWANCES FOR DOUBTFUL ACCOUNTS

A summary of other accrued expenses at December 31 follows (in millions):

	1997	1996
	-----	-----
Workers compensation.....	\$ 105	\$ 114
Taxes other than income.....	209	193
Professional liability risks.....	200	240
Employee benefit plans.....	234	206
Interest.....	194	213
Other.....	295	326
	-----	-----
	\$1,237	\$1,292
	=====	=====

A summary of activity in the Company's allowances for doubtful accounts follows (in millions):

	BALANCES AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES	ACCOUNTS WRITTEN-OFF, NET OF RECOVERIES	BALANCE AT END OF PERIOD
	-----	-----	-----	-----
Allowances for doubtful accounts:				
Year-ended December 31, 1995.....	\$1,054	\$ 994	\$ (883)	\$1,165
Year-ended December 31, 1996.....	1,165	1,196	(981)	1,380
Year-ended December 31, 1997.....	1,380	1,420	(1,139)	1,661

NOTE 21--SUBSEQUENT EVENT

Proposed Sales

Subsequent to year end, the Company announced agreements to sell Value Behavioral Health ("VBH") and Value Rx for \$230 million and \$445 million in cash, respectively. VBH is a provider of managed behavioral health care services and Value Rx is a pharmacy benefit management company. VBH and Value Rx represent two of the four businesses acquired through the Value Health Merger (see NOTE 8). The sales of both businesses are anticipated to be completed during the second quarter of 1998, subject to regulatory approval, and are not expected to have a material effect on results of operations. The proceeds from the sales are expected to be used to repay bank borrowings.

COLUMBIA/HCA HEALTHCARE CORPORATION
QUARTERLY CONSOLIDATED FINANCIAL INFORMATION
(UNAUDITED)
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	1997			
	FIRST	SECOND	THIRD	FOURTH
Revenues.....	\$4,988	\$4,845	\$4,612	\$ 4,374
Net income (loss):				
Income (loss) from continuing operations (a)...	\$ 455	\$ 385	\$ 91	\$ (749)
Income (loss) from discontinued operations				
(b).....	24	27	6	(488)
Cumulative effect of accounting change (c)	(56)	-	-	-
Net income (loss).....	\$ 423	\$ 412	\$ 97	\$(1,237)
Basic earnings (loss) per share (d):				
Income (loss) from continuing operations.....	\$.67	\$.58	\$.15	\$ (1.16)
Income (loss) from discontinued operations.....	.04	.04	.01	(.76)
Cumulative effect of accounting change	(.08)	-	-	-
Net income (loss).....	\$.63	\$.62	\$.16	\$ (1.92)
Diluted earnings (loss) per share (d):				
Income (loss) from continuing operations.....	\$.66	\$.58	\$.15	\$ (1.16)
Income (loss) from discontinued operations.....	.04	.04	.01	(.76)
Cumulative effect of accounting change	(.08)	-	-	-
Net income (loss).....	\$.62	\$.62	\$.16	\$ (1.92)
Cash dividends.....	\$.02	\$.02	\$.01	\$.02
Redemption of preferred stock purchase rights...	-	-	.01	-
Market prices (e):				
High.....	\$44.88	\$40.00	\$40.44	\$ 32.13
Low.....	31.25	30.38	26.63	25.75

	1996			
	FIRST	SECOND	THIRD	FOURTH
Revenues.....	\$4,693	\$4,671	\$4,605	\$ 4,817
Net income:				
Income from continuing operations.....	\$ 403	\$ 361	\$ 299	\$ 398
Income from discontinued operations.....	13	3	12	16
Net income.....	\$ 416	\$ 364	\$ 311	\$ 414
Basic earnings per share (d):				
Income from continuing operations.....	\$.60	\$.54	\$.45	\$.58
Income from discontinued operations.....	.02	-	.02	.03
Net income.....	\$.62	\$.54	\$.47	\$.61
Diluted earnings per share (d):				
Income from continuing operations.....	\$.59	\$.54	\$.44	\$.58
Income from discontinued operations.....	.02	-	.02	.03
Net income.....	\$.61	\$.54	\$.46	\$.61
Cash dividends.....	\$.02	\$.02	\$.02	\$.02
Market prices (e):				
High.....	\$39.08	\$38.17	\$39.25	\$ 41.88
Low.....	33.42	32.92	31.67	34.50

- (a) Fourth quarter results include \$290 million (\$.45 per basic and diluted share) of after-tax charges related to the impairment of long-lived assets (see NOTE 6 of the notes to consolidated financial statements) and \$55 million (\$.08 per basic and diluted share) of after-tax costs related to restructuring and investigations (see NOTE 4 of the notes to consolidated financial statements).
- (b) Fourth quarter results include \$443 million (\$.69 per basic and diluted share) of after-tax charges related to the estimated loss on disposal of discontinued businesses (see NOTE 7 of the notes to consolidated financial statements).
- (c) The first quarter of 1997 has been restated to reflect the effect of adopting a change in accounting principle related to start-up costs (see NOTE 11 of the notes to consolidated financial statements). The effect of the accounting change was not material to the results of operations for the other 1997 quarters or the 1996 quarters.
- (d) The 1996 and the first three quarters of 1997 earnings per share amounts

have been restated to comply with the Statement of Financial Accounting Standards No. 128, "Earnings per Share."

- (e) Represents high and low sales prices of the Company's common stock, which is traded on the New York Stock Exchange (ticker symbol COL).

FIRST AMENDMENT

FIRST AMENDMENT, dated as of February 3, 1998 (this "First Amendment") to the Agreement and Amendment dated as of June 17, 1997 (as the same may be amended, supplemented or modified from time to time, the "June 1997 364-Day Agreement and Amendment") among COLUMBIA/HCA HEALTHCARE CORPORATION, a Delaware corporation (the "Company"), the several banks and other financial institutions from time to time parties hereto (the "Banks"), BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION, THE BANK OF NEW YORK, CITIBANK, N.A., DEUTSCHE BANK AG, FLEET NATIONAL BANK, THE FUJI BANK LIMITED, THE INDUSTRIAL BANK OF JAPAN, LIMITED, ATLANTA AGENCY, MORGAN GUARANTY TRUST COMPANY OF NEW YORK, NATIONSBANK, N.A., PNC BANK, KENTUCKY, INC., UNION BANK OF SWITZERLAND, NEW YORK BRANCH AND WACHOVIA BANK OF GEORGIA, N.A., as Co-Agents (collectively, the "Co-Agents"), THE SAKURA BANK, LTD. NEW YORK BRANCH, THE SUMITOMO BANK LIMITED, SUNTRUST BANK, NASHVILLE, N.A., WELLS FARGO BANK, N.A., as Lead Managers (collectively, the "Lead Managers") and THE CHASE MANHATTAN BANK, a New York banking corporation, as agent for the Banks hereunder (in such capacity, the "Agent") and as CAF Loan agent (in such capacity, the "CAF Loan Agent").

W I T N E S S E T H :

WHEREAS, for the convenience of the parties to the agreement and amendment dated as of February 28, 1996 (the "February 1996 Agreement and Amendment"), among the Company, the several banks and other financial institutions from time to time parties thereto and Chase, as agent for the Banks hereunder and as CAF Loan Agent, a composite conformed copy (the "364-Day Composite Conformed Credit Agreement") of the Credit Agreement, dated as of February 10, 1994 as incorporated by reference into and amended by the September 1994 Agreement and Amendment, the February 1995 Agreement and Amendment and the February 1996 Agreement and Amendment was prepared and delivered to such parties;

WHEREAS, the Company, the several banks and other financial institutions and Chase, as agent for the Banks hereunder and as CAF Loan Agent, were parties to the Agreement and Amendment, dated as of February 26, 1997 (the "February 1997 364-Day Agreement and Amendment") which adopted and incorporated by reference all of the terms and provisions of the 364-Day Composite Conformed Credit Agreement, subject to the amendment thereto provided for in the February 1997 364-Day Agreement and Amendment;

WHEREAS, the February 1997 364-Day Agreement and Amendment was replaced by the June 1997 364-Day Agreement and Amendment;

WHEREAS, the June 1997 364-Day Agreement and Amendment adopts and incorporates by reference all of the terms and provisions of the 364-Day Composite Conformed Credit Agreement, subject to the amendment thereto provided for in the June 1997 364-Day Agreement and Amendment;

WHEREAS, the parties hereto wish to amend certain provisions of the June 1997 364-Day Agreement and Amendment on the terms set forth herein;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements herein contained, the parties hereto agree as follows:

1. Definitions. Unless otherwise defined herein, terms defined in the June

1997 364-Day Agreement and Amendment shall be used as so defined.

2. Amendments to the June 1997 364-Day Agreement and Amendment.

(a) Section 3 of the June 1997 364-Day Agreement and Amendment is hereby amended as follows:

(i) by deleting the defined terms "Applicable Margin", "Consolidated Earnings Before Interest and Taxes" and "Consolidated Tangible Net Worth" in their entirety and substituting in lieu thereof the following defined terms in proper alphabetical order:

"`Applicable Margin': (a) for the period up to the First Amendment Effective Date (i) with respect to Alternate Base Rate Loans, 0% per annum and (ii) with respect to Eurodollar Loans, 0.20%; and (b) for the period after and including the First Amendment Effective Date (i) with respect to Alternate Base Rate Loans, 0% per annum and (ii) with respect to Eurodollar Loans, 0.3125%.";

"`Consolidated Earnings Before Interest and Taxes': for any period for which the amount thereof is to be determined, Consolidated Net Income for such period plus (i) all amounts deducted in computing such Consolidated Net Income in respect of interest expense on Indebtedness and income taxes and (ii) non-cash non-recurring charges (including charges as a result of changes in method of accounting) and adjustments for impairment of long-lived assets in accordance with original pronouncement number 121 of the Financial Accounting Standards Board incurred or made as of or for the fiscal quarters ending September 30, 1997 and December 31, 1997 not exceeding in the aggregate \$1,200,000,000 on a pre-tax basis, all determined in accordance with GAAP."; and

"`Consolidated Tangible Net Worth': Consolidated Assets of the Company and its Subsidiaries, plus non-cash non-recurring charges (including charges as a result of changes in method of accounting) and adjustments for impairment of long-lived assets in accordance with original pronouncement number 121 of the Financial Accounting Standards Board incurred or made as of or for the fiscal quarters ending September 30, 1997 and December 31, 1997 not exceeding in the aggregate \$1,200,000,000 on a pre-tax basis, less the following:

(a) the amount, if any, at which any treasury stock appears on the assets side of the balance sheet;

(b) an amount equal to goodwill;

(c) any write up in book value of assets resulting from any revaluation made after December 31, 1992 in the case of the Company and its Subsidiaries (excluding Galen and its Subsidiaries) and HCA and its Subsidiaries and August 31, 1993 in the case of Galen and its Subsidiaries;

(d) an amount equal to all amounts which appear or should appear as a credit on the balance sheet of the Company in respect of any class or series of preferred stock of the Company; and

(e) all liabilities which in accordance with GAAP should be reflected as liabilities on such consolidated balance sheet, but in any event including all Indebtedness."

(ii) by inserting in such section the following new defined term in proper alphabetical order:

"`First Amendment Effective Date': the Effective Date as defined in the First Amendment, dated as of February 3, 1998, to this Agreement."

(b) Section 5 of the June 1997 364-Day Agreement and Amendment is hereby amended by deleting such section in its entirety and substituting in lieu thereof the following new Section 5:

"SECTION 5. Facility Fee. For purposes of this Agreement, subsection 2.3(a) of the 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into this Agreement is hereby amended by deleting such subsection in its entirety and substituting in lieu thereof the following:

(a) The Company agrees to pay to the Agent for the account of each Bank a facility fee (i) in respect of the period from and including the first day of the Commitment Period up to the First Amendment Effective Date, at the rate of 0.050% per annum, and (ii) in respect of the period from and including the First Amendment Effective Date to the Termination Date, at the rate of 0.1875% per annum, in each case computed on the average daily amount of the Commitment of such Bank during the period for which payment is made, payable quarterly on the last day of each March, June, September and December and on any earlier date on which the Commitments shall terminate as provided herein and the Revolving Credit Loans shall have been repaid in full, commencing on the first of such dates to occur after the date hereof.'".

(c) Schedule V to the June 1997 364-Day Agreement and Amendment is hereby amended by deleting Schedule V in its entirety and substituting in lieu thereof Schedule V attached hereto as Schedule V.

3. Effective Date; Conditions Precedent. This First Amendment will become effective on February 3, 1998 (the "Effective Date") subject to the compliance by the Company with its agreements herein contained and to the satisfaction on or before the Effective Date of the further condition that the Agent shall have received copies of this First Amendment, executed and delivered by a duly authorized officer of the Company, with a counterpart for each Bank, and executed and delivered by the Required Lenders.

4. Legal Obligation. The Company represents and warrants to each Bank that this First Amendment constitutes the legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyances, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

5. Continuing Effect; Application. Except as expressly amended hereby, the June 1997 364-Day Agreement and Amendment shall continue to be and shall remain in full force and effect in accordance with its terms. The parties hereto agree that the amendments contained herein to the June 1997 364-Day Agreement and Amendment shall be applicable in determining compliance with the covenants contained in subsections 5.6 and 5.7 of the 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into, and as amended by, the June 1997 364-Day Agreement and Amendment, for any date on or after December 31, 1997 and for the period ended December 31, 1997.

6. Expenses. The Company agrees to pay or reimburse the Agent for all of

its reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this First Amendment and any other documents prepared in connection herewith, and the consummation of the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and disbursements of counsel to the Agent.

7. GOVERNING LAW. THIS FIRST AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS FIRST AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

8. Counterparts. This First Amendment may be executed by one or more of the parties to this First Amendment on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this First Amendment signed by all the parties shall be lodged with the Company and the Agent.

IN WITNESS WHEREOF, the parties hereto have caused this First Amendment to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

COLUMBIA/HCA HEALTHCARE CORPORATION

By: _____
Name:
Title:

THE CHASE MANHATTAN BANK, as Agent, as CAF
Loan Agent and as a Bank

By: _____
Name:
Title:

ABN AMRO BANK N.V., as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

ARAB BANK PLC, GRAND CAYMAN BRANCH, as a Bank

By: _____
Name:
Title:

BANCA MONTE DEI PASCHI DI SIENA SpA, as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

BANK ONE TEXAS, N.A., as a Bank

By: _____
Name:
Title:

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION,
as a Co-Agent and as a Bank

By: _____
Name:
Title:

THE BANK OF NEW YORK, as a Co-Agent and as a Bank

By: _____
Name:
Title:

THE BANK OF NOVA SCOTIA, as a Bank

By: _____
Name:
Title:

BANK OF TOKYO-MITSUBISHI TRUST COMPANY, as a Bank

By: _____
Name:
Title:

BANQUE NATIONALE DE PARIS -Houston Agency, as a Bank

By: _____
Name:
Title:

BARNETT BANK, N.A., as a Bank

By: _____
Name:
Title:

CITIBANK, N.A., as a Bank

By: _____
Name:
Title:

COMERICA BANK, as a Bank

By: _____
Name:
Title:

CORESTATES BANK, N.A., as a Bank

By: _____
Name:
Title:

CRESTAR BANK, as a Bank

By: _____
Name:
Title:

THE DAI-ICHI KANGYO BANK, LIMITED, ATLANTA AGENCY, as a Bank

By: _____
Name:
Title:

DEUTSCHE BANK AG, NEW YORK AND/OR CAYMAN ISLANDS
BRANCH(ES), as a Co-Agent and as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

FIRST HAWAIIAN BANK, as a Bank

By: _____
Name:
Title:

FIRST AMERICAN NATIONAL BANK, as a Bank

By: _____
Name:
Title:

THE FIRST NATIONAL BANK OF CHICAGO,
as a Bank

By: _____
Name:
Title:

FIRST UNION NATIONAL BANK, as a Bank

By: _____
Name:
Title:

FLEET NATIONAL BANK, as a Co-Agent and as a Bank

By: _____
Name:
Title:

THE FUJI BANK LIMITED, as a Co-Agent and as a Bank

By: _____
Name:
Title:

THE INDUSTRIAL BANK OF JAPAN, LIMITED, ATLANTA AGENCY,
as a Co-Agent and as a Bank

By: _____
Name:
Title:

KEYBANK NATIONAL ASSOCIATION, as a Bank

By: _____
Name:
Title:

THE MITSUBISHI TRUST AND BANKING CORPORATION, as a Bank

By: _____
Name:
Title:

THE MITSUI TRUST AND BANKING COMPANY, LIMITED, NEW YORK
BRANCH, as a Bank

By: _____
Name:
Title:

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as a Co-
Agent and as a Bank

By: _____
Name:
Title:

NATIONAL CITY BANK OF KENTUCKY, as a Bank

By: _____
Name:
Title:

NATIONSBANK, N.A. as a Co-Agent and as a Bank

By: _____
Name:
Title:

THE NORINCHUKIN BANK, NEW YORK BRANCH, as a Bank

By: _____
Name:
Title:

THE NORTHERN TRUST COMPANY, as a Bank

By:

Name:
Title:

PNC BANK, KENTUCKY, INC. as a Co-Agent and as a Bank

By:

Name:
Title:

THE SAKURA BANK, LTD. NEW YORK BRANCH, as a Lead
Manager and as a Bank

By:

Name:
Title:

THE SUMITOMO BANK, LIMITED, as a Lead Manager and as a
Bank

By:

Name:
Title:

THE SUMITOMO TRUST & BANKING CO., LTD., NEW YORK
BRANCH, as a Bank

By:

Name:
Title:

SUNTRUST BANK, NASHVILLE, N.A., as a Lead Manager and
as a Bank

By:

Name:
Title:

THE TOKAI BANK, LIMITED, NEW YORK BRANCH, as a Bank

By: _____
Name:
Title:

TORONTO DOMINION (TEXAS), INC., as a Bank

By: _____
Name:
Title:

THE TOYO TRUST & BANKING CO., LTD., as a Bank

By: _____
Name:
Title:

UNION BANK OF SWITZERLAND, NEW YORK BRANCH, as a Co-Agent and as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

UNION PLANTERS BANK OF MIDDLE TENNESSEE, N.A.

By: _____
Name:
Title:

WACHOVIA BANK OF GEORGIA, N.A., as a Co-Agent and as a Bank

By: _____
Name:
Title:

WELLS FARGO BANK, N.A., as a Lead Manager and as a Bank

By:

Name:

Title:

By:

Name:

Title:

SECOND AMENDMENT

SECOND AMENDMENT, dated as of March 26, 1998 (this "Second Amendment"), to the Agreement and Amendment dated as of June 17, 1997 (as the same may be amended, supplemented or modified from time to time, the "June 1997 364-Day Agreement and Amendment") among COLUMBIA/HCA HEALTHCARE CORPORATION, a Delaware corporation (the "Company"), the several banks and other financial institutions from time to time parties hereto (the "Banks"), BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION, THE BANK OF NEW YORK, CITIBANK, N.A., DEUTSCHE BANK AG, FLEET NATIONAL BANK, THE FUJI BANK LIMITED, THE INDUSTRIAL BANK OF JAPAN, LIMITED, ATLANTA AGENCY, MORGAN GUARANTY TRUST COMPANY OF NEW YORK, NATIONSBANK, N.A., PNC BANK, N.A., UNION BANK OF SWITZERLAND, NEW YORK BRANCH AND WACHOVIA BANK OF GEORGIA, N.A., as Co-Agents (collectively, the "Co-Agents"), THE SAKURA BANK, LTD. NEW YORK BRANCH, THE SUMITOMO BANK LIMITED, SUNTRUST BANK, NASHVILLE, N.A., WELLS FARGO BANK, N.A., as Lead Managers (collectively, the "Lead Managers") and THE CHASE MANHATTAN BANK, a New York banking corporation, as Agent for the Banks hereunder (in such capacity, the "Agent") and as CAF Loan Agent (in such capacity, the "CAF Loan Agent").

W I T N E S S E T H :

WHEREAS, for the convenience of the parties to the agreement and amendment dated as of February 28, 1996 (the "February 1996 Agreement and Amendment"), among the Company, the several banks and other financial institutions from time to time parties thereto and Chase, as agent for the Banks hereunder and as CAF Loan Agent, a composite conformed copy (the "364-Day Composite Conformed Credit Agreement") of the Credit Agreement, dated as of February 10, 1994 as incorporated by reference into and amended by the September 1994 Agreement and Amendment, the February 1995 Agreement and Amendment and the February 1996 Agreement and Amendment was prepared and delivered to such parties;

WHEREAS, the Company, the several banks and other financial institutions and Chase, as agent for the Banks hereunder and as CAF Loan Agent, were parties to the Agreement and Amendment, dated as of February 26, 1997 (the "February 1997 364-Day Agreement and Amendment") which adopted and incorporated by reference all of the terms and provisions of the 364-Day Composite Conformed Credit Agreement, subject to the amendment thereto provided for in the February 1997 364-Day Agreement and Amendment;

WHEREAS, the February 1997 364-Day Agreement and Amendment was replaced by the June 1997 364-Day Agreement and Amendment;

WHEREAS, the June 1997 364-Day Agreement and Amendment adopts and incorporates by reference all of the terms and provisions of the 364-Day Composite Conformed Credit Agreement, subject to the amendment thereto provided for in the June 1997 364-Day Agreement and Amendment;

WHEREAS, the parties hereto wish to amend certain provisions of the June 1997 364-Day Agreement and Amendment on the terms set forth herein;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements herein contained, the parties hereto agree as follows:

1. DEFINITIONS. Unless otherwise defined herein, terms defined in the June 1997 364-Day Agreement and Amendment shall be used as so defined.

2. AMENDMENTS TO THE JUNE 1997 364-DAY AGREEMENT AND AMENDMENT.

(a) Section 3 of the June 1997 364-Day Agreement and Amendment is hereby amended as follows:

(i) by deleting the defined term "Applicable Margin" in its entirety and substituting in lieu thereof, effective as of February 6, 1998, the following:

"`Applicable Margin': for each Type of Revolving Credit Loan during a Level I Period, Level II Period, Level III Period or Level IV Period, the rate per annum set forth under the relevant column heading in Schedule VI. Increases or decreases in the Applicable Margin shall become effective on the first day of the Level I Period, Level II Period, Level III Period or Level IV Period, as the case may be, to which such Applicable Margin relates.";

(ii) by inserting in such section the following new defined terms in proper alphabetical order:

"`CONSOLIDATED EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION': for any period for which the amount thereof is to be determined, Consolidated net revenues of the Company and its Subsidiaries for such period minus consolidated operating expenses plus or minus equity in earnings of affiliates of the Company and its Subsidiaries (excluding Value Health and home health operations included in discontinued operations) for such period (which consolidated operating expenses shall, in any event, include and be limited to salaries and benefits, supplies, other operating expenses and provision for doubtful accounts), all determined in accordance with GAAP and consistent with the Company's reportings on Forms 10Q and 10K."

"`FEBRUARY 1997 FIVE-YEAR AGREEMENT AND AMENDMENT': the \$2,000,000,000 Agreement and Amendment, dated as of February 26, 1997, among the Company, the several banks and other financial institutions from time to time parties thereto, the co-agents and lead managers named therein and The Chase Manhattan Bank, as Agent and as CAF Loan Agent therein, as the same may be amended, supplemented or otherwise modified or replaced or extended from time to time.";

"`LEVEL I PERIOD': any period during which the lower of the publicly announced ratings by S&P and Moody's of the then current senior unsecured, non-credit enhanced, long-term Indebtedness of the Company that has been publicly issued are BBB - or better or Baa3 or better, respectively.";

"`LEVEL II PERIOD': any period during which the lower of the publicly announced ratings by S&P and Moody's of the then current senior unsecured, non-credit enhanced, long-term Indebtedness of the Company that has been publicly issued are BB+ or Ba1, respectively.";

"`LEVEL III PERIOD': any period during which the lower of the publicly announced ratings by S&P and Moody's of the then current senior unsecured, non-credit enhanced, long-term Indebtedness of the Company that has been publicly issued are BB or Ba2, respectively.";

"`LEVEL IV PERIOD': any period during which either of the publicly announced ratings by S&P or Moody's of the then current senior unsecured, non-credit enhanced,"

long-term Indebtedness of the Company that has been publicly issued is equal to or below BB- or unrated or equal to or below Ba3 or unrated, as the case may be."

"`MANDATORY PREPAYMENT EVENT': any of the following events:

(a) the receipt by the Company or any of its Subsidiaries of Net Cash Proceeds from any sale or other disposition by it of any business, hospital or other assets, including any capital stock or other ownership interests in any Subsidiary or any intercompany obligations (other than as a result of any casualty where such Net Cash Proceeds are to be used to replace or rebuild the related assets);

(b) the receipt by the Company or any of its Subsidiaries of Net Cash Proceeds from the issuance to Persons other than the Company and its Subsidiaries of any capital stock or other ownership interests of the Company or such Subsidiary, as the case may be; and

(c) the receipt by the Company or any of its Subsidiaries of Net Cash Proceeds from the incurrence from, or the issuance or sale to, persons other than the Company and its Subsidiaries of any Indebtedness of the Company or such Subsidiary, as the case may be with a scheduled maturity date of the incurrence thereof which is, or which is extendable at the option of the Company or such Subsidiary to be, one year or more from such date of incurrence;

In each case for (a), (b) and (c), excluding (i) any such event in which the Net Cash Proceeds so received (together with the Net Cash Proceeds received from any related series of events) are less than \$10,000,000 and (ii) any such event to the extent that the Net Cash Proceeds from such event, together with the Net Cash Proceeds from all other events referred to in this definition from the Effective Date (excluding, in each case, any such event excluded by clause (i) above), is \$500,000,000 or less."

"`Net Cash Proceeds' means, with respect to any sale or disposition by the Company of assets, cash payments received by the Company or any of its Subsidiaries from such sale or disposition net of bona fide direct costs of sale including, without limitation, (i) income taxes reasonably estimated to be actually payable as a result of such sale or disposition within one year of the date of receipt of such cash payments, (ii) transfer, sales, use and other taxes payable in connection with such sale or disposition, (iii) payment of the outstanding principal amount of, premium or penalty, if any, and interest on any Indebtedness (other than the Revolving Credit Loans) that is secured by a Lien on the stock or assets in question or that is required to be repaid under the terms thereof as a result of such sale or disposition, and (iv) broker's commissions and reasonable fees and expenses of counsel, accountants and other professional advisors in connection with such sale or disposition."

(b) Section 5 of the June 1997 364-Day Agreement and Amendment is hereby amended by deleting such section in its entirety and substituting in lieu thereof the following new Section 5:

"SECTION 5. FACILITY FEE AND UTILIZATION FEE. Subsection 2.3 of the 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into this June 1997 364-Day Agreement and Amendment is hereby amended by deleting such subsection in its entirety and substituting in lieu thereof, effective as of February 6, 1998, the following:

`2.3 FACILITY FEE AND UTILIZATION FEE. (a) The Company agrees to pay to the Agent for the account of each Bank a facility fee in respect of the period from

and including the Effective Date to the later of the Termination Date or the date on which the Revolving Credit Loans are repaid in full, computed at the rate per annum set forth in the table below on the average daily amount of the Commitment of such Bank (or, if the Commitment of such Bank has expired or been terminated, the outstanding Revolving Credit Loans of such Bank) during each portion of the period for which payment is made that is a separate Level I Period, Level II Period, Level III Period or Level IV Period, payable quarterly on the last day of each March, June, September and December and on any date on which the Commitments shall terminate as provided herein and the Revolving Credit Loans shall have been repaid in full, commencing on the first of such dates to occur after the date hereof:

Type of Period -----	Facility Fee -----
Level I Period	.3000%
Level II Period	.3500%
Level III Period	.4000%
Level IV Period	.5000%

(b) The Company agrees to pay to the Agent for the account of each Bank a utilization fee computed at the rate of 0.2500% per annum on the aggregate principal amount of the outstanding Revolving Credit Loans for each day that the outstanding principal amount of the Revolving Credit Loans plus the outstanding principal amount of all revolving credit loans under the February 1997 Five-Year Agreement and Amendment shall exceed \$3,750,000,000 in aggregate amount, payable quarterly on the last day of each March, June, September and December commencing on March 31, 1998 and on any date on which the Commitments shall terminate as provided herein and the Revolving Credit Loans shall have been repaid in full.

(c) The Company agrees to pay to the Agent the other fees in the amounts, and on the date, agreed to by the Company and the Agent in the fee letter, dated October 20, 1993, between the Agent and the Company.'".

(c) The June 1997 364-Day Agreement and Amendment is hereby amended by adding the following new paragraphs after Section 6 reading as follows:

"SECTION 6A. MANDATORY PREPAYMENT AND MANDATORY REDUCTIONS OF COMMITMENTS. The 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into this June 1997 364-Day Agreement and Amendment is hereby amended by adding the following new subsections immediately following subsection 2.17 therein as follows:

`2.18 MANDATORY PREPAYMENTS AND MANDATORY REDUCTIONS OF COMMITMENTS. At any time the Commitments under this Agreement (or, if the Commitments have expired or been terminated, the outstanding Revolving Credit Loans) plus the commitments under the February 1997 Five-Year Agreement and Amendment exceed \$2,000,000,000 in aggregate amount, the Revolving Credit Loans shall be prepaid and the Commitments shall be reduced no later than the second Business Day following the date of receipt by the Company or any of its Subsidiaries of the Net Cash Proceeds from any Mandatory Prepayment Event by the amount of such Net Cash Proceeds.

(d) The June 1997 364-Day Agreement and Amendment is hereby amended by adding the following new paragraphs after Section 9 reading as follows:

"SECTION 9A. COMPANY OFFICERS' CERTIFICATE. Subsection 4.3 of the 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into this June 1997 364-Day Agreement and Amendment is hereby amended by (a) adding to the first clause thereof, immediately following the reference to "Section 3", the following:

"as qualified by the disclosures in the Company's Quarterly Reports on Form 10-Q for its fiscal quarters ended June 30, 1997 and September 30, 1997 and in the Company's Reports on Form 8-K dated February 6, 1998, February 13, 1998 and March __, 1998, in each case as filed with the Securities and Exchange Commission and previously distributed to the Banks)",

and (b) adding to the third clause thereof, at the end thereof immediately following the phrase "those enumerated above", the following:

"(all subject to the disclosures referred to above)".

"SECTION 9B. INTEREST COVERAGE RATIO. Subsection 5.7 of the 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into this June 1997 364-Day Agreement and Amendment is hereby amended by deleting such subsection in its entirety and substituting in lieu thereof the following:

`5.7 Interest Coverage Ratio. On the last day of each fiscal quarter of the Company other than the fiscal quarters ending March 31, 1998, June 30, 1998 and September 30, 1998, the Consolidated Earnings Before Interest and Taxes of the Company and its Subsidiaries for the four consecutive fiscal quarters of the Company then ending will be an amount which equals or exceeds 200% of the Consolidated Interest Expense of the Company and its Subsidiaries for the same four consecutive fiscal quarters.'

SECTION 9C. DISTRIBUTIONS. Subsection 5.8 of the 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into this June 1997 364-Day Agreement and Amendment is hereby amended by deleting such subsection in its entirety and substituting in lieu thereof the following:

`5.8 DISTRIBUTIONS. The Company will not make any Distribution except that, so long as no Event of Default exists or would exist after giving effect thereto, the Company may make a Distribution; provided however, that at any time the Commitments under this Agreement plus the commitments under the February 1997 Five-Year Agreement and Amendment (or, if such commitments have expired or been terminated, the outstanding loans thereunder) shall equal or exceed \$2,000,000,000 in aggregate amount, the Company will not purchase, repurchase, redeem or otherwise acquire (including any "synthetic" acquisitions through equity derivatives) any shares of any class of capital stock of the Company directly or indirectly through a Subsidiary or otherwise.'

SECTION 9D. MAXIMUM CONSOLIDATED TOTAL DEBT. The 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into this June 1997 364-Day Agreement and Amendment is hereby amended by adding the following new subsection immediately following subsection 5.13 therein as follows:

`5.14 Maximum Consolidated Total Debt. The Company and its Subsidiaries will not at any time, to and including September 30, 1998, have outstanding Consolidated Total Debt in an amount in excess of \$10,000,000,000.'

SECTION 9E. MINIMUM CONSOLIDATED EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION. The 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into this June 1997 364-Day Agreement and Amendment is hereby amended by adding the following new subsection immediately following subsection 5.14 therein as follows:

5.15 MINIMUM CONSOLIDATED EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION. The Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization of the Company and its Subsidiaries will be, for each period specified below, an amount which equals or exceeds the amount set forth opposite such period:

Period -----	Amount -----
One fiscal quarter ending March 31, 1998	\$750,000,000
Two fiscal quarters ending June 30, 1998	\$1,500,000,000
Three fiscal quarters ending September 30, 1998	\$2,250,000,000

SECTION 9F. LIMITATION ON OPTIONAL PAYMENTS AND MODIFICATIONS OF DEBT INSTRUMENTS. The 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into this June 1997 364-Day Agreement and Amendment is hereby amended by adding the following new subsection immediately following subsection 5.15 therein as follows:

5.16 Limitation on Optional Payments and Modifications of Debt Instruments. At any time the Commitments under this Agreement plus the commitments under the February 1997 Five-Year Agreement and Amendment (or, if such commitments have expired or been terminated, the outstanding loans thereunder) exceed \$2,000,000,000 in aggregate amount, the Company will not make, and will not permit any of its Subsidiaries to make, any optional payment or prepayment on or redemption, defeasance or purchase of any Indebtedness of the Company or any of its Subsidiaries (other than Indebtedness under this Agreement or under the February 1997 Five-Year Agreement and Amendment), or amend, modify or change, or consent or agree to any amendment, modification or change to any of the terms relating to the payment or prepayment or principal of or interest on, any such Indebtedness, other than any amendment, modification or change which would extend the maturity or reduce the amount of any payment of principal thereof or which would reduce the rate or extend the date for payment of interest there or which would not be adverse to the Banks.'".

(e) The June 1997 364-Day Agreement and Amendment is hereby amended by adding Schedule VI attached hereto, effective on February 6, 1998, as Schedule VI thereto.

3. Effective Date; Conditions Precedent. This Second Amendment will become effective on March 26, 1998 (the "Effective Date") subject to the compliance by the Company with its agreements herein contained and to the satisfaction on or before the Effective Date of the following further conditions:

(a) Loan Documents. The Agent shall have received copies of this Second Amendment, executed and delivered by a duly authorized officer of the Company, with a

counterpart for each Bank, and executed and delivered by the Required Lenders.

(b) COMPANY OFFICERS' CERTIFICATE. The representations and warranties contained in Section 3 of the 364-Day Composite Conformed Credit Agreement as adopted and incorporated by reference into, and as amended by, the June 1997 364-Day Agreement and Amendment (as qualified by the disclosures in the Company's Quarterly Reports on Form 10-Q for its fiscal quarters ended June 30, 1997 and September 30, 1997 and in the Company's Reports on Form 8-K dated February 6, 1998, February 13, 1998 and March __, 1998, in each case as filed with the Securities and Exchange Commission and previously distributed to the Banks) shall be true and correct on the Effective Date with the same force and effect as though made on and as of such date; on and as of the Effective Date and after giving effect to this Second Amendment, no Default shall have occurred (except a Default which shall have been waived in writing or which shall have been cured); and the Agent shall have received a certificate containing a representation to these effects dated the Effective Date and signed by a Responsible Officer.

(c) AMENDMENT FEE. Each Bank which executes and delivers this Second Amendment to the Agent by 5:00 p.m. (New York City time) on March 23, 1998 shall receive an amendment fee equal to .125% of its Commitment.

4. PAYMENT CATCH-UP. The Company hereby agrees that, to the extent that it has made prior to the Effective Dates, any payments on account of interest on a Revolving Credit Loans or an account of the facility fee in respect of any period (or portion of any period) falling on or after February 6, 1998, it will make a payment to the Agent for the benefit of the Banks no later than March 31, 1998 equal to the difference between the payments made and the payments due after giving effect to the Second Amendment.

5. LEGAL OBLIGATION. The Company represents and warrants to each Bank that this Second Amendment constitutes the legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyances, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

6. CONTINUING EFFECT; APPLICATION. Except as expressly amended hereby, the June 1997 364-Day Agreement and Amendment shall continue to be and shall remain in full force and effect in accordance with its terms.

7. EXPENSES. The Company agrees to pay or reimburse the Agent for all of its reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Second Amendment and any other documents prepared in connection herewith, and the consummation of the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and disbursements of counsel to the Agent.

8. GOVERNING LAW. THIS SECOND AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS SECOND AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

9. COUNTERPARTS. This Second Amendment may be executed by one or more of the parties to this Second Amendment on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Second Amendment signed by all the parties shall be lodged with the Company and the Agent.

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

COLUMBIA/HCA HEALTHCARE CORPORATION

By: _____
Name:
Title:

THE CHASE MANHATTAN BANK, as Agent, as CAF
Loan Agent and as a Bank

By: _____
Name:
Title:

ABN AMRO BANK N.V., as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

ARAB BANK PLC, GRAND CAYMAN BRANCH, as a Bank

By: _____
Name:
Title:

BANCA MONTE DEI PASCHI DI SIENA SpA, as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

BANK ONE TEXAS, N.A., as a Bank

By: _____
Name:
Title:

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION,
as a Co-Agent and as a Bank

By: _____
Name:
Title:

THE BANK OF NEW YORK, as a Co-Agent and as a Bank

By: _____
Name:
Title:

THE BANK OF NOVA SCOTIA, as a Bank

By: _____
Name:
Title:

BANK OF TOKYO-MITSUBISHI TRUST COMPANY, as a Bank

By: _____
Name:
Title:

BANQUE NATIONALE DE PARIS -Houston Agency, as a Bank

By: _____
Name:
Title:

BARNETT BANK, N.A., as a Bank

By: _____
Name:
Title:

CITIBANK, N.A., as a Bank

By: _____
Name:
Title:

COMERICA BANK, as a Bank

By: _____
Name:
Title:

CORESTATES BANK, N.A., as a Bank

By: _____
Name:
Title:

CRESTAR BANK, as a Bank

By: _____
Name:
Title:

THE DAI-ICHI KANGYO BANK, LIMITED, ATLANTA AGENCY, as a Bank

By: _____
Name:
Title:

DEUTSCHE BANK AG, NEW YORK AND/OR CAYMAN ISLANDS
BRANCH(ES), as a Co-Agent and as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

FIRST HAWAIIAN BANK, as a Bank

By: _____
Name:
Title:

FIRST AMERICAN NATIONAL BANK, as a Bank

By: _____
Name:
Title:

THE FIRST NATIONAL BANK OF CHICAGO,
as a Bank

By: _____
Name:
Title:

FIRST UNION NATIONAL BANK, as a Bank

By: _____
Name:
Title:

FLEET NATIONAL BANK, as a Co-Agent and as a Bank

By: _____
Name:
Title:

THE FUJI BANK LIMITED, as a Co-Agent and as a Bank

By: _____
Name:
Title:

THE INDUSTRIAL BANK OF JAPAN, LIMITED, ATLANTA AGENCY,
as a Co-Agent and as a Bank

By: _____
Name:
Title:

KEYBANK NATIONAL ASSOCIATION, as a Bank

By: _____
Name:
Title:

THE MITSUBISHI TRUST AND BANKING CORPORATION, as a Bank

By: _____
Name:
Title:

THE MITSUI TRUST AND BANKING COMPANY, LIMITED, NEW YORK
BRANCH, as a Bank

By: _____
Name:
Title:

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as a Co-Agent and as a Bank

By: _____
Name:
Title:

NATIONAL CITY BANK OF KENTUCKY, as a Bank

By: _____
Name:
Title:

NATIONSBANK, N.A. as a Co-Agent and as a Bank

By: _____
Name:
Title:

THE NORINCHUKIN BANK, NEW YORK BRANCH, as a Bank

By: _____
Name:
Title:

THE NORTHERN TRUST COMPANY, as a Bank

By: _____
Name:
Title:

PNC BANK, N.A., as a Co-Agent and as a Bank

By: _____
Name:
Title:

THE SAKURA BANK, LTD. NEW YORK BRANCH, as a Lead
Manager and as a Bank

By: _____
Name:
Title:

THE SUMITOMO BANK, LIMITED, as a Lead Manager and as a
Bank

By: _____
Name:
Title:

THE SUMITOMO TRUST & BANKING CO., LTD., NEW YORK
BRANCH, as a Bank

By: _____
Name:
Title:

SUNTRUST BANK, NASHVILLE, N.A., as a Lead Manager and
as a Bank

By: _____
Name:
Title:

THE TOKAI BANK, LIMITED, NEW YORK BRANCH, as a Bank

By: _____
Name:
Title:

TORONTO DOMINION (TEXAS), INC., as a Bank

By: _____
Name:
Title:

THE TOYO TRUST & BANKING CO., LTD., as a Bank

By: _____
Name:
Title:

UNION BANK OF SWITZERLAND, NEW YORK BRANCH, as a Co-Agent and as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

UNION PLANTERS BANK OF MIDDLE TENNESSEE, N.A.

By: _____
Name:
Title:

WACHOVIA BANK OF GEORGIA, N.A., as a Co-Agent and as a Bank

By: _____
Name:
Title:

WELLS FARGO BANK, N.A., as a Lead Manager and as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

SCHEDULE VI

Applicable Margins

=====

REVOLVING CREDIT LOANS

CATEGORY	ALTERNATE BASE	
	RATE LOANS	EURODOLLAR LOANS
LEVEL I PERIOD	.0000%	.4500%
LEVEL II PERIOD	.0000%	.6500%
LEVEL III PERIOD	.0000%	.8500%
LEVEL IV PERIOD	.5000%	1.5000%

=====

SECOND AMENDMENT

SECOND AMENDMENT, dated as of February 3, 1998 (this "Second Amendment") to the Agreement and Amendment dated as of February 26, 1997, as amended by the First Amendment, dated as of June 17, 1997 (as the same may be amended, supplemented or modified from time to time, the "February 1997 Five-Year Agreement and Amendment") among COLUMBIA/HCA HEALTHCARE CORPORATION, a Delaware corporation (the "Company"), the several banks and other financial institutions from time to time parties hereto (the "Banks"), BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION, THE BANK OF NEW YORK, DEUTSCHE BANK AG, FLEET NATIONAL BANK, THE FUJI BANK LIMITED, THE INDUSTRIAL BANK OF JAPAN, LIMITED, ATLANTA AGENCY, MORGAN GUARANTY TRUST COMPANY OF NEW YORK, NATIONSBANK, N.A., PNC BANK, KENTUCKY, INC., TORONTO DOMINION (TEXAS), INC., UNION BANK OF SWITZERLAND, NEW YORK BRANCH AND WACHOVIA BANK OF GEORGIA, N.A., as Co-Agents (collectively, the "Co-Agents"), THE SAKURA BANK, LTD. NEW YORK BRANCH, THE SUMITOMO BANK LIMITED, SUNTRUST BANK, NASHVILLE, N.A., WELLS FARGO BANK, N.A., as Lead Managers (collectively, the "Lead Managers") and THE CHASE MANHATTAN BANK, a New York banking corporation as agent for the Banks hereunder (in such capacity, the "Agent") and as CAF Loan agent (in such capacity, the "CAF Loan Agent").

W I T N E S S E T H :

WHEREAS, for the convenience of the parties to the agreement and amendment dated as of February 28, 1996 (the "February 1996 Agreement and Amendment"), among the Company, the several banks and other financial institutions from time to time parties thereto and Chase, as agent for the Banks hereunder and as CAF Loan Agent, a composite conformed copy (the "Five-Year Composite Conformed Credit Agreement") of the Credit Agreement, dated as of February 10, 1994 as incorporated by reference into and amended by the September 1994 Agreement and Amendment, the February 1995 Agreement and Amendment and the February 1996 Agreement and Amendment was prepared and delivered to such parties;

WHEREAS, the February 1997 Five-Year Agreement and Amendment adopts and incorporates by reference all of the terms and provisions of the Five-Year Composite Conformed Credit Agreement, subject to the amendment thereto provided for in the February 1997 Five-Year Agreement and Amendment;

WHEREAS, the parties hereto wish to amend certain provisions of the February 1997 Five-Year Agreement and Amendment on the terms set forth herein;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements herein contained, the parties hereto agree as follows:

1. Definitions. Unless otherwise defined herein, terms defined in the February 1997 Five-Year Agreement and Amendment shall be used as so defined.

2. Amendments to the February 1997 Five-Year Agreement and Amendment.

(a) Section 3 of the February 1997 Five-Year Agreement and Amendment is hereby amended by deleting the defined terms "Consolidated Earnings Before Interest and Taxes" and "Consolidated Tangible Net Worth" in their entirety and substituting in lieu thereof the following new defined terms in proper alphabetical order:

"Consolidated Earnings Before Interest and Taxes": for any period for which the amount thereof is to be determined, Consolidated Net Income for such period plus (i) all amounts deducted in computing such Consolidated Net Income in respect of interest expense on Indebtedness and income taxes and (ii) non-cash non-recurring charges (including charges as a result of changes in method of accounting) and adjustments for impairment of long-lived assets in accordance with original pronouncement number 121 of the Financial Accounting Standards Board incurred or made as of or for the fiscal quarters ending September 30, 1997 and December 31, 1997 not exceeding in the aggregate \$1,200,000,000 on a pre-tax basis, all determined in accordance with GAAP."; and

"Consolidated Tangible Net Worth": Consolidated Assets of the Company and its Subsidiaries, plus non-cash non-recurring charges (including charges as a result of changes in method of accounting) and adjustments for impairment of long-lived assets in accordance with original pronouncement number 121 of the Financial Accounting Standards Board incurred or made as of or for the fiscal quarters ending September 30, 1997 and December 31, 1997 not exceeding in the aggregate \$1,200,000,000 on a pre-tax basis, less the following:

(a) the amount, if any, at which any treasury stock appears on the assets side of the balance sheet;

(b) an amount equal to goodwill;

(c) any write up in book value of assets resulting from any revaluation made after December 31, 1992 in the case of the Company and its Subsidiaries (excluding Galen and its Subsidiaries) and HCA and its Subsidiaries and August 31, 1993 in the case of Galen and its Subsidiaries;

(d) an amount equal to all amounts which appear or should appear as a credit on the balance sheet of the Company in respect of any class or series of preferred stock of the Company; and

(e) all liabilities which in accordance with GAAP should be reflected as liabilities on such consolidated balance sheet, but in any event including all Indebtedness."

(b) Schedule VI to the February 1997 Five-Year Agreement and Amendment is hereby amended by deleting Schedule VI in its entirety and substituting in lieu thereof Schedule VI attached hereto as Schedule VI.

3. Effective Date; Conditions Precedent. This Second Amendment will become effective on February 3, 1998 (the "Effective Date") subject to the compliance by the Company with its agreements herein contained and to the satisfaction on or before the Effective Date of the further condition that the Agent shall have received copies of this Second Amendment, executed and delivered by a duly authorized officer of the Company, with a counterpart for each Bank, and executed and delivered by the Required Lenders.

4. Legal Obligation. The Company represents and warrants to each Bank that this Second Amendment constitutes the legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyances, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

5. Continuing Effect; Application. Except as expressly amended hereby, the February 1997 Five-Year Agreement and Amendment shall continue to be and shall remain in full force and effect in accordance with its terms. The parties hereto agree that the amendments contained herein to the February 1997 Five-Year Agreement and Amendment shall be applicable in determining compliance with the covenants contained in subsections 5.6 and 5.7 of the Five-Year Composite Conformed Credit Agreement as adopted and incorporated by reference into the February 1997 Five-Year Agreement and Amendment, as amended, for any date on or after December 31, 1997 and for the period ended December 31, 1997.

6. Expenses. The Company agrees to pay or reimburse the Agent for all of its reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Second Amendment and any other documents prepared in connection herewith, and the consummation of the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and disbursements of counsel to the Agent.

7. GOVERNING LAW. THIS SECOND AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS SECOND AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

8. Counterparts. This Second Amendment may be executed by one or more of the parties to this Second Amendment on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Second Amendment signed by all the parties shall be lodged with the Company and the Agent.

IN WITNESS WHEREOF, the parties hereto have caused this Second Amendment to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

COLUMBIA/HCA HEALTHCARE CORPORATION

By: _____
Name:
Title:

THE CHASE MANHATTAN BANK, as Agent, as CAF
Loan Agent and as a Bank

By: _____
Name:
Title:

ABN AMRO BANK N.V., as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

ARAB BANK PLC, GRAND CAYMAN BRANCH, as a Bank

By: _____
Name:
Title:

BANCA MONTE DEI PASCHI DI SIENA SpA, as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

BANCA NAZIONALE del LAVORO, SpA, as a Bank

By: _____
Name:
Title:

BANK ONE TEXAS, N.A., as a Bank

By: _____
Name:
Title:

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION,
as a Co-Agent and as a Bank

By: _____
Name:
Title:

THE BANK OF NEW YORK, as a Co-Agent and as a Bank

By: _____
Name:
Title:

THE BANK OF NOVA SCOTIA, as a Bank

By: _____
Name:
Title:

BANK OF TOKYO-MITSUBISHI TRUST COMPANY, as a Bank

By: _____
Name:
Title:

BANK OF YOKOHAMA, as a Bank

By: _____
Name:
Title:

BANQUE NATIONALE DE PARIS -Houston Agency, as a Bank

By: _____
Name:
Title:

BARNETT BANK, N.A., as a Bank

By: _____
Name:
Title:

CITIBANK, N.A., as a Bank

By: _____
Name:
Title:

COMERICA BANK, as a Bank

By: _____
Name:
Title:

CORESTATES BANK, N.A., as a Bank

By: _____
Name:
Title:

CRESTAR BANK, as a Bank

By: _____
Name:
Title:

THE DAI-ICHI KANGYO BANK, LIMITED, ATLANTA AGENCY, as a Bank

By: _____
Name:
Title:

DEN DANSKE BANK AKTIESELSKAB, as a Bank
CAYMAN ISLANDS BRANCH c/o New York Branch

By: _____
Name:
Title:

By: _____
Name:
Title:

DEUTSCHE BANK AG, NEW YORK AND/OR CAYMAN ISLANDS
BRANCH, as a Co-Agent and as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

FIRST AMERICAN NATIONAL BANK, as a Bank

By: _____
Name:
Title:

FIRST HAWAIIAN BANK, as a Bank

By: _____
Name:
Title:

THE FIRST NATIONAL BANK OF CHICAGO,
as a Bank

By: _____
Name:
Title:

FIRST UNION NATIONAL BANK, as a Bank

By: _____
Name:
Title:

FLEET NATIONAL BANK, as a Co-Agent and as a Bank

By: _____
Name:
Title:

THE FUJI BANK LIMITED, as a Co-Agent and as a Bank

By: _____
Name:
Title:

THE INDUSTRIAL BANK OF JAPAN, LIMITED, ATLANTA AGENCY,
as a Co-Agent and as a Bank

By: _____
Name:
Title:

KEYBANK NATIONAL ASSOCIATION, as a Bank

By: _____
Name:
Title:

THE MITSUBISHI TRUST AND BANKING CORPORATION, as a Bank

By: _____
Name:
Title:

THE MITSUI TRUST AND BANKING COMPANY, LIMITED, NEW YORK
BRANCH, as a Bank

By: _____
Name:
Title:

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as a Co-
Agent and as a Bank

By: _____
Name:
Title:

NATIONAL CITY BANK OF KENTUCKY, as a Bank

By: _____
Name:
Title:

NATIONSBANK, N.A. as a Co-Agent and as a Bank

By: _____
Name:
Title:

THE NORINCHUKIN BANK, NEW YORK BRANCH, as a Bank

By: _____
Name:
Title:

THE NORTHERN TRUST COMPANY, as a Bank

By: _____
Name:
Title:

PNC BANK, KENTUCKY, INC. as a Co-Agent and as a Bank

By: _____
Name:
Title:

THE SAKURA BANK, LTD. NEW YORK BRANCH, as a Lead
Manager and as a Bank

By: _____
Name:
Title:

THE SUMITOMO BANK, LIMITED, as a Lead Manager and as a
Bank

By: _____
Name:
Title:

THE SUMITOMO TRUST & BANKING CO., LTD., NEW YORK
BRANCH, as a Bank

By: _____
Name:
Title:

SUNTRUST BANK, NASHVILLE, N.A., as a Lead Manager and
as a Bank

By: _____
Name:
Title:

THE TOKAI BANK, LIMITED, NEW YORK BRANCH, as a Bank

By: _____
Name:
Title:

TORONTO DOMINION (TEXAS), INC., as a Co-Agent and as a Bank

By: _____
Name:
Title:

THE TOYO TRUST & BANKING CO., LTD., as a Bank

By: _____
Name:
Title:

UNION BANK OF SWITZERLAND, NEW YORK BRANCH, as a Co-Agent and as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

UNION PLANTERS BANK OF MIDDLE TENNESSEE, N.A.

By: _____
Name:
Title:

WACHOVIA BANK OF GEORGIA, N.A., as a Co-Agent and as a Bank

By: _____
Name:
Title:

WELLS FARGO BANK, N.A., as a Lead Manager and as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

YASUDA TRUST AND BANKING, as a Bank

By: _____
Name:
Title:

THIRD AMENDMENT

THIRD AMENDMENT, dated as of March 26, 1998 (this "THIRD AMENDMENT"), to the Agreement and Amendment dated as of February 26, 1997, as amended by the First Amendment, dated as of June 17, 1997 and the Second Amendment, dated as of February 3, 1998 (as the same may be amended, supplemented or modified from time to time, the "FEBRUARY 1997 FIVE-YEAR AGREEMENT AND AMENDMENT") among COLUMBIA/HCA HEALTHCARE CORPORATION, a Delaware corporation (the "COMPANY"), the several banks and other financial institutions from time to time parties hereto (the "BANKS"), BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION, THE BANK OF NEW YORK, DEUTSCHE BANK AG, FLEET NATIONAL BANK, THE FUJI BANK LIMITED, THE INDUSTRIAL BANK OF JAPAN, LIMITED, ATLANTA AGENCY, MORGAN GUARANTY TRUST COMPANY OF NEW YORK, NATIONS BANK, N.A., PNC BANK, N.A., TORONTO DOMINION (TEXAS), INC., UNION BANK OF SWITZERLAND, NEW YORK BRANCH AND WACHOVIA BANK OF GEORGIA, N.A., as Co-Agents (collectively, the "CO-AGENTS"), THE SAKURA BANK, LTD. NEW YORK BRANCH, THE SUMITOMO BANK LIMITED, SUNTRUST BANK, NASHVILLE, N.A., WELLS FARGO BANK, N.A., as Lead Managers (collectively, the "LEAD MANAGERS") and THE CHASE MANHATTAN BANK, a New York banking corporation as Agent for the Banks hereunder (in such capacity, the "AGENT") and as CAF Loan Agent (in such capacity, the "CAF LOAN AGENT").

W I T N E S S E T H :

WHEREAS, for the convenience of the parties to the agreement and amendment dated as of February 28, 1996 (the "FEBRUARY 1996 AGREEMENT AND AMENDMENT"), among the Company, the several banks and other financial institutions from time to time parties thereto and Chase, as agent for the Banks hereunder and as CAF Loan Agent, a composite conformed copy (the "FIVE-YEAR COMPOSITE CONFORMED CREDIT AGREEMENT") of the Credit Agreement, dated as of February 10, 1994 as incorporated by reference into and amended by the September 1994 Agreement and Amendment, the February 1995 Agreement and Amendment and the February 1996 Agreement and Amendment was prepared and delivered to such parties;

WHEREAS, the February 1997 Five-Year Agreement and Amendment adopts and incorporates by reference all of the terms and provisions of the Five-Year Composite Conformed Credit Agreement, subject to the amendment thereto provided for in the February 1997 Five-Year Agreement and Amendment;

WHEREAS, the parties hereto wish to amend certain provisions of the February 1997 Five-Year Agreement and Amendment on the terms set forth herein;

NOW, THEREFORE, in consideration of the premises and of the mutual agreements herein contained, the parties hereto agree as follows:

1. DEFINITIONS. Unless otherwise defined herein, terms defined in the February 1997 Five-Year Agreement and Amendment shall be used as so defined.

2. AMENDMENTS TO THE FEBRUARY 1997 FIVE-YEAR AGREEMENT AND AMENDMENT.

(a) Section 3 of the February 1997 Five-Year Agreement and Amendment is hereby amended as follows:

(i) by deleting the defined terms "Applicable Margin", "Level I Period", "Level II Period", "Level III Period", "Level IV Period", "Level V Period" and "Level VI Period" in their entirety and substituting in lieu thereof, effective as of February 6, 1998, the following new defined terms in proper alphabetical order:

"`APPLICABLE MARGIN': for each Type of Revolving Credit Loan during a Level I Period, Level II Period, Level III Period or Level IV Period, the rate per annum set forth under the relevant column heading in Schedule V. Increases or decreases in the Applicable Margin shall become effective on the first day of the Level I Period, Level II Period, Level III Period or Level IV Period, as the case may be, to which such Applicable Margin relates.";

"`LEVEL I PERIOD': any period during which the lower of the publicly announced ratings by S&P and Moody's of the then current senior unsecured, non-credit enhanced, long-term Indebtedness of the Company that has been publicly issued are BBB - or better or Baa3 or better, respectively.";

"`LEVEL II PERIOD': any period during which the lower of the publicly announced ratings by S&P and Moody's of the then current senior unsecured, non-credit enhanced, long-term Indebtedness of the Company that has been publicly issued are BB+ or Ba1, respectively.";

"`LEVEL III PERIOD': any period during which the lower of the publicly announced ratings by S&P and Moody's of the then current senior unsecured, non-credit enhanced, long-term Indebtedness of the Company that has been publicly issued are BB or Ba2, respectively.";

"`LEVEL IV PERIOD': any period during which either of the publicly announced ratings by S&P or Moody's of the then current senior unsecured, non-credit enhanced, long-term Indebtedness of the Company that has been publicly issued is equal to or below BB- or unrated or equal to or below Ba3 or unrated, as the case may be."

(ii) by inserting in such section the following new defined terms in proper alphabetical order:

"`CONSOLIDATED EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION': for any period for which the amount thereof is to be determined, consolidated net revenues for such period minus consolidated operating expenses plus or minus equity in earnings of affiliates of the Company and its Subsidiaries (excluding Value Health and home health operations included in discontinued operations) for such period (which consolidated operating expenses shall, in any event, include and be limited to salaries, and benefits, supplies, other operating expenses and provision for doubtful accounts), all determined in accordance with GAAP and consistent with the Company's reportings on Forms 10Q and 10K.";

"`JUNE 1997 364-DAY AGREEMENT AND AMENDMENT': the \$3,000,000,000 Agreement and Amendment, dated as of June 17, 1997, among the Company, the several banks and other financial institutions from time to time parties thereto, the co-agents and lead managers named therein and The Chase Manhattan Bank, as

Agent and as CAF Loan Agent therein, as the same has been and may be amended, supplemented or otherwise modified or replaced or extended from time to time.";

"MANDATORY PREPAYMENT EVENT': any of the following events:

(a) the receipt by the Company or any of its Subsidiaries of Net Cash Proceeds from any sale or other disposition by it of any business, hospital or other assets, including any capital stock or other ownership interests in any Subsidiary or any intercompany obligations (other than as a result of any casualty where such Net Cash Proceeds are to be used to replace or rebuild the related assets);

(b) the receipt by the Company or any of its Subsidiaries of Net Cash Proceeds from the issuance to Persons other than the Company and its Subsidiaries of any capital stock or other ownership interests of the Company or such Subsidiary, as the case may be; and

(c) the receipt by the Company or any of its Subsidiaries of Net cash Proceeds from the incurrence from, or the issuance or sale to, persons other than the Company and its Subsidiaries of any Indebtedness of the Company or such Subsidiary, as the case may be with a scheduled maturity date on the date of incurrence thereof which is, or which is extendable at the option of the Company or such Subsidiary to be, one year or more from such date of incurrence;

In each case for (a), (b) and (c), excluding (i) any such event in which the Net Cash Proceeds so received (together with the Net Cash Proceeds received from any related series of events) are less than \$10,000,000 and (ii) any such event to the extent that the Net Cash Proceeds from such event, together with the Net Cash Proceeds from all other events referred to in this definition from the Effective Date (excluding, in each case, any such event excluded by clause (i) above), is \$500,000,000 or less.";

"NET CASH PROCEEDS' means, with respect to any sale or disposition by the Company of assets, cash payments received by the Company or any of its Subsidiaries from such sale or disposition net of bona fide direct costs of sale including, without limitation, (i) income taxes reasonably estimated to be actually payable as a result of such sale or disposition within one year of the date of receipt of such cash payments, (ii) transfer, sales, use and other taxes payable in connection with such sale or disposition, (iii) payment of the outstanding principal amount of, premium or penalty, if any, and interest on any Indebtedness (other than the revolving credit loans under the June 1997 364-Day Amendment and Agreement) that is secured by a Lien on the stock or assets in question and that is required to be repaid under the terms thereof as a result of such sale or disposition, and (iv) broker's commissions and reasonable fees and expenses of counsel, accountants and other professional advisors in connection with such sale or disposition.".

(b) Section 4 of the February 1997 Five-Year Agreement and Amendment is hereby amended by deleting such section in its entirety and substituting in lieu thereof the following:

"SECTION 4. FACILITY FEE AND UTILIZATION FEE. Subsection 2.3 of the Five-Year Composite Conformed Credit Agreement as adopted and incorporated by reference into this February 1997 Five-Year Agreement and Amendment is hereby amended by deleting such subsection in its entirety and substituting in lieu thereof, including February 6, 1998, the following:

`2.3 FACILITY FEE AND UTILIZATION FEE. (a) The Company agrees to pay to the Agent for the account of each Bank a facility fee in respect of the period from and including the Effective Date to the later of the Termination Date or the date on which the Revolving Credit Loans are repaid in full, computed at the rate per annum set forth in the table below on the average daily amount of the Commitment of such Bank (or, if the Commitment of such Bank has expired or been terminated, the outstanding Revolving Credit Loans of such Bank) during each portion of the period for which payment is made that is a separate Level I Period, Level II Period, Level III Period or Level IV Period, payable quarterly on the last day of each March, June, September and December and on any date on which the Commitments shall terminate as provided herein and the Revolving Credit Loans shall have been repaid in full, commencing on the first of such dates to occur after the date hereof:

Type of Period -----	Facility Fee -----
Level I Period	.3000%
Level II Period	.3500%
Level III Period	.4000%
Level IV Period	.5000%

(b) The Company agrees to pay to the Agent for the account of each Bank a utilization fee computed at the rate of 0.2500% per annum, on the aggregate principal amount of the outstanding Revolving Credit Loans for each day that the outstanding principal amount of the Revolving Credit Loans plus the outstanding principal amount of all revolving credit loans under the June 1997 364-Day Agreement and Amendment shall exceed \$3,750,000,000 in aggregate amount, payable quarterly on the last day of each March, June, September and December, commencing on March 31, 1998 and on any date on which the Commitments shall terminate as provided herein and the Revolving Credit Loans shall have been repaid in full.

(c) The Company agrees to pay to the Agent the other fees in the amounts, and on the date, agreed to by the Company and the Agent in the fee letter, dated October 20, 1993, between the Agent and the Company.'".

(c) The February 1997 Five-Year Agreement and Amendment is hereby amended by adding the following new paragraph after Section 5 reading as follows:

"SECTION 5A. MANDATORY PREPAYMENT AND MANDATORY REDUCTIONS OF COMMITMENTS. The Five-Year Composite Conformed Credit Agreement as adopted and incorporated by reference into this February 1997 Five-Year Agreement and Amendment is hereby amended by adding the following new subsections immediately following subsection 2.17 therein as follows:

`2.18 MANDATORY PREPAYMENTS AND MANDATORY REDUCTIONS OF COMMITMENTS. At any time the Commitments under this Agreement plus the commitments under the June 1997 364-Day Agreement and Amendment (or, if such commitments have expired or been terminated, the outstanding loans thereunder) exceed \$2,000,000,000 in aggregate

amount, the revolving credit loans under the 364-Day Agreement and Amendment pursuant to subsection 2.19, shall be prepaid and the commitments thereunder shall be reduced no later than the second Business Day following the date of receipt by the Company or any of its Subsidiaries of the Net Cash Proceeds from any Mandatory Prepayment Event by the amount of such Net Cash Proceeds.

(d) The February 1997 Five-Year Agreement and Amendment is hereby amended by adding the following new paragraphs after Section 8A reading as follows:

"SECTION 8B. COMPANY'S OFFICERS' CERTIFICATE. Subsection 4.3 of the Five-Year Composite Conformed Credit Agreement as adopted and incorporated by reference into this February 1997 Five-Year Agreement and Amendment is hereby amended by (a) adding to the first clause thereof, immediately following the reference to "Section 3", the following:

"(as qualified by the disclosures in the Company's Quarterly Reports on Form 10-Q for its fiscal quarters ended June 30, 1997 and September 30, 1997 and in the Company's Reports on Form 8-K dated February 6, 1998, February 13, 1998 and March __, 1998, in each case as filed with the Securities and Exchange Commission and previously distributed to the Banks)",

and (b) adding to the clause thereof, at the end thereof immediately following the phrase "those enumerated above", the following:

"(all subject to the disclosures referred to above)".

"SECTION 8C. INTEREST COVERAGE RATIO. Subsection 5.7 of the Five-Year Composite Conformed Credit Agreement as adopted and incorporated by reference into this February 1997 Five-Year Agreement and Amendment is hereby amended by deleting such subsection in its entirety and substituting in lieu thereof the following:

`5.7 INTEREST COVERAGE RATIO. On the last day of each fiscal quarter of the Company other than the fiscal quarters ending March 31, 1998, June 30, 1998 and September 30, 1998, the Consolidated Earnings Before Interest and Taxes of the Company and its Subsidiaries for the four consecutive fiscal quarters of the Company then ending will be an amount which equals or exceeds 200% of the Consolidated Interest Expense of the Company and its Subsidiaries for the same four consecutive fiscal quarters.'

SECTION 8D. DISTRIBUTIONS. Subsection 5.8 of the Five-Year Composite Conformed Credit Agreement as adopted and incorporated by reference into this February 1997 Five-Year Agreement and Amendment as hereby amended by deleting such subsection in its entirety and substituting in lieu thereof the following:

`5.8 DISTRIBUTIONS. The Company will not make any Distribution except that, so long as no Event of Default exists or would exist after giving effect thereto, the Company may make a Distribution; provided however, that at any time the Commitments under this Agreement plus the commitments under the June 1997 364-Day Agreement and Amendment (or, if such commitments have expired or been terminated, the outstanding loans thereunder) shall equal or exceed \$2,000,000,000 in aggregate amount, the Company will not purchase, repurchase, redeem or otherwise acquire (including any "synthetic" acquisitions through equity derivatives) any shares of any class of capital stock of the Company directly or indirectly through a Subsidiary or otherwise.'

SECTION 8E. MAXIMUM CONSOLIDATED TOTAL DEBT. The Five-Year Composite Conformed Credit Agreement as adopted and incorporated by reference into this February 1997 Five-Year Agreement and Amendment is hereby amended by adding the following new subsection immediately following subsection 5.13 therein as follows:

`5.14 MAXIMUM CONSOLIDATED TOTAL DEBT. The Company and its Subsidiaries will not at any time to and including September 30, 1998 have outstanding Consolidated Total Debt in an amount in excess of \$10,000,000,000'.

SECTION 8F. MINIMUM CONSOLIDATED EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION. The Five-Year Composite Conformed Credit Agreement as adopted and incorporated by reference into this February 1997 Five-Year Agreement and Amendment is hereby amended by adding the following new subsection immediately following subsection 5.14 therein as follows:

`5.15 MINIMUM CONSOLIDATED EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION. The Consolidated Earnings Before Interest, Taxes, Depreciation and Amortization of the Company and its Subsidiaries will be, for each period specified below, an amount which equals or exceeds the amount set forth opposite such period:

Period -----	Amount -----
One fiscal quarter ending March 31, 1998	\$ 750,000,000
Two fiscal quarters ending June 30, 1998	\$1,500,000,000
Three fiscal quarters ending September 30, 1998	\$ 2,250,000.00

SECTION 8G. LIMITATION ON OPTIONAL PAYMENTS AND MODIFICATIONS OF DEBT INSTRUMENTS. The Five-Year Composite Conformed Credit Agreement as adopted and incorporated by reference into this February 1997 Five-Year Agreement and Amendment is hereby amended by adding the following new subsection immediately following subsection 5.15 therein as follows:

`5.16 LIMITATION ON OPTIONAL PAYMENTS AND MODIFICATIONS OF DEBT INSTRUMENTS. At any time the Commitments under this Agreement plus the commitments under the June 1997 364-Day Agreement and Amendment (or, if such commitments have expired or been terminated, the outstanding loans thereunder) exceed \$2,000,000,000 in aggregate amount, the Company will not make, and will not permit any of its Subsidiaries to make, any optional payment or prepayment on or redemption, defeasance or purchase of any Indebtedness of the Company or any of its Subsidiaries (other than Indebtedness under this Agreement or under the June 1997 364-Day Agreement and Amendment), or amend, modify or change, or consent or agree to any amendment, modification or change to any of the terms relating to the payment or prepayment or principal of or interest on, any such Indebtedness, other than any amendment, modification or change which would extend the maturity or reduce the amount of any payment of principal thereof or which would reduce the rate or extend the date for payment of interest there or which would not be adverse to the Banks.'".

(e) Schedule V to the February 1997 Five-Year Agreement and Amendment is hereby amended by deleting Schedule V in its entirety and substituting in lieu thereof, effective as of February 6, 1998, Schedule V attached hereto as Schedule V.

3. EFFECTIVE DATE; CONDITIONS PRECEDENT. This Third Amendment will become effective on March 26, 1998 (the "Effective Date") subject to the compliance by the Company with its agreements herein contained and to the satisfaction on or before the Effective Date of the following further conditions:

(a) LOAN DOCUMENTS. The Agent shall have received copies of this Third Amendment, executed and delivered by a duly authorized officer of the Company, with a counterpart for each Bank, and executed and delivered by the Required Lenders.

(b) COMPANY OFFICERS' CERTIFICATE. The representations and warranties contained in Section 3 of the Five-Year Composite Conformed Credit Agreement as adopted and incorporated by reference into, and as amended by, the February 1997 Five-Year Agreement and Amendment (as qualified by the disclosures in the Company's Quarterly Reports on Form 10-Q for its fiscal quarters ended June 30, 1997 and September 30, 1997 and the Company's Report on Form 8-K dated February 6, 1998, February 13, 1998 and March __, 1998, in each case as filed with the Securities and Exchange Commission and previously distributed to the Banks) shall be true and correct on the Effective Date with the same force and effect as though made on and as of such date; on and as of the Effective Date and after giving effect to this Third Amendment, no Default shall have occurred (except a Default which shall have been waived in writing or which shall have been cured); and the Agent shall have received a certificate containing a representation to these effects dated the Effective Date and signed by a Responsible Officer.

(c) AMENDMENT FEE. Each Bank which executes and delivers to the Agent this Third Amendment by 5:00 p.m. (New York City time) on March 23, 1998 shall receive an amendment fee equal to .125% of its Commitment.

4. PAYMENT CATCH-UP. The Company hereby agrees that, to the extent that it has made prior to the Effective Dates any payments on account of interest on the Revolving Credit Loans or on account of the facility fee in respect of any period (or portion of any period) falling on or after February 6, 1998, it will make a payment to the Agent for the benefit of the Banks no later than March 31, 1998 equal to the difference between the payments made and the payments due after giving effect to the Third Amendment.

5. LEGAL OBLIGATION. The Company represents and warrants to each Bank that this Third Amendment constitutes the legal, valid and binding obligation of the Company, enforceable against it in accordance with its terms, subject to the effects of bankruptcy, insolvency, fraudulent conveyances, reorganization, moratorium and other similar laws relating to or affecting creditors' rights generally, general equitable principles (whether considered in a proceeding in equity or at law) and an implied covenant of good faith and fair dealing.

6. CONTINUING EFFECT; APPLICATION. Except as expressly amended hereby, the February 1997 Five-Year Agreement and Amendment shall continue to be and shall remain in full force and effect in accordance with its terms.

7. EXPENSES. The Company agrees to pay or reimburse the Agent for all of its reasonable out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Third Amendment and any other documents prepared in connection herewith, and the consummation of

the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and disbursements of counsel to the Agent.

8. GOVERNING LAW. THIS THIRD AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES UNDER THIS THIRD AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

9. COUNTERPARTS. This Third Amendment may be executed by one or more of the parties to this Third Amendment on any number of separate counterparts and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Third Amendment signed by all the parties shall be lodged with the Company and the Agent.

IN WITNESS WHEREOF, the parties hereto have caused this Third Amendment to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

COLUMBIA/HCA HEALTHCARE CORPORATION

By: _____
Name:
Title:

THE CHASE MANHATTAN BANK, as Agent, as CAF
Loan Agent and as a Bank

By: _____
Name:
Title:

ABN AMRO BANK N.V., as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

ARAB BANK PLC, GRAND CAYMAN BRANCH, as a Bank

By: _____
Name:
Title:

BANCA MONTE DEI PASCHI DI SIENA SpA, as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

BANCA NAZIONALE del LAVORO, SpA, as a Bank

By: _____
Name:
Title:

BANK ONE TEXAS, N.A., as a Bank

By: _____
Name:
Title:

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION,
as a Co-Agent and as a Bank

By: _____
Name:
Title:

THE BANK OF NEW YORK, as a Co-Agent and as a Bank

By: _____
Name:
Title:

THE BANK OF NOVA SCOTIA, as a Bank

By: _____
Name:
Title:

BANK OF TOKYO-MITSUBISHI TRUST COMPANY, as a Bank

By: _____
Name:
Title:

BANK OF YOKOHAMA, as a Bank

By: _____
Name:
Title:

BANQUE NATIONALE DE PARIS -Houston Agency, as a Bank

By: _____
Name:
Title:

BARNETT BANK, N.A., as a Bank

By: _____
Name:
Title:

CITIBANK, N.A., as a Bank

By: _____
Name:
Title:

COMERICA BANK, as a Bank

By: _____
Name:
Title:

CORESTATES BANK, N.A., as a Bank

By: _____
Name:
Title:

CRESTAR BANK, as a Bank

By: _____
Name:
Title:

THE DAI-ICHI KANGYO BANK, LIMITED, ATLANTA AGENCY, as a Bank

By: _____
Name:
Title:

DEN DANSKE BANK AKTIESELSKAB, as a Bank
CAYMAN ISLANDS BRANCH c/o New York Branch

By: _____
Name:
Title:

By: _____
Name:
Title:

DEUTSCHE BANK AG, NEW YORK AND/OR CAYMAN ISLANDS
BRANCH, as a Co-Agent and as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

FIRST AMERICAN NATIONAL BANK, as a Bank

By: _____
Name:
Title:

FIRST HAWAIIAN BANK, as a Bank

By: _____
Name:
Title:

THE FIRST NATIONAL BANK OF CHICAGO,
as a Bank

By: _____
Name:
Title:

FIRST UNION NATIONAL BANK, as a Bank

By: _____
Name:
Title:

FLEET NATIONAL BANK, as a Co-Agent and as a Bank

By: _____
Name:
Title:

THE FUJI BANK LIMITED, as a Co-Agent and as a Bank

By: _____
Name:
Title:

THE INDUSTRIAL BANK OF JAPAN, LIMITED, ATLANTA AGENCY,
as a Co-Agent and as a Bank

By: _____
Name:
Title:

KEYBANK NATIONAL ASSOCIATION, as a Bank

By: _____
Name:
Title:

THE MITSUBISHI TRUST AND BANKING CORPORATION, as a Bank

By: _____
Name:
Title:

THE MITSUI TRUST AND BANKING COMPANY, LIMITED, NEW YORK
BRANCH, as a Bank

By: _____
Name:
Title:

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as a Co-
Agent and as a Bank

By: _____
Name:
Title:

NATIONAL CITY BANK OF KENTUCKY, as a Bank

By: _____
Name:
Title:

NATIONSBANK, N.A. as a Co-Agent and as a Bank

By: _____
Name:
Title:

THE NORINCHUKIN BANK, NEW YORK BRANCH, as a Bank

By: _____
Name:
Title:

THE NORTHERN TRUST COMPANY, as a Bank

By: _____
Name:
Title:

PNC BANK, N.A., as a Co-Agent and as a Bank

By: _____
Name:
Title:

THE SAKURA BANK, LTD. NEW YORK BRANCH, as a Lead
Manager and as a Bank

By: _____
Name:
Title:

THE SUMITOMO BANK, LIMITED, as a Lead Manager and as a
Bank

By: _____
Name:
Title:

THE SUMITOMO TRUST & BANKING CO., LTD., NEW YORK
BRANCH, as a Bank

By: _____
Name:
Title:

SUNTRUST BANK, NASHVILLE, N.A., as a Lead Manager and
as a Bank

By: _____
Name:
Title:

THE TOKAI BANK, LIMITED, NEW YORK BRANCH, as a Bank

By: _____
Name:
Title:

TORONTO DOMINION (TEXAS), INC., as a Co-Agent and as a
Bank

By: _____
Name:
Title:

THE TOYO TRUST & BANKING CO., LTD., as a Bank

By: _____
Name:
Title:

UNION BANK OF SWITZERLAND, NEW YORK BRANCH, as a Co-
Agent and as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

UNION PLANTERS BANK OF MIDDLE TENNESSEE, N.A.

By: _____
Name:
Title:

WACHOVIA BANK OF GEORGIA, N.A., as a Co-Agent and as a Bank

By: _____
Name:
Title:

WELLS FARGO BANK, N.A., as a Lead Manager and as a Bank

By: _____
Name:
Title:

By: _____
Name:
Title:

YASUDA TRUST AND BANKING, as a Bank

By: _____
Name:
Title:

Applicable Margins

=====		
REVOLVING CREDIT LOANS		

CATEGORY	ALTERNATE BASE RATE LOANS	EURODOLLAR LOANS

LEVEL I PERIOD	.0000%	.4500%
LEVEL II PERIOD	.0000%	.6500%
LEVEL III PERIOD	.0000%	.8500%
LEVEL IV PERIOD	.5000%	1.5000%
=====		

COLUMBIA/HCA HEALTHCARE CORPORATION DIRECTORS' COMPENSATION PLAN
(AS REVISED MAY 15, 1997 AND NOVEMBER 13, 1997)

DIRECTORS' FEES/COMPENSATION

- - - - -

- . Effective May 15, 1997, directors who are not officers of Columbia/HCA Healthcare Corporation (the "Company") are paid an annual retainer fee of \$40,000 in shares of Columbia/HCA Healthcare Corporation common stock, \$.01 par value ("Columbia Common Stock") under the Directors' Compensation Plan. The shares are issued on a yearly basis to coincide with the election of directors at the Company's Annual Meeting. The number of Columbia shares granted to directors under the plan will be computed at the annual retainer fee of \$40,000, divided by the fair market value of a share of Columbia Common Stock on the first business day subsequent to the Annual Meeting of Stockholders of the Company. The fair market value shall be determined as the hi/lo average of the stock as reported by the NYSE at closing on the applicable date the Columbia Common Stock is granted.

COLUMBIA OUTSIDE DIRECTORS NONQUALIFIED STOCK OPTION PLAN

- - - - -

- . Each non-employee director who joins the Columbia Board receives an option to acquire shares of Columbia Common Stock under the Columbia Hospital Corporation Outside Directors Nonqualified Stock Option Plan (copy attached) (exercisable at the shares' fair market value on the date of grant of the option) having an aggregate exercise price equal to two times the non-employee directors' annual retainer fee then in effect, but in no event more than 3,000 shares. Following each succeeding Annual Meeting of Stockholders and to coincide with the election of directors, each non-employee director who continues in office will receive an option to acquire shares of Columbia Common Stock (exercisable at the shares' fair market value on the date of grant of the option) having an aggregate exercise price equal to the non-employee directors' annual retainer fee then in effect, but in no event more than 2,000 shares. The options may generally be exercised from the date of the grant up to 90 days following resignation from the board, expire five years from the date of grant, and may be paid by (i) cash; (ii) Columbia Common Stock that has been held for a minimum of six months; or (iii) a combination thereof.

OTHER FEES

- - - - -

- . Attendance fees of \$1,200 per meeting are paid to non-employee directors for all scheduled meetings of the Board.
- . Non-employee directors are paid a committee meeting fee of \$800 per meeting if such meeting is not held in conjunction with a regularly scheduled Board meeting. The Board of Directors has Audit, Compensation and Executive Committees.
- . The Chairperson of the Executive Committee (provided the Chairperson is a non-employee director) receives an additional \$7,500 annual fee and all other non-employee Executive Committee directors receive an additional \$5,000 annual fee.
- . All other non-employee Committee Chairpersons receive \$1,000 per committee meeting attended.

COLUMBIA/HCA HEALTHCARE FOUNDATION, INC. - MATCHING GIFT PROGRAM

- . Effective for 1997 and subsequent years, the Company will match gifts from each Director to organizations and programs exempt from taxation (pursuant to Section 501(c)(3) of the Internal Revenue Code), including civic, cultural, educational and health and human services institutions, on a dollar-for-dollar basis, from a minimum of \$500 per gift, up to an aggregate maximum of \$15,000 annually. The Matching Gift Program will be administered by the Columbia/HCA Healthcare Foundation, Inc. To qualify for a matching gift, contributions must be personal gifts from the Director's own funds (including personal or family foundations and gifts made jointly with spouses), paid in cash or securities. Pledges do not qualify for matches. Directors who have retired from service on the Board may participate in this program through the end of the first year following the year in which retirement was effective. The Company reserves the right to determine whether gifts to organizations are within certain guidelines for qualification for matching.

MATCHING CONTRIBUTIONS (APPLIES ONLY TO FORMER GALEN DIRECTORS)

- . The Company matches, on an annual basis, up to \$20,000 in charitable contributions made by each non-employee director who had been a director of Galen Health Care, Inc. ("Galen").

DENTAL AND MEDICAL PLANS (APPLIES ONLY TO FORMER GALEN DIRECTORS)

- . Each non-employee director who had been a director of Galen is eligible to participate in the self-funded dental and medical plans at the same contribution paid by a regular full-time employee.

COLUMBIA/HCA HEALTHCARE CORPORATION OUTSIDE
DIRECTORS STOCK AND INCENTIVE COMPENSATION PLAN

1. PURPOSES; CONSTRUCTION.

This Plan shall be known as the "Columbia/HCA Healthcare Corporation Outside Directors Stock and Incentive Compensation Plan" and is hereinafter referred to as the "Plan." The purposes of the Plan are to encourage ownership of stock in the Company by Outside Directors, through the granting of non-qualified stock options, restricted stock awards and restricted stock unit awards, to provide an incentive to the directors to continue to serve the Company and to aid the Company in attracting qualified director candidates in the future. Options granted under the Plan will not be incentive stock options within the meaning of section 422 of the Code.

The provisions of the Plan are intended to satisfy any applicable requirements of Section 16(b) of the Exchange Act, and shall be interpreted in a manner consistent with any such requirements thereof, as now or hereafter construed, interpreted and applied by regulation, rulings and cases.

The terms of the Plan shall be as set forth below, effective May 17, 1998.

2. ADMINISTRATION OF THE PLAN.

2.1 General Authority.

The Plan shall be administered by the Board. The Board shall have plenary authority in its discretion, but subject to the express provisions of the Plan, to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan, including, without limitation, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, to determine the details and provisions of the Agreements and to make all other determinations deemed necessary or advisable for the administration of the Plan. The Board's determinations on the foregoing matters shall be final and conclusive. No member of the Board shall be liable for any action taken or determination made in good faith with respect to the Plan or any grant hereunder.

3. DEFINITIONS.

As used in the Plan, the following words and phrases shall have the meanings indicated:

- (a) "Agreement" shall mean an agreement entered into between the Company and a Participant in connection with a grant under the Plan.
- (b) "Board " shall mean the Board of Directors of the Company.
- (c) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.
- (d) "Common Stock" shall mean the voting shares of common stock of the Company, with a par value of \$.01 per share.
- (e) "Company" shall mean Columbia/HCA Healthcare Corporation, a Delaware corporation, or any successor corporation.
- (f) "Disability" shall mean a Participant's total and permanent inability to perform his or her duties with the Company or any Subsidiary by reason of any medically determinable physical or mental impairment, within the meaning of Code section 22(e)(3).
- (g) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time and as now or hereafter construed, interpreted and applied by regulations, rulings and cases.
- (h) "Fair Market Value" per Share, Restricted Share or Restricted Share Unit shall mean the mean of the high and low prices of a Share on the relevant date as reported by the New York Stock Exchange, or such value as otherwise determined using procedures established by the Board.
- (i) "Option" means a stock option granted under the Plan.
- (j) "Option Price" shall mean the price at which each Share subject to an Option may be purchased, determined in accordance with Section 5.2 hereof.
- (k) "Outside Director" shall mean any member of the Board who is not also an employee of the Company (or any Subsidiary thereof).
- (l) "Participant" shall mean any Outside Director who has received an Option or other award hereunder that has not yet terminated.
- (m) "Restricted Period" shall have the meaning given in Section 6.2(a) hereof.
- (n) "Restricted Share" or "Restricted Shares" shall mean Shares purchased hereunder subject to restrictions.
- (o) "Restricted Share Unit" or "Restricted Share Units" shall have the meaning given in Section 7 hereof.

(p) "Rule 16b-3" shall mean Rule 16b-3, as in effect from time to time, promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act, including any successor to such Rule.

(q) "Shares" shall mean shares of Common Stock of the Company.

(r) "Subsidiary" shall have the meaning set forth in Section 8.2.

4. STOCK SUBJECT TO PLAN.

4.1 Number of Shares.

The maximum number of Shares which may be issued pursuant to Options and other awards under the Plan shall be 500,000 Shares, which number shall be subject to adjustment as provided in Section 9 hereof. Such Shares may be either authorized but unissued Shares, or Shares that shall have been or may be reacquired by the Company.

4.2 Reuse of Shares.

If an Option or a Restricted Share or Restricted Share Unit award under the Plan is canceled, terminates, expires unexercised or is exchanged for a different award without the issuance of Shares, the covered Shares shall, to the extent of such termination or non-use, again be available for awards thereafter granted during the term of the Plan.

5. OPTIONS.

5.1 Grant of Options.

Each person who is an Outside Director immediately following the 1998 Annual Meeting of Stockholders of the Company shall be granted an Option, as of the first business day subsequent to such 1998 Annual Meeting, to acquire Shares having an aggregate Option Price equal to twelve and one-half (12.5) times such Outside Director's annual retainer fee then in effect. Each such Option shall become exercisable in five cumulative installments, each of which shall relate to 20% of the Shares covered by the Option, on the date of grant and the four next succeeding anniversary dates thereof.

Each person who shall become an Outside Director thereafter, but prior to the close of the Board of Directors' term ending in 2003, shall be granted an Option, as of the first business day after the commencement of his service as an Outside Director, to acquire Shares having an aggregate Option Price equal to such Outside Director's annual retainer fee then in effect multiplied by two and one-half (2.5) times the number of Board of Directors' terms (including as one term

the partial term for which the person is elected, if he becomes an Outside Director in mid-term) remaining in the period ending with the Annual Meeting of Shareholders of the Company in the year 2003. Each such Option shall become exercisable in cumulative installments, each of which shall relate to a pro-rata portion of the Shares covered by the Option, on the date of grant and respective succeeding dates of the Annual Meetings of the Company's Shareholders, ending with such Annual Meeting for the year 2003.

5.2 Option Price.

The Option Price of each Share subject to an Option shall be 100 percent of the Fair Market Value of a Share on the date of grant.

5.3 Term.

The term of any Option issued pursuant to the Plan shall be ten years from the date of grant and may extend beyond the date of termination of the Plan.

5.4 Option Exercise.

An Option may be exercised in whole or in part at any time, with respect to whole Shares only, within the period permitted thereunder for the exercise thereof, and shall be exercised by written notice of intent to exercise the Option with respect to a specified number of Shares, delivered to the Company at its principal office, and payment in full to the Company at said office of the amount of the Option Price for the number of Shares with respect to which the Option is then being exercised. Payment of the Option Price shall be made (i) in cash or cash equivalents, (ii) in whole Shares valued at the Fair Market Value of such Shares on the date of exercise (or next succeeding trading date, if the date of exercise is not a trading date) or (iii) by a combination of such cash (or cash equivalents) and such Stock. Subject to the provisions of Section 10 hereof, the Company shall issue a stock certificate for the Shares purchased by exercise of an Option, in the name of the optionee (or other person exercising the Option in accordance with the provisions of the Plan), as soon as practicable after due exercise and payment of the aggregate Option Price for such Shares.

5.5 Limited Transferability of Option.

All Options shall be nontransferable except (i) upon the optionee's death, by the optionee's will or the laws of descent and distribution or (ii) on a case-by-case basis, as may be approved by the Board in its discretion, in accordance with the terms provided below. Each Agreement shall provide that the optionee may, during his or her lifetime and subject to the prior approval of the Board at the time of proposed transfer, transfer all or part of the Option to a Permitted Transferee (as defined below), provided that such transfer is made by the optionee for estate and tax planning purposes or donative purposes and no consideration (other than

nominal consideration) is received by the optionee therefor. The transfer of an Option shall be subject to such other terms and conditions as the Board may in its discretion impose from time to time, including (without limitation) a condition that the portion of the Option to be transferred be vested and exercisable by the optionee at the time of the transfer and a requirement that the terms of such transfer be documented in a written agreement (in such form as the Board may prescribe). Subsequent transfers of an Option transferred under this Section 5.5 shall be prohibited, other than by will or the laws of descent and distribution upon the death of the transferee.

For purposes hereof, a "Permitted Transferee" shall be any member of the optionee's immediate family, a trust for the exclusive benefit of such immediate family members, or a partnership or limited liability company the equity interests of which are owned exclusively by the optionee and/or one or more members of his or her immediate family. For purposes of the preceding definition, the "immediate family" of the optionee shall mean and include the optionee's spouse, any descendant of the optionee or his or her spouse (including descendants by adoption), and any descendant of either parent of the optionee (including descendants by adoption).

No transfer of an Option by the optionee by will or by laws of descent and distribution shall be effective to bind the Company unless the Company shall have been furnished with written notice thereof and an authenticated copy of the will and/or such other evidence as the Board may deem necessary to establish the validity of the transfer. During the lifetime of an optionee, except as provided above, the Option shall be exercisable only by the optionee, except that, in the case of an optionee who is legally incapacitated, the Option shall be exercisable by the optionee's guardian or legal representative. In the event of any transfer of an Option to a Permitted Transferee in accordance with the provisions of this Section 5.5, such Permitted Transferee shall thereafter have all rights that would otherwise be held by such optionee (or by such optionee's guardian, legal representative or beneficiary), except as otherwise provided herein.

5.6 Death of Optionee.

If a Participant holding an Option dies while he is an Outside Director, the executor or administrator of the estate of the decedent (or the person or persons to whom an Option shall have been validly transferred in accordance with Section 5.5) shall have the right, during the period ending six months after the date of the optionee's death (subject to the provisions of Section 5.3 hereof concerning the maximum term of an Option), to exercise the Option to the extent that it was exercisable at the date of such optionee's death and shall not have been previously exercised.

5.7 Disability.

If an optionee's service as an Outside Director shall be terminated as a result of Disability, the optionee (or in the case of an optionee who is legally incapacitated, his guardian or legal representative) shall have the right, during a period ending six months after the date of his disability (subject to the provisions of Section 5.3 hereof concerning the maximum term of an Option), to exercise an Option to the extent that it was exercisable at the date of such optionee's Disability and shall not have been previously exercised.

5.8 Other Termination of Service.

If an optionee's service as an Outside Director shall be terminated for any reason other than death or Disability, the optionee shall have the right, during the period ending ninety days after such termination (subject to the provisions of Section 5.3 hereof concerning the maximum term of an Option), to exercise the Option to the extent that it was exercisable on the date of such termination of service and shall not have been previously exercised.

6. RESTRICTED SHARES.

6.1 Grant of Annual Restricted Share Retainer Awards.

Commencing with the 1998-1999 Board term, each Outside Director shall be entitled to receive, as a retainer for each term for which he is elected an Outside Director, an award of a number of Restricted Shares having a Fair Market Value of \$40,000 on the date of grant of such award. Awards hereunder for any Board term shall be granted as of the first business day of the term, except that awards for the 1998-1999 Board term shall be granted as of June 1, 1998.

6.2 Terms of Restricted Share Agreements.

Each grant of Restricted Shares under the Plan shall be evidenced by a written Agreement between the Company and Participant, which shall be in such form as the Board shall from time to time approve and shall comply with the terms of the Plan, including (without limitation) the following terms and conditions (and with such other terms and conditions, not inconsistent with the terms of the Plan, as the Board, in its discretion, may establish):

- (a) **RESTRICTED PERIOD.** Except as otherwise provided in the Plan, the Restricted Period for Restricted Shares granted under this Section 6 shall be one year from the date of grant.
- (b) **OWNERSHIP AND RESTRICTIONS.** At the time of grant of Restricted Shares, a certificate representing the number of Restricted Shares granted shall be registered in the name of the Participant. Such certificate shall be held by

the Company or any custodian appointed by the Company for the account of the Participant, subject to the terms and conditions of the Plan, and shall bear such legend setting forth the restrictions imposed thereon as the Board, in its discretion, may determine. The Participant shall have all rights of a stockholder with respect to such Restricted Shares, including the right to receive dividends and the right to vote such Restricted Shares, subject to the following restrictions: (i) the Participant shall not be entitled to delivery of the stock certificate until the expiration of the Restricted Period and the fulfillment of any other restrictive conditions set forth in this Plan or the Agreement with respect to such Restricted Shares; (ii) none of the Restricted Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise encumbered or disposed of (except by will or the applicable laws of descent and distribution) during such Restricted Period or until after the fulfillment of any other restrictive conditions; and (iii) except as otherwise provided under the Plan, all of the Restricted Shares shall be forfeited and all rights of the Participant to such Restricted Shares shall terminate, without further obligation on the part of the Company, unless the Participant remains in the continuous service as an Outside Director of the Company for the entire Restricted Period and unless any other restrictive conditions relating to the Restricted Shares are met. Any common stock, any other securities of the Company and any other property (except cash dividends) distributed with respect to the Restricted Shares shall be subject to the same restrictions, terms and conditions as such Restricted Shares.

- (c) TERMINATION OF RESTRICTIONS. At the end of the Restricted Period and provided that any other restrictive conditions of the Restricted Shares are met, or at such earlier time as shall be applicable under the Plan, all restrictions set forth in the Agreement relating to the Restricted Shares or in the Plan shall lapse as to the Restricted Shares subject thereto, and a stock certificate for the appropriate number of Shares, free of the restrictions and restrictive stock legend (other than as required under the Securities Act of 1933 or otherwise), shall be delivered to the Participant or his or her beneficiary or estate, as the case may be.
- (d) TERMINATION OF SERVICE DURING RESTRICTED PERIOD. Except as provided herein, if during the Restricted Period for any Restricted Shares held by a Participant the Participant's service as an Outside Director is terminated for any reason other than death or Disability, the Participant shall forfeit all rights with respect to such Restricted Shares, which shall automatically be considered to be cancelled.
- (e) ACCELERATED LAPSE OF RESTRICTIONS. Upon a termination of service as an Outside Director which results from a Participant's death or Disability, all restrictions then outstanding with respect to Restricted Shares held by such Participant shall automatically expire and be of no further force and effect.

7. RESTRICTED SHARE UNITS.

7.1 Election of Restricted Share Unit Award.

Any person who is an Outside Director immediately following the Company's 1998 Annual Meeting of Shareholders may elect, by written notice to the Company on or before May 31, 1998 (in such form as the Board shall prescribe), to receive an award of Restricted Share Units having a Fair Market Value of \$200,000 on the date of grant, which date shall be June 1, 1998. Any such Restricted Share Unit award shall be in lieu of Restricted Share awards under Section 6 for the Board terms through the term ending in 2003, and any Outside Director electing a Restricted Stock Unit award hereunder shall have no right to any Restricted Share award under Section 6 for any Board term ending in 2003 or an earlier year.

7.2 Terms of Restricted Share Unit Agreements.

Each award of Restricted Shares under the Plan shall be evidenced by a written Agreement between the Company and the Participant, which shall be in such form as the Board shall from time to time approve and shall comply with the terms of the Plan, including (without limitation) the following terms and conditions (and with such other terms and conditions, not inconsistent with the terms of the Plan, as the Board, in its discretion, may establish):

- (a) VESTING. Except as otherwise provided in the Plan, an award of Restricted Share Units shall vest in cumulative annual installments, each of which shall relate to 20% of the Units covered by the Award, on the five anniversary dates next succeeding the date of grant.
- (b) TERMINATION OF SERVICE PRIOR TO FULL VESTING. If a Participant's service as an Outside Director is terminated for any reason other than death or Disability before a Restricted Share Unit award held by him has become fully vested, the Participant shall forfeit all rights with respect to any Units that are not yet vested on the date of termination.
- (c) ACCELERATED VESTING. Upon a Participant's termination of service as an Outside Director which results from the Participant's death or Disability, all Restricted Share Units standing to his credit immediately prior to such termination shall be fully vested.
- (d) DIVIDEND EQUIVALENTS. A Participant shall be credited with dividend equivalents on any vested Restricted Share Units credited to his account at the time of any payment of dividends to stockholders on Shares. The amount of any such dividend equivalents shall equal the amount that would have been payable to the Participant as a stockholder in respect of a number of Shares equal to the number of vested Restricted Share Units then credited to him. Any such dividend equivalents shall be credited to

his account as of the date on which such dividend would have been payable and shall be converted into additional Restricted Share Units (which shall be immediately vested) based upon the Fair Market Value of a Share on the date of such crediting. No dividend equivalents shall be paid in respect of Restricted Share Units that are not yet vested.

- (e) PAYMENT OF AWARDS. A Participant shall be entitled to payment, at the time of his termination of service as an Outside Director, in respect of all vested Restricted Share Units then credited to him. Subject to the provisions of Sections 9 and 10, such payment shall be made through the issuance to the Participant of a stock certificate for a number of Shares equal to the number of vested Restricted Share Units credited to him at the time of such termination.

Notwithstanding the foregoing, a Participant may elect an alternative payment date for the distribution of Shares in respect of his vested Restricted Share Units. Any such election must be made by written notice to the Company by May 31, 1998 (in such form as the Company shall prescribe) and may specify as the alternative payment date either (i) June 1, 2003 or (ii) June 1, 2008. Any such election shall be irrevocable.

8. CHANGE IN CONTROL.

8.1 Effect of Change in Control.

Upon a "change in control" of the Company (as defined below), the following shall occur:

- (a) Each outstanding Option, to the extent that it shall not otherwise have become exercisable, shall become fully and immediately exercisable (without regard to the otherwise applicable installment provisions of Section 5.1 hereof);
- (b) All restrictions relating to any Restricted Shares then held by Participants shall lapse and be of no further force and effect; and
- (c) Any Restricted Share Units credited to a Participant's account shall immediately vest, to the extent that such Units would have been vested on the next following anniversary date of the date of grant.

8.2 Definition.

For purposes of Section 8.1 hereof, "change in control" of the Company shall mean any of the following events:

- (i) An acquisition (other than directly from the Company) of any voting securities of the Company (the "Voting Securities") by any "Person" (as the term Person is used for purposes of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the "1934 Act")) immediately after which such Person has "Beneficial Ownership" (within the meaning of Rule 13d-3 promulgated under the 1934 Act) of twenty percent (20%) or more of the combined voting power of the then outstanding Voting Securities; provided, however, that in determining whether a change in control has occurred, Voting Securities which are acquired in a "Non-Control Acquisition" (as hereinafter defined) shall not constitute an acquisition which would cause a change in control. A "Non-Control Acquisition" shall mean an acquisition by (i) an employee benefit plan (or a trust forming a part thereof) maintained by (A) the Company or (B) any corporation or other Person of which a majority of its voting power or its equity securities or equity interest is owned directly or indirectly by the Company (a "Subsidiary") or (ii) the Company or any Subsidiary.
- (ii) The individuals who, as of the date hereof, are members of the Board (the "Incumbent Board"), cease for any reason to constitute at least two-thirds of the Board; provided, however, that if the election, or nomination for election, by the Company's stockholders of any new director was approved by a vote of at least two-thirds of the Incumbent Board, such new director shall, for purposes of this Agreement, be considered as a member of the Incumbent Board; provided, further, however, that no individual shall be considered a member of the Incumbent Board if (1) such individual initially assumed office as a result of either an actual or threatened "Election Contest" (as described in Rule 14a-11 promulgated under the 1934 Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board (a "Proxy Contest") including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest or (2) such individual was designated by a Person who has entered into an agreement with the Company to effect a transaction described in clause (i) or (iii) of this Section 8.2; or
- (iii) Approval by stockholders of the Company of:
 - (1) A merger, consolidation or reorganization involving the Company, unless,
 - (A) The stockholders of the Company, immediately before such merger, consolidation or reorganization, own, directly or indirectly immediately following such merger, consolidation or reorganization, at least seventy-

five percent (75%) of the combined voting power of the outstanding Voting Securities of the corporation resulting from such merger or consolidation or reorganization or its parent corporation (the "Surviving Corporation") in substantially the same proportion as their ownership of the Voting Securities immediately before such merger, consolidation or reorganization;

- (B) The individuals who were members of the Incumbent Board immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization constitute at least two-thirds of the members of the board of directors of the Surviving Corporation; and
- (C) No Person (other than the Company, any Subsidiary, any employee benefit plan (or any trust forming a part thereof) maintained by the Company, the Surviving Corporation or any Subsidiary, or any Person who, immediately prior to such merger, consolidation or reorganization, had Beneficial Ownership of twenty percent (20%) or more of the then outstanding Voting Securities) has Beneficial Ownership of twenty percent (20%) or more of the combined voting power of the Surviving Corporation's then outstanding Voting Securities.

(2) A complete liquidation or dissolution of the Company; or

(3) An agreement for the sale or other disposition of all or substantially all of the assets of the Company to any Person (other than a transfer to a Subsidiary).

Notwithstanding the foregoing, a change in control shall not be deemed to occur solely because any Person (the "Subject Person") acquired Beneficial Ownership of more than the permitted amount of the outstanding Voting Securities as a result of the acquisition of Voting Securities by the Company which, by reducing the number of Voting Securities outstanding, increased the proportional number of shares Beneficially Owned by the Subject Person, provided that if a change in control would occur (but for the operation of this sentence) as a result of the acquisition of Voting Securities by the Company, and after such share acquisition by the Company, the Subject Person becomes the Beneficial Owner of any additional Voting Securities which increases the percentage of the then outstanding Voting Securities Beneficially Owned by the Subject Person, then a change in control shall occur.

9. ANTIDILUTION ADJUSTMENTS.

In the event of a reorganization, recapitalization, stock split, stock dividend, combination of shares, merger or consolidation, or the sale, conveyance, lease or other transfer by the Company of all or substantially all of its property, or any other change in the corporate structure or shares of the Company, pursuant to any of which events the then outstanding Shares are split up or combined, or are changed into, become exchangeable at the holder's election for, or entitle the holder thereof to, other shares of stock, or in the case of any other transaction described in section 424(a) of the Code, the Board may make such adjustment or substitution (including by substitution of shares of another corporation) as it may determine to be appropriate, in its sole discretion, in (i) the aggregate number and kind of shares that may be distributed in respect of Option exercises and/or awards under the Plan, (ii) the number and kind of shares subject to outstanding Options and/or the Option Price of such shares, (iii) the number and kind of Restricted Shares outstanding under the Plan and (iv) the number and kind of shares represented by Restricted Share Units outstanding under the Plan.

10. CONDITIONS OF ISSUANCE OF STOCK CERTIFICATES.

10.1 Applicable Conditions.

The Company shall not be required to issue or deliver any certificate for Shares under the Plan prior to fulfillment of all of the following conditions:

- (a) the completion of any registration or other qualification of such Shares, under any federal or state law, or under the rulings or regulations of the Securities and Exchange Commission or any other governmental regulatory body, that the Board shall, in its sole discretion, deem necessary or advisable;
- (b) the obtaining of any approval or other clearance from any federal or state governmental agency that the Board shall, in its sole discretion, determine to be necessary or advisable;
- (c) the lapse of such reasonable period of time following the event triggering the obligation to distribute shares as the Board from time to time may establish for reasons of administrative convenience;
- (d) satisfaction by the Participant of any applicable withholding taxes or other withholding liabilities; and
- (e) if required by the Board, in its sole discretion, the receipt by the Company from a Participant of (i) a representation in writing that the Shares received

pursuant to the Plan are being acquired for investment and not with a view to distribution and (ii) such other representations and warranties as are deemed necessary by counsel to the Company.

10.1 Legends.

The Company reserves the right to legend any certificate for Shares, conditioning sales of such shares upon compliance with applicable federal and state securities laws and regulations.

11. PAYMENT OF WITHHOLDING AND PAYROLL TAXES.

Subject to the requirements of Section 16(b) of the Exchange Act, the Board shall have discretion to permit or require a Participant, on such terms and conditions as it determines, to pay all or a portion of any taxes arising in connection with an Option or other award under the Plan by having the Company withhold Shares or by the Participant's delivering other Shares having a then-current Fair Market Value equal to the amount of taxes to be withheld. In the absence of such withholding or delivery of Shares, the Company shall otherwise withhold from any payment under the Plan all amounts required by law to be withheld.

12. NO RIGHTS TO SERVICE.

Nothing in the Plan or in any grant made or Agreement entered into pursuant hereto shall confer upon any Participant the right to continue service as a member of the Board or to be entitled to any remuneration or benefits not set forth in the Plan or such Agreement.

13. AMENDMENT AND TERMINATION OF THE PLAN.

The Board, at any time and from time to time, may suspend, terminate, modify or amend the Plan; provided, however, that an amendment which requires stockholder approval for the Plan to continue to comply with any law, regulation or stock exchange requirement shall not be effective unless approved by the requisite vote of stockholders. No suspension, termination, modification or amendment of the Plan shall adversely affect any grants previously made, unless the written consent of the Participant is obtained.

14. TERM OF THE PLAN.

The Plan, as amended effective May 17, 1998, shall terminate on May 17, 2008. No grants may be made after such termination, but termination of the Plan shall not, without the consent of any Participant who then holds Options or Restricted

Shares or to whom Restricted Share Units are then credited, alter or impair any rights or obligations in respect of such Options, Restricted Shares or Restricted Share Units.

15. GOVERNING LAW.

The Plan and the rights of all persons claiming hereunder shall be construed and determined in accordance with the laws of the State of Delaware without giving effect to the choice of law principles thereof, except to the extent that such laws are preempted by Federal law.

AMENDED AND RESTATED COLUMBIA/HCA HEALTHCARE CORPORATION
1995 MANAGEMENT STOCK PURCHASE PLAN

1. PURPOSES; CONSTRUCTION.

This Plan shall be known as the "Amended and Restated Columbia/HCA Healthcare Corporation 1995 Management Stock Purchase Plan" and is hereinafter referred to as the "Plan." The purposes of the Plan are to attract and retain highly-qualified executives, to align executive and stockholder long-term interests by creating a direct link between executive compensation and stockholder return, to enable executives to develop and maintain a substantial equity-based interest in Columbia/HCA Healthcare Corporation (the "Company"), and to provide incentives to such executives to contribute to the success of the Company's business. The provisions of the Plan are intended to satisfy the requirements of Section 16(b) of the Securities Exchange Act of 1934, as amended from time to time (the "Exchange Act"), and shall be interpreted in a manner consistent with the requirements thereof, as now or hereafter construed, interpreted and applied by regulation, rulings and cases.

The terms of the Plan shall be as set forth below, effective January 1, 1998.

2. ADMINISTRATION OF THE PLAN.

- (a) The Plan shall be administered by the Compensation Committee (the "Committee") which consists of two or more directors of the Company, none of whom shall be officers or employees of the Company and all of whom shall be "Non-Employee Directors" with respect to the Plan within the meaning of Rule 16b-3 under the Exchange Act. The members of the Committee shall be appointed by and serve at the pleasure of the Board of Directors.
- (b) The Committee shall have plenary authority in its discretion, but subject to the express provisions of the Plan, to administer the Plan and to exercise all the powers and authorities either specifically granted to it under the Plan or necessary or advisable in the administration of the Plan, including, without limitation, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, to determine the terms and provisions of the Agreements (which need not be identical) and to make all other determinations deemed necessary or advisable for the administration of the Plan. The Committee's determinations on the foregoing matters shall be final and conclusive.
- (c) No member of the Board or the Committee shall be liable for any action taken or determination made in good faith with respect to the Plan or any grant hereunder.

3. DEFINITIONS.

As used in this Plan, the following words and phrases shall have the meanings indicated:

- (a) "Agreement" shall mean an agreement entered into between the Company and a Participant in connection with a grant under the Plan.
- (b) "Average Market Value" of a Share on any grant date shall mean the average of the closing prices on the New York Stock Exchange Composite Transactions Tape (or its equivalent if the Shares are not traded on the New York Stock Exchange) of a Share for all of the trading days (including the grant date, if a trading day) after the next preceding grant date; provided, however, that for the grant date occurring on June 30, 1998, "Average Market Value" shall mean such average for all of the trading days (including June 30, 1998, if a trading day) for the period after March 1, 1998.
- (c) "Board " shall mean the Board of Directors of the Company.
- (d) "Annual Bonus" shall mean the bonus earned by a Participant under the Annual Bonus Plan.
- (e) "Annual Bonus Plan" shall mean the Columbia/HCA Healthcare Corporation Annual Incentive Plan, as amended from time to time.
- (f) "Cause" shall mean the Participant's fraud, embezzlement, defalcation, gross negligence in the performance or nonperformance of the Participant's duties or failure or refusal to perform the Participant's duties (other than as a result of Disability) at any time while in the employ of the Company or a Subsidiary.
- (g) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.
- (h) "Committee" shall mean the Compensation Committee of the Board.
- (i) "Company" shall mean Columbia/HCA Healthcare Corporation, a Delaware corporation, or any successor corporation.
- (j) "Disability" shall mean a Participant's total and permanent inability to perform his or her duties with the Company or any Subsidiary by reason of any medically determinable physical or mental impairment, within the meaning of Code Section 22(e)(3).
- (k) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time and as now or hereafter construed, interpreted and applied by regulations, rulings and cases.
- (l) "Fair Market Value" per Share, Restricted Share or Restricted Share Unit shall mean the closing price on the New York Stock Exchange Composite Transactions Tape (or its equivalent if the Shares are not traded on the New York Stock

Exchange) of a Share for the relevant valuation date (or next preceding trading day, if such valuation date is not a trading day).

- (m) "Participant" shall mean a person who receives a grant of Restricted Shares under the Plan.
- (n) "Participating Subsidiary" shall mean any Subsidiary that is designated by the Committee or Board to be a participating employer under the Plan.
- (o) "Plan" shall mean the Amended and Restated Columbia/HCA Healthcare Corporation 1995 Management Stock Purchase Plan, as in effect from time to time.
- (p) "Restricted Period" shall have the meaning given in Section 6(b) hereof.
- (q) "Restricted Share" or "Restricted Shares" shall mean the common stock purchased hereunder subject to restrictions.
- (r) "Restricted Share Unit" or "Restricted Share Units" shall have the meaning given in Section 6(e) hereof.
- (s) "Rule 16b-3" shall mean Rule 16b-3, as in effect from time to time, promulgated by the Securities and Exchange Commission under Section 16 of the Exchange Act, including any successor to such Rule.
- (t) "Section 16 Person" shall mean a Participant who is subject to the reporting and short-swing liability provisions of Section 16 of the Exchange Act.
- (u) "Shares" shall mean the voting shares of common stock of the Company, with a par value of \$.01 per share.
- (v) "Subsidiary" shall mean any subsidiary of the Company (whether or not a subsidiary as of the date the Plan is adopted).

4. STOCK SUBJECT TO PLAN.

The maximum number of Shares which shall be distributed as Restricted Shares under the Plan shall be 3,000,000 Shares, which number shall be subject to adjustment as provided in Section 8 hereof. Such Shares may be either authorized but unissued Shares or Shares that shall have been or may be reacquired by the Company.

If any outstanding Restricted Shares under the Plan shall be forfeited and reacquired by the Company, the Shares so forfeited shall (unless the Plan shall have been terminated) again become available for use under the Plan.

5. ELIGIBILITY.

All officers of the Company and each Participating Subsidiary shall be eligible to become Participants in the Plan.

Prior to 1998, each Participant could elect to receive, in lieu of a specified portion of his or her Annual Bonus, Restricted Shares granted pursuant to, and subject to the terms and conditions of, the Plan. Any Restricted Shares held on January 1, 1998 by Participants (or to be granted with respect to the 1997 Annual Bonus), on account of such prior elections, shall continue to be subject to the terms and conditions of the Plan applicable to such Restricted Shares.

Effective beginning with the calendar year 1998, each Participant may elect to reduce his base salary by a specified percentage thereof (not to exceed 25%) and, in lieu of receiving such salary, receive a number of Restricted Shares equal to the amount of such salary reduction divided by a dollar amount equal to 75% of the Average Market Value of a Share on the date on which such Restricted Shares are granted. Any such election shall be effective beginning with the first pay period that ends after January 1 of the calendar year next following the calendar year in which such election is made (and shall become irrevocable on December 31 of the calendar year in which it is made); provided, however, that any election filed on or

before March 13, 1998 shall become effective as of the first pay period ending after March 1, 1998. Any cancellation of, or other change in, any such salary reduction election shall become effective as of the first pay period ending after January 1 of the calendar year next following the calendar year in which notice of such cancellation or change is filed (and any such notice shall become irrevocable on December 31 of the calendar year in which it is filed).

Any salary reduction hereunder shall apply ratably to the Participant's salary for each pay period covered by such election. Restricted Shares shall be granted in respect of such salary reductions on June 30 and December 31 of each calendar year. The number of Restricted Shares granted on each such date shall be based upon the aggregate salary reduction for pay periods ending since the next preceding grant date and 75% of the Average Market Value of a Share on such grant date.

In the event that a Participant who has elected salary reductions hereunder shall terminate employment before Restricted Shares are granted in respect of all such salary reductions, any salary reduction amounts in respect of which Restricted Shares have not been granted by the date of Participant's termination of employment shall be returned to Participant promptly in cash.

6. RESTRICTED SHARES.

Each grant of Restricted Shares under the Plan shall be evidenced by a written Agreement between the Company and Participant, which shall be in such form as the Committee shall from time to time approve and shall comply with the following terms and conditions (and with such other terms and conditions not inconsistent with such terms as the Committee, in its discretion, may establish):

- (a) NUMBER OF SHARES. Each Agreement shall state the number of Restricted Shares to be granted thereunder.
- (b) RESTRICTED PERIOD. Subject to such exceptions as may be determined by the Committee in its discretion, the Restricted Period for Restricted Shares granted under the Plan shall be three (3) years from the date of grant.
- (c) OWNERSHIP AND RESTRICTIONS. At the time of grant of Restricted Shares, a certificate representing the number of Restricted Shares granted shall be registered in the name of the Participant. Such certificate shall be held by the Company or any custodian appointed by the Company for the account of the Participant subject to the terms and conditions of the Plan, and shall bear such legend setting forth the restrictions imposed thereon as the Committee, in its discretion, may determine. The Participant shall have all rights of a stockholder with respect to such Restricted Shares, including the right to receive dividends and the right to vote such Restricted Shares, subject to the following restrictions: (i) the Participant shall not be entitled to delivery of the stock certificate until the expiration of the Restricted Period and the fulfillment of any other restrictive conditions set forth in this Plan or the Agreement with respect to such Restricted Shares; (ii) none of the Restricted Shares may be sold, assigned, transferred, pledged, hypothecated or otherwise encumbered or disposed of (except by will or the applicable laws of descent and distribution) during such Restricted Period or until after the fulfillment of any such other restrictive conditions; and (iii) except as otherwise determined by the Committee, all of the Restricted Shares shall be forfeited and all rights of the Participant to such Restricted Shares shall terminate, without further obligation on the part of the Company, unless the Participant remains in the continuous employment of the Company or any subsidiaries for the entire Restricted Period and unless any other restrictive conditions relating to the Restricted Shares are met. Any common stock, any other securities of the Company and any other property (except cash dividends) distributed with respect to the Restricted Shares shall be subject to the same restrictions, terms and conditions as such Restricted Shares.
- (d) TERMINATION OF RESTRICTIONS. At the end of the Restricted Period and provided that any other restrictive conditions of the Restricted Shares are met, or at such earlier time as shall be determined by the Committee, all restrictions set forth in the Agreement relating to the Restricted Shares or in the Plan shall lapse as to the Restricted Shares subject thereto, and a stock certificate for the appropriate number of Shares, free of the restrictions and restrictive stock legend (other than as required under the Securities Act of 1933 or otherwise), shall be delivered to the Participant or his or her beneficiary or estate, as the case may be.
- (e) RESTRICTED SHARE UNITS. Notwithstanding anything elsewhere in the Plan to the contrary, if during the Restricted Period relating to a Participant's Restricted Shares the Committee shall determine that the Company may lose its Federal income tax deduction in connection with the future lapsing of the restrictions on such Restricted Shares because of the deductibility cap of section 162(m) of the Code, the Committee, in its discretion, may convert some or all of such Restricted

Shares into an equal number of Restricted Share Units, as to which payment will be postponed until such time as the Company will not lose its Federal income tax deduction for such payment under section 162(m). Until payment of the Restricted Share Units is made, the Participant will be credited with dividend equivalents on the Restricted Share Units, which dividend equivalents will be converted into additional Restricted Share Units. When payment of any Restricted Share Units is made, it will be in the same form as would apply if the Participant were then holding Restricted Shares instead of Restricted Share Units.

7. TERMINATION OF EMPLOYMENT

The following rules shall apply, in the event of a Participant's termination of employment with the Company and its Subsidiaries, with respect to Restricted Shares held by the Participant at the time of such termination:

- (a) TERMINATION OF EMPLOYMENT DURING RESTRICTED PERIOD. Except as provided herein, if during the Restricted Period for any Restricted Shares held by a Participant the Participant's employment is terminated either (i) for Cause by the Company or a Subsidiary or (ii) for any reason by the Participant, the Participant shall forfeit all rights with respect to such Restricted Shares, which shall automatically be considered to be cancelled, and shall have only an unfunded right to receive from the Company's general assets a cash payment equal to the lesser of (i) the Fair Market Value of such Restricted Shares on the Participant's last day of employment or (ii) the aggregate Annual Bonus amounts or aggregate amount of salary (as the case may be) foregone by the Participant as a condition of receiving such Restricted Shares.

Except as otherwise provided herein, if a Participant's employment is terminated by the Company or a Subsidiary without Cause during the Restricted Period for any Restricted Shares held by the Participant, the Participant shall forfeit all rights with respect to such Restricted Shares, which shall automatically be considered to be cancelled, and shall have only an unfunded right to receive from the Company's general assets a cash payment equal to either (i) the Fair Market Value of such Restricted Shares on the Participant's last day of employment or (ii) the aggregate Annual Bonus amounts or aggregate amount of salary (as the case may be) foregone by the Participant as a condition of receiving such Restricted Shares, with the Committee to have the sole discretion as to which of such amounts shall be payable. The Committee shall be considered to have delegated its authority to determine the amount of payment pursuant to this Section 7(a) Paragraph 2 to the Chief Executive Office of the Company as it relates to Non-Section 16 Persons, which authority is revocable at any time.

If the employment of a Participant holding Restricted Share Units terminates during the Restricted Period relating to such Restricted Share Units, they shall be treated in a manner substantially equivalent to the treatment of Restricted Shares set forth above.

- (b) ACCELERATED LAPSE OF RESTRICTIONS. Upon a termination of employment which results from a Participant's death or Disability, all restrictions then outstanding with respect to Restricted Shares held by such Participant shall automatically expire and be of no further force and effect.
- (c) RETIREMENT OF PARTICIPANT. Upon the retirement of a Participant, the Committee shall determine, in its discretion, whether all restrictions then outstanding with respect to Restricted Shares held by the Participant shall expire or the Participant shall instead be treated as though the Participant's employment had been terminated by the Company without Cause, as described above.

8. DILUTION AND OTHER ADJUSTMENTS.

In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split, or other change in corporate structure affecting the Shares, such substitution or adjustment shall be made in the aggregate number of Shares that may be distributed as Restricted Shares under the Plan and the number of Restricted Shares outstanding under the Plan as may be determined to be appropriate by the Committee in its sole discretion; provided, however, that the number of Shares thus subject to the Plan shall always be a whole number.

9. PAYMENT OF WITHHOLDING AND PAYROLL TAXES.

Subject to the requirements of Section 16(b) of the Exchange Act, the Committee shall have discretion to permit or require a Participant, on such terms and conditions as it determines, to pay all or a portion of any taxes arising in connection with a grant of Restricted Shares hereunder, or the lapse of restrictions with respect thereto, by having the Company withhold Shares or by the Participant's delivering other Shares having a then-current Fair Market Value equal to the amount of taxes to be withheld. In the absence of such withholding or delivery of Shares, the Company shall otherwise withhold from any payment under the Plan all amounts required by law to be withheld.

10. NO RIGHTS TO EMPLOYMENT.

Nothing in the Plan or in any grant made or Agreement entered into pursuant hereto shall confer upon any Participant the right to continue in the employ of the Company or any Subsidiary or to be entitled to any remuneration or benefits not set forth in the Plan or such Agreement, or interfere with, or limit in any way, the right of the Company or any Subsidiary to terminate such Participant's employment. Grants made under the Plan shall not be affected by any change in duties or position of a Participant as long as such Participant continues to be employed by the Company or a Subsidiary.

11. AMENDMENT AND TERMINATION OF THE PLAN.

The Board, at any time and from time to time, may suspend, terminate, modify or amend the Plan; provided, however, that an amendment which requires stockholder approval for the Plan to continue to comply with any law, regulation or stock exchange requirement shall not be effective unless approved by the requisite vote of stockholders. No suspension, termination, modification or amendment of the Plan may adversely affect any grants previously made, unless the written consent of the Participant is obtained.

12. TERM OF THE PLAN.

The Plan shall terminate ten years from the date that the Plan was originally approved by the Board. No other grants may be made after such termination, but termination of the Plan shall not, without the consent of any Participant who then holds Restricted Shares or to whom Restricted Share Units are then credited, alter or impair any rights or obligations in respect of such Restricted Shares or Restricted Share Units.

13. GOVERNING LAW.

The Plan and the rights of all persons claiming hereunder shall be construed and determined in accordance with the laws of the State of Delaware without giving effect to the choice of law principles thereof, except to the extent that such laws are preempted by Federal law.

COLUMBIA/HCA HEALTHCARE CORPORATION
PERFORMANCE EQUITY INCENTIVE PLAN

Purpose of the Plan

- - - - -

The Performance Equity Incentive Plan ("Plan") is established to encourage outstanding performance of employees who are in a position to make substantial contributions to the success of the Company. This plan is governed by the Columbia/HCA Healthcare Corporation 1992 Stock and Incentive Plan.

Participation

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Eligibility to participate in the Plan shall be extended generally to all full time regular/corporate payroll Director and above with at least three months employment in the fiscal year ("Participants") subject to approval by the CEO of Columbia/HCA Healthcare Corporation. For a Participant added during the Fiscal Year, the consideration shall be determined pursuant to the Plan and prorated. Proration may also apply to employees who transfer to a position eligible for a different incentive target. In general, the targets for this plan are approximately 50% of the Participants' 1997 incentive target.

Incentive Calculation and Payment

- - - - -

Plan payments for Participants are based on a combination of financial/non financial measurements (see chart below). As soon as practical, after the Fiscal Year, when the financial results of the Company are known, the appropriate senior officer will review and recommend plan payments. The Committee may make adjustments to performance targets deemed necessary to avoid unwarranted penalties or windfalls. Such adjustments will recognize uncontrollable outside factors and will be kept to a minimum. Payments shall be made as soon as practicable, after the annual audit report has been issued, but in no event later than three months after the Fiscal Year. Payments will be in the form of restricted stock that will vest at 50% per year over the following two years. This Plan is not a "qualified" plan for tax purposes, and any payments are subject to tax withholding requirements.

		FINANCIAL			QUALITY			
		SALARIES WAGES BENEFITS	AR DAYS/ BAD DEBT	EMPLOYEE SAT	PATIENT SAT	PHYSICIAN SAT	CLINICAL QUALITY	OTHER
Corporate	16.66%	16.66%	16.66%					50%
OPERATIONS	16.66%	16.66%	16.66%	16.66%	16.66%	16.66%	*	

*Clinical quality indicators will be used for informational purposes only in 1998.

Termination of Participant

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In the event a payment is due pursuant to the Plan and a Participant's employment with the Company is terminated prior to the payment by reason of retirement, total and permanent disability or death, such Participant (or estate in the event of death) shall receive a pro rata payment as soon as practical after the Fiscal Year, but in no event later than the three months after the Fiscal Year. The Committee or it's designee shall have authority to accelerate vesting on all unvested shares. A Participant who is otherwise voluntarily or involuntarily separated prior to the payment of any Incentive Compensation shall cease to be a Participant and shall not have earned any right to receive any payments pursuant to the Plan. In addition, a Participant will forfeit all unvested shares at the time of separation.

SEPARATION AGREEMENT
and GENERAL RELEASE

This Agreement is entered into this 17th day of October, 1997, by and between Don Steen (hereinafter "Employee") and Galen Health Care, Inc. (hereinafter "Company").

In consideration of Employee's agreement to the terms set forth below, and the mutual benefits to be derived hereunder, it is agreed as follows:

All payments are subject to withholding for federal income tax, FICA, and other deductions required by law or regulation.

1. Employee is to receive payment equivalent to three year's salary (\$1,521,000) plus equivalent incentive compensation for three years (\$760,500) and an incentive compensation payment (\$126,750) pro-rated for the period July 1 through December 31, 1997 (date of resignation) for a total of two million four hundred eight thousand two hundred fifty dollars (\$2,408,250). Thereafter Employee will be engaged as an independent contractor as described in the attached Consulting Agreement. Payment will be made within ten (10) days following the Company's notice to terminate the Consulting Agreement or June 30, 1998, whichever occurs first.
2. In addition to the consideration described above, Employee is to receive \$87,750 payment for all unused Paid Time Off (PTO). Payment shall be paid in a lump sum within 10 days of the effective date of Employee's resignation.
3. Vested options may be exercised in accordance with plan provisions.
4. Restricted shares under the 1995 Management Stock Purchase Plan are to be refunded in accordance with plan provisions.
5. Employee is to receive \$7,670 in consideration of COBRA health and dental insurance continuation for eighteen months. Payment shall be paid in a lump sum within 10 days of the effective date of Employee's resignation.
6. In addition to the consideration described above, Employee is to receive \$35,000 in consideration of relocation expenses. Payment shall be paid in a lump sum within 10 days of the effective date of Employee's resignation.
7. In addition to the consideration described above, Employee is to receive \$5,000 in consideration of outplacement services. Payment shall be paid in a lump sum within 10 days of the effective date of Employee's resignation.

The foregoing is in consideration of Employee's agreement that all promises set forth herein are accepted in full and final release and settlement of any and all claims of any type relating to Employee's employment or the operation of the Company which Employee ever had or may now have against Company, or any of its successors, purchasers, subsidiaries, assigns, affiliates, or parent, and the officers, agents, directors, or employees of any of them. Employee hereby agrees to make himself available at the request of the Company, at reasonable times and upon reasonable notice, to assist the Company on matters the Company shall designate in connection with issues involving litigation, compliance and/or any governmental or other investigations involving the Employee's tenure as an employee. Nothing in this statement shall require the Employee to act contrary to the advice of counsel. Employee shall be indemnified by the Company in accordance with, and to the fullest extent allowed by, the provisions of Delaware law and Article Sixteenth of the Restated Certificate of Incorporation of the Company and will be provided advancement of legal fees and costs to the extent provided therein. It is further agreed that the terms of this agreement will not be revealed to any person not a party to it, other than as required by law and except for legal and financial advisors. Employee also agrees to expressly waive any rights under any other programs or agreements between Employee and Company including its parent other than as set forth herein or as provided for under existing company benefit plans. It is the intention of both parties that the terms and conditions set forth in this Separation Agreement and General Release shall supersede the terms and conditions of Employee's existing Employment Agreement with Medical Care America Inc. dated November 15, 1993.

Also, in consideration of the agreements set forth herein, Employee agrees to bring no lawsuits, claims, or charges of any kind relating to his employment or separation from employment including, but not limited to claims under the Age Discrimination in Employment Act. Employee acknowledges to have read this agreement/release and to understand all of its terms. Each party agrees to not make any disparaging remarks regarding the other party. Employee further acknowledges to have been informed of the right to agree or not agree to the terms set forth herein and has executed this agreement voluntarily with full knowledge of its significance and consequences. Employee acknowledges to have been offered at least twenty-one (21) days to consider the terms and conditions of this document but has voluntarily chosen to execute the document on the date of its execution, as evidenced by his signature. In addition, Company and Employee agree that Employee has seven (7) days following the execution of this document in which to revoke this agreement by written notice.

This agreement/release is binding on and shall inure to the benefit of Company,

its parent and its successors and/or assigns.

If you agree to all of the terms and conditions set forth herein, please signify by your signature below, and steps will be taken to implement this agreement.

I acknowledge that I have read the foregoing, have had ample time to consider it, including ample time to consult with counsel, and voluntarily agree to all terms set forth herein.

/s/ Don Steen

10/20/97

Employee

Date

/s/ Neil Hemphill

10/17/97

Company

Date

SEPARATION AGREEMENT
and GENERAL RELEASE

This Agreement is entered into this 12h day of September, 1997, by and between Dan Moen (hereinafter "Employee") and Galen Health Care, Inc. (hereinafter "Company").

In consideration of Employee's agreement to the terms set forth below, and the mutual benefits to be derived hereunder, it is agreed as follows:

All payments are subject to withholding for federal income tax, FICA, and other deductions required by law or regulation.

1. Employee's effective date of resignation is to be within thirty (30) days following the closing of the transactions to divest or joint venture the Value Health subsidiaries to include; Value Behavioral Health, and Value Rx unless Employee accepts a new position with the Company.
2. Employee is to receive payment equivalent to three year's salary (\$1,200,000) plus equivalent incentive compensation for three years (\$600,000) and a pro-rated (assuming 6/12 with closing no earlier than December 1, 1997) incentive compensation payment for 1997 (\$100,002) for a total of one million nine hundred thousand two dollars (\$1,900,002). Both parties agree that this sum is correct for this example. Payment shall be paid in a lump sum within 10 days of the effective date of Employee's resignation.
3. In addition to the consideration described above, Employee is to receive \$57,693 payment for all unused Paid Time Off (PTO). Payment shall be paid in a lump sum within 10 days of the effective date of Employee's resignation.
4. Vested options may be exercised in accordance with plan provisions.
5. In addition to the consideration described above, Employee is to receive \$7,761 in consideration of COBRA health and dental insurance continuation for eighteen months. Payment shall be paid in a lump sum within 10 days of the effective date of Employee's resignation.
6. In addition to the consideration described above, Employee is to receive \$35,000 in consideration of relocation expenses. Payment shall be paid in a lump sum within 10 days of the effective date of Employee's resignation.
7. In addition to the consideration described above, Employee is to receive \$5,000 in consideration of outplacement services. Payment shall be paid in a lump sum within 10 days of the effective date of Employee's resignation.
8. In addition to the consideration described above, Employee shall receive a cash payment equal to either (i) the Fair Market Value on the last day of employment or (ii) the aggregate amount of the Annual Bonus applied to the receipt, in either case, of all Restricted Shares held by Employee. Payment shall be paid in accordance with plan provisions.
9. Employee agrees to sell and the Company agrees to purchase Employee's minority ownership interest in nine (9) Columbia affiliated companies in Florida at fair market value and in as expeditious a manner as possible, consistent with similarly situated employees.

The foregoing is in consideration of Employee's agreement that all promises set forth herein are accepted in full and final release and settlement of any and all claims of any type relating to Employee's employment or the operation of the Company which Employee ever had or may now have against Company, or any of its successors, purchasers, subsidiaries, assigns, affiliates, or parent, and the officers, agents, directors, or employees of any of them. Employee hereby agrees to make himself available at the request of the Company, at reasonable times and upon reasonable notice, to assist the Company on matters the Company shall designate in connection with issues involving litigation, compliance and/or any governmental or other investigations involving the Employee's tenure as an employee. Nothing in this statement shall require the Employee to act contrary to the advice of counsel. Employee shall be indemnified by the Company in accordance with, and to the fullest extent allowed by, the provisions of Delaware law and Article Sixteenth of the Restated Certificate of Incorporation of the Company and will be provided advancement of legal fees and costs to the fullest extent provided therein. It is further agreed that the terms of this agreement will not be revealed to any person not a party to it, other than as required by law and except for spouse and legal and financial advisors. Employee also agrees to expressly waive any rights under any other programs or agreements between Employee and Company including its parent other than as set forth herein or as provided for under existing company benefit plans including, but not limited to Employee's 401 (k) plan and Stock Purchase Plan.

Also, in consideration of the agreements set forth herein, Employee agrees to bring no lawsuits, claims, or charges of any kind relating to his employment or separation from employment including, but not limited to claims under the Age Discrimination in Employment Act. Employee acknowledges to have read this agreement/release and to understand all of its terms. Each party agrees to not

make any disparaging remarks regarding the other party. Employee further acknowledges to have been informed of the right to agree or not agree to the terms set forth herein and has executed this agreement voluntarily with full knowledge of its significance and consequences. Employee acknowledges to have been offered at least twenty-one (21) days to consider the terms and conditions of this document but has voluntarily chosen to execute the document on the date of its execution, as evidenced by his signature. In addition, Company and

Employee agree that Employee has seven (7) days following the execution of this document in which to revoke this agreement by written notice.

This agreement/release is binding on and shall inure to the benefit of Company, its parent and its successors and/or assigns.

If you agree to all of the terms and conditions set forth herein, please signify by your signature below, and steps will be taken to implement this agreement.

I acknowledge that I have read the foregoing, have had ample time to consider it, including ample time to consult with counsel, and voluntarily agree to all terms set forth herein.

/s/ Don Moen

9/15/97

Employee

Date

/s/ Neil Hemphill

9/17/97

Company

Date

Amendment to Separation Agreement and General Release

This is an amendment to the above Agreement which was entered in of on the 12/th/ day September 1997, by and between Dan Moen (hereinafter "Employee") and Galen Health Care, Inc. (hereinafter "Company"). Employee will immediately assume additional responsibilities dealing with managed care activities within the company. It is understood that these new responsibilities do not constitute Employee accepting a new position with the Company as referenced in the Separation Agreement and General Release. Specifically, no terms or provisions of that Agreement are modified or changed in anyway as result of employee assuming these additional managed care responsibilities. I acknowledge that I have read the foregoing and voluntarily agree to the terms set forth herein.

/s/ Dan Moen

2/27/98

Employee-----
Date

/s/ Neil Hemphill

2/27/98

Company-----
Date

COLUMBIA/HCA HEALTHCARE CORPORATION
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
 (UNAUDITED)
 (DOLLARS IN MILLIONS)

	YEARS ENDED DECEMBER 31,				
	1997	1996	1995	1994	1993
EARNINGS					
Income from continuing operations before minority interests and income taxes.....	\$ 538	\$2,583	\$1,827	\$1,580	\$1,230
Fixed charges, exclusive of capitalized interest.....	629	616	583	491	497
	<u>\$1,167</u>	<u>\$3,199</u>	<u>\$2,410</u>	<u>\$2,071</u>	<u>\$1,727</u>
	=====	=====	=====	=====	=====
FIXED CHARGES					
Interest charged to expense.....	\$ 493	\$ 488	\$ 458	\$ 387	\$ 415
Interest portion of rental expense and amortization of deferred loan costs.....	136	128	125	104	82
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
Fixed charges, exclusive of capitalized interest.....	629	616	583	491	497
Capitalized interest.....	15	25	28	15	22
	<u>\$ 644</u>	<u>\$ 641</u>	<u>\$ 611</u>	<u>\$ 506</u>	<u>\$ 519</u>
	=====	=====	=====	=====	=====
Ratio of earnings to fixed charges.....	1.81	4.99	3.94	4.09	3.33
	=====	=====	=====	=====	=====

March 25, 1998

Mr. Kenneth C. Donahey
Senior Vice President and Controller
Columbia/HCA Healthcare Corporation
One Park Plaza
Nashville, Tennessee 37203

Dear Mr. Donahey:

Note 11 of Notes to Consolidated Financial Statements of Columbia/HCA Healthcare Corporation (the Company) included in its Form 10-K for the year ended December 31, 1997 describes a change in the method of accounting for start-up costs, which include certain computer system training costs, from capitalizing and subsequently amortizing the costs to expensing the costs as incurred. You have advised us that you believe that the change is to a preferable method in your circumstances because of the changes in the Company's business strategy and recent guidance issued by accounting and reporting standard setting authorities, including the Financial Accounting Standards Board Emerging Issues Task Force.

We conclude that the change in the method of accounting for start-up costs is to an acceptable alternative method which, based on your business judgment to make this change for the reasons cited above, is preferable in your circumstances.

Very truly yours,

/s/ ERNST & YOUNG LLP

ALABAMA

Alabama-Tennessee Health Network, Inc.

Birmingham Outpatient Surgical Center, Inc.

Columbia/HCA Montgomery Healthcare System, Inc.

Community Hospital of Andalusia, Inc.

Columbia Andalusia Regional Hospital

Columbia Homecare-Covington

Columbia Hospice South East Alabama

Crestwood Hospital & Nursing Home, Inc.

Crestwood Hospital Holdings, Inc.

Doctor's Hospital of Mobile, Inc.

East Montgomery Medical Center, Inc.

East Montgomery Medical Center

Florence Hospital, Inc.

Columbia Florence Hospital

Four Rivers Medical Center PHO, Inc.

Galen Medical Corporation

Montgomery Regional Medical Center Allied Health Institute

ALABAMA (Cont)

Huntsville Physical Therapy, Inc.
Sports Therapy & Rehabilitation of Huntsville

Maynor Eye Center, Inc.

Medical Center Shoals, Inc.
Medical Center Shoals

Montgomery Regional Medical Center, Inc.
Columbia Regional Medical Center
Montgomery Regional Medical Center

North Alabama Healthcare System, Inc.

Northwest Medical Center, Inc. (AL)
Columbia Homecare Northwest
Northwest Medical Center (AL)

Primesource, L.L.C.

Selma Medical Center Hospital, Inc.
Columbia Homecare Camden
Columbia Homecare Demopolis
Columbia Homecare Gilbertown
Columbia Homecare Grove Hill
Columbia Homecare Selma
Four Rivers Medical Center
Linden Clinic
P.T. Plus

ALABAMA (Cont)

South Alabama Managed Care Contracting, Inc.

South Alabama Medical Management Services, Inc.

South Alabama Physician Services, Inc.

Surgicare of Huntsville, Inc.

Surgicare of Mobile, Inc.

Surgicare of Montgomery, Inc.

ALASKA

Chugach Physical Therapy, Inc.
Chugach Physical Therapy & Fitness Center

Columbia Behavioral Healthcare, Inc.
North Star Hospital

Columbia North Alaska Healthcare, Inc.

ARIZONA

Arizona ASC Management, Inc.

Columbia Arizona, Inc.

Columbia of Phoenix, Inc.

Galen of Arizona, Inc.

- Columbia Homecare [Phoenix, AZ]
- Columbia Homecare Paradise Valley
- Columbia Paradise Valley Hospital
- Doctors Medical Plaza-South
- Paradise Valley Homecare

HCA Health Services of Arizona, Inc.

Healthwest Holdings, Inc.

Hospital Corporation of Arizona

- Columbia El Dorado Hospital
- Columbia Homecare El Dorado
- ReHab Works

Hospital Corporation of Northwest, Inc.

- Northwest Medical Center

HTI Tucson Rehabilitation, Inc.

Paradise Valley Psychiatric Services, Inc.

- Paradise Valley Psychiatric Services
- Senior Horizons

Samaritan Surgicenters of Arizona, L.L.C.

Surgicare of Phoenix, Inc.

Surgicenter of Glendale, Inc.

- Glendale Surgicenter

Surgicenters of America, Inc.

- Surgicenter
- Surgicenter Pain Unit

ARKANSAS

Central Arkansas Provider Network, Inc.

Columbia El Dorado, Inc.

Columbia Health System of Arkansas, Inc.

DeQueen Health Services, Inc.

Columbia DeQueen Regional Medical Center

Columbia Homecare Broken Bow

Columbia Homecare DeQueen

Physician Management Services of DeQueen

HCA Health Services of Arkansas, Inc.

HCMH, Inc.

Columbia Homecare Camden (AR)

Columbia Homecare Glenwood

Columbia Homecare Hope

Columbia Medical Park Hospital

MCSA, L.L.C.

Medical Center of South Arkansas

Surgicare Outpatient Center of Ft. Smith, Inc.

CALIFORNIA

Amisub (Westside), Inc.

Birthing Facility of Beverly Hills, Inc.

C.H.L.H., Inc.

CFC Investments, Inc.

CH Systems

Chino Community Hospital Corporation, Inc.

Columbia Chino Valley Medical Center

Columbia Homecare Chino Valley

The Birthplace A Family Experience

Columbia Fallbrook, Inc.

Columbia Fallbrook Hospital

Columbia Good Samaritan GP, Inc.

Columbia Pacific Division, Inc.

Columbia Primecare, LLC

Columbia Psychiatric MSO, LLC

Columbia Riverside, Inc.

Columbia/HCA San Clemente, Inc.

Community Hospital of Gardena Corporation, Inc.

Encino Hospital Corporation, Inc.

Galen-Soch, Inc.

HCA Allied Health Services of San Diego, Inc.

HCA Health Services of California, Inc.

HCA Hospital Services of San Diego, Inc.

Healdsburg General Hospital, Inc.

Huntington Intercommunity Hospital

Columbia Huntington Beach Hospital and Medical Center

Huntington Beach Diagnostic Imaging Center

Integrated Management Services MSO, LLC

CALIFORNIA (Cont)

Las Encinas Hospital
Las Encinas Hospital

LE Corporation

Los Robles Regional Medical Center
Los Robles Regional Medical Center

MCA Investment Company

Mission Bay Memorial Hospital, Inc.
Columbia Homecare Mission Bay

Notami Hospitals of California, Inc.
Columbia Bay Area Healthcare Network
Columbia Good Samaritan Hospital
Columbia Homecare and Hospice
Columbia Homecare Healdsburg
Columbia Lab Link
Columbia Mission Bay Hospital
Columbia Mission Oaks Hospital
Columbia San Jose Medical Center
Columbia Sereno Surgery Center
Columbia South Valley Hospital
Columbia/Healdsburg General Hospital

Orange Surgical Services, Inc.

PPO Alliance

Psychiatric Company of California, Inc.

Riverside Healthcare System, L.L.C.
Riverside Community Hospital

Samaritan Medical Center-San Clemente, LLC
Columbia Homecare of San Clemente
Columbia San Clemente Hospital and Medical Center

San Joaquin Surgical Center, Inc.

Sebastopol Hospital Corporation
Columbia/Palm Drive Hospital

SLCO, Inc.
Columbia Homecare-San Leandro
Columbia San Leandro Surgery Center
San Leandro Hospital

CALIFORNIA (Cont)

Southwest Surgical Clinic, Inc.

Surgicare of Beverly Hills, Inc.

Surgicare of La Veta, Inc.

Surgicare of Laguna Hills, Inc.

Surgicare of Los Gatos, Inc.

Surgicare of Montebello, Inc.

Surgicare of North Anaheim, Inc.

Surgicare of Oceanside, Inc.

Surgicare of Orange, Inc.

Surgicare of San Leandro, Inc.

Surgicare of West Hills, Inc.

SurgiCenters of Southern California, Inc.

Ukiah Hospital Corporation

Visalia Community Hospital, Inc.

VMC Management, Inc.

VMC-GP, Inc.

West Anaheim Community Hospital
Columbia Homecare-West Anaheim
Columbia West Anaheim Medical Center

West Hills Hospital
Columbia West Hills Medical Center

West Los Angeles Physicians' Hospital, Inc.

Westminster Community Hospital

Westside Hospital

Woodward Park Surgicenter, Inc.

COLORADO

Bethesda Psychealth Ventures, Inc.,.

Colorado Healthcare Management, Inc.

Columbia Continental Division, Inc.

Columbia-HealthONE, LLC

Air Life, Inc.

Arapahoe Medical Plaza

Belmar Multispecialty, Inc.

Bethesda Community Mental Health Center, Inc.

Bethesda Employee Assistant Services, Inc.

Bethesda Hospital, Inc.

Bethesda Outpatient and Counseling Service, Inc.

Bethesda PsycHealth, Inc.

CallONE

Cardiology Imaging Group Corporation

Centennial Athletic Club, Inc.

Centennial Healthcare Plaza, Inc.

Center for Eating Management, Inc.

Challenge Sport and Spine Center

ChurcHealth, Inc.

ChurchHelp, Inc.

Columbia Aurora Presbyterian Hospital

Columbia Care Manor

Columbia Centennial Healthcare Plaza

Columbia Medical Center of Aurora

Columbia North Suburban Medical Center

Columbia Park Manor

Columbia Progressive Care Center

Columbia Rose Medical Center

Columbia Spalding Rehabilitation Hospital

Columbia Swedish Medical Center

Columbia Presbyterian/St. Luke's Medical Center

Columbia-HealthONE Addiction Recovery Units, Inc.

Columbia-HealthONE Aurora Eye Center, Inc.

Columbia-HealthONE Business Health Access, Inc.

Columbia-HealthONE Center for Diabetes Management, Inc.

Columbia-HealthONE Center for Emotional Growth, Inc.

Columbia-HealthONE Cosmetic Surgery Center, Inc.

Columbia-HealthONE Eating Disorders, Inc.

Columbia-HealthONE Emergency Services, Inc.

Columbia-HealthONE Health Access, Inc.

Columbia-HealthONE In Touch, Inc.

Columbia-HealthONE Optifast, Inc.

COLORADO (Cont)

Columbia-HealthONE, LLC (Cont)

Columbia-HealthONE Physician Referral Dr. Right, Inc.
Columbia-HealthONE Rocky Mountain Hernia Center, Inc.
Columbia-HealthONE Senior Citizens Health Center, Inc.
Columbia-HealthONE Sleep Disorders Center, Inc.
Columbia-HealthONE TravelCare, Inc.
Columbia-HealthONE Women's Health Access, Inc.
Columbia-HealthONE Women's Services, Inc.
Denver Broncos Sports Medicine, Inc.
HealthONE for Children
Head Pain Center
HeartONE for Children Institute
Holly Clinic, Inc.
Holly Healthcare Bryant, Inc.
Holly Healthcare Stapleton, Inc.
Holly Occupational Medicine, Inc.
HomeHealthONE, Inc.
Lifelong Choices, Inc.
Medical Business Access
Patient Care 2000, Inc.
Peak Performance in the Workplace, Inc.
Positive Lifestyles, Inc.
PresExpress
PREStaurant
PsyCare, Inc.
PsychHealth, Inc.
PsycSave, Inc.
P/SL Blood Donor Center, Inc.
P/SL Bone Marrow Transplant Program, Inc.
P/SL Cardiac Emergency Network, Inc.
P/SL Community Health Services, Inc.
P/SL Hyperbaric Oxygen Medicine, Inc.
P/SL Institute for Limb Preservation, Inc.
P/SL Kidney-Pancreas Transplant Program, Inc.
P/SL Magnetic Resonance Imaging, Inc.
P/SL Medical Center for Children
P/SL Mile High Medical Arts Building, Inc.
P/SL Transplant Program, Inc.
P/SL Professional Pharmacy, Inc.
P/SL Women's and Children's Hospital, Inc.
RapidCare, Inc.
Rocky Mountain Children's Cancer Center, Inc.
Rocky Mountain Gastrointestinal Motility Clinic, Inc.
Rocky Mountain Neurology Center, Inc.
Senior Health Access, Inc.
St. Luke's Professional Plaza, Inc.
Support Line, Inc.
The Denver Spine Institute, Inc.
The Lactation Program, Inc.
The Parent Line, Inc.
Timberline Medical Center, Inc.
United SeniorCare, Inc.
United Services Medical Clinic
Your Partner in Health Care

COLORADO (Cont)

Columbia/HCA of Denver, Inc.

Columbia/Rose Health System, Inc.

Columbine Psychiatric Center, Inc.

Galen of Aurora, Inc.

Aurora Physicians Building

Health Care Indemnity, Inc.

Hospital-Based CRNA Services, Inc.

Lakewood Surgicare, Inc.

MOVCO, Inc.

Rose Medical Center, Inc.

Rose Medical Center

Surgicare of Denver Mid-Town, Inc.

Surgicare of Southeast Denver, Inc.

Swedish Medpro, Inc.

Swedish MOB, LLC

Swedish MOB III, Inc.

Swedish MOB IV, Inc.

DELAWARE

Alice Physicians and Surgeons Hospital, Inc.
Alice Regional Hospital
Columbia Alice Physicians & Surgeons Hospital

AlternaCare Corp.
Diablo Valley Surgery Center

Amedicorp, Inc.
Columbia The Surgery Center Imaging
Imaging and Surgery Centers of America

American Medicorp Development Co.
Columbia County Medical Plaza
Doctors Medical Plaza-North
Duluth MedPlus
East Ridge Doctors Building
East Ridge Professional Building
Enterprise Medical Plaza
Humana Hospital-South Broward
Lilburn MedPlus
MetroImaging
Roswell MedPlus

BMC-CT, Inc.

C/HCA Capital, Inc.

C/HCA Holding Corporation

DELAWARE (Cont)

C/HCA, Inc.

Central Health Holding Company, Inc.

Central Health Services Hospice, Inc.

CHC Finance Co.

CHC Holdings, Inc.

CHC Payroll Agent, Inc.

Coastal Bend Hospital, Inc.

Columbia North Bay Hospital

Coastal Healthcare Services, Inc.

Columbia Bethany GP, Inc.

Columbia Bethany Holdings, Inc.

Columbia Davis GP, Inc.

Columbia GP, Inc.

Columbia Healthcare Network of Central Kentucky, Inc.

Columbia Homecare Group, Inc.

KeyStone Integrated Home Care

Home Health Link

Premier Health Care

DELAWARE (Cont)

Columbia Hospital Corporation of Fort Worth

Columbia Hospital Corporation of Houston
Columbia Bellaire Medical Center
Heights Home Health

Columbia Hospital Corporation - Delaware

Columbia International Holdings, Inc.

Columbia Lake Area GP, Inc.

Columbia Longview GP, Inc.

Columbia Management Companies, Inc.

Columbia of Tucson GP, Inc.

Columbia Olympia Management, Inc.

Columbia Sentinel GP, Inc.

Columbia/HCA Middle East Management Company

DELAWARE (Cont)

CoralStone Management, Inc.

Danforth Hospital, Inc.

Columbia Homecare Mainland

Columbia Mainland Medical Center

Delaware Psychiatric Company, Inc.

Rockford Center

DHL Corporation

Doctors Hospital of Augusta, Inc.

Augusta Diagnostic Associates

Columbia Augusta Medical Center

Columbia County Urgent Care Center

West Augusta Imaging Center

West Augusta Radiation Oncology Center

Doctors' Hospital of Laredo, Inc.

Drake Development Company

DELAWARE (Cont)

Drake Development Company II

Drake Development Company III

Drake Development Company IV

Drake Development Company V

Drake Development Company VI

Drake Management Company

EarthStone HomeHealth Company

Edison Homes-Southeast, Inc.

EPIC Development, Inc.

EPIC Diagnostic Centers, Inc.

First Care Medical Clinic

EPIC Healthcare Group, Inc.

EPIC Healthcare Management Company

EPIC Healthcare Group

EPIC Holdings, Inc.

DELAWARE (Cont)

EPIC Surgery Centers, Inc.

Extendicare Properties, Inc.

Forest Park Surgery Pavilion, Inc.

Fort Bend Hospital, Inc.

Columbia Fort Bend Medical Center

Galen BH, Inc.

Galen Health Care, Inc.

Brandenburg Primary Care Center

Columbia/Galen

Columbia Homecare Palm Drive

Jefferson Medical Associates

Medical Plaza Southwest

North Suburban Medical Center, Inc.

San Leandro Medical Center Professional Building

Sebastian Hospital

Galen Holdings, Inc.

Galen Hospital Alaska, Inc.

Columbia Alaska Regional Hospital

Galen Hospital Corporation, Inc.

Columbia Women's Hospital of Indianapolis

Floresville Medical Clinic

Southwest Fertility Institute

Township Line Pharmacy

DELAWARE (Cont)

Galendeco, Inc.

General Health Services, Inc.
Columbia Edmond Medical Center
Columbia Homecare-West
Columbia Wagoner Hospital

GPCH Management, Inc.

Greene & Kellogg, Inc.

Greystone Healthcare, Inc.

H.H.U.K., Inc.

HCA-Hospital Corporation of America

HCA Health Services of Midwest, Inc.
Columbia Family Clinic
Columbia Health System of Arkansas
Columbia Weber Clinic

HCA Investments, Inc.

DELAWARE (Cont)

HCA Psychiatric Company (DE)

HCA Wesley Rehabilitation Hospital, Inc.

HCA, Inc.

Health Services (Delaware), Inc.

Health Services Acquisition Corp.

Healthcare Technology Assessment Corporation

Healthtrust, Inc.- The Hospital Company

Hearthstone Home Health, Inc.

Integrated Home Health

Hospital Development Properties, Inc.

Columbia Edmond Medical Building

Murchison Medical Building

Murchison Medical Plaza

Integrated Health Corporation

Katy Medical Center, Inc.

Columbia Katy Medical Center

DELAWARE (Cont)

Lake City Health Centers, Inc.

Loon Investments, Inc.

Mallard Finance Company

Managed Prescription Network, Inc.
Columbia Pharmacy Solutions

Medical Arts Hospital of Texarkana, Inc.
Columbia Homecare Northeast Texas
Columbia Homecare Texarkana
Columbia Medical Arts Hospital (Texarkana)

Medical Care America, Inc.

Medical Care Financial Services Corp.

Medical Care International, Inc.

Medical Care Real Estate Finance, Inc.

Medical Corporation of America

Medical Specialties, Inc.
Coral Springs Family Medicine
Park Medical Center
Parkway Medical Associates

DELAWARE (Cont)

Medistone Healthcare Ventures, Inc.
Columbia Homecare
Columbia Hospice

Medistone Management Company

MediVision of Mecklenburg County, Inc.

MediVision of Tampa, Inc.

MediVision, Inc.
Columbia Lake Worth Surgery Center
Columbia MediVision of Charlotte
Columbia MediVision of Greensboro
Columbia MediVision of Hickory
Columbia MediVision of Southern Pines
Omni Eye Services
The Eye Institute of Southern Arizona
The Eye Surgery Center of the Rio Grande Valley

DELAWARE (Cont)

MedNet USA, Inc.

Mid-Continent Health Services, Inc.
Columbia Medical Supply/Pharmacy

Mobile Corps, Inc.

MRT&C, Inc.

North Texas Medical Center, Inc.

Northwest Florida Home Health Services, Inc.

Northwest Surgicare, Inc.

Notami Holdco, Inc.

Notami Service Company

NTGP, Inc.

NTMC Management Company

NTMC Venture, Inc.

Orlando Outpatient Surgical Center, Inc.

Paragon SDS, Inc.

DELAWARE (Cont)

Paragon WSC, Inc.

Parkway Cardiac Center Management Company

Parkway Hospital, Inc.

CareOne

Columbia North Houston Medical Center-Airline Campus

Columbia North Houston Medical Center

Parkway Cardiac Center Management Company

PMM, Inc.

Augusta Womens Medical Group

Primary Care Acquisition, Inc.

Primary Medical Management, Inc.

Agoura Hills Medical Group

Argyle Family Practice Center

Biltmore Women's Health

Columbia Management Services Organization

The Carrollton Center for Family Health Care

DeSoto Family Practice

LaGrange Memorial Treatment Pavilion

Louisburg Medical Group

Mount Oread Family Care

Northside Clinic

Olate Medical Group

Park Medical Center

Saguaro Medical Center

Westbrook Medical Practice

Westlake Women's Health Management Clinic

DELAWARE (Cont)

Riverside Hospital, Inc.

Calallen Orthopedic and Sports Medicine Center
Columbia Homecare - Bishop
Columbia Homecare - Mathis
Columbia Homecare - North Bay
Columbia Homecare - Northwest
Columbia Homecare Bee Area
COSMC
Northwest Regional Hospital
South Texas Pain Management Center
South Texas Center for Home Health of Northwest

Round Rock Hospital, Inc.

Suburban Medical Center at Hoffman Estates, Inc.

Chicago Home Health Services
Columbia Homecare Northwest Suburbs
Hoffman Estates Medical Center

Sun Bay Medical Office Building, Inc.

Surgicare Corporation

Swedish MOB Acquisition, Inc.

The Coltree Corporation

Westbury Hospital, Inc.

FLORIDA

Bay Hospital, Inc.

Columbia Gulf Coast Medical Center
Columbia Homecare - Port St. Joe
Emerald Shores Medical Center
Lynn Haven Medical Center

Big Cypress Medical Center, Inc.

Bonita Bay Surgery Center, Inc.

Brandon Regional Imaging, Inc.

Broward Healthcare System, Inc.

Cape Coral Surgery Center, Inc.

CCH Management, Inc.

CCH-GP, Inc.

Cedarcare, Inc.

Cedars BTW Program, Inc.

Central Florida Division Practice, Inc.

Central Florida Regional Hospital, Inc.

Affordable Therapy - Deltona
Central Florida Homecare
Columbia Homecare (Daytona Beach)
Columbia Homecare (Deland)
Columbia Homecare (Deltona)
Columbia Homecare (Longwood)
Columbia Homecare (New Smyrna Beach)
Columbia Homecare (Port Orange)
Columbia Homecare (Sanford)
Columbia Medical Center - Sanford
Columbia Rehab Management

Charlotte Community Hospital, Inc.

Collier County Home Health Agency, Inc.

FLORIDA (Cont)

Columbia Behavioral Healthcare of South Florida, Inc.

Columbia Cancer Research Network, Inc.

Columbia Central Florida Division, Inc.

Columbia Credentialing Services, Inc.

Columbia Deland Imaging Services, Inc.

Columbia Development of Florida, Inc.
Santa Rosa Emergency Medical Services

Columbia Florida Group, Inc.

Columbia Gulf Coast Network, Inc.

Columbia Homecare - Central Florida, Inc.
Columbia Homecare (Ft. Pierce)
Columbia Homecare (Port Orange)
Columbia Homecare (Winter Park)

Columbia Homecare of Tampa Bay, Inc.
Columbia Homecare (Brandon)
Columbia Homecare (Clearwater)
Columbia Homecare (Hudson)

Columbia Hospital Corporation of Central Miami

Columbia Hospital Corporation of Kendall

Columbia Hospital Corporation of Miami

Columbia Hospital Corporation of Miami Beach

Columbia Hospital Corporation of North Miami Beach

Columbia Hospital Corporation of South Broward
Columbia Homecare (Hollywood)
Columbia Homecare (Plantation)
Columbia Westside Regional Medical Center

Columbia Hospital Corporation of South Dade

FLORIDA (Cont)

Columbia Hospital Corporation of South Florida
Florida Physicians Group

Columbia Hospital Corporation of South Miami

Columbia Hospital Corporation of Tamarac

Columbia Hospital Corporation - SMM

Columbia Integrated Services, Inc.

Columbia Jacksonville Healthcare System, Inc.

Columbia Medical Alert Systems of Tampa Bay, Inc.

Columbia Medical Group of Volusia County, Inc.
Atlantic Medical Centers
Family Medical Associates

Columbia Memorial Diagnostic Services, Inc.

Columbia North Florida Division, Inc.

Columbia Ocala Regional Medical Center Physician Group, Inc.
CORMC Physician Group

Columbia of Pinellas County, Inc.
Columbia Hillside Hospital
Columbia University General Hospital
Community Homecare Professionals
North Okaloosa Medical Center

Columbia Park Healthcare System, Inc.

Columbia Park Medical Center, Inc.
Columbia Homecare Orlando
Columbia Park Medical Center

Columbia Physician Services - Florida Group, Inc.
Columbia Behavioral Health
Columbia Company Care
Columbia Physician Services
Columbia Senior Health Center
Columbia Specialty Services

Columbia Resource Network, Inc.

FLORIDA (Cont)

Columbia South Florida Division, Inc.

Columbia Southwest Florida Division, Inc.

Columbia Staffing Services, Inc.

Columbia Tampa Bay Division, Inc.

Columbia-Osceola Imaging Center, Inc.

Columbia/HCA of Treasure Coast, Inc.

Company Care, Inc.

Daytona Medical Center, Inc.

Columbia CORF - Daytona

Columbia Medical Center - Daytona

Flagler Beach Medical Associates

NSB Medical Associates

Ormond Beach Medical Associates

Port Orange Medical Associates

Doctor's Physicians Care, Inc.

Doctors Osteopathic Medical Center, Inc.

Columbia Gulf Coast Hospital

Columbia Homecare

Olsten Kimberly Quality Care

Doctors Pediatric Clinic, Inc.

Doctors Same Day Surgery Center, Inc.

East Pointe Hospital, Inc.

Columbia East Pointe Hospital

Columbia Healthlink

Columbia Homecare

Lehigh Pediatrics

East Point PHO, Inc.

East Pointe Physician Management, Inc.

FLORIDA (Cont)

Edward White Hospital, Inc.

Columbia Edward White Hospital

Columbia Homecare (St. Petersburg)

Columbia Homecare (St. Petersburg - 2)

Emergency Physician Services, Inc.

Englewood Community Health Care Group, Inc.

Englewood Community Hospital, Inc.

Columbia Englewood Community Hospital

Columbia Homecare (Englewood)

Fawcett Memorial Hospital, Inc.

CareOne (Port Charlotte)

Columbia Fawcett Memorial Hospital

Columbia Homecare (Port Charlotte)

Columbia Homecare (Port Charlotte - 2)

Columbia/HCA Spine & Arthritis Centers

The Memory Center (Fawcett)

First Physicians Care, Inc.

Florida Gulf Coast GP, Inc.

Florida Gulf Coast Holdings, Inc.

Florida Home Health Services - Private Care, Inc.

Columbia Homecare South

Columbia Staffing Services

Florida Home Health Registry

Florida Home Health - Private Care

Florida Medical Collection Services, Inc.

Florida MRI Services, Inc.

Florida Primary Physicians, Inc.

Florida Psychiatric Company, Inc.

FLORIDA (Cont)

Fort Walton Beach Medical Center, Inc.
Advanced Home Health Care
Columbia Fort Walton Beach Medical Center
Columbia Homecare (Fort Walton Beach)
Destin Hospital
Northwest Florida Home Health Agency

Galen Hospital - Pembroke Pines, Inc.
P&L Associates
Pembroke Pines Hospital

Galen of Florida, Inc.
Atlantic Home Health Care
Bushnell Family Practice Center
Columbia Dade City Hospital
Columbia Homecare (Bushnell)
Columbia Homecare (Dade City)
Columbia Homecare (Gulfport)
Columbia Homecare (New Port Richey)
Columbia Homecare (Orange Park)
Columbia Homecare (St. Augustine)
Columbia Homecare (St. Petersburg)
Columbia Homecare (Zephyrhills)
Columbia Orange Park Medical Center
Columbia Rehab Center - Daytona
Columbia St. Petersburg Medical Center
Normandy Manor Transitional Living Facility
Seminole Family Health Centers
West Central Florida OB/GYN

Galencare, Inc.
CareOne (Brandon)
CareOne (Lakeland)
CareOne (Tampa)
Columbia Brandon Regional Medical Center
Columbia Homecare (Brandon)
Columbia Homecare (Clearwater)
Columbia Homecare (Lakeland)
Columbia Homecare (Sebring)
Columbia Homecare (Tampa)
Columbia Northside Medical Center

FLORIDA (Cont)

Grant Center Hospital of Ocala, Inc.
Columbia North Florida Regional MSO
Physician Care

Gulf Coast Family Physicians of Southwest Florida, Inc.

Gulf Coast Health Technologies, Inc.

Hamilton Memorial Hospital, Inc.
Columbia Hamilton Medical Center
Columbia Homecare (Jasper)

HCA Family Care Center, Inc.
Columbia Imaging Services, Inc.

HCA Health Services of Florida, Inc.
Bayonet Point Physician Practice
Blake Home Health
Blake Medical Center
CareOne (Hudson)
Columbia Blake Homecare
Columbia Homecare (Bayonet Point)
Columbia Homecare (Brooksville)
Columbia Homecare (Hudson)
Columbia Homecare (Port St. Lucie)
Columbia Homecare (Springhill)
Columbia Homecare Blake
Columbia Medical and Financial Management
Columbia Medical Center - Port St. Lucie
Columbia North Florida Radiation Oncology
Columbia Regional Medical Center Bayonet Point
Columbia Regional Medical Center Oak Hill
Columbia Treasure Coast Physician Services
North Florida Regional Medical Center
Vero Home Care

FLORIDA (Cont)

HCA of Florida, Inc.

HD&S Corp. Successor, Inc.

Home Health of Citrus County, Inc.
Columbia Homecare (Lake City)

Homecare North, Inc.
Columbia Homecare North

Hospital Corporation of Lake Worth
Palm Beach Regional Hospital

Hospital Development & Services Corp.

Imaging and Surgery Center of Florida, Inc.
Clearwater Imaging

Imaging Corp. of the Palm Beaches, Inc.

Intecare, Inc.

Lake City Homecare, Inc.

Largo Medical Center, Inc.
Columbia Homecare (Clearwater)
Columbia Homecare (Largo)
Columbia Homecare (Seminole)
Columbia Homecare (Tarpon Springs)
Columbia Largo Medical Center

FLORIDA (Cont)

Lawnwood Medical Center, Inc.
Columbia Homecare (Ft. Pierce)
Harbour Shores of Lawnwood
Lawnwood Pavilion
Lawnwood Regional Medical Center

M & M of Ocala, Inc.

Marion Community Hospital, Inc.
Columbia Homecare
Columbia Ocala Regional Medical Center

Medical Care of Broward, Inc.

Medical Center of Port St. Lucie, Inc.

Medical Center of Santa Rosa, Inc.
Columbia CORF - Peninsula
Columbia Homecare (Ormond Beach)
Columbia Medical Center - Peninsula
Columbia Practice Management Services
Horizon Healthcare
Santa Rosa Medical Center

MedPlan, Inc.

FLORIDA (Cont)

Memorial Healthcare Group, Inc.

Columbia Memorial Hospital Jacksonville

Columbia Plaza Surgery Center

Memorial Home Care

Specialty Hospital Jacksonville

MHS Partnership Holdings JSC, Inc.

MHS Partnership Holdings SDS, Inc.

Miami Heart Medical Management Services, Inc.

Naples Rehabilitative Health Services, Inc.

Naples Rehab Center

Network Management Services, Inc.

FLORIDA (Cont)

New Port Richey Hospital, Inc.

Columbia Homecare (New Port Richey)

Columbia New Port Richey Hospital

Community Home Health Care

Community Hospital of New Port Richey

New Port Richey Physician Hospital Organization, Inc.

North Beach Hospital, Inc.

North Central Florida Health System, Inc.

North Central Florida Holdings, Inc.

North Central Florida Local GP, Inc.

North Central Florida Market GP, Inc.

North Florida Division Practice, Inc.

North Florida GI Center GP, Inc.

North Florida Immediate Care Center, Inc.

North Florida Infusion Corporation

North Florida Physician Services, Inc.

FLORIDA (Cont)

North Florida Practice Management, Inc.

North Florida Regional Investments, Inc.

North Florida Regional Medical Center, Inc.

Northwest Florida Healthcare Systems, Inc.

Northwest Medical Center, Inc.

Bayview Senior Health Center

Columbia Homecare (Boca Raton)

Columbia Homecare (Ft. Lauderdale)

Columbia Homecare (Margate)

Columbia Northwest Medical Center

Columbia Pompano Beach Medical Center

Cypress Medical Office Building

Senior Health Center of Ft. Lauderdale

Notami (Clearwater), Inc.

CCH Healthcare Centers

Notami Hospitals of Florida, Inc.

Columbia Homecare

Lake City Medical Center

Oak Hill Acquisition, Inc.

Oak Hill Physician Hospital Association, L.C.

Ocala Regional Outpatient Services, Inc.

FLORIDA (Cont)

Okaloosa Florida GP, Inc

Okaloosa Florida Holdings, Inc.

Okaloosa Hospital, Inc.

Columbia Homecare (Niceville)

Columbia Twin Cities Hospital

Okeechobee Hospital, Inc.

Raulerson Hospital

OneSource Health, Inc.

OneSource Health Network of South Florida, Inc.

OneSource Health Network (Miami Lakes)

Orange Park Medical Center, Inc.

Columbia Orange Park Medical Center

Orlando Depression Center, Inc.

Orlando Depression Center

Osceola Regional Hospital, Inc.

Columbia Medical Center - Osceola

Kissimmee Imaging

TRICO Home Health Agency

TRICO Home Health Services - Palm Bay

Palm Beach Healthcare System, Inc.

Palms West Physician Hospital Organization, Inc.

Paragon PHO of North Florida, Inc.

Physical Therapy of Orlando, Inc.

Central Florida Physical Therapy

Kissimmee Physical Therapy

Orlando Hand & Microvascular

FLORIDA (Cont)

Premier Providers Network of Pinellas County, Inc.

Premier Providers of Hillsborough County, Inc.

Primary Care Medical Associates, Inc.

Putnam Hospital, Inc.

- Columbia Homecare (Palatka)
- Columbia Putnam Medical Center

Sarasota Doctors Hospital, Inc.

- Able Care (Sarasota)
- Advanced Womens Care
- Columbia Doctors Hospital of Sarasota
- Columbia Homecare (Miami Lakes)
- Columbia Homecare (Sarasota)
- Doctors Data Center
- Doctors Home Health Services
- Doctors Medical Lab
- Midtown Nuclear Medicine
- Midtown Radiology
- MRI of Sarasota
- Paragon Associates in Internal Medicine
- Sarasota Rehabilitation Center
- Sarasota Vascular Lab
- The Center for Breast Care

South Bay Physician Clinics, Inc.

- Family Medical Care
- South Bay Family Medical Center

South Broward Practices, Inc.

South Florida Division Practice, Inc.

South Seminole Hospital, Inc.

- Healthworks Plus
- South Seminole Community Hospital

Southwest Florida Division Practice, Inc.

Southwest Florida Health System, Inc.

Southwest Florida Management Associates, Inc.

Southwest Florida Medical Ventures, Inc.

FLORIDA (Cont)

Southwest Florida Regional Medical Center, Inc.
Able Care
Care One (Ft. Myers)
Columbia Care
Columbia Center for Cosmetic Surgery
Columbia Health Services at Belmont Woods
Columbia Regional Medical Center Southwest Florida
Mature Adult Counseling Center
The Memory Center (Southwest Florida Regional)

St. Augustine Hospital, Inc.

Sun City Hospital, Inc.
Columbia Homecare (Ruskin)
Columbia South Bay Hospital
South Bay Home Health Services
South Bay Physician Clinic
South Bay Transitional Care Unit

Surgicare America - Winter Park, Inc,

Surgicare of Altamonte Springs, Inc.
Columbia Florida Surgery Center

Surgicare of Brandon, Inc.

Surgicare of Central Florida, Inc.

Surgicare of Countryside, Inc.

Surgicare of Deland, Inc.

Surgicare of Florida, Inc.
Tampa Bay Area Anesthesia

Surgicare of Ft. Pierce, Inc.

Surgicare of Kissimmee, Inc.

Surgicare of Manatee, Inc.

Surgicare of Merritt Island, Inc.

Surgicare of New Port Richey, Inc.

FLORIDA (Cont)

Surgicare of Niceville, Inc.

Surgicare of Orange Park, Inc.
Columbia Orange Park Surgery Center

Surgicare of Orlando, Inc.

Surgicare of Pinellas, Inc.

Surgicare of Plantation, Inc.

Surgicare of Port St. Lucie, Inc.

Surgicare of St. Andrews, Inc.

Surgicare of Stuart, Inc.

Surgicare of Tallahassee, Inc.

Surgicare of Zephyrhills, Inc.

Systems Medical Management, Inc.
Health Advantage Network
OneSource Health Network
PPO Alliance

Tallahassee Community Network, Inc.

Tallahassee Medical Center, Inc.
Columbia Homecare (Tallahassee)
Columbia Tallahassee Community Hospital

Tamarac Acquisition Corporation

Tamarac Hospital Corporation, Inc.

FLORIDA (Cont)

Tampa Bay Division Practice, Inc.

Tampa Bay Healthcare System, Inc.

Tampa Surgi-Centre, Inc.

The Pinellas Healthcare Alliance, Inc.

University Parkway Healthcare Associates, Inc.

University Physicians Pavilion Association, Inc.

University Psychiatric Center, Inc.

Visual Health and Surgical Center, Inc.

Visual Health and Surgical Center

Visual Health Plantation

Visual Health Pompano

Visual Health/Bentz Eye Center

Volusia Healthcare Network, Inc.

West Broward Outpatient GI Center, Inc.

West Florida Regional Medical Center, Inc.

Advanced Home Health Care

Northwest Florida Home Health Agency

Okaloosa Cancer Care Center

West Florida Regional Medical Center

Winter Park Physician Services, Inc.

Women's and Children's Health Connection, Inc.

GEORGIA

Amisub of Georgia, Inc.
Barrow Medical Center

AOSC Sports Medicine, Inc.
Northside Sports Medicine & Rehabilitation

Atlanta Outpatient Surgery Center, Inc.

Augusta Physician Practice Company
Augusta Primary Care

Chatsworth Hospital Corporation
Columbia Murray Medical Center

Coliseum Health Group, Inc.

Coliseum Park Hospital, Inc.
Columbia Coliseum Medical Centers

Columbia Coliseum Same Day Surgery Center, Inc.

Columbia Georgia Division, Inc.

Columbia Health Systems of Georgia Resource Network, Inc.

Columbia Physicians Services, Inc.

Columbia Polk General Hospital, Inc.
Columbia Polk General Hospital
Emergency Physicians of Polk Hospital

Columbia-Georgia PT, Inc.

Columbus Cardiology, Inc.

GEORGIA (Cont)

Columbus Doctors Hospital, Inc.
Columbia Doctors Hospital

Columbus Management Group, Inc.

Community Home Nursing Care, Inc.

Coosa Valley Home Health Care Agency, Inc.
Columbia Homecare Coosa Valley

Cumberland Physician Corporation

Dekalb Home Health Services, Inc.

Doctors-I, Inc.

Doctors-II, Inc.

Doctors-III, Inc.

Doctors-IV, Inc.

Doctors-IX, Inc.

Doctors-V, Inc.

Doctors-VI, Inc.

Doctors-VII, Inc.

Doctors-VIII, Inc.

Doctors-X, Inc.

Dublin Community Hospital, Inc.
Columbia Fairview Park Hospital

Fairview Physician Practice Company

Gainesville Cardiology, Inc.

Georgia Psychiatric Company, Inc.
Columbia Coliseum Psychiatric Hospital

GEORGIA (Cont)

Greater Gwinnett Physician Corporation

Gwinnett Community Hospital, Inc.
Eastside Medical Center

HCA Health Services of Georgia, Inc.
Hughston Sports Medicine Hospital
Northlake Regional Medical Center

Health Care Management Corporation

Healthfield Services of Middle Georgia, Inc.

Hospital Corporation of Lanier, Inc.
Columbia Lanier Park Hospital
Tugaloo Home Health Care

Lanier Physician Services, Inc.

Marietta Outpatient Medical Building, Inc.

Marietta Surgical Center, Inc.

Med Corp., Inc.

Med-Care, Inc.

MedFirst, Inc.

Medical Center-West, Inc.
Parkway Medical Center

MOSC Sports Medicine, Inc.
SportsSouth Sports Medicine & Rehabilitation

North Cobb Physical Therapy, Inc.
North Cobb Physical Therapy

GEORGIA (Cont)

North Georgia Home Health Agency, Inc.

Northlake Surgery Center, Inc.
Columbia Northlake Surgical Center

Palmyra Park Hospital, Inc.
Columbia Palmyra Medical Centers

Parkway Physician Practice Company

Redmond P.D.N., Inc.

Redmond Park Health Services, Inc.

Redmond Park Hospital, Inc.
Columbia Redmond Regional Medical Center
Emergency Physicians of CRRMS
The Surgery Center of Rome

Redmond Physician Practice Company

Redmond Physician Practice Company II

Redmond Physician Practice Company III

Surgery Center of Rome, Inc.

Surgicare of Augusta, Inc.
Augusta Surgical Center

Surgicare Outpatient Center of Brunswick, Inc.

Tugaloo Home Health Agency, Inc.

West Paces Ferry Hospital, Inc.
West Paces Medical Center

West Paces Services, Inc.

IDAHO

Eastern Idaho Health Services, Inc.

Columbia Homecare - Idaho Falls

Eastern Idaho Regional Behavioral Health Center

Eastern Idaho Regional Medical Center

West Valley Medical Center, Inc.

Columbia Homecare Alturas

Columbia Homecare Idaho

Columbia Homecare Lakeview

Columbia Homecare Ontario

Columbia West Valley Medical Center

ILLINOIS

Chicago Grant Hospital, Inc.
Columbia Grant Hospital
Columbia Homecare Chicago North
Total Homecare of Chicago

COFH, Inc.

Columbia Chicago Division, Inc.

Columbia Chicago Homecare, Inc.

Columbia Chicago Osteopathic Hospitals, Inc.

Columbia Health Partners, Inc.

Columbia LaGrange Hospital, Inc.
Columbia Homecare West Suburbs
Columbia Hospice Chicago
Grant Square Imaging
LaGrange Memorial Hospital

Columbia Physician Partners Management, Inc.

Galen Hospital Illinois, Inc.
Columbia Homecare Chicago
Columbia Michael Reese Hospital
Hardy Home Health Services
Michael Reese Chatham Ridge
Michael Reese Fertility Center
Michael Reese Hyde Park
Michael Reese North
Michael Reese Sears Tower

Galen of Illinois, Inc.
Community Medical Plaza

Illinois Psychiatric Hospital Company, Inc.
Barclay Hospital
Chicago Lakeshore Hospital
Columbia Behavioral Health Provider Organization
Columbia Chicago Lakeshore Hospital South Campus
Riveredge Hospital
Woodland Behavioral Practice Group
Woodland Hospital

ILLINOIS (Cont)

Michael Reese Physicians Group, Inc.

Smith Laboratories, Inc.

Surgicare of Belleville, Inc.

Surgicare of Joliet, Inc.

Surgicare of North Michigan Avenue, Inc.

Surgicare of Palos Heights, Inc.

INDIANA

BAMI-COL, Inc.

Basic American Medical, Inc.

F&E Community Developers of Florida, Inc.

HTI Health Services of Indiana, Inc.

Jeffersonville MediVision, Inc.

Surgicare of Indianapolis, Inc.

PhysicianCare Outpatient Surgery Center

Surgicare of Jeffersonville, L.L.C.

Terre Haute Regional Hospital, Inc.

Columbia Homecare Terre Haute

Indiana Institute for Lung Disease and Exercise Physiology

Regional Family Medical Center

Terre Haute Regional Hospital

Terre Haute Regional Physician Hospital Organization, Inc.

Thomasville Hospital, Inc.

KANSAS

Columbia Mid-West Division, Inc.

Columbia/HCA of Dodge City, Inc.

Day Surgery, Inc.

Galen of Kansas, Inc.

American Home Health Care

Bethany Medical Center

Columbia Independence Regional Home Health

Columbia Overland Park Regional Medical Center

Columbia/Independence Regional Health Center

La Cygne Rural Health Clinic

Womens Healthcare Group

Galichia Laboratories, Inc.

HCA Health Services of Kansas, Inc.

Kansas Healthcare Laboratories

Total Homecare

Wesley Medical Center

OB-GYN Diagnostics, Inc.

Overland Park Homecare Services, Inc.

Surgicare of Wichita, Inc.

Surgicenter of Johnson County, Inc.

Total Healthcare, Inc.

Western Plains Regional Hospital, Inc.

Western Plains Quickcare

Womens's Healthcare Management Group, LLC

KENTUCKY

A.C. Medical, Inc.

B.G. MRI, Inc.

Buffalo Trace Radiation Oncology Center Associates, L.L.C.

CHCK, Inc.

- Samaritan Hospital
- Kentucky Center for Reproductive Medicine
- LifeTek Home Infusion
- Primary Care Partners of Lexington

Columbia Behavioral Health Network, Inc.

Columbia Kentucky Division, Inc.

Columbia Medical Group - Greenview, Inc.

Columbia Medical Group - Pinelake, Inc.

Columbia/Kentucky Services, Inc.

Community Hospital, Inc.

- Columbia PineLake Regional Hospital
- Columbia Homecare - Pinelake

Frankfort Hospital, Inc.

- Bluegrass Regional Primary Care Centre
- Frankfort Regional Medical Center

Galen International Holdings, Inc.

Galen of Kentucky, Inc.

- Advanced Cardiovascular Institute
- Audubon Hospital
- Audubon Medical Plaza
- Caretenders of Elizabethtown - Southwest
- Caretenders of Louisville - Audubon
- Dupont Internal Medicine Associates
- Family Medicine Associates
- Hikes Point - The Family Health Care Center
- Regional Hospital Services
- Southside Primary Care Center
- Southwest Hospital
- Suburban Hospital
- The Family Health Care Center

GALENCO, Inc.

KENTUCKY (Cont)

Greenview Hospital, Inc.

Columbia Homecare Greenview Regional Hospital
Greenview Regional Hospital
Same Day Surgery

Hospital Corporation of Kentucky

Bourbon Community Hospital
Georgetown Community Hospital
Maysville Family Medical Clinic - Brooksville
Meadowview Regional Hospital Skilled Nursing
Meadowview Regional Medical Center
Scott Family Medicine

Kentucky IMS, Inc.

Lake Cumberland Health Care, Inc.

Lake Cumberland Home Health Agency
Lake Cumberland Medical Associates
Lake Cumberland Regional Hospital
Somerset Health and Wellness Center
Somerset Imaging Center

Logan Memorial Hospital, Inc.

Logan Memorial Hospital

Physicians Medical Management, L.L.C.

South Central Kentucky Corp.

Spring View Health Alliance, Inc.

Springview Hospital, Inc.

Spring View Hospital

Subco of Kentucky, Inc.

Surgicare of Owensboro, Inc.

The Owensboro Surgery Center, Inc.

Owensboro Ambulatory Surgical Facility
Owensboro Surgery Center

Tri-County Community Hospital, Inc.

LOUISIANA

Acadiana Care Center, Inc.

Acadiana Practice Management, Inc.

Acadiana Regional Pharmacy, Inc.

Caddo-Bossier Regional Clinic, L.L.C.
Family First

Columbia Healthcare System of Louisiana, Inc.

Columbia West Bank Hospital, Inc.

Columbia/HCA Healthcare Corporation of Central Louisiana, Inc.

Columbia/HCA of Baton Rouge, Inc.
Capital Area Provider Alliance

Columbia/HCA of New Orleans, Inc.

Columbia/Lakeview, Inc.

Dauterive Hospital Corporation
Circle of Support
Columbia Homecare Dauterive
Dauterive Hospital
Physio-Industrial Network

Galen of Louisiana, Inc.
Columbia Springhill Medical Center

Hamilton Medical Center, Inc.

LOUISIANA (Cont)

HCA Health Services of Louisiana, Inc.
Columbia North Monroe Hospital

HCA Highland Hospital, Inc.
Columbia Highland Hospital
Columbia Homecare Highland

Lake Area Medical Center, Inc.

Lake Charles Surgery Center, Inc.

Louisiana Psychiatric Company, Inc.
Columbia DePaul Hospital

Medical Center of Baton Rouge, Inc.
Columbia Lakeside Hospital
Columbia Medical Center (LA)
Medical Center of Baton Rouge Genesis Family

Notami (Opelousas), Inc.

Notami Hospitals of Louisiana, Inc.
Columbia Lakeview Regional Medical Center
Columbia Riverview Medical Center

LOUISIANA (Cont)

Select Healthcare Services, Inc.

Surgicare Merger Company of Louisiana

Surgicare of Lafayette, Inc.

Surgicare of Lakeview, Inc.

Columbia Lakeview Surgery Center

Surgicare Outpatient Center of Baton Rouge, Inc.

Surgicare Outpatient Center of Lake Charles, Inc.

Surgicare of East Jefferson, Inc.

University Healthcare System, L.C.

Tulane University Hospital & Clinic

Ville Platte Acquisition Corporation

WGH, Inc.

Women's and Children's Hospital, Inc.

Columbia Women's and Children's Hospital

MASSACHUSETTS

Columbia Homecare of Massachusetts, Inc.

Columbia Hospital Corporation of Massachusetts, Inc.

Columbia Neponset Healthcare System, Inc.

Health Imaging Center of Boston, Inc.

Same Day Surgicare of New England, Inc.

Same Day Surgicare of New England

Surgicare of Suburban, Inc.

Waltham Surgicare, Inc.

MINNESOTA

St. Cloud Surgical Center, Inc.

Surgicare of Minneapolis, Inc.

MISSISSIPPI

Brookwood Medical Center of Gulfport, Inc.

Coastal Imaging Center of Gulfport, Inc.

Galen of Mississippi, Inc.

Garden Park Physician Services Corporation

GOSC-GP, Inc.

Gulf Coast Medical Ventures, Inc.

HTI Health Services, Inc.

Vicksburg Medical Center

Lakeland Physicians Medical Building, Inc.

Surgicare of Gulfport, Inc.

Surgicare of Jackson, Inc.

Surgicare of Mississippi, Inc.

MISSOURI

Business Health Services, Inc.
Keystone Family Medical Clinic

Clinical Management Services, Inc
CareNow

Clinical Specialties, Inc
PRO-LAB

Comprehensive Care Clinics, Inc.

HCA Health Services of Missouri, Inc.

M.W.A, Inc.

Metropolitan Providers Alliance, Inc.

Midwest Psychiatric Center, Inc.
Research Psychiatric Center

Notami Hospitals of Missouri, Inc.

Oak Grove Medical Clinic, Inc.
Oak Grove MMP
Odessa MMP

Physical Therapy Affiliates, Inc.
Physical Therapy Affiliates

PRI-MED, Inc.

Surgicare of Antioch Hills, Inc.
North Hills Medical & Surgical Center
Surgicenter of Gladstone

MISSOURI (Cont)

Surgicare of Independence, Inc.

Truman-Forest Pharmacy, Inc.

NEBRASKA

Omaha Healthcare System, Inc.

NEVADA

CHC Venture Co.

CHCA Capital GP, Inc.

Chiron, Inc.

Columbia Hospital Corporation of West Houston

Columbia Southwest Division, Inc.

Columbia-SDH Holdings, Inc.

Columbia/TSP Holdings, Inc.

Desert Physical Therapy, Inc.

Columbia Desert Physical Therapy

HCA Health Services of Nevada, Inc.

James Bros., Inc.

Las Vegas Physical Therapy, Inc.

Lynn Maguire Physical Therapy

Las Vegas Surgicare, Inc.

Columbia Sunrise Las Vegas Surgicare

NEVADA (Cont)

National Care Services Corp. of Nevada
Columbia Sunrise Diagnostic Center
Columbia Sunrise Homecare
Kids Healthcare

Nevada Psychiatric Company, Inc.

Pasadena Holdings, Inc.

Rio Grande/Piney Woods Holdings (Nevada), Inc.

Sunrise Clinical Research Institute, Inc.

Sunrise Hospital
Columbia Henderson Clinic/Real Estate
Columbia Precision Imaging
Columbia Sunrise Flamingo Surgery Center
Columbia Sunrise Health Strategies
Columbia Sunrise Homecare Senior
Sunrise Children's Hospital
Sunrise Hospital & Medical Center

Sunrise Mountainview Hospital, Inc.
MountainView Hospital

Sunrise Outpatient Services, Inc.

NEVADA (Cont)

Surgicare of Green Valley, Inc.

Surgicare of Las Vegas, Inc.

Columbia Sunrise Surgical Center - Sahara

Surgicare of Reno, Inc.

Value Health Holdings, Inc.

VH Holdings, Inc.

Western Plains Capital, Inc.

NEW HAMPSHIRE

HCA Health Services of New Hampshire, Inc.
Columbia Homecare Parkland Medical Center
Columbia Parkland Medical Center
Columbia Parkland Rehabilitation Services - Londonderry
Columbia Parkland Rehabilitation Services - Salem
Columbia Portsmouth Pavilion
Columbia Portsmouth Regional Hospital
Londonderry Physical Therapy Center
Main Street Medical Park
Parkland Eldercare
Windham Pediatrics

Health Imaging Asset Management, Inc.

Health Imaging Center of Columbus, Inc.

Health Imaging Centers, Inc.

Parkland Physician Services, Inc.

Regional Psychiatric Company, Inc.

NEW MEXICO

HCA Health Services of New Mexico, Inc.

Healthcare Corporation of Southern New Mexico

Columbia Homecare Carlsbad

Columbia Homecare Hobbs

Columbia Medical Center of Carlsbad

Hobbs Community Hospital, Inc.

Columbia Lea Regional Medical Center

Lea Regional Home Health

New Mexico Psychiatric Company, Inc.

Heights Psychiatric Hospital

NEW YORK

Critical Care America of New York, Incorporated

NORTH CAROLINA

CareOne Home Health Services, Inc.
CareOne (Charlotte, NC)
CareOne (Monroe, NC)

Columbia Davis Holdings, Inc.

Columbia North Carolina Division, Inc.
Columbia Network Healthcare

Columbia-CFMH, Inc.

Cumberland Medical Center, Inc.
Columbia Highsmith-Rainey Memorial Hospital
Hope Mills Family Medicine Center

Davis Community Primary Care Network, Inc.

Galen of North Carolina, Inc.

HCA - Raleigh Community Hospital, Inc.
Columbia Advantage Home Care
Columbia Homecare North Carolina (Chapel Hill, NC)
Columbia Homecare North Carolina (Raleigh, NC)
Columbia Raleigh Community Hospital
Health Plus

Heritage Hospital, Inc.
Heritage Hospital
Northeastern Rehabilitation Center

NORTH CAROLINA (Cont)

Hospital Corporation of North Carolina

Columbia Brunswick Hospital

Columbia Care (NC)

Columbia Davis Medical Center

Columbia Davis Medical Center Department of Psychiatry and Behavioral
Medicine

Columbia Homecare North Carolina (Monroe, NC)

Intra-Net

HTI Health Services of North Carolina, Inc.

Carolinas Bone & Joint Institute

Carolinas Neuroscience Center

Carolinas Neuroscience Institute

Carolinas Orthopaedic & Sports Institute

Carolinas Orthopaedic & Sports Medicine Center

Carolinas Orthopaedic Institute

Carolinas Physical Achievement Institute

Carolinas Sports Medicine Institute

Children's Work Out

Orthopaedic Hospital & Center for Human Performance

Orthopaedic Hospital & Center for Physical Achievement

Orthopaedic Institute

Orthopaedic Institute & Center for Research

Southeast Bone & Joint Institute

Southeast Orthopedic & Human Performance Institute

Southeast Orthopaedic & Sports Medicine Center

Southeast Orthopaedic & Sports Medicine Institute

Southeastern Neuroscience Institute

Southeastern Orthopaedic Institute

NORTH CAROLINA (Cont)

Optical Shop, Inc.

Raleigh Community Physical Therapy & Sports Medicine Center, Inc.

Raleigh Community Primary Care Network, Inc.

Salem Optical Company, Inc.

Southeastern Eye Center, Inc.

Wake Psychiatric Hospital, Inc.

Holly Hill Hospital

OHIO

AHN Holdings, Inc.

Columbia Ohio Division, Inc.

Columbia/Deaconess, Ltd., an Ohio Limited Liability Company

Columbia/HCA Healthcare Corporation of Northern Ohio

E.N.T. Services, Inc.

Middleburg Heights Surgical Center, Inc.

Ohio Health Choice Ventures, Inc.

Surgicare of Beachwood, Inc.

Surgicare of Dayton, Inc.

Surgicare of Lorain County, Inc.

Surgicare of North Cincinnati, Inc.

Surgicare of Westlake, Inc.

The Surgery Center Laboratory, Inc.

The Surgery Center Radiology, Inc.

The Surgery Center West, Ltd., a limited liability company

OKLAHOMA

Claremore Regional Hospital, Inc.

Columbia Doctors Hospital of Tulsa, Inc.
Columbia Doctors Hospital (OK)

Columbia Oklahoma Division, Inc.

Columbia South Tulsa Hospital Company, Inc.

Edmond Physician Hospital Organization, Inc.

HCA Health Services of Oklahoma, Inc.
Bethany Health Center
Capstone Medical Group
Columbia Presbyterian Hospital
Presbyterian Center for Healthy Living
Rogers Occupational Clinic

Health Partners of Oklahoma, Inc.

Hometrust of Oklahoma, Inc.

Integrated Management Services of Oklahoma, Inc.

Lake Region Health Alliance Corporation

Medical Imaging, Inc.

Notami Hospitals of Oklahoma, Inc.
Columbia Behavioral Health Center of Lawton
Columbia Claremore Regional Hospital
Columbia Homecare Oklahoma
Columbia Homecare Oklahoma 1
Columbia Southwestern Medical Center
Columbia Specialty Hospital of Tulsa
Columbia Tulsa Regional Medical Center

OKLAHOMA (Cont)

Oklahoma Surgicare, Inc.

Plains Healthcare System, Inc.

Southwestern Medical Center, Inc.
Columbia Homecare Southwestern

Stephenson Laser Center, L.L.C.

Surgicare of Tulsa, Inc.
Columbia Surgicare of Tulsa

Wagoner Medical Group, Inc.

OREGON

Hospital Corporation of Douglas, Inc.
Columbia Douglas Medical Center

Northern Oregon Healthcare Corporation
Central Coast Counseling
Columbia Willamette Valley Medical Center

Surgicare of Salem, Inc.

PENNSYLVANIA

Basic American Medical Equipment Company, Inc.

Surgicare of Philadelphia, Inc.

RHODE ISLAND

Atwood Surgicare, Inc.

Blackstone Valley Surgicare, Inc.

Columbia Blackstone Valley Surgicare

Columbia Northeast Corporation

Columbia Rhode Island Healthcare, Inc.

Pawtucket Outpatient Medical Building, Inc.

Warwick Surgicare, Inc.

Wayland Square Surgicare, Inc.

Columbia Wayland Square Surgicare

SOUTH CAROLINA

C/HCA Development, Inc.
 Carolinas Behavioral Health, L.L.C.
 Chicago Osteopathic Home Health
 Columbia Chicago Osteopathic Hospital & Medical Center
 Columbia Homecare South Suburbs
 Columbia Olympia Fields Osteopathic Hospital

Carolina Regional Surgery Center, Inc.

Chesterfield General Hospital, Inc.

Coastal Carolina Home Care, Inc.

Columbia Carolinas Division, Inc.

Columbia/HCA Healthcare Corporation of South Carolina

DMH Spartanburg, Inc.

Doctors Memorial Hospital, Inc.

Edisto Multispecialty Associates, Inc.

HTI South Carolina, Inc.

Low Country Health Services, Inc. of the Southeast

Myrtle Beach Hospital, Inc.
 Grand Strand Regional Medical Center

SOUTH CAROLINA (Cont)

North Trident Regional Hospital, Inc.
Columbia Homecare Coastal Carolina
Columbia Homecare Doctor's
Summerville Medical Center
Trident Regional Medical Center

Providence Eye Care, Inc.

Trident Medical Services, Inc.

Walterboro Community
Colleton Medical Center
Pulaski Medical Center

SWITZERLAND

Permanence de L'Hopital de la Tour
Geneva Outpatient Clinic

Columbia Hopital de la Tour S.A.
Hospital de la Tour et Pavillion Gourgas

TENNESSEE

Appalachian OB/GYN Associates, Inc.

Athens Community Hospital, Inc.
Athens Regional Medical Center

Availis Health Products, Inc.
Availis

Central Credentialing Services, Inc.

Central Tennessee Hospital Corporation
Columbia Cheatham Medical Center
Columbia HomeCare (Dickson, TN)
Columbia Horizon Medical Center
Horizon Academy

Charter/North Star Behavioral Health System, LLC

Chattanooga Health System, Inc.

Chattanooga Healthcare Network Partner, Inc.

Columbia Behavioral Health of Tennessee, L.L.C.

Columbia Eastern Group, Inc.

Columbia Health Management, Inc.
Columbia Healthcare Network
Columbia Psychiatric Network
The Health Advantage Network of Tennessee

TENNESSEE (Cont)

Columbia Healthcare Network of Tri-Cities, Inc.
Columbia Healthcare Network of West Tennessee, Inc.
Columbia Information Systems, Inc.
Columbia Integrated Health Systems, Inc.
Columbia Medical Group - Athens, Inc.
Columbia Medical Group - Centennial, Inc.
Columbia Medical Group - Chatsworth, Inc.
Columbia Medical Group - Crockett, Inc.
 Medical Practice Associates
Columbia Medical Group - Daystar, Inc.
Columbia Medical Group - Dickson, Inc.
 Horizon Medical Group
 Waverly Healthcare Services

TENNESSEE (Cont)

Columbia Medical Group - Eastridge, Inc.

Columbia Medical Group - Franklin Medical Clinic, Inc.

Columbia Medical Group - Hendersonville, Inc.

Columbia Medical Group - Hilcrest, Inc.

Columbia Medical Group - Hillside, Inc.

Columbia Medical Group - Indian Path, Inc.
Indian Path Medical Group

Columbia Medical Group - Livingston, Inc.
Family Practice Associates of Gainesboro
Overton County Medical Center
Twin Lake Otolaryngology
Upper Cumberland Medical Associates

Columbia Medical Group - Nashville Memorial, Inc.
Internal Medicine Group
Memorial Family Medicine

Columbia Medical Group - North Side Specialty, Inc.
Family Physicians of Johnson City

TENNESSEE (Cont)

Columbia Medical Group - Parkridge, Inc.

East Brainerd Medical Center

Family & Sports Medicine

Four Corners Medical Center

Gunbarrel Medical

Signal Mountain Medical Center

St. Elmo Medical Center

Columbia Medical Group - Parthenon, Inc.

Columbia Medical Group - Regional, Inc.

Jackson Regional Pediatric Center

Columbia Medical Group - River Park, Inc.

McMinnville Medical Physicians

Medical Group of McMinnville

River Park Clinic

Columbia Medical Group - South Pittsburg, Inc.

Columbia Medical Group - Southern Hills, Inc.

Columbia Cool Springs Medical Center

Family Practice Associates of Southern Hills

Internal Medicine Associates of Southern Hills

Pediatric Associates of Southern Hills

TENNESSEE (Cont)

Columbia Medical Group - Southern Medical Group, Inc.

Columbia Medical Group - Southern Tennessee, Inc.

Columbia Medical Group - Stones River, Inc.
Stones River Family Medicine

Columbia Medical Group - Summit, Inc.
Summit Family Practice

Columbia Medical Group - Sycamore Shoals, Inc.

Columbia Medical Group - The Frist Clinic, Inc.

Columbia Medical Group - Trinity, Inc.
North Clarksville Medical Clinic
Trinity Family Clinic

Columbia Medical Group - Volunteer, Inc.
Martin Specialty Clinic

Columbia Mid-America Group, Inc.

Columbia Mid-Atlantic Division, Inc.

Columbia Nashville Division, Inc.

TENNESSEE (Cont)

Columbia Northeast Division, Inc.

Columbia Regional Medical Center, L.L.C.

Columbia Volunteer Division, Inc.

Crockett General Hospital, Inc.
Columbia Crockett Hospital

Cumberland Division, Inc.

Eastern Idaho Regional, L.L.C.

Eastern Tennessee Medical Services, Inc.

General Care Corp.
Regional Hospital of Jackson

GMC Management Services Organization, L.L.C.

TENNESSEE (Cont)

HCA Crossroads Residential Centers, Inc.

HCA Development Company, Inc.

HCA Health Services of Tennessee, Inc.

Centennial Medical Center/Parthenon Pavilion

Columbia Centennial Medical Center

Smyrna Medical Center

Southern Hills Medical Center

Summit Medical Center

HCA Home and Clinical Services, Inc.

HCA International Company

HCA Medical Services, Inc.

HCA Psychiatric Company

HCA Realty, Inc.

Healthcare Management Research and Development, Inc.

Healthtrust, Inc. - The Hospital Company (TN)

Hendersonville Hospital Corporation

Bluegrass Urgent Care Center

Bridgeway Home Health Services

Columbia Hendersonville Hospital

Columbia Homecare Hendersonville

Westmoreland Family Clinic

TENNESSEE (Cont)

Holly Hill/Charter Behavioral Health System, L.L.C.

Hometrust Management Services, Inc.
Columbia Home Care Network

Horizon Occupational Health Services Corporation

Hospital Corporation of Smith and Overton County
Columbia Homecare Livingston
Livingston Regional Hospital

Hospital Corporation of Tennessee
Columbia Homecare of Northwest Tennessee
Columbia Volunteer General Hospital
Martin Pediatric and Adolescent Clinic
Superior Home Health Care

Hospital Realty Corporation

HTI Memorial Hospital Corporation
Columbia Nashville Memorial Hospital
Columbia Subacute Services of Tennessee

HTI Tri-Cities Rehabilitation, Inc.

Humbolt Cedar Crest Hospital, Inc.

Indian Path Hospital, Inc.
Columbia Indian Path Medical Center
Columbia Indian Path Pavilion
Columbia Indian Path Surgery Center
Superior Home Health of East Tennessee
Superior Home Medical Equipment

TENNESSEE (Cont)

Indian Path Rehabilitation Center, Inc.

IPN Services, Inc.

Johnson City Eye & Ear Hospital, Inc.
Johnson City Specialty Hospital

Judy's Foods, Inc.

Medical Resource Group, Inc.

Middle Tennessee Medical Services Corporation
Masterpiece Healthcare Services
TriMed Healthcare Services

Nashville Psychiatric Company, Inc.

North Side Hospital, Inc.
Columbia North Side Hospital
Northeast Tennessee Medical Center

TENNESSEE (Cont)

Parkridge Hospital, Inc.

Care Plus Home Health Services of Chattanooga

Columbia East Ridge Hospital

Columbia HomeCare - Chattanooga, TN

Columbia Homecare East Ridge Hospital

Columbia Homecare Tennessee

Columbia Parkridge Medical Center

Columbia Valley Hospital

Parkside Surgery Center, Inc.

Parthenon Financial Services, Inc.

Parthenon Travel Services, Inc.

PSN Leadership Group, Inc.

Columbia Healthcare Network

Columbia Psychiatric Network

The Health Advantage Network of Middle Tennessee

Quantum Innovations, Inc.

River Park Hospital, Inc.

River Park Hospital (TN)

SCMH Corporation

Columbia Smith County Memorial Hospital

The Renewal Center at Smith County Memorial Hospital

Southern Tennessee Ambulance Services, Inc.

SP Acquisition Corp.

Columbia Grandview Medical Center

Columbia South Pittsburg Hospital

Columbia Whitwell Medical Center

TENNESSEE (Cont)

Stones River Hospital, Inc.

- Columbia Emerald-Hodgson Hospital
- Columbia Homecare Winchester
- Columbia Southern Tennessee Medical Center
- Columbia Stones River Hospital
- Southern Tennessee Home Care
- Southern Tennessee Skilled Facility

Sullins Surgical Center, Inc.

Surgicare of Madison, Inc.

Surgicare Outpatient Center of Jackson, Inc.

Sycamore Shoals Hospital, Inc.

- Columbia Homecare East Tennessee
- Columbia Sycamore Shoals Hospital

Tennessee Healthcare Management, Inc.

- Brentwood Primary Care
- Columbia Care Medical Center
- Columbia CorpCare Advantage
- Columbia Physician Services (TN)
- Manchester Family Medicine
- Marshall Medical Group
- Medical Associates of Athens
- Medical Group of Sparta
- Primary Care Associates
- Southern Tennessee Medical Center of Tracy City
- The Englewood Clinic
- Winchester Pediatrics

The Charter Cypress Behavioral Health System, L.L.C.
Cypress Hospital

Trinity Hospital Corporation

- Columbia Homecare Trinity
- Columbia Trinity Hospital

TEXAS

Arlington Diagnostic South, Inc.

Austin Medical Center, Inc.
Austin Diagnostic Clinic

Bailey Square Outpatient Surgical Center, Inc.

Bay Area Surgicare Center, Inc.

Beaumont Healthcare System, Inc.

Beaumont Hospital, Inc.
Columbia Beaumont Medical Center
Columbia Home Care of Beaumont
Fannin Pavilion

Bedford-Northeast Community Hospital, Inc.
Institute of Sports Rehabilitation and Fitness
Northeast Community Hospital Skilled Nursing Unit

Bellaire Imaging, Inc.

Brazos Acquisition Corp.

Brownsville-Valley Regional Medical Center, Inc.

TEXAS (Cont)

Brownwood Regional Hospital, Inc.

- Brownwood Regional Hospital Home Care Services
- Columbia Brownwood Regional Medical Center
- Columbia One Source Health Center - Comanche
- Columbia One Source Health Center - Cross Plains
- Columbia One Source Health Center - Dublin
- Columbia One Source Health Center - Early
- Columbia One Source Health Center - Rising Star
- Columbia One Source Health Center - San Saba
- Doctors Medical Clinic

BVMC, Inc.

- Brazos Valley Medical Center - Bremond
- Columbia Home Care - Navasota
- Columbia Treatment Center
- The Surgical Center

C.E.P. Physical Therapy Centers, Inc.

CHC Payroll Company

CHC Realty Company

CHC-El Paso Corp.

CHC-Miami Corp.

Clear Lake Regional Medical Center, Inc.

- Columbia Alvin Medical Center
- Columbia Clear Lake Regional Medical Center

Columbia Ambulatory Surgery Division, Inc.

TEXAS (Cont)

Columbia BVMC, Inc.

 Columbia Homecare (College Station, TX)

 Columbia Medical Center (College Station, TX)

Columbia Central Group, Inc.

Columbia Central Texas Division, Inc.

Columbia Central Verification Services, Inc.

Columbia Champions Treatment Center, Inc.

 Columbia Champions Treatment Center

Columbia GP of Mesquite, Inc.

Columbia Greater Houston Division, Inc.

 Greater Houston Division Creative Services

Columbia Greater Houston Division Healthcare Network, Inc.

 Columbia Healthcare Network (Houston)

Columbia Hospital Corporation at the Medical Center

Columbia Hospital Corporation of Arlington

Columbia Hospital Corporation of Bay Area

Columbia Hospital Corporation of Corpus Christi

TEXAS (Cont)

Columbia Hospital Securities Corporation

Columbia Lone Star/Arkansas Division, Inc.

Columbia Medical Center of Las Colinas, Inc.
Columbia Medical Center of Las Colinas

Columbia North Texas Division, Inc.

Columbia Northwest Medical Center, Inc.

Columbia Patient Account Services, Inc.

Columbia Psychiatric Management Co.

Columbia South Texas Division, Inc.

Columbia Specialty Hospitals, Inc.

Columbia Surgery Group, Inc.

Columbia-Quantum, Inc.

Columbia/HCA Healthcare Corporation of Central Texas

TEXAS (Cont)

Columbia/HCA Heartcare of Corpus Christi, Inc.

Columbia/HCA International Group, Inc.

Columbia/HCA of Houston, Inc.

Columbia/HCA of North Texas, Inc.

Columbia/HCA of San Angelo, Inc.

Columbia Homecare West Texas

Columbia Medical Center of San Angelo

Columbia/HCA Western Group, Inc.

Conroe Hospital Corporation

Columbia Conroe Regional Medical Center

Coronado Community Hospital, Inc.

Columbia Homecare Amarillo

Columbia Homecare Borger

Columbia Homecare Childress

Columbia Homecare Clarendon

Columbia Homecare Dalhart

Columbia Homecare Dumas

Columbia Homecare Lubbock

Columbia Homecare Pampa

Columbia Medical Center of Pampa

Coronado Health Network

TEXAS (Cont)

Credentialing Center of South Texas, Inc.

DFW Physician Services Corporation
Columbia Practice Management Services (DFW)

Doctors Hospital (Conroe), Inc.

El Paso Nurses Unlimited, Inc.
Nurses Unlimited of El Paso

El Paso Pathology Group, P.A.

El Paso Surgicenter, Inc.
Columbia Surgical Center of El Paso

Endoscopy Clinic of Dallas, Inc.

EPIC Properties, Inc.

EyeCare Providers of America, Inc.

Fort Worth Investments, Inc.

TEXAS (Cont)

Galen Hospital of Baytown, Inc.

Galen Hospitals of Texas, Inc.

- Central Home Health Care
- Columbia Dunwoody Medical Center
- Columbia Home Health Services
- Columbia Homecare (Dallas, TX)
- Well Health Center

Greater Houston Emergency Services, Inc.

Greater Houston Preferred Provider Option, Inc.

- Greater Houston PPO

Gulf Coast Provider Network, Inc.

HCA Health Services of Texas, Inc.

- HCA Alliance Airport Clinic
- McAllen Regional Imaging Center
- Med Alliance

HCA Plano Imaging, Inc.

HEI Construction, Inc.

HEI Orange, Inc.

TEXAS (Cont)

HEI Publishing, Inc.

HEI Sealy, Inc.

Houston Northwest Surgical Partners, Inc.

HTI Gulf Coast, Inc.

KPH-Consolidation, Inc.

Columbia Kingwood Homecare

Columbia Kingwood Medical Center

Longview Regional Hospital, Inc.

Columbia Homecare Regional Medical Center

Gilmer Home Care

Home Health Care

Longview Regional Medical Center

Longview Regional Physician Hospital Organization, Inc.

Mansfield Hospital, Inc.

Med Plus of El Paso, Inc.

TEXAS (Cont)

Med-Center Hosp./Houston, Inc.

Medical Center Healthcare Alliance, Inc.

Medical City Dallas Hospital, Inc.

Arlington Clinic

CareOne [Dallas & Hurst, TX]

Columbia Children's Hospital at Medical City Dallas

Columbia Homecare Dallas [Corsicana, Duncanville, Lancaster, Richardson TX]

Comfort Health Care Services

Las Colinas Clinic

MediPurchase, Inc.

Metroplex Surgicenters, Inc.

MGH Medical, Inc.

Metropolitan Transitional Care Unit

MHS Surgery Centers, L.L.C.

Mid-Cities Surgi-Center, Inc.

Midway Park Health Network, Inc.

TEXAS (Cont)

Navarro Memorial Hospital, Inc.
Cedar Creek Medical Associates
Kerens Clinic

Northeast PHO, Inc.

Paragon of Texas Health Properties, Inc.

Paragon Physicians Hospital Organization of South Texas, Inc.

Paragon Surgery Centers of Texas, Inc.

Pasadena Bayshore Hospital, Inc.
Columbia Bayshore Medical Center

Piney Woods Holdings, Inc.

Qualitycare Network of Greater Houston, Inc.

Rio Grande Regional Hospital, Inc.

Rio Grande Regional Investments, Inc.

Rosewood Medical Center, Inc.
Columbia Rosewood Medical Center
MRI Southwest

TEXAS (Cont)

S.A. Medical Center, Inc.
CareOne [Austin, Lockhart, Marble Falls TX]

San Antonio Regional Hospital, Inc.

Silsbee Hospital, Inc.
Columbia Homecare (Jasper)
Columbia Homecare (Silsbee)
Silsbee Doctors Hospital

South Texas Surgicare, Inc.

Southwest Houston Surgicare, Inc.

Spring Branch Medical Center, Inc.
Columbia Spring Branch Medical Center
Sam Houston Memorial Hospital

Sun Towers/Vista Hills Holding Co.

Sunbelt Regional Medical Center, Inc.
Columbia East Houston Medical Center
Columbia Homecare East Houston Medical Center
Personal Care Home Health

TEXAS (Cont)

Surgical Center of Dallas, Inc.

Surgical Center of Irving, Inc.

Surgical Center of Wichita Falls, Inc.

Surgicare of Amarillo, Inc.

Surgicare of Central San Antonio, Inc.

Surgicare of Gramercy, Inc.

Surgicare of North San Antonio, Inc.

Surgicare of Northeast San Antonio, Inc.

Surgicare of Round Rock, Inc.

Surgicare of Sherman, Inc.

Surgicare of Southeast Texas, Inc.

Surgicare of Travis Center, Inc.

Columbia Travis Centre Outpatient Surgery

Surgicare of Victoria, Inc.

TEXAS (Cont)

Texas Medical Technologies, Inc.

Texas Outpatient Surgicare Center, Inc.

Texas Psychiatric Company, Inc.

The West Texas Division of Columbia, Inc.

Victoria Hospital Corporation

Columbia DeTar Hospital

Columbia Homecare

Columbia Homecare DeTar [Cuero, Goliad, Hallettsville, Kennedy, Refugio,
Victoria TX]

Village Oaks Medical Center, Inc.

W & C Hospital, Inc.

The Woman's Place

Waco Hospital Corp.

TEXAS (Cont)

Waco Outpatient Surgical Center, Inc.

West Houston ASC, Inc.

West Houston Outpatient Medical Facility, Inc.

West Houston Surgicare, Inc.

Columbia West Houston Surgicare

Wharton Hospital Corporation

Columbia Gulf Coast Medical Center

Columbia Homecare

Columbia Homecare Gulf Coast

Columbia Hospice Gulf Coast

El Campo Memorial Hospital

Prenatal Health Center of El Campo

South Texas Rural Health Clinic

WHMC, Inc.

West Houston Medical Center

Woman's Hospital of Texas, Incorporated

Columbia Woman's Hospital of Texas

Metropolitan Home Health

Woodland Heights General Hospital, Inc.

Columbia Diagnostic Center

Columbia Health Center of Wells

Columbia Sports and Rehabilitation Center

Columbia Woodland Heights Health Center of Livingston

UNITED KINGDOM

Columbia Healthcare Limited
London Laboratory, MDL
Princess Grace Hospital
The Harley Street Clinic
The Portland Hospital for Women and Children
The Wellington Day Surgery Center
The Wellington Hospital

Columbia Staffing Limited

Columbia U.K. Finance Limited

Columbia U.K. Holdings Limited

Columbia U.K. Investments Limited

Harley Street Leasing Limited

The London Comprehensive Cancer Center Limited

The Wellington Private Hospital Limited

UTAH

Brigham City Community Hospital, Inc.
Brigham City Community Hospital

Brigham City Health Plan, Inc.

Castleview Hospital, Inc.
Castleview Hospital

Columbia Home Care Services of Utah, Inc.

Columbia Mountain Division, Inc.

Columbia Ogden Medical Center, Inc.
Columbia Ogden Regional Medical Center

Columbia Utah Division, Inc.

Eastern Utah Health Plan, Inc.

General Hospitals of Galen, Inc.
Cartersville Medical Center
Creekside Home Care of Northern Utah
Davis Hospital and Medical Center
Peachtree Health and Fitness Center
Peachtree Regional Hospital

Healthcare of Central Utah, Inc.

Healthtrust Utah Management Services, Inc.

UTAH (Cont)

Hospital Corporation of Utah
Bountiful Laundry
Lakeview Hospital

HTI - Managed Care of Utah, Inc.

HTI Homemed of Utah, Inc.
InfusaMed

HTI of Utah, Inc.
Ashley Valley Medical Center

HTI Physician Services of Utah, Inc.

HTI Utah Data Corporation

Lakeview Health Plan, Inc.

Medical Services of Salt Lake City, Inc.

MHHE Corporation
MEDICO

Mountain View Health Plan, Inc.

Mountain View Hospital, Inc.

UTAH (Cont)

Northern Utah Healthcare Corporation
Columbia Homecare
Columbia St. Mark's Hospital

Ogden Regional Health Plan, Inc.

Paracelsus Davis Hospital, Inc.

Pioneer Valley Health Plan, Inc.

Pioneer Valley Hospital, Inc.
Columbia Jefferson Medical Center
Halstead Hospital
Pioneer Valley Hospital

Premier Medical Network, Inc.

Salt Lake City Surgicare, Inc.

Southridge Professional Plaza, L.L.C.

St. Mark's Investments, Inc.

St. Mark's Physicians, Inc.

West Jordan Hospital Corporation
Columbia Northridge Medical Center

VIRGINIA

Ambulatory Services Management Corp. of Chesterfield County, Inc.

Ashburn Medical Center
Columbia Primary Care Associates, Ltd.

Behavioral Health of Virginia Corporation

Chicago Medical School Hospital, Inc.

Chippenham and Johnston-Willis Hospitals, Inc.
Amelia Healthcare Clinic
Columbia Chippenham Medical Center
Columbia Homecare Central Virginia
Columbia Johnston-Willis Hospital
Tucker Pavilion (Div of Chippenham Hospital)

Columbia Arlington Healthcare System, LLC
Arlington Hospital
Columbia Dominion Hospital
Columbia Fairfax Imaging
Columbia Fairfax Surgical Center
Columbia Reston Hospital Center

Columbia Central Atlantic Division, Inc.

Columbia Healthcare of Central Virginia
Bon Air Family Practice
Columbia Practice Services
Columbia Primary Care
Medical Office Services
Richmond Specialty Group
South Richmond Family Physicians

VIRGINIA (Cont)

Columbia Home Therapies of Virginia, Inc.
Columbia Homecare (Richmond Virginia)

Columbia Medical Group - Southwest Virginia

Columbia Pentagon City Hospital, L.L.C.
Columbia Pentagon City Hospital

Columbia Physicians Services, Inc.

Columbia Primary Care Associates, Ltd.
Associates in Medicine - Burke
Associates in Medicine - Carlin Springs
Associates in Medicine - Centerville
Associates in Medicine - Fairfax
Associates in Medicine - Fairlington
Associates in Medicine - Falls Church
Associates in Medicine - Falls Church East
Associates in Medicine - Merrifield
Associates in Medicine - Reston
Associates in Medicine - Vienna
Purcellville Medical Center
Purcellville Urgent Care
Reston Town Center Internal Medicine
Tysons Corner Medical Center
Tysons Pediatrics
Union Mill Medical Center

VIRGINIA (Cont)

Columbia Richmond Division, Inc.

Columbia South Little Rock, Inc.

Columbia/Alleghany Regional Hospital, Inc.

Alleghany Healthcare Services

Columbia Alleghany Regional Hospital

Columbia Homecare Alleghany Regional Hospital

Columbia/HCA John Randolph, Inc.

Columbia John Randolph Medical Center River Bend

Columbia John Randolph Medical Center

Columbia/HCA Retreat Hospital, Inc.

Columbia Retreat Hospital

Galen of Virginia

Galen Virginia Hospital Corporation

Galen-Med, Inc.

Columbia Clinch Valley Medical Center

Columbia Home Care Clinch Valley

Columbia Lakeland Homecare

Columbia Lakeland Medical Center

VIRGINIA (Cont)

HCA Health Services of Virginia, Inc.
COLUMBIA Homecare Northern Virginia
Greater Richmond Physician Referral Service
HCA Chester Office
Henrico Doctors Hospital
Lewis-Gale Psychiatric Office
Petersburg Psychiatric Hospital
Reston Town Center Pediatrics

Imaging and Surgery Centers Of Virginia, Inc.

Insight Clinic Services, LC

Lewis-Gale Hospital, Inc.
Columbia Homecare Lewis-Gale Medical Center
Columbia Lewis-Gale Medical Center

Management Services of the Virginias, Inc.

Montgomery Regional Hospital, Inc.
Blue Ridge Health Clinic
Columbia Homecare Montgomery Regional Hospital
Columbia Montgomery Regional Hospital

MOS Temps, Inc.

New River Healthcare Plan, Inc.

NOCO, Inc.

VIRGINIA (Cont)

Northern Virginia Hospital Corporation

Poplar Springs Holding Company, Inc.

Preferred Care of Richmond, Inc.

Preferred Hospitals, Inc.

Primary Health Group, Inc.

Pulaski Community Hospital, Inc.

Columbia Homecare Pulaski Community Hospital

Columbia Pulaski Community Hospital

Reston Oncology Center Associates, Inc.

Richmond Medical Commons, LLC

Richmond West End Real Estate, Inc.

Skipfor, Inc.

VIRGINIA (Cont)

Surgicare of Virginia, Inc.

United Ambulance Service, Inc.

Virginia Psychiatric Company, Inc.

Barcroft Institute

Columbia Peninsula Center for Behavioral Health

Peninsula Hospital

Perspectives Health Services of Canada

Poplar Springs Hospital

WASHINGTON

ACH, Inc.

Capital Network Services, Inc.

Olympia Hospital Corporation

Rainier Regional Rehabilitation Hospital, Inc.

WEST VIRGINIA

Charleston Hospital, Inc.
Columbia St. Francis Hospital
St. Francis Health Clinic

Columbia Parkersburg Healthcare System, Inc.

Galen of West Virginia, Inc.
Columbia Home Infusion Services
Columbia Homecare (Bluefield, WVA)
Columbia St. Lukes Hospital
Galen Shared Services
Greenbrier Valley Medical Center

HCA Health Services of West Virginia, Inc.

Hospital Corporation of America

Raleigh General Hospital
All Care Medical Supply
Beckley Hospital
Columbia Homecare Raleigh General Hospital
Columbia Raleigh General Hospital
Extend-A-Care

Teays Valley Health Services Corp.
Putnam General Hospital

Tri Cities Health Services Corp.
Columbia River Park Hospital (WVA)

WEST VIRGINIA (Cont)

West Virginia Management Services Organization, Inc.
Columbia Behavioral Health Network
Physicians Care of The Virginias

West Virginia Mobile Services, Inc.
West Virginia Mobile Services

Zone, Incorporated

WISCONSIN

Psychiatric Company of Dane County, Inc.

WYOMING

Riverton MSO, Inc.

Wyoming Health Services, Inc.

Columbia Riverton Memorial Hospital

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements on Forms S-3 (File Nos. 333-05005, 333-01337, 33-64105, 33-53661, 33-53409, 33-52379, and 33-50985) and Forms S-8 (File Nos. 333-18169, 33-62309, 33-62303, 33-55511, 33-55509, 33-55272, 33-55270, 33-52253, 33-51114, 33-51082, 33-51052, 33-50151, 33-50147, 33-49783, 33-36571, and 333-33881) of our report dated February 12, 1998 (except for NOTE 21, as to which the date is February 20, 1998) with respect to the consolidated financial statements included in this Annual Report (Form 10-K) of Columbia/HCA Healthcare Corporation for the year ended December 31, 1997.

/s/ ERNST & YOUNG LLP

Nashville, Tennessee
March 25, 1998

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.

1,000,000

12-MOS		
	DEC-31-1997	
	DEC-31-1997	110
		0
	4,183	
	1,661	
	452	
	4,423	
		16,254
	6,024	
	22,002	
	2,773	
		9,276
	0	
		0
		6
		7,244
22,002		0
	18,819	
		0
	10,353	
	4,263	
	1,420	
	493	
	388	
	206	
	182	
	(431)	
	0	
		(56)
	(305)	
	0.46	
	0.46	

EPS-BASIC PER SFAS NO. 128
EPS-DILUTED PER SFAS NO. 128

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.

1,000,000

9-MOS	6-MOS	3-MOS	12-MOS
DEC-31-1997	DEC-31-1997	DEC-31-1997	DEC-31-1996
JAN-01-1997	JAN-01-1997	JAN-01-1997	JAN-01-1996
SEP-30-1997	JUN-30-1997	MAR-31-1997	DEC-31-1996
28	109	17	113
0	0	0	0
4,458	4,444	4,374	4,222
1,569	1,467	1,393	1,380
458	453	440	438
4,359	4,488	4,306	4,199
16,500	16,094	15,696	15,687
5,894	5,634	5,395	5,314
23,123	21,781	21,277	21,116
2,643	2,530	2,764	2,810
8,693	7,381	6,441	6,781
0	0	0	0
0	0	0	0
7	7	7	7
8,864	8,794	9,043	8,602
23,123	21,781	21,116	0
0	0	0	0
14,445	9,833	4,988	18,786
0	0	0	0
7,631	5,083	2,575	9,860
2,928	1,905	962	3,689
976	607	297	1,196
361	236	113	488
1,553	1,403	760	2,442
622	563	305	981
931	840	455	1,461
57	51	24	44
0	0	0	0
(56)	(56)	(56)	0
932	835	423	1,505
1.41	1.25	0.63	2.24
1.40	1.24	0.62	2.22

EPS-Basic Per SFAS No. 128
EPS-Diluted Per SFAS No. 128

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

1,000,000

9-MOS	6-MOS	3-MOS	12-MOS
DEC-31-1996	DEC-31-1996	DEC-31-1996	DEC-31-1995
JAN-01-1996	JAN-01-1996	JAN-01-1996	JAN-01-1995
SEP-30-1996	JUN-30-1996	MAR-31-1996	DEC-31-1995
	10	12	105
0	0	0	0
3,958	3,957	3,941	3,436
1,328	1,305	1,287	895
429	428	414	404
3,896	3,978	3,968	4,059
15,495	15,229	14,744	14,299
5,191	4,994	4,755	4,560
20,552	20,510	20,107	19,805
2,569	2,358	2,554	2,650
6,859	7,334	7,287	7,137
0	0	0	4
0	0	0	0
7	4	4	0
8,208	7,896	7,575	7,125
20,552	20,510	19,805	0
0	0	0	0
13,969	9,364	4,693	17,132
0	0	0	0
7,404	4,963	2,492	9,315
2,738	1,799	877	3,203
865	554	270	994
371	252	129	458
1,774	1,276	674	1,714
711	512	271	689
1,063	764	403	1,025
28	16	13	39
0	0	0	(103)
0	0	0	0
1,091	780	416	961
1.63	1.16	.62	1.44
1.61	1.15	.61	1.43

EPS - Basic Per SFAS No. 128

EPS - Diluted Per SFAS No. 128