

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2000

OR

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 1-11239

HCA - THE HEALTHCARE COMPANY
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction
of incorporation or organization)

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

ONE PARK PLAZA
NASHVILLE, TENNESSEE
(Address of principal executive offices)

37203
(Zip Code)

(615) 344-9551
(Registrant's telephone number, including area code)

FORMER NAME:
Columbia/HCA Healthcare Corporation
Date of Change: May 25, 2000

NOT APPLICABLE
(Former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months, and (2) has been subject to such filing
requirements for the past 90 days. YES ☒ NO ☐

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

CLASS OF COMMON STOCK	OUTSTANDING AT JULY 31, 2000
Voting common stock, \$.01 par value	537,064,000 shares
Nonvoting common stock, \$.01 par value	21,000,000 shares

HCA -- THE HEALTHCARE COMPANY

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JUNE 30, 2000

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HCA -- THE HEALTHCARE COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE QUARTERS AND SIX MONTHS ENDED JUNE 30, 2000 AND 1999
UNAUDITED
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	QUARTER		SIX MONTHS	
	2000	1999	2000	1999
Revenues.....	\$ 4,133	\$ 4,161	\$ 8,404	\$ 8,816
Salaries and benefits.....	1,645	1,666	3,306	3,514
Supplies.....	655	654	1,325	1,376
Other operating expenses.....	768	836	1,532	1,740
Provision for doubtful accounts.....	299	329	601	667
Depreciation and amortization.....	265	278	521	574
Interest expense.....	136	118	255	229
Equity in earnings of affiliates.....	(33)	(30)	(65)	(65)
Settlement with federal government.....	745	--	745	--
Gains on sales of facilities.....	(18)	(8)	(18)	(257)
Impairment of long-lived assets.....	--	54	--	160
Restructuring of operations and investigation related costs.....	12	30	25	60
	4,474	3,927	8,227	7,998
Income (loss) before minority interests and income taxes.....	(341)	234	177	818
Minority interests in earnings of consolidated entities.....	29	14	55	28
Income (loss) before income taxes.....	(370)	220	122	790
Provision (benefit) for income taxes.....	(98)	114	98	362
Net income (loss).....	\$ (272)	\$ 106	\$ 24	\$ 428
Per share data:				
Basic earnings (loss).....	\$ (0.49)	\$.18	\$.04	\$.70
Diluted earnings (loss).....	\$ (0.49)	\$.18	\$.04	\$.70
Cash dividends.....	\$.02	\$.02	\$.04	\$.04
Shares used in earnings per share calculations (in thousands):				
Basic.....	554,759	577,964	558,999	608,514
Diluted.....	554,759	583,826	569,109	614,249

See accompanying notes.

HCA -- THE HEALTHCARE COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
UNAUDITED
(DOLLARS IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

	JUNE 30, 2000	DECEMBER 31, 1999
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 292	\$ 190
Accounts receivable, less allowances for doubtful accounts of \$1,552 and \$1,567.....	2,046	1,873
Inventories.....	389	383
Income taxes receivable.....	100	178
Other.....	1,211	973
	-----	-----
	4,038	3,597
Property and equipment, at cost.....	14,817	14,084
Accumulated depreciation.....	(5,984)	(5,594)
	-----	-----
	8,833	8,490
Investments of insurance subsidiary.....	1,486	1,457
Investments in and advances to affiliates.....	606	654
Intangible assets, net.....	2,341	2,319
Other.....	388	368
	-----	-----
	\$17,692	\$16,885
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable.....	\$ 603	\$ 657
Accrued salaries.....	402	403
Government settlement accrual.....	745	--
Other accrued expenses.....	1,190	1,112
Long-term debt due within one year.....	691	1,160
	-----	-----
	3,631	3,332
Long-term debt.....	6,276	5,284
Professional liability risks, deferred taxes and other liabilities.....	1,667	1,889
Minority interests in equity of consolidated entities.....	739	763
Stockholders' equity:		
Common stock \$.01 par; authorized 1,600,000,000 voting shares and 50,000,000 nonvoting shares; outstanding 536,491,600 voting shares and 21,000,000 nonvoting shares -- 2000 and 543,272,900 voting shares and 21,000,000 nonvoting shares -- 1999.....	6	6
Capital in excess of par value.....	722	951
Other.....	8	8
Accumulated other comprehensive income.....	43	53
Retained earnings.....	4,600	4,599
	-----	-----
	5,379	5,617
	-----	-----
	\$17,692	\$16,885
	=====	=====

See accompanying notes.

HCA -- THE HEALTHCARE COMPANY
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE SIX MONTHS ENDED JUNE 30, 2000 AND 1999
 UNAUDITED
 (DOLLARS IN MILLIONS)

	2000	1999
	-----	-----
Cash flows from operating activities:		
Net income.....	\$ 24	\$ 428
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for doubtful accounts.....	601	667
Depreciation and amortization.....	521	574
Income taxes.....	(282)	(41)
Settlement with federal government.....	745	--
Gains on sales of facilities.....	(18)	(257)
Impairment of long-lived assets.....	--	160
Changes in operating assets and liabilities.....	(921)	(1,120)
Other.....	23	(10)
	-----	-----
Net cash provided by operating activities.....	693	401
	-----	-----
Cash flows from investing activities:		
Purchase of property and equipment.....	(586)	(690)
Acquisition of hospitals and health care entities.....	(290)	--
Disposition of property and equipment.....	263	624
Spin-off of facilities to stockholders.....	--	886
Change in investments.....	(96)	548
Other.....	(76)	14
	-----	-----
Net cash provided by (used in) investing activities.....	(785)	1,382
	-----	-----
Cash flows from financing activities:		
Issuance of long-term debt.....	1,308	1,017
Net change in revolving bank credit.....	--	(871)
Repayment of long-term debt.....	(860)	(231)
Payment of cash dividends.....	(22)	(24)
Repurchases of common stock, net.....	(255)	(1,908)
Other.....	23	20
	-----	-----
Net cash provided by (used in) financing activities.....	194	(1,997)
	-----	-----
Change in cash and cash equivalents.....	102	(214)
Cash and cash equivalents at beginning of period.....	190	297
	-----	-----
Cash and cash equivalents at end of period.....	\$ 292	\$ 83
	=====	=====
Interest payments.....	\$ 247	\$ 237
Income tax payments, net.....	\$ 378	\$ 452

See accompanying notes.

HCA -- THE HEALTHCARE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
UNAUDITED

NOTE 1 -- BASIS OF PRESENTATION

HCA - The Healthcare Company, formerly known as Columbia/HCA Healthcare Corporation, is a holding company whose affiliates own and operate hospitals and related health care entities. The term "affiliates" includes direct and indirect subsidiaries of HCA - The Healthcare Company and partnerships and joint ventures in which such subsidiaries are partners. At June 30, 2000, these affiliates owned and operated 195 hospitals, 80 freestanding surgery centers and provided extensive outpatient and ancillary services. Affiliates of HCA - The Healthcare Company are also partners in several 50/50 joint ventures that own and operate nine hospitals and three freestanding surgery centers which are accounted for using the equity method. The Company's facilities are located in 24 states, England and Switzerland. The terms "HCA" or the "Company" as used in this Quarterly Report on Form 10-Q refer to HCA - The Healthcare Company and its affiliates unless otherwise stated or indicated by context.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the quarter and six months ended June 30, 2000, are not necessarily indicative of the results that may be expected for the year ending December 31, 2000. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1999.

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

NOTE 2 -- INVESTIGATIONS AND UNDERSTANDING TO SETTLE CERTAIN GOVERNMENT CIVIL CLAIMS

The Company continues to be the subject of several Federal investigations into its business practices, as well as governmental investigations by various states. The Company is cooperating in these investigations and understands, through written notice and other means, that it is a target in these investigations. Given the breadth of the ongoing investigations, the Company expects additional investigative and prosecutorial activity to occur in these and other jurisdictions in the future. The Company is a defendant in several qui tam actions brought by private parties on behalf of the United States of America, which have been unsealed and served on the Company. The actions allege, in general, that the Company and certain subsidiaries and/or affiliated partnerships violated the False Claims Act by submitting improper claims to the government for reimbursement. The lawsuits generally seek damages of three times the amount of all Medicare or Medicaid claims (involving false claims) presented by the defendants to the Federal government, civil penalties of not less than \$5,000 nor more than \$10,000 for each such Medicare or Medicaid claim, attorneys' fees and costs. The government has intervened in six qui tam actions. The Company is aware of additional qui tam actions that remain under seal and believes that there are other sealed qui tam cases of which it is unaware.

The Company and its affiliates announced in May 2000 that an understanding had been reached with attorneys of the Civil Division of the Department of Justice ("DOJ") to recommend an agreement to settle, subject to certain conditions, civil claims actions against the Company relating to Diagnosis Related Group ("DRG") coding; outpatient laboratory billing; and home health issues. Civil issues that remain to be resolved are cost reports and physician relations issues.

The understanding with DOJ attorneys provides that the Company will compensate the government \$745 million (with interest at 6.5% beginning May 18, 2000) with respect to the issues covered by the understanding. This resulted in the Company recording an after-tax charge of \$498 million during the quarter ended June 30, 2000. The settlement is subject to approval by additional officials at the DOJ; execution of a

HCA -- THE HEALTHCARE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
UNAUDITED

NOTE 2 -- INVESTIGATIONS AND UNDERSTANDING TO SETTLE CERTAIN GOVERNMENT CIVIL CLAIMS (CONTINUED)

corporate integrity agreement; execution of definitive settlement documents for the three issues included in the understanding; execution of agreements to resolve all criminal investigations pending against the Company and court approval.

If all criminal settlements have not been reached by September 30, 2000, the date for completion of criminal settlements is automatically extended to December 31, 2000, unless the government notifies the Company by September 15, 2000 that it will not agree to an extension. In the event the government does not agree to extend the September 30, 2000 completion date or the criminal settlement condition is not satisfied by the December 31, 2000 completion date, the settlement agreement shall expire unless the Company elects to waive the criminal condition. Notwithstanding the fixed dates of expiration, the parties expect to complete the settlement even after the expiration date so long as the criminal settlement condition is satisfied.

The understanding covers issues for the following years: DRG coding for calendar years 1990-1997; outpatient laboratory billings for calendar years 1989-1997; home health community education for Medicare cost report years 1994-1997; home health billing for calendar years 1995-1998; and certain home health management transactions for Medicare cost report years 1993-1998.

The Company's existing letter of credit agreement with the DOJ will be reduced from \$1 billion to \$250 million at the time of the settlement payment. In addition, the understanding provides that any future civil payments on cost reports or physician relations will reduce the remaining amount of the letter of credit dollar for dollar.

The Company also reached an understanding with the Office of Inspector General of the Department of Health and Human Services on the principal terms of a corporate integrity agreement. The corporate integrity agreement is intended to assure the government of the Company's overall Medicare compliance and covers DRG coding, outpatient laboratory billing and the two civil issues still to be resolved - physician relations and cost reports. Execution of the corporate integrity agreement is expected to result in waiver of the government's discretionary right to exclude any of the Company's operations from participation in the Medicare program.

The Company remains the subject of a formal order of investigation by the Securities and Exchange Commission. The Company understands that the investigation includes the anti-fraud, insider trading, periodic reporting and internal accounting control provisions of the Federal securities laws.

Management is unable to predict the outcome or effect of the remaining civil issues, the criminal investigation or other actions. The Company could be subject to substantial costs resulting from an adverse outcome of one or more such actions. Any such sanctions or losses could have a material adverse effect on the Company's financial position and results of operations. (See Note 10 -- Contingencies and Part II, Item 1: Legal Proceedings.)

NOTE 3 -- RESTRUCTURING OF OPERATIONS

HCA has completed a restructuring of its operations to create a smaller and more focused company. The restructuring included the divestitures of certain hospitals, surgery centers and related facilities, the spin-offs of LifePoint Hospitals, Inc. ("LifePoint") and Triad Hospitals, Inc. ("Triad") and the divestitures of the Company's home health and certain other businesses.

Divestiture of Certain Hospitals and Surgery Centers

During the first six months of 2000, HCA recognized a pretax gain of \$18 million (\$8 million after-tax) on the sale of one consolidating hospital. Proceeds from this sale were used to repay bank borrowings.

HCA -- THE HEALTHCARE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
UNAUDITED

NOTE 3 -- RESTRUCTURING OF OPERATIONS (CONTINUED)

Divestiture of Certain Hospitals and Surgery Centers (continued)

During the first six months of 1999, HCA recognized a pretax gain of \$257 million (\$151 million after-tax) on the sales of three consolidating hospitals and certain related facilities. Proceeds from the sales were used to repay bank borrowings.

During the first six months of 1999, management identified and initiated, or revised, plans to sell or close during 1999 and 2000, 15 consolidating hospitals and four non-consolidating hospitals. The carrying value for the hospitals and other assets expected to be sold was reduced to fair value of approximately \$195 million, based upon estimates of sales values, for a total non-cash, pretax charge of approximately \$160 million. The hospitals and other assets for which the impairment charge was recorded had revenues (through the date of sale or closure) of approximately \$26 million and \$145 million for the quarters ended June 30, 2000 and 1999, respectively, and approximately \$58 million and \$320 million for the six months ended June 30, 2000 and 1999, respectively. These facilities incurred net losses from operations of approximately \$3 million and \$13 million for the quarters ended June 30, 2000 and 1999, respectively and approximately \$12 million and \$20 million for the six months ended June 30, 2000 and 1999, respectively. During 1999 and the first six months of 2000, the Company completed the divestitures or closures of nine of the consolidating hospitals and the four non-consolidating hospitals on which impairment charges had been recorded. The facilities spun-off to Triad included another three of the consolidating hospitals on which impairment charges had been recorded. Proceeds from the completed divestitures were used to repay bank borrowings.

Management's estimates of sales values are generally based upon internal evaluations of each market that include quantitative analyses of revenues and cash flows, reviews of recent sales of similar facilities and market responses based upon discussions with and offers received from potential buyers. The market responses are usually considered to provide the most reliable estimates of fair value.

The asset impairment charges did not have a significant impact on HCA's cash flows and are not expected to significantly impact cash flows for future periods. The impaired facilities are classified as "held for use" because economic and operational considerations justify operating the facilities and marketing them as operating enterprises; therefore, depreciation has not been suspended.

The impairment charges affected the Company's asset categories, as follows (in millions):

	QUARTER 1999 -----	SIX MONTHS 1999 -----
Property and equipment.....	\$ 29	\$101
Intangible assets.....	16	50
Investments in and advances to affiliates.....	9	9
	----	----
	\$ 54	\$160
	====	====

HCA -- THE HEALTHCARE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
UNAUDITED

NOTE 3 -- RESTRUCTURING OF OPERATIONS (CONTINUED)

Divestiture of Certain Hospitals and Surgery Centers (continued)

The impairment charges affected the Company's operating segments, as follows (in millions):

	QUARTER 1999	SIX MONTHS 1999
	-----	-----
Eastern Group.....	\$ 12	\$ 12
Western Group.....	17	17
Corporate and other.....	3	3
Spin-offs.....	--	34
National Group.....	22	94
	----	----
	\$ 54	\$160
	====	====

Spin-Offs

On May 11, 1999, the Company completed the spin-offs of LifePoint and Triad through a distribution of one share of LifePoint common stock and one share of Triad common stock for every 19 shares of the Company's common stock outstanding on April 30, 1999. Triad was comprised of 34 consolidating hospitals and LifePoint was comprised of 23 consolidating hospitals.

NOTE 4 -- RESTRUCTURING OF OPERATIONS AND INVESTIGATION RELATED COSTS

HCA recorded the following pretax charges in connection with the restructuring of operations and investigations as discussed in Note 2 -- Investigations and Understanding to Settle Certain Government Civil Claims and Note 3 -- Restructuring of Operations (in millions):

	QUARTER		SIX MONTHS	
	2000	1999	2000	1999
Professional fees related to investigations.....	\$12	\$23	\$20	\$42
Severance costs.....	--	--	--	2
Other.....	--	7	5	16
	\$12	\$30	\$25	\$60

The professional fees related to investigations represent incremental legal and accounting expenses that are being recognized on the basis of when the costs are incurred. The severance amounts in 1999 related primarily to a small group of executives associated with operations or functions that were ceased or divested. The liability balance for accrued severance and lease commitments was approximately \$11 million at June 30, 2000.

HCA -- THE HEALTHCARE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
UNAUDITED

NOTE 5 -- BUSINESS COMBINATIONS

The following is a summary of acquisitions consummated during the six months ended June 30, 2000 (dollars in millions):

	JUNE 30, 2000 -----
Number of hospitals.....	7
Number of licensed beds.....	760
Purchase price information:	
Hospitals:	
Fair value of assets acquired.....	\$322
Liabilities assumed.....	(89)

Net assets acquired.....	233
Other health care entities acquired.....	57

Net cash paid.....	\$290
	=====

The purchase price paid in excess of the fair value of identifiable net assets of acquired entities aggregated \$82 million. The pro forma effect of these acquisitions on the Company's results of operations for the periods prior to the respective acquisition dates was not significant.

NOTE 6 -- INCOME TAXES

HCA is currently contesting before the United States Tax Court (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 1994-1996 Federal income tax returns, Columbia Healthcare Corporation's ("CHC") 1993 and 1994 Federal income tax returns, HCA-Hospital Corporation of America's ("Hospital Corporation of America") 1981 through 1988 and 1991 through 1993 Federal income tax returns and Healthtrust, Inc. - The Hospital Company's ("Healthtrust") 1990 through 1994 Federal income tax returns. The disputed items include the disallowance of certain financing costs, system conversion costs and insurance premiums which were deducted in calculating taxable income, and the allocation of costs to fixed assets and goodwill in connection with hospitals acquired by the Company in 1995 and 1996. The IRS is claiming an additional \$191 million in income taxes and interest through June 30, 2000.

During the first quarter of 2000, the Company and the IRS filed a Stipulated Settlement with the Tax Court regarding the IRS' proposed disallowance of certain acquisition-related costs, executive compensation and systems conversion costs which were deducted in calculating taxable income and the methods of accounting used by certain subsidiaries for calculating taxable income related to vendor rebates and governmental receivables. As a result of the settlement, the Company paid additional tax and interest of approximately \$156 million. The settlement had no impact on the Company's results of operations.

Tax Court decisions received in 1996 and 1997, related to the IRS' examination of Hospital Corporation of America's 1981 through 1988 Federal income tax returns, may be appealed by the IRS or the Company to the United States Court of Appeals, Sixth Circuit. The Company expects any decisions regarding the appeal of these rulings will be made during 2000. Because no final decisions have been made regarding appeals of the decisions, the Company is presently unable to estimate the amount of any additional income tax and interest which the IRS may claim.

During the first quarter of 2000, the IRS began an examination of the Company's 1997 and 1998 Federal income tax returns. HCA is presently unable to estimate the amount of any additional income tax and interest which the IRS may claim upon completion of the examination.

HCA -- THE HEALTHCARE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
UNAUDITED

NOTE 6 -- INCOME TAXES (CONTINUED)

Management believes that adequate provisions have been recorded to satisfy final resolution of the disputed issues. Management believes that the Company, CHC, Hospital Corporation of America 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 the final resolution of these disputes will not have a material adverse effect on the results of operations or financial position of HCA.

NOTE 7 -- EARNINGS PER SHARE

Basic earnings per share is computed on the basis of the weighted average number of common shares outstanding. Diluted earnings per share is computed on the basis of the weighted average number of common shares outstanding plus the dilutive effect of outstanding stock options and warrants using the treasury stock method and the assumed net share settlement of structured repurchases of common stock.

The following table sets forth the computation of basic and diluted earnings per share for the quarters and six months ended June 30, 2000 and 1999 (dollars in millions, except per share amounts and shares in thousands):

	QUARTER		SIX MONTHS	
	2000	1999	2000	1999
Net income (loss).....	\$ (272)	\$ 106	\$ 24	\$ 428
Weighted average common shares outstanding.....	554,759	577,964	558,999	608,514
Effect of dilutive securities:				
Stock options.....	(A)	4,725	6,422	3,026
Warrants and other.....	(A)	1,137	3,688	2,709
Shares used for diluted earnings (loss) per share.....	554,759	583,826	569,109	614,249
Earnings per share:				
Basic earnings (loss) per share.....	\$ (.49)	\$.18	\$.04	\$.70
Diluted earnings (loss) per share.....	\$ (.49)	\$.18	\$.04	\$.70

(a) No incremental shares are included due to the loss incurred for the quarter ended June 30, 2000.

NOTE 8 -- LONG-TERM DEBT

In March 2000, HCA entered into a \$1.2 billion term loan agreement (the "2000 Term Loan") with several banks. Proceeds from the 2000 Term Loan were used in the first quarter of 2000 to retire the outstanding balance under the \$1.0 billion interim term loan agreement entered into in March 1999 and to reduce outstanding loans under the Company's revolving credit facility.

During the second quarter of 2000, an English subsidiary of the Company entered into a \$168 million Term Facility Agreement ("term loan") with a bank. The term loan was used to buy out the Company's 50/50 joint venture partner in England and to refinance existing indebtedness. The term loan matures in May 2001.

NOTE 9 -- STOCK REPURCHASE PROGRAM

In March 2000, HCA announced that its Board of Directors authorized the repurchase of up to \$1 billion of common stock. Certain financial organizations purchased approximately 5.3 million shares of the Company's common stock for approximately \$119 million during the first quarter of 2000 and approximately

HCA -- THE HEALTHCARE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
UNAUDITED

NOTE 9 -- STOCK REPURCHASE PROGRAM (CONTINUED)

11.3 million shares for approximately \$322 million during the second quarter of 2000 utilizing forward purchase contracts. In accordance with the terms of the contracts, these shares remain outstanding until settled by the Company. HCA expects to repurchase the remaining stock associated with the March 2000 repurchase authorization through open market purchases, privately negotiated transactions or forward purchase contracts.

In November 1999, HCA announced that its Board of Directors authorized the repurchase of up to \$1 billion of its common stock. During the first quarter of 2000, HCA settled forward purchase contracts associated with its November 1999 authorization of approximately 8.5 million shares at a cost of \$250 million and during the second quarter of 2000, settled forward purchase contracts associated with the same authorization of approximately 1.8 million shares at a cost of approximately \$53 million. In accordance with the terms of the forward purchase contracts, approximately 24.1 million shares at a cost of approximately \$697 million remain outstanding until settled by the Company.

The significant terms of the forward purchase contracts utilized in the repurchase transactions include: (1) in consideration for the purchases, the Company is obligated to pay the counterparties an amount equal to their average cost to acquire the stock plus a rate of return that varies by contract (from LIBOR plus 125 basis points to LIBOR plus 150 basis points), (2) the contracts generally have a stated term of one year, but the Company may settle the contracts at any time, subject to certain notification requirements and (3) the Company may settle the contracts, at its discretion, by one of three methods: (a) physical settlement -- where the Company would pay cash in exchange for the shares, (b) net share settlement -- where the Company would issue shares to the counterparties or the counterparties would return shares to the Company in amounts that provide value equal to the differential between the market value of the shares on the settlement date less transaction costs and the counterparties' cost to acquire the shares plus the specified rate of return or (c) net cash settlement -- where the Company would pay cash to the counterparties or the counterparties would pay cash to the Company in amounts that would provide value equal to the differential between the market value of the shares on the settlement date less transaction costs and the cost to acquire the shares plus the specified rate of return.

During the first quarter of 1999, the Company entered into a Letter of Credit Agreement with the United States Department of Justice related to the Company's share repurchase programs. As part of the agreement, the Company provided the government with letters of credit totaling \$1 billion. The understanding reached with the government in May 2000, as discussed in Note 2 -- Investigations and Understanding to Settle Certain Government Civil Claims, provides that the letters of credit will be reduced from \$1 billion to \$250 million at the time of the settlement payment. In addition, the understanding provides that any future civil payments on cost reports or physician relations will reduce the remaining amount of the letters of credit dollar for dollar.

NOTE 10 -- CONTINGENCIES

Significant Legal Proceedings

Various lawsuits, claims and legal proceedings (see Note 2--Investigations and Understanding to Settle Certain Government Civil Claims and Part II, Item 1: Legal Proceedings, for a description of the ongoing government investigations and other legal proceedings) have been and are expected to 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, claims and overcharging, 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

NOTE 10 -- CONTINGENCIES (CONTINUED)

Significant Legal Proceedings (continued)
and other violations of law. 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' staff privileges. In certain of these actions the claimants may seek punitive damages against the Company, which may not be 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 11 -- COMPREHENSIVE INCOME

The components of comprehensive income, net of related taxes, for the quarters and six months ended June 30, 2000 and 1999 are as follows (in millions):

	QUARTER		SIX MONTHS	
	2000	1999	2000	1999
Net income (loss).....	\$(272)	\$106	\$24	\$428
Unrealized gains (losses) on securities.....	(16)	10	(8)	1
Foreign currency translation adjustments.....	(2)	(4)	(2)	(11)
Comprehensive income (loss).....	\$(290)	\$112	\$14	\$418
	=====	=====	=====	=====

The components of accumulated other comprehensive income, net of related taxes are as follows (in millions):

	JUNE 30, 2000	DECEMBER 31, 1999
Net unrealized gains on securities.....	\$51	\$59
Foreign currency translation adjustments.....	(8)	(6)
Accumulated other comprehensive income.....	\$43	\$53
	===	===

NOTE 12 -- SEGMENT AND GEOGRAPHIC INFORMATION

HCA operates in one line of business, which is operating hospitals and related health care entities. During the quarters and six months ended June 30, 2000 and 1999 approximately 28% and 29%, and 29% and 30%, respectively, of the Company's revenues related to patients participating in the Medicare program.

HCA's operations are structured into two geographically organized groups: the Eastern Group is comprised of 97 consolidating hospitals located in the Eastern United States and the Western Group is comprised of 80 consolidating hospitals located in the Western United States. These two groups represent HCA's core operations and are typically located in urban areas that are characterized by highly integrated facility networks. An additional group, the National Group, includes nine consolidating hospitals which HCA intends to sell or close and the operations of certain other hospitals which have been sold. HCA also operates nine consolidating hospitals in England and Switzerland.

NOTE 12 -- SEGMENT AND GEOGRAPHIC INFORMATION (CONTINUED)

HCA completed the spin-offs of LifePoint and Triad (the "Spin-offs") during the second quarter of 1999. At the time of the spin-offs, LifePoint included 23 consolidating hospitals and Triad included 34 consolidating hospitals. See Note 3 -- Restructuring of Operations. HCA's Chief Operating Officer reviews geographic distributions of HCA's revenues, EBITDA, depreciation and amortization, and assets. EBITDA is defined as income before depreciation and amortization, interest expense, gains on sales of facilities, impairment of long-lived assets, settlement with federal government, restructuring of operations and investigation related costs, minority interests and income taxes. The Company uses EBITDA as an analytical indicator for purposes of allocating resources to geographic areas and assessing their performance. EBITDA is commonly used as an analytical indicator within the health care industry, and also serves as a measure of leverage capacity and debt service ability. EBITDA should not be considered as a measure of financial performance under generally accepted accounting principles, and the items excluded from EBITDA are significant components in understanding and assessing financial performance. Because EBITDA is not a measurement determined in accordance with generally accepted accounting principles and is thus susceptible to varying calculations, EBITDA as presented may not be comparable to other similarly titled measures of other companies. The geographic distributions of HCA's revenues, EBITDA, depreciation and amortization, and assets, restated for the restructuring of operations transactions (the spin-offs and transfers of certain facilities to the National Group), are summarized in the following table (dollars in millions):

	QUARTER ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,		
	2000	1999	2000	1999	1999	1998	1997
Revenues:							
Eastern Group.....	\$2,045	\$1,924	\$4,202	\$3,931	\$ 7,796	\$ 7,423	\$ 7,318
Western Group.....	1,866	1,769	3,752	3,541	7,024	6,497	6,229
Corporate and other(a).....	110	77	199	152	302	283	232
National Group.....	112	227	251	526	869	2,391	2,943
Spin-offs.....	--	164	--	666	666	2,087	2,097
	-----	-----	-----	-----	-----	-----	-----
	\$4,133	\$4,161	\$8,404	\$8,816	\$16,657	\$18,681	\$18,819
	=====	=====	=====	=====	=====	=====	=====
EBITDA:							
Eastern Group.....	\$ 453	\$ 431	\$ 993	\$ 934	\$ 1,727	\$ 1,570	\$ 1,444
Western Group.....	354	297	722	608	1,170	983	1,003
Corporate and other(a).....	7	(44)	4	(58)	(68)	8	(149)
National Group.....	(15)	2	(14)	17	(24)	101	283
Spin-offs.....	--	20	--	83	83	206	270
	-----	-----	-----	-----	-----	-----	-----
	\$ 799	\$ 706	\$1,705	\$1,584	\$ 2,888	\$ 2,868	\$ 2,851
	=====	=====	=====	=====	=====	=====	=====
Depreciation and amortization:							
Eastern Group.....	\$ 118	\$ 113	\$ 232	\$ 225	\$ 457	\$ 448	\$ 436
Western Group.....	110	111	221	218	436	404	400
Corporate and other(a).....	26	26	48	51	98	92	87
National Group.....	11	16	20	33	56	168	185
Spin-offs.....	--	12	--	47	47	138	130
	-----	-----	-----	-----	-----	-----	-----
	\$ 265	\$ 278	\$ 521	\$ 574	\$ 1,094	\$ 1,247	\$ 1,238
	=====	=====	=====	=====	=====	=====	=====

HCA -- THE HEALTHCARE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)
UNAUDITED

NOTE 12 -- SEGMENT AND GEOGRAPHIC INFORMATION (CONTINUED)

	JUNE 30, 2000	DECEMBER 31, -----		
	-----	1999	1998	1997
	-----	-----	-----	-----
Assets:				
Eastern Group.....	\$ 7,007	\$ 6,722	\$ 6,724	\$ 6,662
Western Group.....	6,694	6,592	6,825	6,448
Corporate and other(a).....	3,468	3,143	2,884	4,445
National Group.....	523	428	1,270	2,638
Spin-offs.....	--	--	1,726	1,809
	-----	-----	-----	-----
	\$17,692	\$16,885	\$19,429	\$22,002
	=====	=====	=====	=====

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(a) Includes the Company's nine consolidating hospitals located in England and Switzerland.

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

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains disclosures which contain "forward-looking statements." Forward-looking statements include all statements that do not relate solely to historical or current facts, and may be identified by the use of words like "may," "believe," "will," "expect," "project," "estimate," "anticipate," "plan," "initiative" or "continue." These forward-looking statements are based on the current plans and expectations of the Company and are subject to a number of known and unknown uncertainties and risks, many of which are beyond the Company's control, that could significantly affect current plans and expectations and the Company's future financial condition and results. These factors include, but are not limited to, (i) the outcome of the known and unknown governmental investigations and litigation involving the Company's business practices, (ii) the ability to finalize definitive settlement agreements relating to DRG coding, outpatient laboratory billing, home health issues and other matters, (iii) the highly competitive nature of the health care business, (iv) the efforts of insurers, health care providers and others to contain health care costs, (v) possible changes in the Medicare program that may further limit reimbursements to health care providers and insurers, (vi) changes in Federal, state or local regulation affecting the health care industry, (vii) the possible enactment of Federal or state health care reform, (viii) the ability to attract and retain qualified management and personnel, including physicians, (ix) liabilities and other claims asserted against the Company, (x) fluctuations in the market value of the Company's common stock, (xi) ability to complete the share repurchase program, (xii) changes in accounting practices, (xiii) changes in general economic conditions, (xiv) future divestitures which may result in additional charges, (xv) the ability to enter, renegotiate and renew managed care provider arrangements on acceptable terms, (xvi) the availability and terms of capital to fund the expansion of the Company's business, (xvii) changes in business strategy or development plans, (xviii) slowness of reimbursement, (xix) the ability to implement the Company's shared services and e-health initiatives, (xx) the outcome of pending and any future tax audits and litigation associated with the Company's tax positions, and (xxi) other risk factors. As a consequence, current plans, anticipated actions and future financial condition and results may differ from those expressed in any forward-looking statements made by or on behalf of the Company. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this report, including in "Management's Discussion and Analysis of Financial Condition and Results of Operations."

INVESTIGATIONS AND UNDERSTANDING TO SETTLE CERTAIN GOVERNMENT CIVIL CLAIMS

The Company is currently the subject of several Federal investigations into certain of its business practices, as well as governmental investigations by various states. The Company is cooperating in these investigations and understands, through written notice and other means, that it is a target in these investigations. Given the breadth of the ongoing investigations, the Company expects additional investigative and prosecutorial activity to occur in these and other jurisdictions in the future.

The Company and its affiliates announced in May 2000 that an understanding had been reached with attorneys of the Civil Division of the Department of Justice ("DOJ") to recommend an agreement to settle, subject to certain conditions, civil claims actions against the Company relating to Diagnosis Related Group ("DRG") coding, outpatient laboratory billing, and home health issues. Civil issues that remain to be resolved are cost reports and physician relations issues.

The understanding with DOJ attorneys provides that the Company will compensate the government \$745 million (with interest at 6.5% beginning May 18, 2000) with respect to the issues covered by the understanding. This resulted in the Company recording an after-tax charge of \$498 during the quarter ended June 30, 2000. The settlement is subject to approval by additional officials at the DOJ; execution of a corporate integrity agreement; execution of definitive settlement documents for the three issues included in the understanding; execution of agreements to resolve all pending criminal investigations; and court approval.

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

INVESTIGATIONS AND UNDERSTANDING TO SETTLE CERTAIN GOVERNMENT CIVIL CLAIMS
(CONTINUED)

If all criminal settlements have not been reached by September 30, 2000, the date for completion of criminal settlements is automatically extended to December 31, 2000, unless the government notifies the Company by September 15, 2000 that it will not agree to an extension. In the event the government does not agree to extend the September 30, 2000 completion date or the criminal settlement condition is not satisfied by the December 31, 2000 completion date, the settlement agreement shall expire unless the Company elects to waive the criminal condition. Notwithstanding the fixed dates of expiration, the parties expect to complete the settlement even after the expiration date so long as the criminal settlement condition is satisfied.

The understanding covers issues for the following years: DRG coding for calendar years 1990-1997; outpatient laboratory billing for calendar years 1989-1997; home health community education for Medicare cost report years 1994-1997; home health billing for calendar years 1995-1998; and certain home health management transactions for Medicare cost report years 1993-1998.

The Company's existing letter of credit agreement with the DOJ will be reduced from \$1 billion to \$250 million at the time of the settlement payment. In addition, the understanding provides that any future civil payments on cost reports or physician relations will reduce the remaining amount of the letter of credit dollar for dollar.

The Company also reached an understanding with the Office of Inspector General of the Department of Health and Human Services on the principal terms of a corporate integrity agreement. The corporate integrity agreement is intended to assure the government of the Company's overall Medicare compliance and covers DRG coding, outpatient laboratory billing and the two civil issues still to be resolved -- physician relations and cost reports. Execution of the corporate integrity agreement is expected to result in waiver of the government's discretionary right to exclude any of the Company's operations from participation in the Medicare program.

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

The Company cannot predict the outcome or quantify effects that the remaining civil issues, the criminal investigation or other actions will have on operations in future periods. The Company could be subject to substantial costs resulting from an adverse outcome of one or more such actions. Any such sanctions or losses could have a material adverse effect on the Company's financial position and results of operations. (See Note 10 -- Contingencies in the Notes to Condensed Consolidated Financial Statements.)

BUSINESS STRATEGY

HCA'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. HCA'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 HCA's general, acute care hospitals, and through the Company's freestanding outpatient surgery and diagnostic centers and rehabilitation facilities. The Company's psychiatric hospitals provide a full range of mental health care services through inpatient, partial hospitalization and outpatient settings. HCA also operates preferred provider organizations in 47 states and the District of Columbia.

HCA maintains and replaces equipment, renovates and constructs replacement facilities and adds new services to increase the attractiveness of its hospitals and other facilities to patients and local physicians. The Company believes that its ability to attract and serve patients and physicians is enhanced by developing a comprehensive health care network with a broad range of health care services located throughout a market

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

BUSINESS STRATEGY (CONTINUED)

area. HCA also believes it is able to reduce operating costs by sharing certain services among several facilities in the same area and is better positioned to work with health maintenance organizations ("HMOs"), preferred provider organizations ("PPOs") and employers.

In May 1999, HCA established LifePoint Hospitals, Inc. ("LifePoint") and Triad Hospitals, Inc. ("Triad"), as independent, publicly-traded companies through tax-free spin-offs of these companies to HCA's stockholders.

HCA completed a restructuring of its operations, in an effort to create a smaller and more focused company. The divestiture of home health operations and the Value Health business units, the spin-offs of LifePoint and Triad and the sales of various other hospitals and surgery centers, not located in HCA's strategic locations, allow management to focus their efforts on core markets, which are typically located in urban areas that are characterized by highly integrated health care facility networks.

HCA and the health care industry are facing many challenges, including the growing number of uninsured, reimbursement pressures from government and non-government payers and the increasing costs of supplies, pharmaceuticals and new technologies. As a response to these challenges, HCA is implementing a shared services initiative. This initiative is a company-wide program designed to reduce operating costs and provide additional resources for patient care by consolidating hospitals' back-office functions such as billing and collections and standardizing and upgrading financial services. In addition, HCA is implementing company-wide supply improvement and distribution programs that will include consolidating purchasing and accounts payable functions regionally, combining warehouses and developing division-based procurement programs.

RESULTS OF OPERATIONS

Revenue/Volume Trends

HCA's revenues continue to be affected by an increasing proportion of revenue being derived from fixed payment, higher discount sources, including government payers, managed care providers and others. Under the Balanced Budget Act of 1997 ("BBA-97"), the Company's reimbursement from the Medicare and Medicaid programs was reduced by significant changes that were phased in through October 1, 1998, and will continue to be reduced as certain changes continue to be phased in during 2000 and 2001. BBA-97 contains a requirement that the Health Care Financing Administration adopt a prospective payment system ("PPS") for outpatient hospital services. The outpatient PPS is currently anticipated to be implemented during August 2000. As of this date, HCA is not able to quantify the effect, if any, that the outpatient PPS will have on its financial results. HCA continues to experience a shift in its payer mix as patients move from traditional indemnity insurance and Medicare coverage to medical coverage that is provided under managed care plans. HCA generally receives lower payments per patient under managed care plans than under traditional indemnity insurance plans or traditional Medicare. With an increasing proportion of services being reimbursed based upon fixed payment amounts (where the payment is based upon the diagnosis, regardless of the cost incurred or level of service provided), revenues, earnings and cash flows are being reduced. Revenues from capitation arrangements (prepaid health service agreements) are less than 1% of consolidated revenues.

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

RESULTS OF OPERATIONS (CONTINUED)

Revenue/Volume Trends (continued)

Admissions related to Medicare, Medicaid and managed care plans and other discounted arrangements for the quarters and six months ended June 30, 2000 and 1999 are set forth below.

	QUARTER		SIX MONTHS	
	2000	1999	2000	1999
Medicare.....	36.8%	37.1%	37.6%	38.5%
Medicaid.....	10.6	10.6	10.7	10.8
Managed care and other discounted.....	42.7	41.6	42.2	39.9
Other.....	9.9	10.7	9.5	10.8
	100.0%	100.0%	100.0%	100.0%
	=====	=====	=====	=====

Reductions in the rate of increase in Medicare and Medicaid reimbursement and increasing percentages of patient volume being related to patients participating in managed care plans are expected to present ongoing challenges. The challenges presented by these trends are enhanced by HCA's inability to control these trends and the associated risks. To maintain and improve its operating margins in future periods, HCA must increase patient volumes while controlling the cost of providing services. If HCA is not able to achieve reductions in the cost of providing services through operational efficiencies, and the trend of declining reimbursements and payments continue, results of operations and cash flows will deteriorate.

Management believes that the proper response to these challenges includes the delivery of a broad range of quality health care services to physicians and patients, with operating decisions being made by the local management teams and local physicians, and a focus on reducing operating costs through implementation of its shared services initiative.

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

RESULTS OF OPERATIONS (CONTINUED)

Operating Results Summary

The following are comparative summaries of results from operations for the quarters and six months ended June 30, 2000 and 1999 (dollars in millions, except per share amounts):

	QUARTER			
	2000		1999	
	AMOUNT	RATIO	AMOUNT	RATIO
Revenues.....	\$4,133	100.0	\$4,161	100.0
Salaries and benefits.....	1,645	39.8	1,666	40.0
Supplies.....	655	15.9	654	15.7
Other operating expenses.....	768	18.6	836	20.1
Provision for doubtful accounts.....	299	7.2	329	7.9
Depreciation and amortization.....	265	6.3	278	6.8
Interest expense.....	136	3.3	118	2.8
Equity in earnings of affiliates.....	(33)	(0.8)	(30)	(0.7)
Settlement with federal government.....	745	18.0	--	--
Gains on sales of facilities.....	(18)	(0.4)	(8)	(0.2)
Impairment of long-lived assets.....	--	--	54	1.3
Restructuring of operations and investigation related costs.....	12	0.3	30	0.7
	4,474	108.2	3,927	94.4
Income (loss) before minority interests and income taxes....	(341)	(8.2)	234	5.6
Minority interests in earnings of consolidated entities.....	29	0.8	14	0.3
Income (loss) before income taxes.....	(370)	(9.0)	220	5.3
Provision (benefit) for income taxes.....	(98)	(2.4)	114	2.7
Net income (loss).....	\$(272)	(6.6)	\$ 106	2.6
Basic earnings (loss) per share.....	\$(.49)		\$.18	
Diluted earnings (loss) per share.....	\$(.49)		\$.18	
% changes from prior year:				
Revenues.....	(0.7)%		(13.0)%	
Income before income taxes.....	(268.5)		(24.5)	
Net income.....	(354.8)		(38.4)	
Basic earnings per share.....	(372.2)		(33.3)	
Diluted earnings per share.....	(372.2)		(33.3)	
Admissions(a).....	(3.8)		(16.8)	
Equivalent admissions(b).....	(4.4)		(18.6)	
Revenues per equivalent admission.....	3.9		6.9	
Same facility % changes from prior year(c):				
Revenues.....	5.2		3.7	
Admissions(a).....	3.0		0.4	
Equivalent admissions(b).....	2.8		0.3	
Revenues per equivalent admission.....	2.4		3.3	

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

RESULTS OF OPERATIONS (CONTINUED)

Operating Results Summary (continued)

	SIX MONTHS			
	2000		1999	
	AMOUNT	RATIO	AMOUNT	RATIO
Revenues.....	\$8,404	100.0	\$8,816	100.0
Salaries and benefits.....	3,306	39.3	3,514	39.9
Supplies.....	1,325	15.8	1,376	15.6
Other operating expenses.....	1,532	18.2	1,740	19.6
Provision for doubtful accounts.....	601	7.2	667	7.6
Depreciation and amortization.....	521	6.2	574	6.5
Interest expense.....	255	3.0	229	2.6
Equity in earnings of affiliates.....	(65)	(0.8)	(65)	(0.7)
Settlement with federal government.....	745	8.9	--	--
Gains on sales of facilities.....	(18)	(0.2)	(257)	(2.9)
Impairment of long-lived assets.....	--	--	160	1.8
Restructuring of operations and investigation related costs.....	25	0.3	60	0.7
	8,227	97.9	7,998	90.7
Income before minority interests and income taxes.....	177	2.1	818	9.3
Minority interests in earnings of consolidated entities.....	55	0.7	28	0.3
Income before income taxes.....	122	1.4	790	9.0
Provision for income taxes.....	98	1.1	362	4.1
Net income.....	\$ 24	0.3	\$ 428	4.9
Basic earnings per share.....	\$.04		\$.70	
Diluted earnings per share.....	\$.04		\$.70	
% changes from prior year:				
Revenues.....	(4.7)%		(8.9)%	
Income before income taxes.....	(84.6)		17.5	
Net income.....	(94.4)		9.1	
Basic earnings per share.....	(94.3)		14.8	
Diluted earnings per share.....	(94.3)		14.8	
Admissions(a).....	(9.7)		(11.2)	
Equivalent admissions(b).....	(10.3)		(12.7)	
Revenues per equivalent admission.....	6.3		4.4	
Same facility % changes from prior year(c):				
Revenues.....	5.8		3.4	
Admissions(a).....	2.6		1.8	
Equivalent admissions(b).....	2.6		1.8	
Revenues per equivalent admission.....	3.1		1.6	

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- (a) Represents the total number of patients admitted (in the facility for a period in excess of 23 hours) to the Company's hospitals and is used by management and certain investors as a general measure of inpatient volume.
- (b) Equivalent admissions are 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 period.

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

RESULTS OF OPERATIONS (CONTINUED)

Quarters Ended June 30, 2000 and 1999

Income before income taxes decreased 268.5% from income of \$220 million in 1999 to a loss of \$370 million in 2000 and pretax margins decreased to (9.0)% in 2000 from 5.3% in 1999. The decrease in pretax income was primarily attributable to the accrual of an estimated settlement with the federal government in the second quarter of 2000. Excluding the settlement charge, income before income taxes increased 70.7% to \$375 million in 2000. The agreement to settle certain civil claims actions against the Company is not yet consummated and is subject to a number of conditions. See Note 2 -- Investigations and Understanding to Settle Certain Government Civil Claims.

Revenues decreased 0.7% to \$4.1 billion in 2000 compared to \$4.2 billion in 1999. Inpatient admissions decreased 3.8% from 1999 and equivalent admissions (adjusted to reflect combined inpatient and outpatient volume) decreased 4.4%. Revenues, admissions and equivalent admissions declined primarily as a result of the Company's restructuring of operations. During 1999, the Company completed the spin-offs of LifePoint and Triad and the sales of 24 hospital facilities. On a same facility basis, revenues increased 5.2%, admissions increased 3.0% and equivalent admissions increased 2.8% from 1999. Revenue per equivalent admission increased 3.9% from 1999 and on a same facility basis increased 2.4%. The increase in revenue per equivalent admission on a same facility basis was primarily the result of successes achieved in renegotiating and renewing certain managed care contracts on more favorable terms to the Company. The increase in revenue per equivalent admission on a consolidated basis was the result of the combination of the same facility improvement and the benefit from the restructuring of operations transactions. While the Company achieved some successes in managed care pricing, attaining revenue increases continues to present a challenge due to decreases in Medicare rates of reimbursement mandated by BBA-97 which became effective October 1, 1997 (lowered second quarter 2000 revenues by approximately \$10 million) and a continuing shift in revenues away from traditional Medicare and indemnity payers to managed care (managed care as a percent of total admissions increased to 42.7% in 2000 compared to 41.6% in 1999).

Salaries and benefits, as a percentage of revenues, decreased to 39.8% in 2000 from 40.0% in 1999 due to a decrease in man hours per equivalent admission of 1.4% for the 2000 quarter compared to 1999.

Supply costs increased as a percentage of revenues to 15.9% in 2000 from 15.7% in 1999 due to an increase in the cost of supplies per equivalent admission of 4.8% related to the increasing costs of new technology and pharmaceuticals.

Other operating expenses (primarily consisting of contract services, professional fees, repairs and maintenance, rents and leases, utilities, insurance and non-income taxes) as a percentage of revenues, decreased to 18.6% in the second quarter of 2000 from 20.1% in 1999 due to small decreases in several of these areas as a percentage of revenues. Another factor in the improvement of other operating expenses related to certain insurance subsidiary funds being reallocated among investment managers resulting in the recognition of previously unrealized gains that decreased other operating expenses by approximately \$27 million during the second quarter of 2000.

Provision for doubtful accounts, as a percentage of revenues, decreased to 7.2% in 2000 from 7.9% in 1999, however, the Company continues to experience trends that make it difficult to maintain or reduce the provision for doubtful accounts as a percentage of revenues. These trends include payer mix shifts to managed care plans (resulting in increased amounts of patient co-payments and deductibles), delays in payments and the denial of claims by managed care payers and increases in the volume of health care services provided to uninsured patients in certain of the Company's facilities.

Equity in earnings of affiliates remained basically flat as a percentage of revenues at 0.8% in 2000 and 0.7% in 1999.

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

RESULTS OF OPERATIONS (CONTINUED)

Quarters Ended June 30, 2000 and 1999 (continued)

Depreciation and amortization decreased as a percentage of revenues to 6.3% in 2000 from 6.8% in 1999, primarily due to the restructuring of operations discussed above. Depreciation and amortization as a percentage of revenues for the facilities included in the spin-offs of Triad and LifePoint was 6.9% in 1999, and the depreciation and amortization as a percentage of revenues included in the Company's National Group was 7.2% in 1999.

Interest expense increased to \$136 million in 2000 compared to \$118 million in 1999 primarily as a result of an increase in interest rates during 2000 compared to 1999 and the interest expense, beginning May 2000, of approximately \$6 million related to the proposed settlement with the federal government. The average rates for the Company's bank borrowings increased from 6.33% during the quarter ended June 30, 1999 to 7.89% during the quarter ended June 30, 2000.

During 2000 and 1999, respectively, the Company incurred \$12 million and \$30 million of restructuring of operations and investigation related costs. The \$12 million of costs incurred during the 2000 quarter were professional fees (legal and accounting) related to the governmental investigations. In 1999, restructuring of operations and investigation related costs included \$23 million of professional fees (legal and accounting) related to the governmental investigations and \$7 million of other costs. See Note 4 -- Restructuring of Operations and Investigation Related Costs in the Notes to Condensed Consolidated Financial Statements.

During 2000, the Company recognized a pretax gain of \$18 million (\$8 million after-tax) on the sale of one hospital. Proceeds from the sale were used to repay bank borrowings. See Note 3 -- Restructuring of Operations in the Notes to Condensed Consolidated Financial Statements.

During 1999, the Company identified and initiated, or revised, plans to divest or close during 1999 and 2000, 15 consolidating hospitals and four non-consolidating hospitals. The carrying value for the hospitals and other assets expected to be sold was reduced to fair value based upon estimates of sales values, for a total non-cash, pretax charge of approximately \$54 million. See Note 3 -- Restructuring of Operations in the Notes to Condensed Consolidated Financial Statements.

Minority interests increased slightly as a percentage of revenues to 0.8% in 2000 from 0.3% in 1999 due to improved operations at certain joint ventures.

The effective income tax rate was a 26.5% tax benefit in 2000 due to a valuation allowance recorded in the second quarter and was a 51.4% tax provision in 1999 due to nondeductible intangible assets related to gains on sales of facilities and impairments of long-lived assets. If the effect of the valuation allowance, the nondeductible intangible assets and the related amortization were excluded, the effective income tax rate would have been approximately 39% for both 2000 and 1999.

As previously discussed, the Company completed a restructuring of its operations. See Note 3 -- Restructuring of Operations in the Notes to Condensed Consolidated Financial Statements. Assuming the restructuring was completed as of the beginning of the period, the Company's remaining core facilities had combined net income which decreased 277.5% from net income of \$143 million in 1999 to a loss of \$257 million in 2000. Excluding gains on sales of facilities, impairment of long-lived assets, settlement with federal government and restructuring of operations and investigation related costs, combined net income for the Company's remaining core facilities increased 24.0% to \$248 million in 2000 from \$200 million in 1999.

Six Months Ended June 30, 2000 and 1999

Income before income taxes decreased 84.6% to \$122 million in 2000 from \$790 million in 1999 and pretax margins decreased to 1.4% in 2000 from 9.0% in 1999. The decrease in pretax income was primarily

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

RESULTS OF OPERATIONS (CONTINUED)

Six Months Ended June 30, 2000 and 1999 (continued)
attributable to the accrual of an estimated settlement with the federal government in the second quarter of 2000. Excluding the settlement charge, income before income taxes increased 9.8% to \$867 million in 2000.

Revenues decreased 4.7% to \$8.4 billion in 2000 compared to \$8.8 billion in 1999. Inpatient admissions decreased 9.7% from 1999 and equivalent admissions (adjusted to reflect combined inpatient and outpatient volume) decreased 10.3%. Revenues, admissions and equivalent admissions declined primarily as a result of the Company's restructuring of operations. During 1999, the Company completed the spin-offs of LifePoint and Triad and the sales of 24 hospital facilities. On a same facility basis, revenues increased 5.8%, admissions and equivalent admissions increased 2.6% from 1999. Revenue per equivalent admission increased 6.3% from 1999 to 2000 and on a same facility basis increased 3.1%. The increase in revenue per equivalent admission on a same facility basis was primarily the result of successes achieved in renegotiating and renewing certain managed care contracts on more favorable terms to the Company. The increase in revenue per equivalent admission on a consolidated basis was the result of the combination of the same facility improvement and the benefit from the restructuring of operations transactions. While the Company achieved some successes in managed care pricing, attaining revenue increases continues to present a challenge due to decreases in Medicare rates of reimbursement mandated by BBA-97 which became effective October 1, 1997 (lowered 2000 revenues by approximately \$20 million) and a continuing shift in revenues away from traditional Medicare and indemnity payers to managed care (managed care as a percent of total admissions increased to 42.2% in 2000 compared to 39.9% in 1999).

Salaries and benefits, as a percentage of revenues, decreased to 39.3% in 2000 from 39.9% in 1999 due to the restructuring of operations discussed above and in Note 3 -- Restructuring of Operations in the Notes to Condensed Consolidated Financial Statements. Salaries and benefits as a percentage of revenues for the facilities included in the spin-offs of Triad and LifePoint were 42.4% for 1999, and salaries and benefits as a percentage of revenues for the facilities included in the Company's National Group were 46.0% for 1999. During 1999, 24 hospitals were divested.

Supply costs increased as a percentage of revenues to 15.8% in 2000 from 15.6% in 1999 due to an increase in the cost of supplies per equivalent admission of 7.4% related to the increasing costs of new technology and pharmaceuticals.

Other operating expenses (primarily consisting of contract services, professional fees, repairs and maintenance, rents and leases, utilities, insurance and non-income taxes) as a percentage of revenues, decreased to 18.2% in the second quarter of 2000 from 19.6% in 1999 due primarily to the restructuring of operations discussed above and in Note 3 -- Restructuring of Operations in the Notes to Condensed Consolidated Financial Statements. The other operating expenses as a percentage of revenues for the facilities included in the spin-offs of Triad and LifePoint were 22.4% for 1999, and the other operating expenses as a percentage of revenues for the facilities included in the Company's National Group were 26.4% for 1999. Another factor in the improvement in other operating expenses related to certain insurance subsidiary funds being reallocated among investment managers resulting in the recognition of previously unrealized gains that decreased other operating expenses by approximately \$27 million during the second quarter of 2000.

Provision for doubtful accounts, as a percentage of revenues, decreased to 7.2% in 2000 from 7.6% in 1999; however, the Company continues to experience trends that make it difficult to maintain or reduce the provision for doubtful accounts as a percentage of revenues. These trends include payer mix shifts to managed care plans (resulting in increased amounts of patient co-payments and deductibles), delays in payments and the denial of claims by managed care payers and increases in the volume of health care services provided to uninsured patients in certain of the Company's facilities.

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

RESULTS OF OPERATIONS (CONTINUED)

Six Months Ended June 30, 2000 and 1999 (continued)

Equity in earnings of affiliates remained basically flat as a percentage of revenues at 0.8% in 2000 as compared to 0.7% in 1999.

Depreciation and amortization decreased as a percentage of revenues to 6.2% in 2000 from 6.5% in 1999, primarily due to the restructuring of operations discussed above. Depreciation and amortization as a percentage of revenues for the facilities included in the spin-offs of Triad and LifePoint was 7.0% in 1999.

Interest expense increased to \$255 million in 2000 compared to \$229 million in 1999 primarily as a result of an increase in interest rates during 2000 compared to 1999 and the interest expense, beginning May 2000, related to the settlement with the federal government. The average rates for the Company's bank borrowings increased from 6.24% during the six months ended June 30, 1999 to 7.60% during the six months ended June 30, 2000.

During 2000 and 1999, respectively, the Company incurred \$25 million and \$60 million of restructuring of operations and investigation related costs. In 2000, these costs included \$20 million of professional fees (legal and accounting) related to the governmental investigations and \$5 million of other costs. In 1999, restructuring of operations and investigation related costs included \$42 million of professional fees (legal and accounting) related to the governmental investigations, \$2 million of severance and \$16 million of other costs. See Note 4 -- Restructuring of Operations and Investigation Related Costs in the Notes to Condensed Consolidated Financial Statements.

During 2000, the Company recognized a pretax gain of \$18 million (\$8 million after-tax) on the sale of one hospital. During 1999, the Company recognized a pretax gain of \$257 million (\$151 million after-tax) on the sale of three hospitals and certain related health care facilities. Proceeds from the sales were used to repay bank borrowings. See Note 3 -- Restructuring of Operations in the Notes to Condensed Consolidated Financial Statements.

During 1999, the Company also identified and initiated, or revised, plans to divest or close during 1999 and 2000, 15 consolidating hospitals and four non-consolidating hospitals. The carrying value for the hospitals and other assets expected to be sold was reduced to fair value based upon estimates of sales values, for a total non-cash, pretax charge of approximately \$160 million. See Note 3 -- Restructuring of Operations in the Notes to Condensed Consolidated Financial Statements.

Minority interests increased as a percentage of revenues to 0.7% in 2000 from 0.3% in 1999 due to improved operations at certain joint ventures.

The effective income tax rate was 80.3% in 2000 due to a valuation allowance recorded in the second quarter and was 45.8% in 1999 due to nondeductible intangible assets related to gains on sales of facilities and impairment of long-lived assets. If the effect of the valuation allowance, the nondeductible intangible assets and the related amortization were excluded, the effective income tax rate would have been approximately 39% for both 2000 and 1999.

As previously discussed, the Company has completed a restructuring of its operations. See Note 3 -- Restructuring of Operations in the Notes to Condensed Consolidated Financial Statements. Assuming the restructuring was completed as of the beginning of the period, the Company's remaining core facilities had combined net income which decreased 86.8% from \$402 million in 1999 to \$53 million in 2000. Excluding gains on sales of facilities, impairment of long-lived assets, settlement with federal government and restructuring of operations and investigation related costs, combined net income for the Company's remaining core facilities increased 18.5% to \$567 million in 2000 from \$479 million in 1999.

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

RESULTS OF OPERATIONS (CONTINUED)

Liquidity

Cash provided by operating activities improved to \$693 million during the first six months of 2000 compared to \$401 million in 1999. The improvement was primarily due to an increase in net income excluding gains on sales of facilities, impairment of long-lived assets and the settlement with federal government to \$513 million in 2000 from \$408 million in 1999. Also during the first six months of 2000, the Company made tax payments of \$378 million versus \$452 million in 1999.

Cash used in investing activities was \$785 million in 2000, compared to cash provided of approximately \$1.4 billion during 1999. The decrease was due primarily to proceeds from the disposition of hospitals and other health care facilities of \$624 million in 1999 compared with \$263 million in 2000; cash flows from changes in investments were \$548 million in 1999 (including repayment by a nonconsolidating joint venture of Company advances of approximately \$330 million) compared with cash used of \$96 million in 2000; and the \$886 million in proceeds in 1999 related to the spin-offs. In 2000, the Company also used \$290 million to acquire hospitals and health care entities, and there were no acquisitions in 1999.

Cash flows provided by financing activities totaled \$194 million in the first six months of 2000 compared to cash used of approximately \$2.0 billion in 1999. The primary financing cash flow activities were the repurchases of the Company's common stock. (approximately \$255 million and \$1.9 billion during 2000 and 1999, respectively) and the receipt of net proceeds from debt issuances of \$448 million in 2000.

Working capital totaled \$407 million as of June 30, 2000 compared to \$265 million at December 31, 1999. At December 31, 1999 current liabilities included \$500 million outstanding under the Company's senior interim term loan (the "1999 Term Loan"). In March 2000, HCA repaid the \$500 million using proceeds from a new \$1.2 billion senior term loan (the "2000 Term Loan"). Management believes that cash flows from operations, amounts available under the Company's revolving credit facility (the "Credit Facility") and HCA's access to debt markets are sufficient to meet expected liquidity needs during the next twelve months.

Investments of HCA's professional liability insurance subsidiary to maintain statutory equity and pay claims totaled \$1.7 billion at both June 30, 2000 and at December 31, 1999.

HCA 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 HCA within specific periods at fixed prices or prices based on certain formulas. The combined put price under all such agreements was approximately \$400 million at June 30, 2000. During 2000, one of the Company's joint venture partners exercised its put option whereby HCA purchased the partner's interest in the joint venture for approximately \$47 million. HCA cannot predict if, or when, other joint venture partners will exercise such options.

During the first quarter of 1998, the Internal Revenue Service (the "IRS") issued guidance regarding certain tax consequences of joint ventures between for-profit and not-for-profit hospitals. As a result of the tax ruling, the IRS may propose to revoke the tax-exempt or public charity status of certain not-for-profit entities which participate in such joint ventures or to treat joint venture income as unrelated business taxable income. The Company is continuing to review 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 appropriate courses of action. The tax ruling or any adverse determination by the IRS regarding the tax-exempt or public charity status of a not-for-profit partner or the characterization of joint venture income as unrelated business taxable income 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 the put agreements by certain existing joint venture partners.

In March 2000, the Company announced that its Board of Directors authorized the repurchase of up to \$1 billion of additional common stock. Certain financial organizations purchased approximately 5.3 million

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

RESULTS OF OPERATIONS (CONTINUED)

Liquidity (continued)

shares of HCA's common stock for approximately \$119 million during the first quarter of 2000 and approximately 11.3 million shares for approximately \$322 million during the second quarter of 2000 utilizing forward purchase contracts. In accordance with the terms of the contracts, these shares remain outstanding until settled by HCA. HCA expects to repurchase the remaining stock associated with the March 2000 repurchase authorization through open market purchases, privately negotiated transactions or forward purchase contracts.

In November 1999, HCA announced that its Board of Directors authorized the repurchase of up to \$1 billion of its common stock. During the first quarter of 2000, HCA settled forward purchase contracts associated with its November 1999 authorization for approximately 8.5 million shares at a cost of \$250 million and during the second quarter of 2000, settled forward purchase contracts associated with the same authorization for approximately 1.8 million shares at a cost of approximately \$53 million. In accordance with the terms of the forward purchase contracts, the shares purchased remain outstanding until the forward purchase contracts are settled by the Company. Forward purchase contracts totaling approximately 24.1 million shares at a cost of approximately \$697 million remain outstanding until settled by the Company.

During the first quarter of 1999, as part of the agreement related to the Company's share repurchase programs, the Company entered into a Letter of Credit Agreement with the United States Department of Justice. The Company provided the government with letters of credit totaling \$1 billion. The understanding reached with the government in May 2000 provides that the letters of credit will be reduced from \$1 billion to \$250 million at the time of the settlement payment. In addition, the understanding is that any future civil payments on cost reports or physician relations will reduce the remaining amount of the letters of credit dollar for dollar.

The resolution 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 the resolution of certain of the contingencies could have a material adverse effect on the Company's results of operations, financial position and liquidity.

Capital Resources

Excluding acquisitions, capital expenditures were \$586 million during the first six months of 2000 compared to \$690 million for the same period in 1999. Planned capital expenditures in 2000 are expected to approximate \$1.3 billion. Management believes that its capital expenditure program is adequate to expand, improve and equip its existing health care facilities.

Acquisitions of hospitals and health care entities totaled \$290 million during 2000 compared with none during the first six months of 1999.

HCA expects to finance all capital expenditures with internally generated and borrowed funds. Available sources of capital include public or private debt markets, amounts available under the Company's Credit Facility (approximately \$767 million as of July 31, 2000). At June 30, 2000, there were projects under construction which had an estimated additional cost to complete and equip over the next three years of approximately \$1.5 billion.

In March 2000, HCA entered into the 2000 Term Loan. Proceeds from the 2000 Term Loan were used in the first quarter of 2000 to retire the outstanding balance under the 1999 Term Loan and to reduce outstanding loans under the Credit Facility.

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

RESULTS OF OPERATIONS (CONTINUED)

Capital Resources (continued)

During the second quarter of 2000, an English subsidiary of the Company entered into a \$168 million Term Facility Agreement ("term loan") with a bank. The term loan was used to buy out the Company's 50/50 joint venture partner in England and to refinance existing indebtedness. The term loan matures in May 2001.

The Credit Facility, the 2000 Term Loan and the \$1.0 billion term loan which HCA entered into in July 1998 (the "1998 Term Loan") contain customary covenants which include (i) limitations on additional debt, (ii) limitations on sales of assets, mergers and changes of ownership, and (iii) maintenance of certain interest coverage ratios. HCA is currently in compliance with all such covenants.

Market Risk

The Company is exposed to market risk related to changes in interest rates and market values of securities. HCA currently does not use derivative instruments to offset the market risk exposure of the investments in debt or equity securities of HCA's wholly-owned insurance subsidiary or to alter the interest rate characteristics of the Company's debt instruments.

The Company's investments in debt and equity securities were \$1.2 billion and \$510 million, respectively, at June 30, 2000. These investments are carried at fair value with changes in unrealized gains and losses being recorded as adjustments to stockholders' equity. The fair value of investments is generally based on quoted market prices. Changes in interest rates and market values of securities are not expected to be material in relation to the financial position and operating results of the Company.

With respect to the Company's interest-bearing liabilities, approximately \$2.9 billion of long-term debt at June 30, 2000 is subject to variable rates of interest, while the remaining balance in long-term debt of \$4.1 billion at June 30, 2000 is subject to fixed rates of interest. The Company's variable interest rate is affected by both the general level of U.S. interest rates and the Company's credit rating. The Company's variable rate debt is comprised of the Company's Credit Facility of which interest is payable generally at LIBOR plus 0.45% to 1.5% (depending on the Company's credit ratings), and bank term loans of which interest is payable generally at LIBOR plus 0.75% to 2.5%. Due to increases in LIBOR, the average rate for the Company's Credit Facility increased from 5.81% for the quarter ended June 30, 1999 to 7.44% for the quarter ended June 30, 2000, and the average rate for the Company's term loans increased from 6.50% for the quarter ended June 30, 1999 to 7.98% for the quarter ended June 30, 2000. The estimated fair value of the Company's total long-term debt was \$6.6 billion at June 30, 2000. The estimates of fair value are based upon the quoted market prices for the same or similar issues of long-term debt with the same maturities. Based on a hypothetical 1% increase in interest rates, the potential annualized losses in future pretax earnings would be approximately \$29 million. The impact of such a change in interest rates on the carrying value of long-term debt would not be significant. The estimated changes to interest expense and the fair value of long-term debt are determined considering the impact of hypothetical interest rates on the Company's borrowing cost and long-term debt balances. To mitigate the impact of fluctuations in interest rates, the Company generally targets a portion of its debt portfolio at a fixed rate, either by borrowing on a fixed or floating rate basis or entering into interest rate swap transactions. The Company has not, during 2000 or 1999, participated in any interest rate swap agreements.

Foreign operations and the related market risks associated with foreign currency are currently insignificant to the Company's results of operations and financial position.

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

IMPACT OF YEAR 2000 COMPUTER ISSUES

The Company experienced no material adverse effect on its results of operations, financial condition or ability to provide for its patients' safety and health as a result of the Year 2000 date conversion in its or third party computer systems and programs.

PENDING IRS DISPUTES

The Company is contesting income taxes and related interest proposed by the IRS for prior years aggregating approximately \$191 million as of June 30, 2000. Management believes that final resolution of these disputes will not have a material adverse effect on the results of operations or liquidity of the Company. (See Note 6 -- Income Taxes in the Notes to Condensed Consolidated Financial Statements for a description of the pending IRS disputes).

During the first quarter of 2000, the Company and the IRS filed a Stipulated Settlement with the Tax Court regarding the IRS' proposed disallowance of certain acquisition-related costs, executive compensation and systems conversion costs which were deducted in calculating taxable income and the methods of accounting used by certain subsidiaries for calculating taxable income related to vendor rebates and governmental receivables. As a result of the settlement, the Company paid additional tax and interest of approximately \$156 million. The settlement had no impact on the Company's results of operations.

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

OPERATING DATA

	2000	1999
	-----	-----
CONSOLIDATING		
Number of hospitals in operation at:		
March 31.....	192	273
June 30.....	195	204
September 30.....		202
December 31.....		195
Number of freestanding outpatient surgical centers in operation at:		
March 31.....	80	95
June 30.....	80	81
September 30.....		81
December 31.....		80
Licensed hospital beds at(a):		
March 31.....	42,006	51,797
June 30.....	42,240	43,969
September 30.....		43,461
December 31.....		42,484
Weighted average licensed beds(b):		
Quarter:		
First.....	42,184	52,451
Second.....	41,923	46,490
Third.....		43,511
Fourth.....		42,850
Year.....		46,291
Average daily census(c):		
Quarter:		
First.....	22,697	26,546
Second.....	20,526	21,467
Third.....		19,704
Fourth.....		20,385
Year.....		22,002
Admissions(d):		
Quarter:		
First.....	408,100	477,400
Second.....	380,600	395,800
Third.....		370,500
Fourth.....		381,700
Year.....		1,625,400
Equivalent admissions(e):		
Quarter:		
First.....	595,900	703,300
Second.....	570,600	596,900
Third.....		557,900
Fourth.....		567,000
Year.....		2,425,100
Average length of stay (days)(f):		
Quarter:		
First.....	5.1	5.0
Second.....	4.9	4.9
Third.....		4.9
Fourth.....		4.9
Year.....		4.9

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

OPERATING DATA (CONTINUED)

	2000 -----	1999 -----
NON-CONSOLIDATING(G)		
Number of hospitals in operation at:		
March 31.....	13	24
June 30.....	9	16
September 30.....		12
December 31.....		12
Number of freestanding outpatient surgical centers in operation at:		
March 31.....	3	5
June 30.....	3	4
September 30.....		3
December 31.....		3
Licensed hospital beds at:		
March 31.....	3,251	6,015
June 30.....	2,697	3,868
September 30.....		3,153
December 31.....		3,179

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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 the Company's hospital beds each day.
- (d) Represents the total number of patients admitted (in the facility for a period in excess of 23 hours) to the Company's hospitals and is used by management and certain investors as a general measure of inpatient volume.
- (e) Equivalent admissions are 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.
- (f) Represents the average number of days admitted patients stay in the Company's hospitals.
- (g) The non-consolidating facilities include facilities operated through 50/50 joint ventures which are not controlled by the Company and are accounted for using the equity method of accounting.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE OF MARKET RISK

The information called for by this item is provided under the caption "Market Risk" under Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

PART II: OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS.

The Company is facing significant legal challenges. The Company is the subject of various Federal and state investigations, qui tam actions, shareholder derivative and class action suits filed in Federal court, shareholder derivative actions filed in state courts, patient/payer actions and general liability claims.

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, also in El Paso, an additional warrant was executed and a single computer was seized.

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 and DRG coding in various states and home health operations in various jurisdictions, including, but not limited to, Florida. In January 1998, the Company received a subpoena which requested records and documents relating to physician relationships. In June 1999, Columbia Home Care Group received a subpoena seeking records related to home health operations. In March 2000, the Company received a subpoena that requested records relating to wound care centers.

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 related to the alleged false characterization of interest payments on certain debt resulting in Medicare and Tricare (formerly CHAMPUS) overpayments since 1986 to 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. A fourth employee of a subsidiary of the Company was indicted in July 1998 by a superseding indictment. The trial on this matter commenced on May 3, 1999. On July 2, 1999, the jury returned a mixed verdict, finding two such employees guilty and acquitting one. The jury was unable to reach a verdict as to the fourth employee. The government and the fourth employee executed an agreement to defer prosecution for 18 months after which charges will be dismissed. The two convicted employees were sentenced in December 1999 and both have appealed to the 11th Circuit.

Several hospitals and other facilities affiliated with the Company in various states have also received individual Federal and/or state government inquiries, both informal and formal, requesting information related to reimbursement from government programs.

In general, the Company believes that the United States Department of Justice and other Federal and state governmental authorities are investigating certain acts, practices or omissions alleged to have been engaged in by the Company with respect to Medicare, Medicaid and Tricare patients regarding (a) allegedly improper DRG coding (commonly referred to as "upcoding") relating to bills submitted for medical services, (b) allegedly improper outpatient laboratory billing (e.g., unbundling of services and medically unnecessary tests), (c) inclusion of allegedly improper items in cost reports submitted as a basis for reimbursement under Medicare, Medicaid and similar government programs, (d) arrangements with physicians and other parties that allegedly violate certain Federal and state laws governing fraud and abuse, anti-kickback and "Stark" laws and (e) allegedly improper acquisitions of home health care agencies and allegedly excessive billing for home health care services.

The Company and its affiliates announced in May 2000 that an understanding had been reached with attorneys of the Civil Division of the Department of Justice ("DOJ") to recommend an agreement to settle, subject to certain conditions, civil claims actions against the Company relating to DRG coding; outpatient laboratory billing; and home health issues. Civil issues that remain to be resolved are cost reports and physician relations issues.

The understanding with DOJ attorneys provides that the Company will compensate the government \$745 million (with interest at 6.5% beginning May 18, 2000) with respect to the issues covered by the

understanding. This resulted in the Company recording an after-tax charge of \$498 million during the quarter ended June 30, 2000. The settlement is subject to approval by additional officials at the DOJ, other federal agencies as well as state officials; execution of a corporate integrity agreement; execution of definitive settlement documents for the three issues included in the understanding; execution of agreements to resolve all criminal investigations pending against the Company and court approval.

If all criminal settlements have not been reached by September 30, 2000, the date for completion of criminal settlements is automatically extended to December 31, 2000, unless the government notifies the Company by September 15, 2000 that it will not agree to an extension. In the event the government does not agree to extend the September 30, 2000 completion date or the criminal settlement condition is not satisfied by the December 31, 2000 completion date, the settlement agreement shall expire unless the Company elects to waive the criminal condition. Notwithstanding the fixed dates of expiration, the parties expect to complete the settlement even after the expiration date so long as the criminal settlement condition is satisfied.

The understanding provides releases for the following years: DRG coding for calendar years 1990-1997; outpatient laboratory billings for calendar years 1989-1997; home health community education for Medicare cost report years 1994-1997; home health billing for calendar years 1995-1998; and certain home health management transactions for Medicare cost report years 1993-1998.

The Company's existing letter of credit agreement with the DOJ will be reduced from \$1 billion to \$250 million at the time of the settlement payment. In addition, the understanding provides that any future civil payments on cost reports or physician relations will reduce the remaining amount of the letter of credit dollar for dollar.

The Company also reached an understanding with the Office of Inspector General of the Department of Health and Human Services on the principal terms of a corporate integrity agreement. The corporate integrity agreement is intended to assure the government of the Company's overall Medicare compliance and covers DRG coding, outpatient laboratory billing and the two civil issues still to be resolved - physician relations and cost reports. Execution of the corporate integrity agreement is expected to result in waiver of the government's discretionary right to exclude any of the Company's operation from participation in the Medicare program.

The Company continues to cooperate in these investigations and understands, through written notice and other means, that it is a target in these investigations. Given the scope of the ongoing investigations, the Company expects additional subpoenas and other investigative and prosecutorial activity to occur in these and other jurisdictions in the future.

In July 1999, Olsten Corporation and its subsidiary, Kimberly Home Health (neither of which is affiliated with the Company), announced that they will pay \$61 million to settle allegations that both companies defrauded the Medicare program. Kimberly pled guilty to three separate felony charges (conspiracy, mail fraud and violating the Medicare anti-kickback statute) filed by the U.S. Attorneys in the Middle and Southern District of Florida and the Northern District of Georgia. While the Company was not specifically named in these guilty pleas, the guilty pleas refer to the involvement of a "Company A" or a "company not named as a defendant." The Company believes these references refer to the Company or its subsidiaries.

The Company remains the subject of a formal order of investigation by the Securities and Exchange Commission. The Company understands that the investigation relates to the anti-fraud, insider trading, periodic reporting and internal accounting control provisions of the Federal securities laws.

While we remain unable 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 2 -- Investigations and Understanding to Settle Certain Government Civil Claims and Note 10 -- Contingencies in the Notes to Condensed Consolidated Financial Statements.)

LAWSUITS

Qui Tam Actions

Several qui tam actions have been brought by private parties ("relators") on behalf of the United States of America and have been unsealed and served on the Company. With the exception of six cases discussed below, the government has declined to intervene in the qui tam actions unsealed to date. 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, 31 U.S.C. sec.3729 et seq., for improper claims submitted to the government for reimbursement. The lawsuits generally seek damages of three times the amount of all Medicare or Medicaid claims (involving false claims) presented by the defendants to the Federal government, civil penalties of not less than \$5,000 nor more than \$10,000 for each such Medicare or Medicaid claim, attorneys' fees and costs. The Company is aware of additional qui tam actions that remain under seal and believes that there are other sealed qui tam cases of which it is unaware.

On February 12, 1999, the United States filed a Motion before the Judicial Panel on Multidistrict Litigation ("MDL Panel") seeking to transfer and consolidate, pursuant to 28 U.S.C. sec. 1407, all qui tam actions against the Company, including those sealed and unsealed, for purposes of discovery and pretrial matters, to the United States District Court for the District of Columbia. The MDL Panel denied the Motion on procedural grounds. On August 12, 1999, the United States Government filed an Application to Conduct 28 U.S.C. sec. 1407 Consolidated Proceedings under seal with the MDL Panel. The underlying motion to consolidate the proceedings relates to the qui tam cases against the Company, both sealed and unsealed.

On October 5, 1998, the matter of United States of America ex rel. James F. Alderson v. Columbia/HCA Healthcare Corp., Healthtrust-The Hospital Company and Quorum Health Group, et al., Case No. 97-2035-CIV-T-23E, in the Middle District of Florida, Tampa Division, was unsealed. The government intervened in this action on October 1, 1998. The Complaint was originally filed in Montana in 1993 but was later transferred to Florida. The Complaint alleges that defendants made false statements in annual Medicare cost reports over a period of ten years. The Complaint further alleges that defendants engaged in a scheme of filing improper reimbursement claims while keeping a "secret" set of books which were known as "reserve cost reports" and concealing these books from Medicare auditors. The government filed and served an Amended Complaint against Quorum Health Group. The government has not yet served an Amended Complaint on the HCA defendants.

The matter of United States of America ex rel. Sara Ortega v. Columbia/HCA Healthcare Corp., et al., No. EP95-CA-259H, was unsealed on July 31, 1998 in the Western District of Texas, El Paso Division. The Complaint alleges that defendants submitted false statements to the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) in order to be eligible for Medicare payments, thereby rendering false defendants' claims for Medicare reimbursement. An Amended Complaint, which has not been served on the Company, also alleges that defendants engaged in fraudulent accounting practices, paid kickbacks for patient referrals, upcoded claims for reimbursement from Federal health care programs and shifted costs to its Medicare cost reports. Defendants have moved to dismiss the Complaint, and that motion is pending. Defendants have also moved to stay discovery while the motion to dismiss is pending. The government announced that it intervened on all counts of the Amended Complaint except for the count alleging false statements to JCAHO.

The matter of United States of America, ex rel. Scott Pogue v. Diabetes Treatment Centers of America, 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. In general, the relator contends that sums paid by the Diabetes Treatment Centers of America to physicians who served as Medical Directors at a hospital affiliated with the Company, were unlawful payments for the referrals of their patients. Relator filed a motion for partial summary judgment. The court ordered relator's motion for partial summary judgment stricken. The relator did not file an amended motion for summary judgment and the court's deadline for filing such a motion has passed. This action is currently stayed.

In December 1998, the matter of United States of America ex rel. John W. Schilling v. Columbia/HCA Healthcare Corporation, et al., Civil Action No. 96-1264-CIV-T-23B, in the Middle District of Florida, was unsealed. The government has intervened in this action. The Complaint alleges that defendants made false statements in annual Medicare cost reports. The Complaint further alleges, as in Alderson (above), that the Company kept "reserve cost reports." The government has not yet served the Complaint on Defendants, and the case is currently stayed.

In June 1998, the case United States of America ex rel. Joseph "Mickey" Parslow v. Columbia/HCA Healthcare Corporation and Curative Health Services, Incorporated, No. 98-1260-CIV-T-23F, in the Middle District of Florida, Tampa Division, was filed. This complaint was unsealed by the court on April 9, 1999. The government has intervened in this lawsuit but has not yet served the complaint on the Company. This qui tam action alleges that the Company submitted false claims relating to contracts with Curative for the management of certain wound care centers. The complaint further alleges that management fees paid to Curative were excessive and not reasonable and that the claims for reimbursement for these management fees violated the anti-kickback statutes.

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). In general, 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 office space for free or reduced rent; (vi) providing free or reduced rate vacations and trips; (vii) providing free or reduced rate opportunities for additional medical training; (viii) providing income guarantees; and (ix) granting physicians exclusive rights to perform procedures in particular fields of practice. The defendants filed a Motion to Dismiss the Second Amended Complaint in November 1995 which was granted by the court in July 1996. In August 1996, the relator appealed to the United States Court of Appeals for the Fifth Circuit, and in October 1997, the Fifth Circuit affirmed in part and vacated and remanded in part the trial court's rulings. Defendants filed a Second Amended Motion to Dismiss which was denied on August 18, 1998. On August 21, 1998, relator filed a Third Amended Complaint. Although some discovery has occurred, there is currently a stay of discovery.

The matter of United States ex rel. McLendon v. Columbia/HCA, et al., Civ. No. 1 97 CV 0890, was filed under seal on April 4, 1997 in the U.S. District Court for the Northern District of Georgia, Atlanta Division. On July 19, 1999, the court unsealed this action. The Complaint alleges that the Company acted to illegally obtain Medicare reimbursement for costs incurred in purchasing home health agencies. The Complaint also alleges that the Company illegally billed Medicare for certain sales and marketing activities and for certain home care visits. The government has intervened in this action but has not served the Complaint.

In August 1999, the Company was made aware that the case of United States ex rel. Tonya M. Atchison v. Col/HCA Healthcare, Inc., El Paso Healthcare System, Ltd., Columbia West Radiology Group, P.A., West Texas Radiology Group, Rio Grande Physicians' Services Inc., El Paso Nurses Unlimited Inc., El Paso Healthcare Systems Limited, and El Paso Healthcare Systems United Partnership, No. EP 97-CA234, was unsealed in the U.S. District Court for the Western District of Texas and the Company was served on or about September 16, 1999. In general, the complaint alleges that the defendants submitted false claims regarding the 72-hour rule, cost reports and central business office billings, wrote-off bad debt on international patients, inflated financial information on the sale of a hospital, improperly billed pharmacy charges and radiology charges, improperly billed skilled nursing facility charges, improperly accounted for discounts and rebates, improperly billed certified first assistants in surgery, home health visits, senior health centers, diabetic treatment and wound care centers. The government has not intervened in this action. The parties have agreed to extend the time within which to respond to the complaint.

On November 10, 1999, the Company was served with the case of United States ex rel. Ronald L. Campbell and Daniel C. Rice v. Montgomery County Hospital District, Montgomery County Health Care

Foundation, and Conroe Hospital Corp., Case No. H-97-3502, in the Southern District of Texas. The complaint alleges that the Company conspired with Montgomery County Hospital District ("MCHD") to conceal the fact that MCHD knowingly overstated capital losses, resulting in the avoidance of "recapture liability" on the cost reports. The court has stayed this case. The government has not intervened in this case.

In February 2000, the matter of United States of America, ex rel. Michael R. Marine v. Columbia Aventura Medical Center, Columbia Cedars Medical Center, Columbia Hospital, Columbia/HCA Healthcare Corporation, Columbia JFK Medical Center, Columbia Kendall Regional Medical Center, Columbia Miami Heart Institute, Columbia Northwest Medical Center, Columbia University Hospital and Medical Center, and Columbia Westside Regional Medical Center Case No. 97-4368 (S.D. Fla.) was unsealed. The government intervened on or about February 15, 2000. The complaint alleges that the Company submitted false claims pertaining to the costs incurred by its nine south Florida hospitals for home health services furnished to homebound patients. The Company has not been served with the Complaint.

In approximately March 2000, the matter of United States of America ex rel., Bruce S. Skinner, M.D. v. North Trident Regional Hospital, Inc., Columbia/HCA Healthcare Corp. of South Carolina, Inc., Columbia Physician Services, Inc., and Columbia/HCA Healthcare Corporation, Case No. 2-00-0076-23 (U.S. District Court, District of South Carolina, Charleston Division) was unsealed. The Complaint alleges that the defendants committed fraud and engaged in the upcoding of billing for physician/employees' professional services. The Government has declined to intervene in this case.

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 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/or employees.

On October 10, 1997, the court entered an order consolidating the above-mentioned securities class action claims into a single-captioned case, Morse, Sidney, et al. v. R. Clayton McWhorter, et al., 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 was 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 damages, costs and expenses.

On October 10, 1997, the court entered an order consolidating the above-mentioned derivative law claims into a single-captioned case, McCall, H. Carl, as Comptroller of the State of New York and as Trustee of the New York State Common Retirement Fund, derivatively on behalf of Columbia/HCA Healthcare Corporation v. Richard L. Scott, et al., No. 3-97-0838. All of the other derivative lawsuits were administratively closed by the court. The consolidated McCall lawsuit was 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 involving improperly increasing 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 allegedly engaging in improper 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

expenses. 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 defendants filed motions to dismiss in both the Morse and McCall lawsuits. These motions were referred to the Magistrate Judge for consideration. In June 1998, the Magistrate Judge recommended that the court grant the motions to dismiss in both cases. Plaintiffs in both cases filed objections to the Magistrate's recommendations with the District Court, and defendants filed responsive pleadings. In September 1999, the District Court entered an Order granting the defendants' motion to dismiss McCall, H. Carl, as Comptroller of the State of New York and as Trustee of the New York State Retirement Fund, derivatively on behalf of Columbia/HCA Healthcare Corporation v. Richard L. Scott, et al., No. 3-97-0838 with prejudice. The plaintiffs in the McCall lawsuit have filed an appeal from that order. Defendants filed their brief in opposition to the appeal in March 2000. The plaintiffs filed their reply brief in April 2000.

On July 28, 2000, the District Court entered an Order granting the defendants' motions to dismiss in Morse. The District Court's order dismissed Morse with prejudice. Plaintiffs have thirty days from the entry of the order to appeal.

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.

Two purported derivative actions entitled Barron, Evelyn, et al. v. Magdalena Averhoff, et al., (Civil Action No. 15822NC), filed on July 22, 1997, and Kovalchick, John E. v. Magdalena Averhoff, et al., (Civil Action No. 15829NC), filed on July 29, 1997, 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. The suits seek damages, attorneys' fees and costs. In the Barron lawsuit, plaintiffs also seek an Order (i) requiring individual defendants to return to the Company all salaries or remunerations paid them by the Company, together with proceeds of the sale of the Company's stock made in breach of their fiduciary duties; (ii) prohibiting the Company from paying any individual defendant any benefits pursuant to the terms of employment, consulting or partnership agreements; and (iii) terminating all improper business relationships between the Company and any individual defendant. In the Kovalchick lawsuit, plaintiffs also seek an Order (i) requiring individual defendants to return to the Company all salaries or remunerations paid to them by the Company and all proceeds from the sale of the Company's stock made in breach of their fiduciary duties; (ii) requiring that an impartial Compliance Committee be appointed to meet regularly; and (iii) requiring that the Company be prohibited from paying any director/defendant any benefits pursuant to terms of employment, consulting or partnership agreements. The parties have stipulated to a temporary stay of the Kovalchick lawsuit. Plaintiffs in both Barron and Kovalchick have granted the defendants an indefinite extension of time to respond to the Complaints. On August 14, 1997, a similar purported derivative action entitled State Board of Administration of Florida, the public pension fund of the State of Florida in behalf of itself and in behalf of all other stockholders of Columbia/HCA Healthcare Corporation derivatively in behalf of Columbia/HCA Healthcare Corporation vs. 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. These lawsuits seek damages and costs as well as orders (i) enjoining the Company from paying benefits to individual defendants; (ii) requiring termination of all improper business relationships with individual defendants; (iii) requiring the Company to provide for independent public directors; and (iv) requiring the Company to put in place proper mechanisms of corporate governance. The court has entered an Order temporarily staying the lawsuit.

The matter of Louisiana State Employees Retirement System, a public pension fund of the State of Louisiana, in behalf of itself and in behalf of all other stockholders of Columbia/HCA Healthcare Corporation derivatively in behalf of Columbia/HCA Healthcare Corporation v. Magdalena Averhoff, et al., another derivative action, was filed on March 19, 1998 in the Circuit Court of the Eleventh Judicial Circuit, Dade County, Florida, General Jurisdiction Division (Case No. 98-6050 CA04), and the defendants removed it to the United States District Court, Southern District of Florida (Case No. 98-814-CIV). The suit alleges, among other things, breach of fiduciary duties resulting in damage to the Company. The lawsuit seeks damages from the individual defendants to be paid to the Company and attorneys' fees, costs and expenses. In addition, the lawsuit seeks orders (i) requiring the individual defendants to pay to the Company all benefits received by them from the Company; (ii) enjoining the Company from paying any benefits to individual defendants; (iii) requiring that defendants terminate all improper business relationships with the Company and any individual defendants; (iv) requiring that the Company provide for appointment of a majority of independent public directors; and (v) requiring that the Company put in place proper mechanisms of corporate governance. On August 10, 1998, the court transferred this case to the United States District Court, Middle District of Tennessee (Case No. 3:98-0846). By agreement of the parties, the case has been administratively closed pending the outcome of the court's ruling on the defendants' motions to dismiss the McCall action referred to above. As a result of the court's September 1, 1999, order dismissing the McCall lawsuit, this lawsuit was also dismissed with prejudice. The plaintiffs in this lawsuit have filed an appeal from that order. Defendants filed their brief in opposition to the appeal in March 2000. Plaintiffs filed their reply brief in May 2000.

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

PATIENT/PAYER ACTIONS AND OTHER CLASS ACTIONS

The Company is a party to several purported class action lawsuits which have been filed by patients and/or payers against the Company and/or certain of its current and/or former officers and/or directors alleging, in general, improper and fraudulent billing, overcharging, coding and physician referrals, as well as other violations of law. Certain of the lawsuits have been conditionally certified as class actions.

The matter of In re: Columbia/HCA Healthcare Corporation Billing Practices Litigation, Master File No. MDL 1227, was commenced by Order of the MDL Panel entered on June 11, 1998 granting the Company's petition to consolidate the Boyson and Operating Engineers cases for pretrial purposes in the Middle District of Tennessee pursuant to 28 U.S.C. 1407. Three other cases (see cases below) that have been consolidated with Boyson and Operating Engineers in the MDL proceeding are (i) Board of Trustees of the Carpenters & Millwrights of Houston & Vicinity Welfare Trust Fund, (ii) Board of Trustees of the Texas Ironworkers' Health Benefit Plan, and (iii) Tennessee Laborers Health and Welfare Fund. On September 21, 1998, the plaintiffs in five consolidated cases filed a Coordinated Class Action Complaint, which the Company answered on October 13, 1998. The plaintiffs seek certification of two proposed classes including all private individuals and all employee welfare benefit plans that have paid for health-related goods or services provided by the Company. The plaintiffs allege, among other things, that the Company has engaged in a pattern and practice of inflating charges, concealing the true nature of patients' illnesses, providing unnecessary medical care, and billing for services never rendered. The plaintiffs seek damages, attorneys' fees and costs, as well as disgorgement and injunctive relief. A scheduling order was entered that provided for class certification motions to be filed by February 22, 1999 and for discovery to be completed by June 30, 1999. In February 1999, plaintiffs filed a motion to extend the time periods in the scheduling order, which was granted by the court on August 24, 1999. However, the court has not entered a new scheduling order. Effective November 2, 1999, a sixth case, The United Paperworkers International Union, et al. v. Columbia/HCA Healthcare Corporation, et al., was transferred by the MDL Panel for consolidated pretrial proceedings. On December 30, 1999, plaintiffs filed a motion seeking leave to file a first amended coordinated complaint. On March 15, 2000, the court entered an order granting the plaintiffs' motion. The amended complaint did not include Board of Trustees of the Texas Ironworkers' Health Benefit Plan as a plaintiff but added Board of Trustees of the Pipefitters Local 522 Hospital, Medical and Life Benefit Fund. Defendants have filed an answer to the amended complaint. The parties are currently engaged in discovery.

The matter of Boyson, Cordula, on behalf of herself and all others similarly situated v. Columbia/HCA Healthcare Corporation was filed on September 8, 1997 in the United States District Court for the Middle District of Tennessee, Nashville Division (Civil Action No. 3-97-0936). The original complaint, which sought 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. This lawsuit seeks injunctive relief requiring the Company to perform an accounting to identify and disgorge medical bill overcharges. It also seeks damages, attorneys' fees, interest and costs. In an Order entered on June 11, 1998 by the MDL Panel, other lawsuits against the Company were consolidated with the Boyson case in the Middle District of Tennessee. The amended complaint in Boyson was withdrawn and superseded by the Coordinated Class Action Complaint filed in the MDL proceeding on September 21, 1998. (See In re: Columbia/HCA Healthcare Corporation Billing Practices Litigation, above.)

The matter of Operating Engineers Local No. 312 Health & Welfare Fund, on behalf of itself and as representative of a class of those similarly situated v. Columbia/HCA Healthcare Corporation was filed on August 6, 1997 in the United States District Court for the Eastern District of Texas, Civil Action No. 597CV203. The original complaint alleged violations of the Racketeering Influenced and Corrupt Organization Act ("RICO") based on allegations that the defendant 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. In October 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 was also denied. In February 1998, defendant filed a petition with the MDL Panel to consolidate this case with Boyson for pretrial proceedings in the Middle District of Tennessee. During the pendency of the motion to consolidate, plaintiff amended its Complaint to add allegations under the Employee Retirement Income Security Act of 1974 ("ERISA") as well as state law claims. The amended complaint seeks damages, attorneys' fees and costs, as well as disgorgement and injunctive relief. The MDL Panel granted defendant's motion to consolidate in June 1998, and this action was transferred to the Middle District of Tennessee. The amended complaint in Operating Engineers was withdrawn and superseded by the Coordinated Class Action Complaint filed in the MDL proceeding on September 21, 1998. (See In re: Columbia/HCA Healthcare Corporation Billing Practices Litigation, above.)

On April 24, 1998, two matters, Board of Trustees of the Carpenters & Millwrights of Houston & Vicinity Welfare Trust Fund v. Columbia/HCA Healthcare Corporation, Case No. 598CV157, and Board of Trustees of the Texas Ironworkers' Health Benefit Plan v. Columbia/HCA Healthcare Corporation, Case No. 598CV158, were filed in the United States District Court for the Eastern District of Texas. The original Complaint in these suits alleged violations of RICO only. Plaintiffs in both cases principally alleged that in order to inflate its revenues and profits, defendant engaged in fraudulent billing for services not performed, fraudulent overcharging in excess of correct rates and fraudulent concealment and misrepresentation. These suits seek damages, attorneys' fees and costs, as well as disgorgement and injunctive relief. Plaintiffs subsequently amended their complaint to add allegations under ERISA as well as state law claims. These suits have been consolidated by the MDL Panel with Boyson and transferred to the Middle District of Tennessee for pretrial proceedings. The amended complaints in these suits were withdrawn and superseded by the Coordinated Class Action Complaint filed in the MDL proceeding on September 21, 1998. (See In re: Columbia/HCA Healthcare Corporation Billing Practices Litigation, above.)

The matter of Tennessee Laborers Health and Welfare Fund, on behalf of itself and all others similarly situated vs. Columbia/HCA Healthcare Corporation, Case No. 3-98-0437, was filed in the United States District Court of the Middle District of Tennessee, Nashville Division, on May 14, 1998. The lawsuit seeks certification of a national class comprised of all employee welfare benefit plans that have paid for medical services provided by the Company. This case involves allegations under ERISA, as well as state law claims which are similar to those alleged in Boyson. Plaintiff, an Employee Welfare Benefit Plan, alleges that defendant violated the terms of the Plan documents by overbilling the Plans, including but not limited to,

exaggerating the severity of illnesses, providing unnecessary treatment, billing for services not rendered and other methods of overbilling and further violated the terms of the Plan documents by taking Plan assets in payment of such improper bills. Plaintiff further alleges that defendant intentionally concealed or suppressed the true nature of its patients' illnesses, and the actual treatment provided to those patients, and its improper billing. The suit seeks injunctive relief in the form of an accounting, damages, attorneys' fees, interest and costs. This suit has been consolidated by the court with Boyson and the other cases transferred by the MDL Panel to the Middle District of Tennessee. The complaint in Tennessee Laborers was withdrawn and superseded with the filing of the Coordinated Class Action Complaint in the MDL proceeding on September 21, 1998. (See In re: Columbia/HCA Healthcare Corporation Billing Practices Litigation, above.)

The matter of The United Paper Workers International Union, et al. v. Columbia/HCA Healthcare Corporation, et al., was filed on September 3, 1998 in the Circuit Court for Washington County, Tennessee, Civil Action No. 19350. The lawsuit contains billing fraud allegations similar to those in the Ferguson case and seeks certification of a national class comprised of all self-insured employers who paid or were obligated to pay any portion of a bill for, among other things, pharmaceuticals, medical supplies or medical services. The suit seeks declaratory relief, damages, interest, attorneys' fees and other litigation costs. In addition, the suit seeks an Order (i) requiring defendants to provide an accounting to plaintiffs and class members who overpaid or were obligated to overpay, (ii) requiring defendants to disgorge all monies illegally collected from plaintiffs and the class, and (iii) rescinding all contracts of defendants with plaintiffs and all class members. Following the service of this complaint on the Company on August 20, 1999, the Company subsequently removed this lawsuit to the United States District Court for the Eastern District of Tennessee and it was conditionally transferred by the MDL Panel to the Middle District of Tennessee for consolidated pretrial proceedings with In re: Columbia/HCA Healthcare Corporation Billing Practices Litigation and was later formally joined in plaintiffs' amended complaint (See In re: Columbia/HCA Healthcare Corporation Billing Practices Litigation, above.)

The matter of Brown, Nancy, individually and on behalf of all others similarly situated v. Columbia/HCA Healthcare Corporation was filed on November 16, 1995, in the Fifteenth Judicial Circuit Court in and for Palm Beach County, Florida, Case No. 95-9102 AD. The suit alleges that Palms West Hospital charged excessive amounts for goods and services associated with patient care and treatment, including items such as pharmaceuticals, medical supplies, laboratory tests, medical equipment and related medical services such as x-rays. The suit seeks the certification of a nationwide class, and damages for patients who have paid bills for the allegedly unreasonable portion of the charges as well as interest, attorneys' fees and costs. In response to defendant's amended motion to dismiss filed in January 1996, plaintiff amended the Complaint and defendant subsequently filed an answer and defenses in June 1996. On October 15, 1997, Harald Jackson moved to intervene in the lawsuit (see case below). The court denied Jackson's motion on December 19, 1997. To date, discovery is proceeding and no class has been certified.

Jane Doe and her husband, John Doe, on their own behalf, and on behalf of all other persons similarly situated vs. HCA Health Services of Tennessee, Inc., d/b/a HCA Donelson Hospital n/k/a Summit Medical Center is a class action suit filed on August 17, 1992 in the First Circuit Court for Davidson County, Tennessee, Case No. 92C-2041. The suit principally alleges that Summit Medical Center'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 as well as a breach of the duty of good faith and fair dealing. This suit seeks damages, costs and attorneys' fees. In addition, the suit seeks a declaratory judgment recognizing plaintiffs' rights to be free from predatory billing and collection practices and an Order (i) requiring defendants to notify plaintiff class members of entry of declaratory judgment and (ii) enjoining defendants from further efforts to collect charges from the plaintiffs. In 1997, this case was certified as a class action consisting of all past, present and future patients at Summit Medical Center. In July 1997, Summit filed a Motion for Summary Judgment. In March 1998, the court denied the Motion for Summary Judgment and ordered the parties into mediation. In June 1998, the Court of Appeals denied defendant's application for permission to appeal the trial court's denial of the summary judgment motion. Summit filed an application for permission to appeal to the Supreme Court of Tennessee, which the Supreme Court granted on November 9, 1998, and remanded the case to the Court of

Appeals for review on the merits. On August 27, 1999, the Court of Appeals issued an opinion affirming the trial court's denial of Summit's Motion for Summary Judgment. Summit filed an application for permission to appeal to the Tennessee Supreme Court in October 1999. On December 10, 1999, the Tennessee Supreme Court granted permission for the Tennessee Hospital Association and Adventist Health System Sunbelt Healthcare Corporation to file an amicus brief in this case. Briefs have been filed but oral argument has not been set.

Ferguson, Charles, on behalf of himself and all other similarly situated v. Columbia/HCA Healthcare Corporation, et al. 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 individuals and entities 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. The proposed class is broad enough to encompass all private payers, including individuals, insurers and health and welfare plans. The suit seeks damages, interest, attorneys' fees, costs and expenses. In addition, the suit seeks an Order (i) requiring defendants to provide an accounting of plaintiffs and class members who overpaid or were obligated to overpay; and (ii) requiring defendants to disgorge all monies illegally collected from plaintiffs and the class. Plaintiff filed a Motion for Class Certification in September 1997. No ruling has been made on the motion. In December 1997, the Company filed a Motion for Summary Judgment which was denied. In January 1998, plaintiff filed a Motion for Leave to File a Second Amended Class Action Complaint to Add an Additional Class Representative which was granted but the court dismissed the claims asserted by the additional plaintiff. In June 1998, plaintiff filed a Motion for Leave of Court to File a Third Amended Class Action Complaint, and in October 1998 plaintiff filed a Motion for Leave of Court to File a Fourth Amended Class Action Complaint. Both proposed Amended Complaints seek to add new named plaintiffs to represent the proposed class. Both seek to add additional allegations of billing fraud, including improper billing for laboratory tests, inducing doctors to perform unnecessary medical procedures, improperly admitting patients from emergency rooms and maximizing patients' lengths of stay as inpatients in order to increase charges, and improperly inducing doctors to refer patients to the Company's home health care units or psychiatric hospitals. Both seek an additional order that the Company's contracts with plaintiffs and all class members are rescinded and that the Company must repay all monies received from plaintiffs and the class members. The court has not ruled on either Motion for Leave to Amend. Discovery is underway in the case. The Company in September 1998 filed another Motion for Summary Judgment contesting the standing of the named plaintiffs to bring the alleged claims. That motion has not been ruled on by the court. Amended motions for summary judgment were filed in January 2000. Those motions have not yet been ruled on by the court.

The matter of Hoop, Kemp, et al. v. Columbia/HCA Health Corporation, et al. 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 Texas class 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 suit seeks damages, attorneys' fees, costs and expenses, as well as restitution to plaintiffs and the class in the amount by which defendants have been unjustly enriched and equitable and injunctive relief. The lawsuit principally alleges that 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 also alleges that the Company systematically entered into illegal kickback schemes with doctors for patient referrals. The Company filed its answer in November 1997 denying the claims. Discovery has commenced.

The matter of Jackson, Harald F., individually and on behalf of all others similarly situated v. Columbia/HCA Healthcare Corporation was initially filed as a motion to intervene in the Brown matter (above) in October 1997 in the Fifteenth Judicial Circuit Court in and for Palm Beach County, Florida. The court denied Jackson's motion on December 19, 1997, and Jackson subsequently filed a Complaint in the same state court on December 23, 1997, Case No. 97-011419-AI. This suit seeks certification of a national

class of persons or entities who were allegedly overcharged for medical services by the Company through an alleged practice of systematically and unlawfully inflating prices, concealing its practice of inflating prices, and engaging in, and concealing, a uniform practice of overbilling. The proposed class is broad enough to encompass all private payers, including individuals, insurers and health and welfare plans. This suit seeks damages on behalf of the plaintiff and individual members of the class as well as interest, attorneys' fees and costs. In January 1998, the case was removed to the United States District Court, Southern District of Florida, Case No. 98-CIV-8050. In February 1998, Jackson filed an amended complaint, and the case was remanded to state court. The Company has filed motions in response to the amended complaint which are pending. Jackson moved to transfer the case to the judge handling the Brown case which is also pending, but the motion to transfer was denied on April 8, 1999. Discovery has commenced.

The matter of Ultimate Home Healthcare, Inc., on behalf of itself and all other entities similarly situated in the states of Tennessee, Texas, Florida and Georgia v. Columbia/HCA Healthcare Corporation, Columbia Homecare Group, Olsten Corporation, and Olsten Health Management a/k/a Hospital Contract Management Services was filed in the United States District Court for the Middle District of Tennessee on June 14, 2000, as Civil Case No. 3-00-0560. The case is filed as a purported class action on behalf of home health care companies and agencies that conducted business in Tennessee, Texas, Florida and Georgia during the years 1994 through 1996. On July 21, 2000 an amended complaint was filed. The amended complaint alleges violations of civil RICO, antitrust and consumer protection laws, and other business torts arising out of transactions and operations in which the Company's affiliates purchased home health care agencies, or assets of agencies, from Olsten Corporation affiliates. The complaint seeks compensatory and punitive damages in an unstated amount plus costs and attorneys' fees. The suit is in its early stages and no response has been filed.

The Company intends to pursue the defense of these class actions vigorously.

While it is premature to predict the outcome of the qui tam, shareholder derivative and class action lawsuits, the amounts in question are substantial. It is possible that an adverse resolution, individually or in the aggregate, could have a material adverse impact on the Company's liquidity, financial position and results of operations. See Note 2 -- Investigations and Understanding to Settle Certain Government Civil Claims and Note 10 -- Contingencies in the Notes to Condensed Consolidated Financial Statements.

General Liability and Other Claims

The matter of Landgraff, Anne M. and Gina Magarian, on behalf of the Columbia/HCA Stock Bonus Plan v. Columbia/HCA Healthcare Corporation of America, et al. was originally 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 and transferred by agreement of the parties to the United States District Court for the Middle District of Tennessee, Civil Action No. 3-98-0090. The plaintiffs filed a second amended complaint on April 24, 1998 against the Company and certain members of the Company's Retirement Committee during 1997 alleging breach of fiduciary duty owed to the participants in the Company's Stock Bonus Plan by failing to sell the Plan holdings of Company stock based upon knowledge of material public and non-public adverse information and by failing to act solely in the interests and for the benefit of the participants. The suit generally alleges that the defendants fraudulently concealed information from the public and fraudulently inflated the Company's stock price through billing fraud, overcharges, inaccurate Medicare cost reports and illegal kickbacks for physician referrals. The suit seeks an order allowing the plaintiffs to proceed on behalf of the plan as in a derivative action, a judgment for compensatory and restitutionary damages for the losses allegedly experienced by the Plan because of breaches of fiduciary duty, an order transferring management of the plan to a competent, neutral third-party, and an award of pre-judgment interest, reasonable attorneys' fees and costs. A bench trial was held from June 8 through July 1, 1999. Additional oral arguments were held on March 23, 2000. On May 24, 2000, the court issued a Memorandum opinion and an Order dismissing the plaintiffs' action with prejudice and entered a judgment in favor of defendants. The court ruled that the defendants did not breach their fiduciary duty to the Stock Bonus Plan. On June 12, 2000, plaintiffs filed a notice of appeal.

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

defendant 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 payers in connection with the rendering of medical care or services. The lawsuit alleges claims for fraud, breach of implied contract and breach of contract. The lawsuit seeks damages, attorneys' fees and costs in excess of \$2 billion, as well as injunctive relief. The court denied the plaintiff's motion for a preliminary injunction. On October 15, 1998, the Company filed a counterclaim and third-party complaint against Florida Software Systems, Inc., Receivable Dynamics Inc., Nevada Communications Corporation, Norman R. Dobiesz, Maureen Donovan Dobiesz, Stuart M. Lopata, and Samuel A. Greco (a former senior officer at the Company). The counterclaim alleges racketeering, conspiracy, breach of fiduciary duty, and breach of contract. Defendants in the counterclaim and third-party complaint have filed answers to the counterclaim and third-party complaint. Discovery has been conducted and several dispositive motions are pending with the court.

Two law firms representing groups of health insurers have approached the Company and alleged that the Company's affiliates may have overcharged or otherwise improperly billed the health insurers for various types of medical care during the time frame from 1994 through 1997. The Company has engaged in discussions with these law firms, but no litigation has been filed. The Company is unable to determine if litigation will be filed, and if filed, what damages would be asserted.

The Company intends to pursue the defense of these actions and prosecution of its counterclaims and third party claims vigorously.

The Company from time to time is a party to certain proceedings in the United States Tax Court and the United States Court of Federal Claims. For a description of those proceedings, see Note 6 -- Income Taxes in the Notes to Condensed Consolidated Financial Statements.

The Company is also 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 may not be 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.

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

The Company's annual meeting of stockholders was held on May 25, 2000. The following matters were voted upon at the meeting:

	VOTES IN FAVOR -----	VOTES WITHHELD -----	
1. Election of Directors			
Magdalena H. Averhoff, M.D.....	464,625,619	1,141,292	
Jack O. Bovender, Jr.....	464,625,121	1,141,790	
Kent C. Nelson.....	464,631,094	1,135,817	
Frank S. Royal, M.D.....	464,566,475	1,200,435	
Martin Feldstein.....	464,595,537	1,171,374	
Thomas F. Frist, Jr., M.D.....	464,616,706	1,150,205	
Glenda A. Hatchett.....	464,579,156	1,187,755	
John H. McArthur.....	464,579,797	1,187,114	
Thomas S. Murphy.....	464,511,036	1,255,875	
	VOTES IN FAVOR -----	VOTES WITHHELD -----	ABSTENTIONS -----
2. Approval of the Columbia/HCA Healthcare Corporation 2000 Equity Incentive Plan.....	335,910,735	64,211,167	1,356,037
3. Ratification of Ernst & Young LLP as the Company's auditors.....	464,550,162	176,343	1,040,400

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

(a) List of Exhibits:

Exhibit 4.1 -- First Amendment to the March 2000 \$1.2 Billion Credit Agreement, dated as of June 23, 2000 (which amendment is filed herewith).*

Exhibit 4.2 -- Second Amendment to the July 1998 \$1 Billion Credit Agreement, dated as of June 23, 2000 (which amendment is filed herewith).*

Exhibit 4.3 -- Sixth Amendment to the Credit Facility, dated as of June 23, 2000 (which amendment is filed herewith).*

Exhibit 4.4 -- First Supplemental Indenture dated as of May 25, 2000 between the Company and Bank One Trust Company, N.A., as Trustee (which supplement is filed herewith).*

Exhibit 10.1 -- First Amendment to the Columbia/HCA Healthcare Corporation Outside Directors Stock and Incentive Compensation Plan, as amended and restated September 23, 1999, dated as of May 25, 2000 (which amendment is filed herewith).*

Exhibit 10.2 -- Columbia/HCA Healthcare Corporation 2000 Equity Incentive Plan (which plan is incorporated by reference from Exhibit A to the Company's Proxy Statement for the Annual Meeting of Shareholders on May 25, 2000).

Exhibit 10.3 -- Columbia/HCA Healthcare Corporation 2000 Incentive and Retention Plan (which plan is filed herewith).*

Exhibit 10.4 -- Form of Restricted Stock Award Agreement of OneSource Med, Inc. (which agreement is filed herewith).*

Exhibit 10.5 -- Letter Agreement, dated May 25, 2000, by and between the Company and R. Clayton McWhorter (which agreement is filed herewith).*

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

Exhibit 27 -- Financial Data Schedule.*

* Included only in filings under the Electronic Data, Gathering, Analysis and Retrieval system.

(b) Reports on Form 8-K filed during the quarter ended June 30, 2000:

On May 19, 2000, the Company filed a report on Form 8-K in which it announced an understanding to settle certain government civil claims.

On May 26, 2000, the Company filed a report on Form 8-K in which it announced that it changed its corporate name to "HCA - The Healthcare Company."

SIGNATURES

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

HCA - THE HEALTHCARE COMPANY

/s/ R. MILTON JOHNSON

R. Milton Johnson
Senior Vice President and Controller

Date: August 4, 2000

FIRST AMENDMENT

FIRST AMENDMENT, dated as of June 23, 2000 (this "Amendment"), to the Credit Agreement, dated as of March 13, 2000 (as amended, supplemented, or modified, the "March 2000 Credit Agreement"), among HCA - THE HEALTHCARE COMPANY (formerly known as Columbia/HCA Healthcare Corporation), a Delaware corporation (the "Company"), the several banks and other financial institutions from time to time parties hereto (the "Banks"), CHASE SECURITIES INC., as Lead Arranger and Sole Book Manager, BANK OF AMERICA, N.A., as Documentation Agent and Co-Arranger, THE BANK OF NOVA SCOTIA, as Syndication Agent and Co-Arranger, DEUTSCHE BANK AG NEW YORK AND/OR CAYMAN ISLANDS BRANCHES, as Syndication Agent and Co-Arranger, THE BANK OF NEW YORK, as Co-Arranger, THE INDUSTRIAL BANK OF JAPAN, LIMITED, as Co-Arranger, CITICORP USA, INC., as Co-Agent, FLEET NATIONAL BANK, as Co-Agent, CREDIT SUISSE FIRST BOSTON, as Lead Manager, SUNTRUST BANK, as Lead Manager, WACHOVIA BANK, N.A., as Lead Manager and THE CHASE MANHATTAN BANK, a New York banking corporation, as agent for the Banks hereunder (in such capacity, the "Agent").

W I T N E S S E T H :

WHEREAS, the parties hereto wish to amend certain provisions of the March 2000 Credit Agreement 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 March 2000 Credit Agreement shall be used as so defined.

2. Amendment to Section 1.1 of the March 2000 Credit Agreement. Section 1.1 of the March 2000 Credit Agreement is hereby amended by deleting the defined term "Consolidated Earnings Before Interest and Taxes" in its entirety and inserting in lieu thereof the following new defined term 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-recurring charges incurred or made as of or for fiscal quarters ending on or after June 30, 2000 related to the Company's partial settlement with the Department of Justice not exceeding in the aggregate \$745,000,000 on a pre-tax basis."

3. Effective Date; Conditions Precedent. This Amendment will become effective on June 23, 2000 (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 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 Banks.

(b) Fees. The Agent shall have received, for the account of each Bank which executes and delivers this Amendment on or prior to 5:00 p.m. New York City time on June 23, 2000, an amendment fee in an amount equal to 2.5 basis points on such Bank's Commitment as in effect prior to the Effective Date, payable in immediately available funds on or before the Effective Date.

(c) Company Officers' Certificate. On and as of the Effective Date and after giving effect to this 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.

(d) Second Amendment to July 1998 Agreement. That certain credit agreement, dated as of July 10, 1998, among the Company, the several banks and other financial institutions from time to time parties thereto, Nationsbank, N.A., The Bank of Nova Scotia, Deutsche Bank Securities, and The Chase Manhattan Bank, as administrative agent (the "July 1998 Agreement"), shall have been amended in a manner corresponding to the amendments hereof.

(e) Sixth Amendment to February 1997 Five-Year Agreement and Amendment. The February 1997 Five-Year Agreement and Amendment shall have been amended in a manner corresponding to the amendments hereof.

4. Legal Obligation. The Company represents and warrants to each Bank that this 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 March 2000 Credit Agreement shall continue to be and shall remain in full force and effect in accordance with its terms.

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

8. Counterparts. This Amendment may be executed by one or more of the parties to this 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 Amendment signed by all the parties shall be lodged with the Company and the Agent.

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

HCA - THE HEALTHCARE COMPANY

By: /s/ DAVID G. ANDERSON

Name: David G. Anderson
Title: Senior Vice President-Finance &
Treasurer

THE CHASE MANHATTAN BANK, as Agent and as a
Bank

By: /S/ DAWN LEE LUM

Name: Dawn Lee Lum
Title: Vice President

SECOND AMENDMENT

SECOND AMENDMENT, dated as of June 23, 2000 (this "Amendment"), to the Credit Agreement, dated as of July 10, 1998 (as amended by the First Amendment, dated as of March 30, 1999, and as may be further amended, supplemented, or modified, the "July 1998 Credit Agreement"), among HCA - THE HEALTHCARE COMPANY (formerly known as 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, N.A., THE BANK OF NEW YORK, BANK ONE, N.A., FLEET NATIONAL BANK, TORONTO DOMINION (TEXAS), INC. AND WACHOVIA BANK, N.A. as co-agents (collectively, the "Co-Agents"), BANK OF AMERICA, N.A., as documentation agent for the Banks hereunder (the "Documentation Agent") and THE BANK OF NOVA SCOTIA and DEUTSCHE BANK SECURITIES INC., as co-syndication agents for the Banks hereunder (the "Co-Syndication Agents"); and THE CHASE MANHATTAN BANK, a New York banking corporation, as agent for the Banks hereunder (in such capacity, the "Agent").

W I T N E S S E T H :

WHEREAS, the parties hereto wish to amend certain provisions of the July 1998 Credit Agreement 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 July 1998 Credit Agreement shall be used as so defined.

2. Amendment to Section 1.1 of the July 1998 Credit Agreement. Section 1.1 of the July 1998 Credit Agreement is hereby amended by deleting the defined term "Consolidated Earnings Before Interest and Taxes" in its entirety and inserting in lieu thereof the following new defined term 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-recurring charges incurred or made as of or for fiscal quarters ending on or after June 30, 2000 related to the Company's partial settlement with the Department of Justice not exceeding in the aggregate \$745,000,000 on a pre-tax basis."

3. Effective Date; Conditions Precedent. This Amendment will become effective on June 23, 2000 (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 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 Banks.

(b) Fees. The Agent shall have received, for the account of each Bank which executes and delivers this Amendment on or prior to 5:00 p.m. New York City time on June 23, 2000, an amendment fee in an amount equal to 2.5 basis points on such Bank's Commitment as in effect prior to the Effective Date, payable in immediately available funds on or before the Effective Date.

(c) Company Officers' Certificate. On and as of the Effective Date and after giving effect to this 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.

(d) Sixth Amendment to February 1997 Five-Year Agreement and Amendment. The February 1997 Five-Year Agreement and Amendment shall have been amended in a manner corresponding to the amendments hereof.

(e) First Amendment to March 2000 Agreement. That certain credit agreement, dated as of March 13, 2000, among the Company, the several banks and other financial institutions from time to time parties thereto, Chase Securities Inc., Bank of America, N.A., The Bank of Nova Scotia, Deutsche Bank AG New York Branch, The Bank of New York, The Industrial Bank of Japan, Limited, Citicorp USA, Inc., Fleet National Bank, Credit Suisse First Boston, Suntrust Bank, Wachovia Bank, N.A., and The Chase Manhattan Bank, as administrative agent (the "March 2000 Agreement"), shall have been amended in a manner corresponding to the amendments hereof.

4. Legal Obligation. The Company represents and warrants to each Bank that this 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 July 1998 Credit Agreement shall continue to be and shall remain in full force and effect in accordance with its terms.

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

8. Counterparts. This Amendment may be executed by one or more of the parties to this 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 Amendment signed by all the parties shall be lodged with the Company and the Agent.

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

HCA - THE HEALTHCARE COMPANY

By: /s/ DAVID G. ANDERSON

Name: David G. Anderson
Title: Senior Vice President-Finance &
Treasurer

THE CHASE MANHATTAN BANK, as Agent and as a
Bank

By: /s/ DAWN LEE LUM

Name: Dawn Lee Lum
Title: Vice President

SIXTH AMENDMENT

SIXTH AMENDMENT, dated as of June 23, 2000 (this "Sixth Amendment"), to the Agreement and Amendment dated as of February 26, 1997, as amended by the First Amendment, dated as of June 17, 1997, the Second Amendment, dated as of February 3, 1998, the Third Amendment, dated as of March 26, 1998, the Fourth Amendment, dated as of July 10, 1998 and the Fifth Amendment dated as of March 30, 1999 (as the same may be amended, supplemented or modified from time to time, the "February 1997 Five-Year Agreement and Amendment") among HCA - THE HEALTHCARE COMPANY (formerly known as 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, N.A., THE BANK OF NEW YORK, DEUTSCHE BANK AG, FLEET NATIONAL BANK, THE FUJI BANK LIMITED, THE INDUSTRIAL BANK OF JAPAN, LIMITED, MORGAN GUARANTY TRUST COMPANY OF NEW YORK, PNC BANK NATIONAL ASSOCIATION, TORONTO DOMINION (TEXAS), INC., UNION BANK OF SWITZERLAND, NEW YORK BRANCH AND WACHOVIA BANK, N.A., as co-agents (collectively, the "Co-Agents"), THE SAKURA BANK, LTD. NEW YORK BRANCH, THE SUMITOMO BANK LIMITED, SUNTRUST BANK, 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 ("Chase", and 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 in respect of the Letter of Credit Facility. Section 3 of the February 1997 Five-Year Agreement and Amendment is hereby amended by deleting the defined term "Consolidated Earnings Before Interest and Taxes" in its entirety and substituting in lieu thereof the following new defined term 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-recurring charges incurred or made as of or for fiscal quarters ending on or after June 30, 2000 related to the Company's partial settlement with the Department of Justice not exceeding in the aggregate \$745,000,000 on a pre-tax basis."

3. Effective Date; Conditions Precedent. This Sixth Amendment will become effective on June 23, 2000 (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 Sixth 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 Banks.

(b) Fees. The Agent shall have received, for the account of each Bank which executes and delivers this Amendment on or prior to 5:00 p.m. New York City time on June 23, 2000, an amendment fee in an amount equal to 2.5 basis points on such Bank's Commitment as in effect prior to the Effective Date, payable in immediately available funds on or before the Effective Date.

(c) Company Officers' Certificate. On and as of the Effective Date and after giving effect to this Sixth 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.

(d) Second Amendment to July 1998 Agreement. That certain credit agreement, dated as of July 10, 1998, among the Company, the several banks and other financial institutions from time to time parties thereto, Nationsbank, N.A., The Bank of Nova Scotia, Deutsche Bank Securities, and The Chase Manhattan Bank, as administrative agent (the "July 1998 Agreement"), shall have been amended in a manner corresponding to the amendments hereof.

(e) First Amendment to March 2000 Agreement. That certain credit agreement, dated as of March 13, 2000, among the Company, the several banks and other financial institutions from time to time parties thereto, Chase Securities Inc., Bank of America, N.A., The Bank of Nova Scotia, Deutsche Bank AG New York Branch, The Bank of New York, The Industrial Bank of Japan, Limited, Citicorp USA, Inc., Fleet National Bank, Credit Suisse First Boston, Suntrust Bank, Wachovia Bank, N.A., and The Chase Manhattan Bank, as administrative agent (the "March 2000 Agreement"), shall have been amended in a manner corresponding to the amendments hereof.

4. Legal Obligation. The Company represents and warrants to each Bank that this Sixth 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.

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

8. Counterparts. This Sixth Amendment may be executed by one or more of the parties to this Sixth 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 Sixth Amendment signed by all the parties shall be lodged with the Company and the Agent.

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

HCA - THE HEALTHCARE COMPANY

By: /s/ DAVID G. ANDERSON

Name:

Title:

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

By: /s/ DAWN LEE LUM

Name:

Title:

HCA - THE HEALTHCARE COMPANY

TO

BANK ONE TRUST COMPANY, N.A.,
Trustee

FIRST SUPPLEMENTAL INDENTURE

TO

INDENTURE OF COLUMBIA HEALTHCARE CORPORATION

Dated as of May 25, 2000

Supplementing the Indenture, dated as of December 16, 1993, by and between
Columbia Healthcare Corporation and Bank One Trust Company, N.A. (as successor
in interest to The First National Bank of Chicago).

THIS FIRST SUPPLEMENTAL INDENTURE (the "Supplemental Indenture"), dated as of May 25, 2000, by and among HCA - The Healthcare Company, a corporation duly organized and existing under the laws of the State of Delaware ("HCA"), having its principal offices at One Park Plaza, Nashville, Tennessee 37203, formerly known as Columbia/HCA Healthcare Corporation, and Bank One Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States of America ("Bank One"), having its principal corporate trust offices in the State of New York at 153 West 51st Street, New York, New York, 10019.

WHEREAS, Columbia Healthcare Corporation, a Delaware corporation, duly executed and delivered to The First National Bank of Chicago, as trustee ("Trustee"), that certain Indenture, dated as of December 16, 1993 (the "Indenture"), relating to the issuance from time to time of debentures, notes, bonds and other evidences of indebtedness (the "Debt Securities");

WHEREAS, Bank One is the successor in interest to the Trustee;

WHEREAS effective as of May 25, 2000, pursuant to the terms of that certain Certificate of Ownership and Merger (the "Merger Certificate"), dated as of May 25, 2000, by and among HCA (then known as Columbia/HCA Healthcare Corporation) and its wholly-owned subsidiary, HCA - The Healthcare Company, a Delaware corporation ("Merger Subsidiary"), Merger Subsidiary was merged with and into HCA, for the sole purpose and with the sole effect of changing HCA's name from Columbia/HCA Healthcare Corporation to HCA - The Healthcare Company (the "Merger");

WHEREAS, Section 901(1) of the Indenture requires HCA to execute and deliver a supplemental indenture to the Trustee providing for, among other matters, the assumption by HCA of the due and punctual payment of the principal of and interest on all the Debt Securities, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of the Indenture to be performed or observed by the Company;

WHEREAS, pursuant to Section 1001(1) of the Indenture, this Supplemental Indenture may be executed and delivered by the Trustee and HCA (the continuing corporation) without the consent of the Holders of the Debt Securities;

WHEREAS, the Board of Directors of HCA has authorized the execution of this Supplemental Indenture and its delivery to the Trustee; and

WHEREAS, all acts and things necessary to make this Supplemental Indenture the valid, binding and legal obligation of HCA in accordance with its terms have been done.

NOW, THEREFORE, in consideration of the premises, it is mutually covenanted and agreed for the equal and proportionate benefit of all Holders of the Debt Securities as follows. Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Indenture.

ARTICLE I

ASSUMPTION OF COLUMBIA/HCA HCA HEALTHCARE CORPORATION'S
OBLIGATIONS BY HCA - THE HEALTHCARE COMPANY

Section 1.1. HCA, a corporation duly organized and validly existing under the laws of the State of Delaware, hereby expressly assumes the due and punctual payment of the principal of and interest on all the Debt Securities, according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of the Indenture to be performed or observed by the Company and shall otherwise succeed and be substituted for the Company in the Indenture and in the Debt Securities with the same effect as if HCA had been named therein as the Company.

Section 1.2. HCA hereby represents and warrants that, immediately after giving effect to the Merger, no Event of Default, and no event which, after notice or lapse of time, or both, would become an Event of Default, has occurred or is continuing.

ARTICLE II

MISCELLANEOUS

Section 2.1. The Indenture shall be deemed to be modified and amended as herein provided, but, except as modified and amended by this Supplemental Indenture, the Indenture shall continue in full force and effect.

Section 2.2. The Indenture and this Supplemental Indenture shall be read, taken and construed as one and the same instrument.

Section 2.3. This Supplemental Indenture shall become effective at the effective time of the Merger upon the execution and delivery hereof by each of the parties hereto.

Section 2.4. Trustee makes no representations as to the validity or sufficiency of this Supplemental Indenture, except the due and valid execution hereof by the Trustee. Trustee's execution of this Supplemental Indenture should not be construed to be an approval or disapproval of the advisability of the action taken by HCA (then known as Columbia/HCA Healthcare Corporation) and Merger Subsidiary with respect to the Merger.

Section 2.5. This Supplemental Indenture shall be governed by and construed in accordance with the laws of the State of New York.

Section 2.6. This Supplemental Indenture may be executed in any number of counterparts each of which shall be an original, but all of which together shall be deemed to constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and duly attested, all as of the day and year first above written.

HCA - The Healthcare Company

By: /s/ David G. Anderson

Title: Vice President-Finance and Treasurer

(CORPORATE SEAL]

Attest

/s/ John M. Franck II

By: John M. Franck II

Title: Vice President and Corporate Secretary

Bank One Trust Company, N.A.,
as Trustee

By: /s/ Sandra Whalen

Title: Authorized Signatory

(CORPORATE SEAL]

Attest

/s/ Michael Pinzon

By: Michael Pinzon

Title: Authorized Signatory

STATE OF TENNESSEE)

COUNTY OF DAVIDSON)

Personally appeared before me, the undersigned, a Notary Public, David G. Anderson, with whom I am personally acquainted, and who acknowledged that _he executed the within instrument for the purposes therein contained, and who further acknowledged that _he is the Vice President-Finance and Treasurer of HCA - The Healthcare Company, a corporation, and is authorized by the corporation to execute this instrument on behalf of the corporation.

WITNESS my hand, at office, this 25th day of May, 2000.

/s/ Susan W. Foxman

Notary Public

My Commission Expires: July 26, 2003

STATE OF NEW YORK)

COUNTY OF NEW YORK)

Personally appeared before me, the undersigned, a Notary Public, Sandra Whalen, with whom I am personally acquainted, and who acknowledged that she executed the within instrument for the purposes therein contained, and who further acknowledged that she is the Authorized Signatory of Bank One Trust Company, N.A., a national banking association, and is authorized by the corporation to execute this instrument on behalf of the corporation.

WITNESS my hand, at office, this 24 day of May, 2000.

/s/ Mark E. Davis

Notary Public

My Commission Expires:_____

MARK E. DAVIS
Notary Public, State of New York
Reg. No. 01DA6004466
Qualified in New York County
Commission Expires March 23, 2002

FIRST AMENDMENT TO THE
COLUMBIA/HCA HEALTHCARE CORPORATION OUTSIDE
DIRECTORS STOCK AND INCENTIVE COMPENSATION PLAN

Columbia/HCA Healthcare Corporation, a Delaware corporation (the ("Company")), hereby amends the Columbia/HCA Healthcare Corporation Outside Directors Stock and Incentive Compensation Plan, as amended and restated on September 23, 1999, as provided below.

1. Section 5.8 of the Plan shall be amended and restated in its entirety as follows:

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; provided, however, notwithstanding the foregoing, the Board may (subject to the provisions of Section 5.3 hereof concerning the maximum term of an Option), at or after grant, determine that the optionee shall have the right to exercise the Option, whether or not then exercisable, on such terms and conditions and at such times as the Board shall determine.

2. Section 6.2(d) of the Plan shall be amended and restated in its entirety as follows:

- (d) TERMINATION OF SERVICE DURING RESTRICTED PERIOD. Except as provided herein, or unless determined otherwise by the Board at or after grant, 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.

3. Section 7.2(b) of the Plan shall be amended and restated in its entirety as follows:

- (b) TERMINATION OF SERVICE PRIOR TO FULL VESTING. Unless determined otherwise by the Board at or after grant, 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.

4. Section 7.2(e) of the Plan shall be amended and restated in its entirety as follows:

- (e) PAYMENT OF AWARDS. A Participant shall be entitled to payment, at the time of his termination of service as an Outside Director or at such other time or times as the Board shall determine at or after grant, 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 or, in the case of an election made pursuant to Section 7.1 after 1998, within fourteen days following date of the Board resolution permitting such election (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.

5. The Plan may be restated to reflect this amendment.

6. Except as set forth in this amendment, the terms of the Plan remain unchanged.

7. This amendment shall be effective as of the 25th day of May, 2000.

COLUMBIA/HCA HEALTHCARE CORPORATION
2000 INCENTIVE AND RETENTION PLAN

1. Purpose of Plan.

This Plan shall be known as the "Columbia/HCA Healthcare Corporation 2000 Incentive and Retention Plan" and is hereinafter referred to as the "Plan." The purpose of the Plan is to aid in attracting, retaining and incentivizing key employees of Columbia/HCA Healthcare Corporation, a Delaware corporation (the "Company") and its subsidiaries, to offer them opportunities to benefit from their efforts to increase the value of the Company and certain of its subsidiaries, to promote their long-term retention and to strengthen further the mutuality of interests between such persons and the Company's stockholders.

2. Stock Subject to Plan.

The shares subject to awards under the Plan shall be the authorized common or preferred stock of one or more of the Company's subsidiaries (the "Stock"). Such shares may be either authorized but unissued shares or issued shares which have been reacquired by the issuer. The maximum number of shares which may be issued pursuant to awards under this Plan shall be determined by the Board and/or the Committee from time to time.

3. Administration of Plan.

The Plan shall be administered by the Company's Board of Directors (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 amend the Plan, 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. The Board may delegate the administration of the Plan to a committee (the "Committee") of two or more non-employee directors of the Company. The members of the Committee shall be appointed by and serve at the pleasure of the Board.

4. Restricted Stock Awards.

Awards of Stock may be granted to any officer or employee of the Company or any of its majority owned subsidiaries, at any time or from time to time, and upon such terms and conditions as may be determined by the Board and/or the Committee. The awards shall be evidenced by agreements in such form and containing such terms, conditions or restrictions as the Board and/or the Committee shall from time to time approve.

5. Options.

Awards of options to purchase Stock may be granted to any officer or employee of the Company or any of its majority owned subsidiaries, at any time or from time to time, and upon such terms and conditions as may be determined by the Board and/or the Committee. The awards shall be evidenced by agreements in such form and containing such terms, conditions or restrictions as the Board and/or the Committee shall from time to time approve.

6. Other Stock-Based Awards.

Other stock-based awards may be granted to any officer or employee of the Company or any of its majority owned subsidiaries, at any time or from time to time, and upon such terms and conditions as may be determined by the Board and/or the Committee. Other stock-based awards shall be any award not described in Sections 4 and 5 above which is an award payable in, valued in whole or in part with reference to, or otherwise based upon, Stock. Other stock-based awards shall be evidenced by agreements in such form and containing such terms, conditions or restrictions as the Board and/or the Committee shall from time to time approve.

7. Tax Withholding.

The Company shall have the right to deduct from any settlement, including the delivery or vesting of shares, made under the Plan any federal, state or local taxes of any kind required by law to be withheld with respect to such payments or to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. If Stock is used to satisfy tax withholding, such stock shall be valued based on the fair value of such Stock as determined by the Board in its sole discretion when the tax withholding is required to be made.

8. Amendment or Discontinuance of Plan.

The Board, in its sole discretion, may amend any provision of the Plan or discontinue the Plan at any time. The above notwithstanding, the Board shall not alter or impair any award theretofore granted under the Plan without the consent of the holder of the award.

9. Effective Date and Termination of Plan.

(a) The Plan was approved by the Board effective as of April 27, 2000.

(b) Unless the Plan shall have been earlier discontinued, the Plan shall terminate on April 27, 2010. No award may be granted after such termination, but termination of the Plan shall not, without the consent of the holder of the award, alter or impair any rights or obligations under any award theretofore granted.

RESTRICTED STOCK AWARD AGREEMENT

THIS RESTRICTED STOCK AWARD AGREEMENT dated as of this 19th day of May, 2000 (the "Agreement"), between OneSource Med, Inc., a Delaware corporation (the "Company"), an indirect subsidiary of Columbia/HCA Healthcare Corporation ("Columbia/HCA", and together with its direct and indirect subsidiaries, a "Related Entity") and (the "Grantee").

RECITALS

WHEREAS, the Company has awarded Grantee shares (the "Shares") of the authorized but unissued common stock, \$.001 par value, of the Company (the "Common Stock") pursuant to the terms of the Columbia/HCA Healthcare Corporation 2000 Incentive and Retention Plan (the "Plan"); and

WHEREAS, the Plan contemplates a written document evidencing the award;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound, the parties agree as follows:

ARTICLE I

AWARD OF SHARES

1.1 Award. Pursuant to the terms of the Plan the Grantee is hereby awarded such number of shares of the Company's Common Stock set forth beside the Grantee's name on Schedule I.

1.2 Delivery of Certificates. The certificates representing the Shares hereunder shall be held in escrow by the Secretary of the Company as provided in Article VII hereof.

1.3 Stockholder Right. Until such time as any or all of Grantee's Shares are forfeited pursuant to the terms of this Agreement, if ever, the Grantee (or any successor in interest) shall have all the rights of a stockholder (including voting rights) with respect to the Shares, including Shares held in escrow under Article VII, subject, however, to the transfer restrictions of Article IV.

ARTICLE II

SECURITIES LAW COMPLIANCE

2.1 Exemption from Registration. Grantee acknowledges that the Shares have not been registered under the Securities Act of 1933, as amended (the "1933 Act"), and are being issued to the Grantee in reliance upon an exemption from the registration requirements thereof.

2.2 Restricted Securities. Grantee hereby confirms that he has been informed that the Shares are restricted securities under the 1933 Act and may not be resold or transferred unless the

Shares are first registered under the federal securities laws or unless an exemption from such registration is available. Accordingly, Grantee hereby acknowledges that Grantee is prepared to hold the Shares for an indefinite period and that Grantee is aware that Rule 144 of the Securities and Exchange Commission issued under the 1933 Act is not presently available to exempt the sale of the Shares from the registration requirements of the 1933 Act.

2.3 Disposition Of Shares. Grantee hereby agrees that Grantee shall make no disposition of the Shares (other than a permitted transfer under Section 4.1) unless and until Grantee:

a. shall have notified the Company of the proposed disposition and provided a written summary of the terms and conditions of the proposed disposition; and

b. shall have complied with all requirements of this Agreement applicable to the disposition of the Shares (as well as any other applicable agreement, including, without limitation, that certain Stockholders Agreement dated as of May 19, 2000 (the "Stockholders Agreement") among the Company, Grantee and certain other holders of the Company's capital stock).

The Company shall not be required (i) to transfer on its books any Shares which have been sold or transferred in violation of the provisions of this Article II, nor (ii) to treat as the owner of the Shares, or otherwise to accord voting or dividend rights to, any transferee to whom the Shares have been transferred in contravention of this Agreement. Grantee agrees to pay the Company's reasonable expenses incurred in connection with any disposition of the Shares.

2.4 Restrictive Legends. In order to reflect the restrictions on disposition of the Shares, the stock certificates for the Shares will be endorsed with the following restrictive legend:

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR ANY STATE BLUE SKY LAWS, AND MAY NOT BE OFFERED, SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED ABSENT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT AND THE APPLICABLE BLUE SKY LAWS OR COMPLIANCE WITH RULE 144 PROMULGATED UNDER THE ACT, OR UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED. THE SECURITIES REPRESENTED HEREBY ARE SUBJECT TO, AND MAY BE TRANSFERRED ONLY IN COMPLIANCE WITH, THAT CERTAIN RESTRICTED STOCK AWARD AGREEMENT, DATED AS OF MAY 19, 2000, BETWEEN THE COMPANY AND THE HOLDER OF

THESE SECURITIES, AND THAT CERTAIN STOCKHOLDERS AGREEMENT DATED AS OF MAY 19, 2000, COPIES OF WHICH MAY BE OBTAINED AT THE PRINCIPAL EXECUTIVE OFFICE OF THE COMPANY."

ARTICLE III

SPECIAL TAX ELECTION

3.1 Section 83(b) Election. The Grantee understands that under Section 83 of the Internal Revenue Code of 1986, as amended (the "Code"), the fair market value of the Shares on the date any forfeiture restrictions applicable to such Shares lapse will be reportable as ordinary income to the Grantee in the tax year in which such restrictions lapse. For this purpose, the term "forfeiture restrictions" includes the automatic forfeiture of Unvested Shares (as hereinafter defined) as provided in Article V hereof. The Grantee understands, however, that he may elect to be taxed at the time the Shares are acquired hereunder, rather than when and as such Shares cease to be subject to such forfeiture restrictions, by filing an irrevocable election under Section 83(b) of the Code with the Internal Revenue Service within thirty (30) days after the date of this Agreement. If this irrevocable election is made, the Grantee will be taxed on the fair market value of the Shares as of the date of this Agreement (determined without taking into account any forfeiture restrictions). The form for making this irrevocable election is attached as Exhibit A hereto. In the event that the Grantee makes this irrevocable election, and the Grantee's Unvested Shares are forfeited pursuant to Article V hereof, the Grantee will not be entitled to deduct the income, if any, previously recognized as income with respect to those shares as a result of the election. The Grantee understands that failure to make this filing within the thirty (30) day period will result in the recognition of ordinary income by the Grantee as the forfeiture restrictions lapse. THE GRANTEE ACKNOWLEDGES THAT IT IS GRANTEE'S SOLE RESPONSIBILITY, AND NOT THE COMPANY'S, TO FILE A TIMELY ELECTION UNDER SECTION 83(b), EVEN IF GRANTEE REQUESTS THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON SUCH GRANTEE'S BEHALF.

This summary is necessarily incomplete, and the tax laws and regulations are subject to change. The Grantee should consult a tax advisor before making an election under Section 83(b).

ARTICLE IV

TRANSFER RESTRICTIONS

4.1 Restriction on Transfer. The Grantee shall not transfer, assign, encumber, or otherwise dispose of any Unvested Shares at any time. Any transfer, assignment, encumbrance or other disposition of Vested Shares (as hereinafter defined) shall be subject to the provisions of the Stockholders Agreement. Subject to Section 4.2 hereof, such restrictions on transfer, however, shall

not be applicable to any transfer to or for the benefit of (i) any spouse, parent, child, grandchild, or lineal descendant (including adopted children and stepchildren) of the Grantee (including, without limitation, trustee(s) of a trust for the benefit of the Grantee or any of the foregoing); (ii) any trustee of a voting trust for purposes of transferring shares into such voting trust; or (iii) any legal representative, devisee, or heir of the Grantee upon his or her death.

4.2 Transferee Obligations. Each person (other than the Company) to whom the Shares are transferred by means of one of the permitted transfers specified in Section 4.1 must, as a condition precedent to the validity of such transfer, acknowledge in writing to the Company that such person is bound by the provisions of this Agreement to the same extent that such shares would be so subject if retained by the Grantee.

4.3 "Market Stand-Off" Agreement. The Grantee hereby agrees that, during the period of duration specified by the Company and an underwriter of common stock or other securities of the Company, following the date, if any, of the first sale to the public pursuant to a registration statement of the Company filed under the 1933 Act, Grantee shall not, to the extent requested by the Company and such underwriter, directly or indirectly sell, offer to sell, contract to sell (including, without limitation, any short sale), grant any option to purchase or otherwise transfer or dispose of (other than to donees who agree to be similarly bound) any securities of the Company held by Grantee at any time during such period except common stock included in such registration; provided, however, that:

(a) such agreement shall be applicable only to the first two such registration statements of the Company which cover common stock (or other securities convertible into common stock) to be sold on its behalf to the public in an underwritten offering;

(b) all executive officers and directors of the Company enter into similar agreements; and

(c) such market stand-off time period shall not exceed 180 days.

In order to enforce the foregoing covenant, the Company may impose stop-transfer instructions with respect to the securities of the Grantee (and the shares or securities of every other person subject to the foregoing restriction) until the end of such period.

Notwithstanding the foregoing, the obligations described in this Section 4.3 shall not apply to a registration relating solely to employee benefit plans on Form S-8 or similar forms which may be promulgated in the future, or a registration relating solely to a Commission Rule 145 transaction or Form S-4 or similar forms which may be promulgated in the future.

ARTICLE V

FORFEITURE OF UNVESTED SHARES

5.1 Forfeiture. Upon termination of the Grantee's employment with a Related Entity, for any reason, all or any portion of the Grantee's Shares in which the Grantee has not acquired a vested interest in accordance with the vesting provisions set forth in Schedule II (such shares to be hereinafter called the "Unvested Shares") will be forfeited and the Grantee shall have no further rights with respect to such Unvested Shares.

5.2 Vesting. Unvested Shares shall cease to be Unvested Shares and shall cease to be subject to forfeiture, but shall remain subject to repurchase as provided in Article VI, and the Grantee shall thereupon acquire a vested interest therein (such shares to be hereinafter called the "Vested Shares") as set forth on Schedule II.

5.3 Additional Shares or Substituted Securities. In the event of any stock dividend, stock split, recapitalization or other change affecting the Company's outstanding Common Stock as a class effected without receipt of consideration, then any new, substituted, or additional securities or other property (including money paid other than as a regular cash dividend) which is by reason of any such transaction distributed with respect to the Shares shall be immediately subject to forfeiture as provided in this Article V, but only to the extent the Shares are at the time subject to forfeiture. Appropriate adjustments to reflect the distribution of such securities or property shall be made to the number of Shares hereunder.

ARTICLE VI

RIGHT TO REPURCHASE VESTED SHARES

6.1 Vested Share Repurchase Right. The Company (or its assignees) is hereby granted the right (the "Vested Share Repurchase Right") exercisable at any time during the sixty (60)-day period following the termination of the Grantee's employment with a Related Entity, to repurchase all or any portion of the Grantee's Vested Shares. If the Grantee's employment with a Related Entity is terminated by a Related Entity for "Cause" (as defined), the price per share payable by the Company for such Vested Shares shall be the lesser of \$9.31 or "Market Value" (as defined). For purposes of this Agreement, "Cause" shall mean the Grantee's fraud, embezzlement, defalcation, gross negligence in the performance or nonperformance of the Grantee's duties, or failure or refusal to perform the Grantee's duties (other than as a result of disability) at any time while in the employ of a Related Entity. If the Grantee's employment with a Related Entity is terminated for any other reason (including, without limitation, death, disability, expiration of term, a Related Entity's termination of the Grantee without Cause or voluntarily by the Grantee), the price per share payable by the Company for such Vested Shares shall be "Market Value" (as defined). For purposes of this Agreement, Grantee's employment shall be deemed to have been terminated by reason of "disability" if Grantee has become disabled within the meaning of Section 22(e)(3) of the Code. For purposes of this Agreement, on any valuation date (the "Valuation Date") (which shall be the date of termination of Grantee's employment for purposes of this Agreement), the "Market Value" of each Share means the average of the closing prices of the Common Stock on all securities exchanges on which the Common Stock may at the time be listed or, if there have been no sales on any such

exchange on the such Valuation Date, the average of the highest bid and lowest asked prices on all such exchanges at the end of the Valuation Date, or, if the Common Stock is not so listed, the average of the representative bid and asked prices quoted in the NASDAQ System as of 4:00 p.m., New York time, on the Valuation Date or, if on such day the Common Stock is not quoted in the NASDAQ System, the average of the highest bid and lowest asked prices on the Valuation Date in the domestic over-the-counter market as reported by the National Quotation Bureau Incorporated, or any similar successor organization, in each such case averaged over a period of 21 days consisting of the Valuation Date and the 20 consecutive business days prior to such day. If on the Valuation Date the Common Stock is not listed on any securities exchange or quoted in the NASDAQ System or the over-the-counter market, the Market Value of each share of such Shares shall be the fair market value of a share of the Common Stock as of the Valuation Date, as reasonably determined by the board of directors of the Company.

6.2 Exercise of the Repurchase Right. The Vested Share Repurchase Right shall be exercisable by written notice delivered to the Grantee prior to the expiration of the applicable sixty (60)-day period specified in Section 6.1. The notice shall indicate the number of Vested Shares to be repurchased and the date on which the repurchase is to be effected, such date to be not more than forty-five (45) days after the date of notice. The Company shall concurrently with the receipt of the stock certificates from the Grantee, pay to the Grantee in cash the amount set forth in Section 6.1.

6.3 Additional Shares or Substituted Securities. In the event of any stock dividend, stock split, recapitalization or other change affecting the Company's outstanding Common Stock as a class effected without receipt of consideration, then any new, substituted, or additional securities or other property (including money paid other than as a regular cash dividend) which is by reason of any such transaction distributed with respect to the Shares shall be immediately subject to the Vested Share Repurchase Right, but only to the extent the Shares are at the time covered by such right. Appropriate adjustments to reflect the distribution of such securities or property shall be made to the number of Shares hereunder and to the price per share to be paid upon the exercise of the Vested Share Repurchase Right in order to reflect the effect of any such transaction upon the Company's capital structure; provided, however, that the aggregate purchase price shall remain the same.

ARTICLE VII

ESCROW FOR UNVESTED SHARES

7.1 Deposit. Upon issuance, the certificates for the Unvested Shares shall be deposited in escrow with the Company to be held in accordance with the provisions of this Article VII. The deposited certificates, together with any other assets or securities from time to time deposited with the Company pursuant to the requirements of this Agreement, shall remain in escrow until such time or times as the certificates (or other assets and securities) are to be released or otherwise surrendered for cancellation in accordance with Section 7.3.

7.2 Recapitalization. Any cash dividends on the Shares (or other securities at the time held in escrow) shall be paid directly to the Grantee and shall not be held in escrow. However, in the event of any stock dividend, stock split, recapitalization, or other change affecting the Company's outstanding Common Stock as a class effected without receipt of consideration, any new, substituted, or additional securities or other property which is by reason of such event distributed with respect to the Shares shall be immediately delivered to the Company to be held in escrow under this Article VII, but only to the extent the Shares are at the time subject to the escrow requirements of Section 7.1.

7.3 Release/Surrender. The Shares, together with any other assets or securities held in escrow hereunder, shall be subject to the following terms and conditions relating to their release from escrow or their surrender to the Company for repurchase and cancellation:

(i) Should the Grantee's Unvested Shares be forfeited as provided in Article V hereof, then the escrowed certificates for such Unvested Shares (together with any other assets or securities issued with respect thereto) shall be delivered to the Company for cancellation, and the Grantee shall cease to have any further rights or claims with respect to such Unvested Shares (or other assets or securities).

(ii) As the interest of the Grantee in Shares (or any other assets or securities issued with respect thereto) vests in accordance with the provisions of Schedule II, the certificates for such Vested Shares (as well as all other vested assets and securities) shall be released promptly from escrow and delivered to the Grantee.

(iii) All Shares (or other assets or securities) released from escrow in accordance with the provisions of subsection (ii) above shall nevertheless remain subject to (i) the restriction on transfer referenced in the second sentence of Section 4.1, (ii) the market stand-off provisions of Section 4.3, and (iii) the Vested Share Repurchase Right of Section 6.1.

ARTICLE VIII

GENERAL PROVISIONS

8.1 No Employment or Service Contract. Nothing in this Agreement shall confer upon the Grantee any right to employment with the Company or a Related Entity.

8.2 Notices. All notices, requests, demands, and other communications under this Agreement shall be in writing and shall be deemed to have been duly given on the date of service if served personally on the party to whom notice is to be given, on the date of transmittal of services via telecopy to the party to whom notice is to be given (with a confirming copy being delivered within 24 hours thereafter), or on the third day after mailing if mailed to the party to whom notice is to be given, by first class mail, registered or certified, postage prepaid, or via overnight courier providing a receipt and properly addressed as set forth on Schedule I hereto. Any party may change

its address for purposes of this Section by giving notice of the new address to each of the other parties in the manner set forth above.

8.3 No Waiver. No waiver of any breach or condition of this Agreement shall be deemed to be a waiver of any other or subsequent breach or condition, whether of like or different nature.

8.4 Cancellation of Shares. If the Company (or its assignees) shall make available, at the time and place and in the amount and form provided in this Agreement, the consideration for the Vested Shares to be repurchased in accordance with Article VI of this Agreement, then from and after such time, the person from whom such shares are to be repurchased shall no longer have any rights as a holder of such shares (other than the right to receive payment of such consideration in accordance with Article VI of this Agreement), and such shares shall be deemed purchased in accordance with the applicable provisions hereof and the Company (or its assignees) shall be deemed the owner and holder of such shares, whether or not the certificates therefor have been delivered as required by this Agreement.

ARTICLE IX

MISCELLANEOUS PROVISIONS

9.1 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Tennessee for all purposes and in all respects, without giving effect to the conflict of law provisions thereof.

9.2 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and enforceable against the parties actually executing such counterparts, but all of which together shall constitute one and the same instrument.

9.3 Successors and Assigns. The provisions of this Agreement shall inure to the benefit of, and be binding upon, the Company and its successors and assigns and the Grantee and the Grantee's legal representatives, heirs, legatees, distributees, assigns and transferees by operation of law, whether or not any such person shall have become a party to this Agreement and have agreed in writing to join herein and be bound by the terms and conditions hereof.

9.4 Integration; Amendment. This Agreement, the Plan and the other documents delivered pursuant hereto constitute the full and entire understanding and agreement among the parties with regard to the subjects hereof and thereof, and supersede any previous agreement or understanding between or among the parties with respect to such subjects. No party shall be liable or bound to any other party in any manner by any warranties, representations or covenants except as specifically set forth herein or therein. Except as expressly provided herein neither this Agreement nor any term hereof may be amended, waived, discharged or terminated other than by a written instrument signed by the party against whom enforcement of any such amendment, waiver, discharge or termination is sought.

9.5 Severability. In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement shall continue in full force and effect without said provision; provided that no such severability shall be effective if it materially changes the economic benefit of this Agreement to any party.

9.6 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not considered in construing or interpreting this Agreement.

9.7 Termination. The provisions of Article VI and Sections 4.1 and 4.2 shall terminate 180 days following a firm commitment underwritten initial public offering of the Company's Common Stock.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first indicated above.

ONESOURCE MED, INC.

By: _____
 Title: _____

GRANTEE

SCHEDULE I

GRANTEE	NUMBER OF SHARES AWARDED SUBJECT TO FORFEITURE
- - - - -	- - - - -

ONESOURCE MED, INC.
One Park Plaza
Nashville, Tennessee 37203
Attention: President

SCHEDULE II

VESTING

The forfeiture provisions in Article V shall automatically terminate with respect to the Shares and such Unvested Shares shall become "Vested Shares" in four equal annual installments consisting of 25% of the original number of Unvested Shares (as may be adjusted pursuant to Section 5.3) each and beginning on the first anniversary of the date of grant, unless otherwise determined by the Company or by the Board of Directors of Columbia/HCA or the committee of its Board of Directors responsible for administering the Plan.

ROUNDING CONVENTIONS

For purposes of calculating any Share amounts pursuant to the foregoing formula, the applicable number of Shares shall be rounded to the nearest whole number.

EXHIBIT A

SECTION 83(B) TAX ELECTION

This statement is being made under Section 83(b) of the Internal Revenue Code, pursuant to Treas. Reg. Section 1.83-2.

- (1) The taxpayer who performed the services is:

Name:

Address:

Taxpayer Social Security No.:

Taxable Year: Calendar Year 2000

- (2) The property with respect to which the election is being made is _____ shares of the common stock, par value \$0.001 per share, of OneSource Med, Inc. (the "Unvested Shares").
- (3) The Unvested Shares were granted on May 19, 2000.
- (4) The Unvested Shares are subject to forfeiture if for any reason taxpayer's services with the issuer are terminated. The forfeiture restriction lapses in a series of installments.
- (5) The fair market value at the time of transfer (determined without regard to any restriction other than a restriction which by its terms will never lapse) is \$9.31 per share.
- (6) The amount paid for such Unvested Shares is \$0.00 per share.
- (7) A copy of this statement was furnished to Columbia/HCA Healthcare Corporation for whom taxpayer rendered the services underlying the transfer of the Unvested Shares.
- (8) This statement is executed as of _____, 2000.

Spouse (if any)

Taxpayer

Supplemental Information Regarding
Awards to Executive Officers of
HCA - The Healthcare Company

EXECUTIVE OFFICER	SHARES OF ONESOURCE MED, INC.
David G. Anderson	250
Jack O. Bovender, Jr.	1,355
Richard M. Bracken	250
Victor L. Campbell	200
Rosalyn S. Elton	200
James A. Fitzgerald, Jr.	200
Thomas F. Frist, Jr.	1,600
V. Carl George	200
Jay Grinney	250
Samuel N. Hazen	250
Frank M. Houser	200
R. Milton Johnson	300
Patricia T. Lindler	200
A. Bruce Moore Jr.	200
Philip R. Patton	200
Gregory S. Roth	200
Bill B. Rutherford	250
Joseph N. Steakley	200
Beverly B. Wallace	200
Robert Waterman	200
Noel B. Williams	400
Alan R. Yuspeh	200

May 25, 2000

R. Clayton McWhorter
Chairman
Clayton Associates
113 Seabord Lane
Suite B 200
Franklin, Tennessee 37067-8215

RE: RETIREMENT BENEFITS

Dear Clayton:

You have advised us that you are retiring as a director of Columbia/HCA Healthcare Corporation (the "Company") effective at the Company's annual meeting of shareholders. On behalf of the Company, I write to express our deepest appreciation for the many valuable contributions you have made to the Company and to confirm the benefits being made available to you in connection with your retirement from our board of directors. In recognition of your service to the Company and for your undertaking of the obligations hereunder, the Company hereby agrees as follows:

1. Stock Options. Concurrent with your retirement from the Board, the Company will take action which provides that, with your consent and the execution of a mutually agreeable amendment, all of your currently outstanding options to purchase shares of the Company's common stock granted to you pursuant to the Columbia/HCA Healthcare Corporation Outside Directors Stock and Incentive Compensation Plan (the "Plan") or other plans in which you may participate will be amended to allow your options to continue to vest and remain exercisable at any time through their expiration date notwithstanding your retirement from our board of directors.

2. Restricted Stock. Concurrent with your retirement from the Board, the Company will take action which provides that, with your consent and the execution of a mutually agreeable amendment, all of the restricted stock units granted to you pursuant to the Plan will be amended to continue to vest notwithstanding your retirement from our board of directors.

3. Withholding Tax Payments. To the extent required by law, federal, state and local income and payroll withholding taxes shall be withheld on all amounts payable to you pursuant to this letter agreement.

4. Cooperation. From and after the date hereof, you agree to cooperate in all reasonable respects with the Company and its affiliates and subsidiaries and their respective directors, officers, attorneys and experts in connection with the conduct of any action, proceeding, or litigation involving the Company or any of its subsidiaries and affiliates. The Company will reimburse you for any reasonable out-of-pocket expenses incurred by you in connection with your compliance with this Section 4.

5. General Release. In consideration of the benefits provided to you under this Agreement, you hereby release and discharge the Company, its subsidiaries and affiliates and each of their respective officers, employees, directors and agents from any and all claims, actions and causes of action (collectively "Claims"), including without limitation, any Claims arising under any applicable federal, state or local or foreign law, that you may have, or in the future may possess, arising out of (i) your association or employment relationship with and service as a director, employee or officer of the Company or any of its subsidiaries or affiliates, and the termination of such relationship or service or (ii) any event, condition, circumstance or obligation that occurred, existed or arose on or prior to the date hereof; provided however, that the release set forth in this section will not apply to (A) the obligations of the Company under this Agreement and (B) the obligations of the Company and its subsidiaries to continue to provide director and officer indemnification. You agree that the benefits described in this Agreement will be in full satisfaction of any and all claims for payments or benefits, whether express or implied, that you may have against the Company or any of its subsidiaries or affiliates arising out of your service as a director of Company or any of its subsidiaries or affiliates and the termination thereof.

6. Entire Agreement. This Agreement sets forth the entire agreement and understanding of the parties hereto with respect to the matters covered hereby and supersedes and replaces any express or implied prior agreement with respect to the terms of your service as a director with the Company.

7. GOVERNING LAW. This Agreement will be governed by,
and construed in accordance with the laws of the state of Tennessee.

We appreciate your service to the Company and wish you well in your
future endeavors.

Very truly yours,

/s/ THOMAS F. FRIST, JR., M.D.

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

Accepted and agreed:

/s/ R. CLAYTON MCWHORTER

R. Clayton McWhorter

Date: May 25, 2000

HCA -- THE HEALTHCARE COMPANY
 COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
 FOR THE QUARTERS AND SIX MONTHS ENDED JUNE 30, 2000 AND 1999
 (DOLLARS IN MILLIONS)

	QUARTER		SIX MONTHS	
	2000	1999	2000	1999
EARNINGS:				
Income (loss) before minority interests and income taxes....	\$(341)	\$ 234	\$ 177	\$ 818
Fixed charges, excluding capitalized interest.....	162	146	306	288
	-----	-----	-----	-----
	\$(179)	\$ 380	\$ 483	\$1,106
	=====	=====	=====	=====
FIXED CHARGES:				
Interest charged to expense.....	\$ 136	\$ 118	\$ 255	\$ 229
Interest portion of rental expense and amortization of deferred loan costs.....	26	28	51	59
	-----	-----	-----	-----
Fixed charges, excluding capitalized interest.....	162	146	306	288
Capitalized interest.....	6	5	11	11
	-----	-----	-----	-----
	\$ 168	\$ 151	\$ 317	\$ 299
	=====	=====	=====	=====
Ratio of earnings to fixed charges.....	(A)	2.51	1.52	3.70

- - - - -

(A) For the quarter ended June 30, 2000, earnings are inadequate to cover fixed charges by \$347 million.

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE STATEMENTS OF INCOME AND BALANCE SHEETS OF HCA -- THE HEALTHCARE COMPANY FOR THE SIX MONTHS ENDED JUNE 30, 2000 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000

6-MOS

DEC-31-2000

JAN-01-2000

JUN-30-2000

292

0

3,598

1,552

389

4,038

14,817

5,984

17,692

3,631

6,276

0

0

6

5,373

17,692

0

8,404

0

4,631

1,532

601

255

122

98

24

0

0

0

24

0.04

0.04