UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2003

OR

o **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 Inc.

(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)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). YES ☒ NO o

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

Class of Common Stock	Outstanding at July 15, 2003
Voting common stock, $.01 par value	478,523,800 shares
Nonvoting common stock, $.01 par value	21,000,000 shares

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June 30, 2003

HCA INC.

CONDENSED CONSOLIDATED INCOME STATEMENTS
For the quarters and six months ended June 30, 2003 and 2002
Unaudited
(Dollars in millions, except per share amounts)

	Quarter		Six Months	
	2003	**2002**	**2003**	**2002**
Revenues	**$ 5,467**	$ 4,903	**$ 10,740**	$ 9,776
Salaries and benefits	**2,178**	1,960	**4,274**	3,890
Supplies	**870**	778	**1,715**	1,556
Other operating expenses	**926**	832	**1,779**	1,632
Provision for doubtful accounts	**577**	371	**1,005**	739
Insurance subsidiary (gains) losses on sales of investments	**1**	(1)	**1**	4
Equity in earnings of affiliates	**(53)**	(55)	**(111)**	(106)
Depreciation and amortization	**278**	255	**539**	499
Interest expense	**123**	108	**237**	229
Gains on sales of facilities	**(1)**	—	**(75)**	—
Impairment of long-lived assets	**130**	19	**130**	19
Investigation related costs	**1**	13	**5**	30
	5,030	4,280	**9,499**	8,492
Income before minority interests and income taxes	**437**	623	**1,241**	1,284
Minority interests in earnings of consolidated entities	**47**	42	**86**	77
Income before income taxes	**390**	581	**1,155**	1,207
Provision for income taxes	**150**	231	**446**	472
Net income	**$ 240**	$ 350	**$ 709**	$ 735
Per share data:				
Basic earnings per share	**$ 0.47**	$ 0.68	**$ 1.39**	$ 1.44
Diluted earnings per share	**$ 0.47**	$ 0.66	**$ 1.37**	$ 1.40
Cash dividends per share	**$ 0.02**	$ 0.02	**$ 0.04**	$ 0.04
Shares used in earnings per share calculations (in thousands):				
Basic	**506,727**	513,185	**508,995**	510,811
Diluted	**514,412**	528,068	**518,374**	524,841

See accompanying notes.

HCA INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
Unaudited
(Dollars in millions)

	June 30, 2003	December 31, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 184**	$ 161
Accounts receivable, less allowance for doubtful accounts of $2,378 and $2,045	**2,873**	2,788
Inventories	**493**	462
Deferred income taxes	**640**	568
Other	**606**	526
	4,796	4,505
Property and equipment, at cost	**17,893**	16,800
Accumulated depreciation	**(7,399)**	(7,079)
	10,494	9,721
Investments of insurance subsidiary	**1,549**	1,355
Investments in and advances to affiliates	**661**	679
Goodwill	**2,501**	1,994
Deferred loan costs	**67**	67
Other	**402**	420
	$20,470	$18,741
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	**$ 765**	$ 809
Accrued salaries	**461**	438
Other accrued expenses	**1,134**	1,113
Government settlement accrual	**683**	933
Long-term debt due within one year	**808**	446
	3,851	3,739
Long-term debt	**7,568**	6,497
Professional liability risks	**1,271**	1,193
Deferred income taxes and other liabilities	**1,128**	999
Minority interests in equity of consolidated entities	**672**	611
Stockholders' equity:		
Common stock $.01 par; authorized 1,650,000,000 shares; outstanding 501,053,300 shares in 2003 and 514,176,000 shares in 2002	**5**	5
Capital in excess of par value	**—**	93
Other	**6**	6
Accumulated other comprehensive income	**112**	73
Retained earnings	**5,857**	5,525
	5,980	5,702
	$20,470	$18,741

See accompanying notes.

HCA INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six months ended June 30, 2003 and 2002
Unaudited
(Dollars in millions)

	2003	2002
Cash flows from operating activities:		
Net income	**$ 709**	$ 735
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for doubtful accounts	**1,005**	739
Depreciation and amortization	**539**	499
Income taxes	**(17)**	117
Settlement with Federal Government	**(250)**	—
Gains on sales of facilities	**(75)**	—
Impairment of long-lived assets	**130**	19
Changes in operating assets and liabilities	**(1,052)**	(937)
Other	**86**	52
Net cash provided by operating activities	**1,075**	1,224
Cash flows from investing activities:		
Purchase of property and equipment	**(920)**	(829)
Acquisition of hospitals and health care entities	**(884)**	(83)
Disposition of hospitals and health care entities	**121**	39
Change in investments	**(110)**	(4)
Other	**(4)**	(5)
Net cash used in investing activities	**(1,797)**	(882)
Cash flows from financing activities:		
Issuance of long-term debt	**509**	505
Net change in revolving bank credit facility	**805**	(595)
Repayment of long-term debt	**(52)**	(70)
Payment of cash dividends	**(20)**	(20)
Repurchases of common stock	**(542)**	(400)
Issuances of common stock	**51**	208
Other	**(6)**	(4)
Net cash provided by (used in) financing activities	**745**	(376)
Change in cash and cash equivalents	**23**	(34)
Cash and cash equivalents at beginning of period	**161**	85
Cash and cash equivalents at end of period	**$ 184**	$ 51
Interest payments	**$ 211**	$ 218
Income tax payments	**$ 463**	$ 355

See accompanying notes.

HCA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Unaudited

NOTE 1 — INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Basis of presentation

HCA Inc. 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 Inc. and partnerships and joint ventures in which such subsidiaries are partners. At June 30, 2003, these affiliates owned and operated 184 hospitals, 76 freestanding surgery centers and provided extensive outpatient and ancillary services. Affiliates of HCA Inc. are also partners in 50/50 joint ventures that own and operate six hospitals and four freestanding surgery centers which are accounted for using the equity method. The Company's facilities are located in 23 states, England and Switzerland. The terms "HCA" or the "Company," as used in this Quarterly Report on Form 10-Q refer to HCA Inc. 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 consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. The majority of the Company's expenses are "cost of revenue" items. Operating results for the quarter and six months ended June 30, 2003, are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. 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, 2002.

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

Stock-based Compensation

HCA applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations in accounting for its employee stock benefit plans. Accordingly, no compensation cost has been recognized for HCA's stock options granted under the plans because the exercise prices for options granted were equal to the quoted market prices on the option grant dates and all option grants were to employees or directors.

HCA determined the pro forma net income and earnings per share as if compensation cost for HCA's employee stock option and stock purchase plans had been determined based upon fair values at the grant dates. These pro forma amounts for the respective quarters and six months ended June 30, 2003 and 2002 are as follows (dollars in millions, except per share amounts):

	Quarter		Six Months	
	2003	2002	2003	2002
Net income:				
As reported	**$ 240**	$ 350	**$ 709**	$ 735
Stock-based employee compensation expense determined under a fair value method, net of income taxes	**27**	19	**53**	32
Pro forma	**$ 213**	$ 331	**$ 656**	$ 703
Basic earnings per share:				
As reported	**$0.47**	$0.68	**$1.39**	$1.44
Pro forma	**$0.42**	$0.64	**$1.29**	$1.38
Diluted earnings per share:				
As reported	**$0.47**	$0.66	**$1.37**	$1.40
Pro forma	**$0.41**	$0.63	**$1.26**	$1.34

HCA INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
Unaudited

NOTE 1 — INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Stock-based Compensation (continued)

The weighted average fair values of HCA's stock options granted for the quarters ended June 30, 2003 and 2002 were $11.24 and $15.32 per share, respectively. For the six months ended June 30, 2003 and 2002 the weighted average fair values were $13.52 and $13.30 per share, respectively. The fair values were estimated using the Black-Scholes option valuation model with the following weighted average assumptions:

	Quarter		Six Months	
	2003	2002	2003	2002
Risk-free interest rate	**2.33%**	2.50%	**2.61%**	2.16%
Expected volatility	**38%**	37%	**37%**	37%
Expected life, in years	**4**	4	**4**	4
Expected dividend yield	**0.20%**	0.18%	**0.19%**	0.18%

The expected volatility is derived using weekly data drawn from the seven years preceding the date of grant. The risk-free interest rate is the approximate yield on four-year United States Treasury Strips on the date of grant. The expected life is an estimate of the number of years the option will be held before it is exercised. The valuation model was not adjusted for nontransferability, risk of forfeiture or the vesting restrictions of the options, all of which would reduce the value if factored into the calculation.

Allowance for Doubtful Accounts

The amount of the provision for doubtful accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Federal and state governmental health care coverage and other collection indicators. Management relies on detailed reviews of historical collections and write-offs at facilities that represent a majority of HCA's revenues and accounts receivable (the "hindsight analysis"). The Company has previously performed the hindsight analysis on an annual basis. The results of the hindsight analysis that was completed during the second quarter of 2003 indicated an increasing proportion of accounts receivable being comprised of uninsured accounts and the collectability of this category of accounts had deteriorated. In response to the hindsight results and the noted trends, the Company increased the estimated allowance for doubtful accounts by $106 million during the quarter ended June 30, 2003. The Company has decided to increase the frequency of the hindsight analysis and perform a quarterly, rolling twelve-month hindsight analysis in future periods to enable the Company to react more quickly to trends affecting the collectability of the accounts receivable. Adverse changes in general economic conditions, business office operations, payer mix, or trends in Federal or state governmental health care coverage could affect HCA's collection of accounts receivable, cash flows and results of operations.

Recent Pronouncements

In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46, "Consolidation of Variable Interest Entities, an interpretation of Accounting Research Bulletin No. 51" ("FIN 46"). FIN 46 requires the consolidation of entities in which an enterprise absorbs a majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity. FIN 46 also requires disclosures about variable interest entities that a company is not required to consolidate, but in which it has a significant variable interest. The consolidation requirements of FIN 46 apply immediately to variable interest entities created after January 31, 2003 and to existing entities in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply to all financial statements issued after January 31, 2003,

HCA INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
Unaudited

NOTE 1 — INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Recent Pronouncements (continued)

regardless of when the variable interest entity was established. The Company does not expect this statement to have a material impact on its results of operations or financial position.

In April 2003, the FASB issued Statement of Financial Accounting Standards No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* ("SFAS 149"). SFAS 149 is intended to result in more consistent reporting of contracts as either freestanding derivative instruments subject to Statement No. 133 in its entirety, or as hybrid instruments with debt host contracts and embedded derivative features. In the case of derivatives that contain a financing element, SFAS 149 requires the derivative counterparty who is considered the "borrower" in the derivative to report all of the derivative's cash inflows and outflows as "financing activities" in the statement of cash flows. SFAS 149 is effective for contracts entered into or modified after June 30, 2003, and hedging relationships designated after June 30, 2003. HCA does not expect this statement to have a material impact on its results of operation or financial position.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* ("SFAS 150"). This statement generally requires liability classification for two broad classes of financial instruments. Under SFAS 150, instruments that represent, or are indexed to, an obligation to buy back the issuer's shares, regardless whether the instrument is settled on a net-cash or gross physical basis are required to be classified as liabilities. Obligations that can be settled in shares, but either derive their value predominately from some other underlying, have a fixed value, or have a value to the counterparty that moves in the opposite direction as the issuer's shares, are also required to be classified as liabilities under this statement. SFAS 150 must be applied immediately to instruments entered into or modified after May 31, 2003 and to all other instruments that exist as of the beginning of the first interim financial reporting period beginning after June 15, 2003. HCA does not expect this statement to have a material impact on its results of operation or financial position.

NOTE 2 — INVESTIGATIONS AND SETTLEMENT OF CERTAIN GOVERNMENT CLAIMS

Commencing in 1997, HCA was the subject of governmental investigations and litigation relating to its business practices. The governmental investigations included activities for certain entities for periods prior to their acquisition by the Company and activities for certain entities that have been divested. As part of the investigation, the United States intervened in a number of *qui tam* actions brought by private parties.

The investigation was concluded through a series of agreements executed in 2000 and 2003. In December 2000, HCA entered into a Plea Agreement with the Criminal Division of the Department of Justice (the "DOJ") and various U.S. Attorneys' offices (the "Plea Agreement") and a Civil and Administrative Settlement Agreement with the Civil Division of the DOJ (the "Civil Agreement"). The agreements resolved all Federal criminal issues outstanding against HCA and certain issues involving Federal civil claims by, or on behalf of, the government against HCA relating to DRG coding, outpatient laboratory billing and home health issues. The civil issues that were not covered by the Civil Agreement included claims related to physician relations, cost reports and wound care issues. The Civil Agreement was approved by the Federal District Court of the District of Columbia in August 2001. HCA paid the government $840 million (plus $60 million of accrued interest), as provided by the Civil Agreement and Plea Agreement, during 2001. HCA also entered into a Corporate Integrity Agreement ("CIA") with the Office of Inspector General of the Department of Health and Human Services.

The remaining aspects of the investigation were resolved during 2003. In June 2003, HCA announced that the Company and the Civil Division of the DOJ had signed agreements whereby the United States would dismiss the various claims it had brought related to physician relations, cost reports and wound care issues

HCA INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
Unaudited

NOTE 2 — INVESTIGATIONS AND SETTLEMENT OF CERTAIN GOVERNMENT CLAIMS (continued)

(the "DOJ Agreement"). The DOJ Agreement received court approval in July 2003, and HCA paid the DOJ $641 million (including accrued interest of $10 million) during July 2003. The DOJ Agreement does not affect *qui tam* cases in which the government has not intervened. In addition, the CIA previously entered into by the Company remains in effect. The Company also finalized an agreement with a negotiating team representing states that may have claims against the Company. Under this agreement HCA paid $17.7 million in July 2003 to state Medicaid agencies to resolve these claims. The Company also paid $33 million for reasonable legal fees of the private parties. In connection with the DOJ Agreement, HCA recorded a pretax charge of $603 million ($418 million after-tax) in the fourth quarter of 2002.

Upon the Company making the payment provided under the DOJ Agreement, the Company no longer has any remaining obligation to maintain letters of credit with the DOJ.

During June 2003, HCA announced that the Company and the Centers for Medicare and Medicaid Services ("CMS") had signed an agreement, documenting the understanding announced in March 2002, to resolve all Medicare cost report, home office cost statement and appeal issues between HCA and CMS (the "CMS Agreement") for cost report periods ended before August 1, 2001. As a result of the CMS Agreement, HCA paid CMS $250 million in June 2003. HCA recorded a pretax charge of $260 million ($165 million after-tax) consisting of the accrual of $250 million for the settlement payment and the write-off of $10 million of net Medicare cost report receivables. This charge was recorded in the consolidated income statement for the year ended December 31, 2001.

HCA remains the subject of a December 1997 formal order of investigation by the Securities and Exchange Commission (the "SEC"). HCA understands that the investigation includes the anti-fraud, insider trading, periodic reporting and internal accounting control provisions of the Federal securities laws. The CIA previously entered into by the Company remains in effect.

If HCA was found to be in violation of Federal or state laws relating to Medicare, Medicaid or similar programs or breach of the CIA, HCA could be subject to substantial monetary fines, civil and criminal penalties and/or exclusion from participation in the Medicare and Medicaid programs. Any such sanctions or expenses could have a material adverse effect on HCA's financial position, results of operations and liquidity. See Note 10 — Contingencies and Part II, Item 1: Legal Proceedings.

During the respective quarters and six months ended June 30, 2003 and 2002, HCA recorded $1 million and $13 million, and $5 million and $30 million, respectively, of professional fees in connection with the governmental investigations. 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.

NOTE 3 — ACQUISITIONS AND DISPOSITIONS

During the first six months of 2003, HCA recognized a net pretax gain of $75 million ($43 million after-tax) on the sales of two leased hospitals and one consolidating hospital and a working capital settlement for a sale completed in 2002. Proceeds from the sales were used to repay bank borrowings.

HCA INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
Unaudited

NOTE 3 — ACQUISITIONS AND DISPOSITIONS (continued)

The following is a summary of acquisitions consummated during the six months ended June 30, 2003 and 2002 (dollars in millions):

	2003	2002
Number of hospitals	**11**	1
Number of licensed beds	**2,292**	164
Purchase price information:		
Hospitals:		
Fair value of assets acquired	**$1,185**	$ 28
Liabilities assumed	**(319)**	—
Net assets acquired	**866**	28
Other health care entities acquired	**18**	55
Net cash paid	**$ 884**	$ 83

The purchase price paid in excess of the fair value of identifiable net assets of acquired entities aggregated $518 million in 2003 and $21 million in 2002. 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.

During April 2003, HCA completed the acquisition of the Health Midwest hospital system in Kansas City, and the results of operations of the Health Midwest facilities were consolidated with those of HCA beginning April 1, 2003. Pursuant to the transaction, HCA will spend or commit to spend $450 million in capital expenditures over the next five years.

NOTE 4 — IMPAIRMENT OF LONG-LIVED ASSETS

During the second quarter of 2003, HCA announced plans to discontinue activities associated with the internal development of a new patient accounts receivable management system resulting in a non-cash, pretax charge of $130 million ($79 million after-tax). The impairment charge affected the "property and equipment" asset category by $105 million and the "other accrued expenses" category by $25 million and the "corporate and other" operating segment.

During the second quarter of 2002, HCA management decided to delay the development and implementation of certain financial and procurement information system components of its enterprise resource planning program to concentrate and direct efforts to the patient accounting and human resources information system components, resulting in a non-cash, pretax charge of $19 million. HCA reduced the carrying value for certain capitalized costs associated with the information system components that have been delayed. This decision to delay these activities should not have a significant impact on HCA's operations or cash flows for future periods. The impairment charge affected the "property and equipment" asset category, and the "corporate and other" operating segment.

NOTE 5 — INCOME TAXES

HCA is currently contesting before the Appeals Division of the IRS, the United States Tax Court (the "Tax Court") the United States Court of Federal Claims and the United States Court of Appeals for the Sixth Circuit, certain claimed deficiencies and adjustments proposed by the IRS in conjunction with its examinations of HCA's 1994-1998 Federal income tax returns, Columbia Healthcare Corporation's ("CHC") 1993 and 1994 Federal income tax returns, HCA-Hospital Corporation of America, Inc.'s ("Hospital Corporation of America") 1987 through 1988 and 1991 through 1993 Federal income tax returns and

HCA INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
Unaudited

NOTE 5 — INCOME TAXES (continued)

Healthtrust, Inc. — The Hospital Company's ("Healthtrust") 1990 through 1994 Federal income tax returns. The disputed items include the amount of gain or loss recognized on the divestiture of certain non-core business units in 1998 and the allocation of costs among fixed assets and goodwill in connection with certain hospitals acquired by HCA in 1996. The IRS is claiming an additional $331 million in income taxes and interest through June 30, 2003.

During 2002, the IRS began an examination of HCA's 1999 through 2000 Federal income tax returns. HCA is presently unable to estimate the amount of any additional income tax and interest that the IRS may claim upon completion of this examination.

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

NOTE 6 — 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 other stock awards, using the treasury stock method.

The following table sets forth the computation of basic and diluted earnings per share for the quarters and six months ended June 30, 2003 and 2002 (dollars in millions, except per share amounts and shares in thousands):

	Quarter		Six Months	
	2003	2002	2003	2002
Net income	**$ 240**	$ 350	**$ 709**	$ 735
Weighted average common shares outstanding	**506,727**	513,185	**508,995**	510,811
Effect of dilutive securities:				
Stock options	**5,857**	13,314	**7,490**	12,539
Other	**1,828**	1,569	**1,889**	1,491
Shares used for diluted earnings per share	**514,412**	528,068	**518,374**	524,841
Earnings per share:				
Basic earnings per share	**$ 0.47**	$ 0.68	**$ 1.39**	$ 1.44
Diluted earnings per share	**$ 0.47**	$ 0.66	**$ 1.37**	$ 1.40

HCA INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
Unaudited

NOTE 7 — INVESTMENTS OF INSURANCE SUBSIDIARY

A summary of the insurance subsidiary's investments at June 30, 2003 follows (dollars in millions):

	June 30, 2003			
	Amortized Cost	Unrealized Amounts		Fair Value
		Gains	Losses	
Debt securities:				
United States government	$ 4	$ 1	$ —	$ 5
States and municipalities	907	75	1	981
Mortgage-backed securities	67	2	2	67
Corporate and other	71	5	—	76
Money market funds	130	—	—	130
Redeemable preferred stocks	4	—	—	4
	1,183	83	3	1,263
Equity securities:				
Perpetual preferred stocks	6	—	—	6
Common stocks	530	56	6	580
	536	56	6	586
	$1,719	$139	$ 9	1,849
Amounts classified as current assets				(300)
Investment carrying value				$1,549

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

At June 30, 2003, the investments of HCA's insurance subsidiary were classified as "available for sale." The aggregate common stock investment is comprised of 378 equity positions at June 30, 2003, with 303 positions reflecting unrealized gains and 75 positions reflecting unrealized losses (none of the individual unrealized loss positions exceed $2 million). None of the equity positions with unrealized losses at June 30, 2003 represent situations where there is a continuous decline from cost for more than six months. The equity positions (including those with unrealized losses) at June 30, 2003, are not concentrated in any particular industries.

NOTE 8 — LONG-TERM DEBT

HCA's revolving credit facility (the "Credit Facility") is a $1.75 billion agreement expiring April 2006. As of June 30, 2003, HCA had $905 million outstanding under the Credit Facility.

As of June 30, 2003, interest is payable generally at either LIBOR plus 0.7% to 1.5% (depending on HCA's credit ratings), the prime lending rate or a competitive bid rate. The Credit Facility contains customary covenants which include (i) a limitation on debt levels, (ii) a limitation on sales of assets, mergers and changes of ownership and (iii) maintenance of minimum interest coverage ratios. As of June 30, 2003, HCA was in compliance with all such covenants.

In February 2003, HCA issued $500 million of 6.25% notes due February 15, 2013. Proceeds from the notes were used for general corporate purposes. Of the $1.5 billion available under HCA's shelf registration statement filed in May 2002, $1.0 billion has been issued at June 30, 2003.

HCA INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
Unaudited

NOTE 9 — STOCK REPURCHASE PROGRAMS

In July 2002, HCA announced an authorization to repurchase up to 12 million shares of its common stock. During 2002, HCA made open market purchases of 6.2 million shares for $282 million. During the first quarter of 2003, HCA made open market purchases of 3.7 million shares for $148 million. During the second quarter of 2003, HCA made open market purchases of 2.1 million shares for $66 million, which completed the repurchases under this authorization.

In April 2003, HCA announced an authorization to repurchase up to $1.5 billion of its common stock. During the second quarter of 2003, HCA made open market purchases under this authorization of 10.2 million shares for $328 million.

In connection with its share repurchase programs, HCA entered into a Letter of Credit Agreement with the DOJ in 1999. As part of the agreement, HCA provided the government with letters of credit totaling $1 billion. As provided under the Civil Agreement with the government, as discussed in Note 2 — Investigations and Settlement of Certain Government Claims, the letters of credit were reduced from $1 billion to $250 million upon payment of the Civil Settlement. Upon the Company making the payments in July 2003 provided under the DOJ Agreement, the Company no longer has any remaining obligation to maintain letters of credit with the DOJ.

NOTE 10 — CONTINGENCIES

Significant Legal Proceedings

Various lawsuits, claims and legal proceedings (see Note 2 — Investigations and Settlement of Certain Government Claims and Part II, Item 1: Legal Proceedings, for descriptions of the ongoing government investigations and other legal proceedings) have been and are expected to be instituted or asserted against HCA. 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

HCA 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 HCA, 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 HCA'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, 2003 and 2002 are as follows (in millions):

	Quarter		Six Months	
	2003	2002	2003	2002
Net income	**$240**	$350	**$709**	$735
Unrealized gains (losses) on available-for-sale securities	**60**	(48)	**42**	(40)
Currency translation adjustments	**8**	21	**(3)**	18
Comprehensive income	**$308**	$323	**$748**	$713

HCA INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
Unaudited

NOTE 11 — COMPREHENSIVE INCOME (continued)

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

	June 30, 2003	December 31, 2002
Net unrealized gains on securities	**$ 88**	$ 46
Foreign currency translation adjustments	**32**	35
Defined benefit plans	**(8)**	(8)
Accumulated other comprehensive income	**$112**	$ 73

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 ended June 30, 2003 and 2002, approximately 27% and 28%, respectively, and during both the six months ended June 30, 2003 and 2002, approximately 28% 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 includes 91 consolidating hospitals located in the Eastern United States and the Western Group includes 85 consolidating hospitals and six non-consolidating hospitals included in 50/50 joint ventures 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. HCA also operates eight consolidating hospitals in England and Switzerland and these facilities are included in the Corporate and other group.

Adjusted segment EBITDA is defined as income before depreciation and amortization, interest expense, gains on sales of facilities, impairment of long-lived assets, investigation related costs, minority interests and income taxes. HCA uses adjusted segment EBITDA as an analytical indicator for purposes of allocating resources to geographic areas and assessing their performance. Adjusted segment 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. Adjusted segment EBITDA should not be considered as a measure of financial performance under generally accepted accounting principles, and the items excluded from adjusted segment EBITDA are significant components in understanding and assessing financial performance. Because adjusted segment EBITDA is not a measurement determined in accordance with generally accepted accounting principles and is thus susceptible to varying calculations, adjusted segment EBITDA as presented may not be comparable to other similarly titled measures of other companies. The geographic distributions of HCA's revenues, equity in earnings of affiliates, adjusted segment EBITDA and depreciation and amortization, as well as a reconciliation of adjusted segment EBITDA to income before minority interests and income taxes

HCA INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
Unaudited

NOTE 12 — SEGMENT AND GEOGRAPHIC INFORMATION (continued)

for the quarters and six months ended June 30, 2003 and 2002, are summarized in the following table (dollars in millions):

	Quarters		Six Months	
	2003	**2002**	**2003**	**2002**
Revenues:				
Eastern Group	**$2,604**	$2,440	**$ 5,275**	$4,926
Western Group	**2,722**	2,331	**5,183**	4,589
Corporate and other	**141**	132	**282**	261
	$5,467	$4,903	**$10,740**	$9,776
Equity in earnings of affiliates:				
Eastern Group	**$ (3)**	$ (2)	**$ (5)**	$ (5)
Western Group	**(48)**	(50)	**(102)**	(99)
Corporate and other	**(2)**	(3)	**(4)**	(2)
	$ (53)	$ (55)	**$ (111)**	$ (106)
Adjusted segment EBITDA:				
Eastern Group	**$ 498**	$ 541	**$ 1,107**	$1,121
Western Group	**502**	537	**1,053**	1,060
Corporate and other	**(32)**	(60)	**(83)**	(120)
	$ 968	$1,018	**$ 2,077**	$2,061
Depreciation and amortization:				
Eastern Group	**$ 120**	$ 109	**$ 232**	$ 216
Western Group	**125**	110	**238**	216
Corporate and other	**33**	36	**69**	67
	$ 278	$ 255	**$ 539**	$ 499
Adjusted segment EBITDA	**$ 968**	$1,018	**$ 2,077**	$2,061
Depreciation and amortization	**278**	255	**539**	499
Interest expense	**123**	108	**237**	229
Gains on sales of facilities	**(1)**	—	**(75)**	—
Impairment of long-lived assets	**130**	19	**130**	19
Investigation related costs	**1**	13	**5**	30
Income before minority interests and income taxes	**$ 437**	$ 623	**$ 1,241**	$1,284

HCA INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
Unaudited

NOTE 12 — SEGMENT AND GEOGRAPHIC INFORMATION (continued)

	As of June 30, 2003	As of December 31, 2002
Assets:		
Eastern Group	**$ 7,243**	$ 7,046
Western Group	**8,287**	6,866
Corporate and other	**4,940**	4,829
	$20,470	$18,741

	Eastern Group	Western Group	Corporate and Other	Total
Goodwill:				
Balance at December 31, 2002	$918	$ 841	$235	$1,994
Acquisitions	5	513	—	518
Sales of facilities	(3)	—	(10)	(13)
Foreign currency translation	—	—	2	2
Balance at June 30, 2003.	$920	$1,354	$227	$2,501

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 can 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 HCA and are subject to a number of known and unknown uncertainties and risks, many of which are beyond HCA's control, that could significantly affect current plans and expectations and HCA's future financial position and results of operations. These factors include, but are not limited to, (i) the highly competitive nature of the health care business, (ii) the efforts of insurers, health care providers and others to contain health care costs, (iii) possible changes in the Medicare and Medicaid programs (including changes to Medicare outlier payments) that may impact reimbursements to health care providers and insurers, (iv) the ability to achieve expected levels of patient volumes and control the costs of providing services, (v) changes in Federal, state or local regulations affecting the health care industry, (vi) the possible enactment of Federal or state health care reform, (vii) the ability to attract and retain qualified management and personnel, including affiliated physicians, nurses and medical support personnel, (viii) liabilities and other claims asserted against HCA, (ix) fluctuations in the market value of HCA's common stock, (x) changes in accounting practices, (xi) changes in general economic conditions including growing numbers of uninsured and unemployed patients, (xii) future divestitures which may result in additional charges, (xiii) changes in revenue mix and the ability to enter into and renew managed care provider arrangements on acceptable terms, (xiv) the availability and terms of capital to fund the expansion of the Company's business, (xv) changes in business strategy or development plans, (xvi) delays in receiving payments, (xvii) the ability to develop and implement the financial enterprise resource planning ("ERP") information system within the expected time and cost projections and, upon implementation, to realize the expected benefits and efficiencies, (xviii) the outcome of pending and any future tax audits, appeals, and litigation associated with HCA's tax positions, (xix) the outcome of HCA's continuing efforts to monitor, maintain and comply with appropriate laws, regulations, policies and procedures and HCA's corporate integrity agreement with the government, (xx) the ability to complete and the impact of the share repurchase program, (xxi) the ability to successfully integrate the operations of Health Midwest and fund expected capital improvements, (xxii) the collectibility of uninsured accounts and deductible and co-pay amounts, (xxiii) the impact of the charity care and self-pay discounting policy changes, and (xxiv) other risk factors detailed in the Company's Annual Report on Form 10-K and other filings with the Securities and Exchange Commission ("SEC"). As a consequence, current plans, anticipated actions and future financial position and results of operations may differ from those expressed in any forward-looking statements made by or on behalf of HCA. 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 Settlement of Certain Government Claims

Commencing in 1997, HCA was the subject of governmental investigations and litigation relating to its business practices. The governmental investigations included activities for certain entities for periods prior to their acquisition by the Company and activities for certain entities that have been divested. As part of the investigation, the United States intervened in a number of *qui tam* actions brought by private parties.

The investigation was concluded through a series of agreements executed in 2000 and 2003. In December 2000, HCA entered into a Plea Agreement with the Criminal Division of the Department of Justice (the "DOJ") and various U.S. Attorneys' offices (the "Plea Agreement") and a Civil and Administrative Settlement Agreement with the Civil Division of the DOJ (the "Civil Agreement"). The agreements resolved all Federal criminal issues outstanding against HCA and certain issues involving Federal civil claims by, or on behalf of, the government against HCA relating to DRG coding, outpatient laboratory billing and home health issues. The civil issues that were not covered by the Civil Agreement included claims related to physician

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

Investigations and Settlement of Certain Government Claims (continued)

relations, cost reports and wound care issues. The Civil Agreement was approved by the Federal District Court of the District of Columbia in August 2001. HCA paid the government $840 million (plus $60 million of accrued interest), as provided by the Civil Agreement and Plea Agreement, during 2001. HCA also entered into a Corporate Integrity Agreement ("CIA") with the Office of Inspector General of the Department of Health and Human Services.

The remaining aspects of the investigation were resolved during 2003. In June 2003, HCA announced that the Company and the Civil Division of the DOJ had signed agreements whereby the United States would dismiss the various claims it had brought related to physician relations, cost reports and wound care issues (the "DOJ Agreement"). The DOJ Agreement received court approval in July 2003, and HCA paid the DOJ $641 million (including accrued interest of $10 million) during July 2003. The DOJ Agreement does not affect *qui tam* cases in which the government has not intervened. In addition, the CIA previously entered into by the Company remains in effect. The Company also finalized an agreement with a negotiating team representing states that may have claims against the Company. Under this agreement HCA paid $17.7 million in July 2003 to state Medicaid agencies to resolve these claims. The Company also paid $33 million for reasonable legal fees of the private parties. In connection with the DOJ Agreement, HCA recorded a pretax charge of $603 million ($418 million after-tax) in the fourth quarter of 2002.

Upon the company making the payment provided under the DOJ Agreement, the Company no longer has any remaining obligation to maintain letters of credit with the DOJ.

During June 2003, HCA announced that the Company and the Centers for Medicare and Medicaid Services ("CMS") had signed an agreement, documenting the understanding announced in March 2002, to resolve all Medicare cost report, home office cost statement and appeal issues between HCA and CMS (the "CMS Agreement") for cost report periods ended before August 1, 2001. As a result of the CMS Agreement, HCA paid CMS $250 million in June 2003. HCA recorded a pretax charge of $260 million ($165 million after-tax), consisting of the accrual of $250 million for the settlement payment and the write-off of $10 million of net Medicare cost report receivables. This charge was recorded in the consolidated income statement for the year ended December 31, 2001.

HCA remains the subject of a December 1997 formal order of investigation by the Securities and Exchange Commission (the "SEC"). HCA understands that the investigation includes the anti-fraud, insider trading, periodic reporting and internal accounting control provisions of the Federal securities laws. The CIA previously entered into by the Company remains in effect.

If HCA was found to be in violation of Federal or state laws relating to Medicare, Medicaid or similar programs or breach of the CIA, HCA could be subject to substantial monetary fines, civil and criminal penalties and/or exclusion from participation in the Medicare and Medicaid programs. Any such sanctions or expenses could have a material adverse effect on HCA's financial position, results of operation and liquidity. See Note 10 — Contingencies and Part II, Item 1: Legal Proceedings.

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 and consistent with HCA's ethics and compliance program, governmental regulations and guidelines and industry standards. HCA also seeks to enhance financial performance by increasing utilization of its facilities and improving operating efficiencies. To achieve these objectives, HCA pursues the following strategies:

- *Emphasize a "patients first" philosophy:* The foundation of HCA is putting patients first and providing quality health care services in the communities HCA serves. HCA continuously updates and implements quality assurance procedures to monitor level of care and patient safety issues. HCA has

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

Business Strategy (continued)

instituted a number of patient safety initiatives, including bar coding, computerized physician order entry and quality audits, and identifies best practices in its many health care facilities and shares those practices throughout its network of hospitals and health care facilities to help achieve better outcomes for patients.

- *Commitment to Ethics and Compliance:* HCA is committed to a values-based corporate culture that prioritizes the care and improvement of human life. The values highlighted by HCA's corporate culture — compassion, honesty, integrity, fairness, loyalty, respect and kindness — are the cornerstone of HCA. To reinforce HCA's dedication to these values and to ensure integrity in all that it does, HCA has developed and implemented a comprehensive ethics and compliance program that articulates a high set of values and behavioral standards. HCA believes that this program reinforces the dedication to providing excellent patient care.

- *Focus on strong assets and invest capital in select, core communities:* HCA focuses on communities where it is, or can be, the number one or number two health care provider and which are typically located in urban areas characterized by highly integrated health care facility networks. HCA intends to continue to optimize core assets through capital expenditures and selected acquisitions and divestitures.

- *Develop comprehensive local health care networks with a broad range of health care services:* HCA seeks to operate each of its facilities as part of a network with other health care facilities that HCA's affiliates own or operate within a common region. This should enable these local health care networks to effectively contract with managed care and other payers, and attract and serve patients and physicians.

- *Grow through increased patient volume, expansion of specialty services and emergency rooms and selective acquisitions:* HCA plans capital spending to increase bed capacity, provide new or expanded services, and provide renovated and expanded emergency rooms, operating rooms, women's services, imaging, oncology, open-heart areas and intensive and critical care units.

- *Improve operating efficiencies through enhanced cost management and resource utilization, and the implementation of shared services and other initiatives:* HCA has initiated several measures designed to improve the financial performance of its facilities. To address labor costs, HCA implemented a best practices initiative that provides HCA's hospitals with strategies to improve recruiting, compensation programs and productivity; implemented various leadership and career development programs; and created an internal contract labor agency that provides for improved quality at a reduced cost. To curtail supply costs, HCA formed a group purchasing organization that allows the achievement of better pricing in negotiating purchasing and supply contracts. In addition, as HCA grows in select core markets, the benefits should continue to be realized from economies of scale, including supply chain efficiencies and volume discount cost savings. HCA expects to be able to reduce operating costs and be better positioned to work with health maintenance organizations, preferred provider organizations and employers, by sharing certain services among several facilities in the same market through the consolidation of hospitals' back office functions such as billings and collections and standardizing and upgrading financial and human resources systems (ERP).

- *Recruit, develop and maintain relationships with physicians:* HCA actively recruits physicians to enhance patient care and fulfill the needs of the communities it serves. HCA believes that recruiting and retaining quality physicians is essential to being a premier provider of health care services.

- *Streamline and decentralize management, consistent with HCA's local focus:* HCA's strategy to streamline and decentralize management structure affords management of HCA's facilities greater flexibility to make decisions that are specific to the respective local communities. This operating structure creates a more nimble, responsive organization.

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

Business Strategy (continued)

- *Effectively allocate capital to maximize return on investments:* 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 physicians. In addition, HCA evaluates acquisitions that complement its strategies and assesses opportunities to enhance stockholder value, including repayment of indebtedness and stock repurchases.

Update of Critical Accounting Policies and Estimates

Provision of Doubtful Accounts

The collection of outstanding receivables from Medicare, managed care payers, other third-party payers and patients is HCA's primary source of cash and is critical to the Company's operating performance. The primary collection risks relate to the uninsured patient accounts and patient accounts for which the primary insurance carrier has paid the amounts covered by the applicable agreement, but patient responsibility amounts (deductibles and co-payments) remain outstanding. Because HCA does not pursue collection of amounts related to patients that meet the Company's guidelines to qualify as charity care, they are not reported in revenues and do not have an impact on the provision for doubtful accounts. The revenues associated with uninsured patients that do not meet the Company's current guidelines to qualify as charity care are generally reported in revenues at gross charges. In the first quarter of 2003, the Company announced that patients treated at an HCA wholly-owned hospital for non-elective care who have income at or below 200% of the Federal poverty level are eligible for charity care, a standard HCA estimates that 70% of its hospitals were previously using. The Federal poverty level is established by the Federal government and is based on income and family size. In the third or fourth quarter of 2003, HCA expects to implement a sliding scale of discounts for uninsured patients treated at an HCA wholly-owned hospital for non-elective care with income between 200% and 400% of the Federal poverty level. HCA received conceptual approval during the second quarter of 2003 from CMS and one of its Medicare fiscal intermediaries that the program would not adversely affect HCA's payments from the Medicare program. HCA believes approvals from the remaining fiscal intermediaries are forthcoming. When fully implemented, the revised charity care and self-pay discounting policy changes will reduce both revenues and the provision for doubtful accounts.

Allowance for Doubtful Accounts

The amount of the provision for doubtful accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Federal and state governmental health care coverage and other collection indicators. Management relies on detailed reviews of historical collections and write-offs at facilities that represent a majority of HCA's revenues and accounts receivable (the "hindsight analysis"). The Company has previously performed the hindsight analysis on an annual basis. The results of the hindsight analysis that was completed during the second quarter of 2003 indicated an increasing proportion of accounts receivable being comprised of uninsured accounts and the collectability of this category of accounts had deteriorated. In response to the hindsight results and the noted trends, the Company increased the estimated allowance for doubtful accounts by $106 million during the quarter ended June 30, 2003. The Company has decided to increase the frequency of the hindsight analysis and perform a quarterly, rolling twelve-month hindsight analysis in future periods to enable the Company to react more quickly to trends affecting the collectability of the accounts receivable. Adverse changes in general economic conditions, business office operations, payer mix, or trends in Federal or state governmental health care coverage could affect HCA's collection of accounts receivable, cash flows and results of operations.

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

Results of Operations

Revenue/Volume Trends

HCA's revenues depend upon inpatient occupancy levels, the ancillary services and therapy programs ordered by physicians and provided to patients, the volume of outpatient procedures and the charge and negotiated payment rates for such services.

Hospital volumes appear to be adversely impacted by several factors including general economic softness, higher unemployment levels in several key markets, increased co-payments and deductibles, physician issues related to increases in costs of physician malpractice insurance and various competitive pressures in certain markets. The operations and the volumes during the second quarter of 2003 also reflect the completed acquisition of eleven hospitals in Kansas City. Admissions for the second quarter of 2003 increased 4.5% compared to the second quarter of 2002 while same facility admissions, which excludes the hospitals acquired in Kansas City in April 2003, increased 0.6% in the second quarter of 2003 compared to the second quarter of 2002.

Admissions related to Medicare, managed care and other discounted plans, and Medicaid and self pay for the quarters and six months ended June 30, 2003 and 2002 are set forth below.

	Quarter		Six Months	
	2003	2002	2003	2002
Medicare	**39%**	38%	**40%**	39%
Managed care and other discounted plans	**46**	47	**45**	46
Medicaid and self pay	**15**	15	**15**	15
	100%	100%	**100%**	100%

Same facility outpatient surgeries declined 3.6% in the second quarter of 2003 when compared to the same quarter of 2002. Important factors affecting outpatient surgeries were increased competition from physician owned specialty hospitals and physician owned freestanding surgery centers and physician issues related to physicians relocating or retiring due to rising malpractice insurance rates for physicians.

Managed care plan provisions that are structured to influence patients to utilize outpatient or alternative delivery services as well as competition from physician owned specialty hospitals or freestanding surgery centers are expected to present ongoing challenges. To maintain and improve its operating margins in future periods, HCA must increase patient volumes while controlling the cost of providing services.

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 initiatives. HCA also expects to increase, consistent with applicable laws, its participation in the development of physician partnerships for outpatient services in selected markets.

HCA's health care facilities' gross charges typically do not reflect what the facilities are actually paid. HCA's health care facilities have entered into agreements with third-party payers, including government programs and managed care health plans, under which the facilities are paid based upon the cost of providing services, predetermined rates per diagnosis, fixed per diem rates or discounts from gross charges. HCA's facilities have experienced revenue growth due to changes in patient mix and favorable pricing trends. HCA has experienced increases in same facility revenue per equivalent admission over the prior period of 7.5% and 8.4%, for the quarters ended June 30, 2003 and 2002, respectively, and increases of 8.7% and 8.8% for the six months ended June 30, 2003 and 2002, respectively. There can be no assurance that HCA will continue to receive these levels of increases in the future. These increases were the result of renegotiating and renewing

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

Results of Operations (continued)

Revenue/Volume Trends (continued)

certain managed care contracts on more favorable terms, shifts of managed care admissions to more favorable plans and improved reimbursement from the government.

The second quarter 2003 moderation in the rate of increase in same facility revenue per equivalent admission compared to prior periods reflects the Company's roll out of a portion of the charity policies that HCA announced in March 2003. Beginning in the second quarter of 2003, patients treated at an HCA wholly-owned hospital for non-elective care who have income at or below 200% of the Federal poverty level are eligible for charity care, a standard HCA estimates that 70% of its hospitals were previously using. In the third or fourth quarter of 2003, HCA expects to implement a sliding scale of discounts for uninsured patients treated at an HCA wholly-owned hospital for non-elective care with income between 200% and 400% of the Federal poverty level. HCA received conceptual approval from CMS and one of the Company's Medicare fiscal intermediaries that the program would not adversely affect HCA's payments from the Medicare program. HCA believes approvals from the remaining fiscal intermediaries is forthcoming. When fully implemented, the revised charity and self-pay discounting policies are expected to reduce annual earnings before taxes by approximately $25 million.

The approximate percentages of inpatient revenues of the Company's facilities related to Medicare, managed care and other discounted plans, and Medicaid and self pay for the quarters and six months ended June 30, 2003 and 2002 are set forth below:

	Quarter		Six Months	
	2003	**2002**	**2003**	**2002**
Medicare	**38%**	38%	**38%**	39%
Managed care and other discounted plans	**49**	50	**49**	49
Medicaid and self pay	**13**	12	**13**	12
	100%	100%	**100%**	100%

HCA receives a significant portion of its revenues from government health programs, principally Medicare and Medicaid, which are highly regulated and subject to frequent and substantial changes. Future legislation or other changes or interpretation of government health programs could have an adverse effect on reimbursement from the government.

Excluding the hospitals included in the Kansas City acquisition, HCA recorded $63 million and $77 million of revenues related to Medicare operating outlier cases for the quarters ended June 30, 2003 and 2002, respectively. These amounts represent 1% and 2% of revenues and 4% and 6% of Medicare revenues for the quarters ended June 30, 2003 and 2002, respectively. There can be no assurances that HCA will continue to receive these levels of Medicare operating outlier payments in future periods. Based on the Company's estimates, future Medicare operating outlier payments will be materially, adversely affected by (a) the final regulations on outlier payments published by CMS in June 2003; and (b) the final regulation published in August 2003 for changes to the hospital inpatient prospective payment system, including the threshold for outlier payments for the Federal fiscal year beginning October 1, 2003. The outlier threshold for the 2004 Federal fiscal year has been set by CMS and has decreased to $31,000 as compared to $33,560 for the 2003 Federal fiscal year. As a result of these changes and assuming the Company does not experience changes in Medicare patient acuity levels, then the Company's monthly revenue from operating outlier payments may be reduced by up to $12 million.

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, 2003 and 2002 (dollars in millions, except per share amounts):

	Quarter			
	2003		2002	
	Amount	Ratio	Amount	Ratio
Revenues	**$5,467**	**100.0**	$4,903	100.0
Salaries and benefits	**2,178**	**39.8**	1,960	40.0
Supplies	**870**	**15.9**	778	15.9
Other operating expenses	**926**	**17.0**	832	16.8
Provision for doubtful accounts	**577**	**10.6**	371	7.6
Insurance subsidiary (gains) losses on sales of investments	**1**	**—**	(1)	—
Equity in earnings of affiliates	**(53)**	**(1.0)**	(55)	(1.1)
Depreciation and amortization	**278**	**5.1**	255	5.2
Interest expense	**123**	**2.2**	108	2.2
Gains on sales of facilities	**(1)**	**—**	—	—
Impairment of long-lived assets	**130**	**2.4**	19	0.4
Investigation related costs	**1**	**—**	13	0.3
	5,030	**92.0**	4,280	87.3
Income before minority interests and income taxes	**437**	**8.0**	623	12.7
Minority interests in earnings of consolidated entities	**47**	**0.9**	42	0.8
Income before income taxes	**390**	**7.1**	581	11.9
Provision for income taxes	**150**	**2.7**	231	4.8
Net income	**$ 240**	**4.4**	$ 350	7.1
Basic earnings per share	**$ 0.47**		$ 0.68	
Diluted earnings per share	**$ 0.47**		$ 0.66	
% changes from prior year(a):				
Revenues	**11.5%**		9.5%	
Income before income taxes	**(32.9)**		35.0	
Net income	**(31.4)**		24.2	
Basic earnings per share	**(30.9)**		28.3	
Diluted earnings per share	**(28.8)**		26.9	
Admissions(b)	**4.5**		0.7	
Equivalent admissions(c)	**3.6**		1.3	
Revenue per equivalent admission	**7.6**		8.1	
Same facility % changes from prior year(d):				
Revenues	**7.1**		11.7	
Admissions(b)	**0.6**		2.3	
Equivalent admissions(c)	**(0.4)**		3.0	
Revenue per equivalent admission	**7.5**		8.4	

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			
	2003		2002	
	Amount	Ratio	Amount	Ratio
Revenues	**$10,740**	**100.0**	$9,776	100.0
Salaries and benefits	**4,274**	**39.8**	3,890	39.8
Supplies	**1,715**	**16.0**	1,556	15.9
Other operating expenses	**1,779**	**16.5**	1,632	16.7
Provision for doubtful accounts	**1,005**	**9.4**	739	7.6
Insurance subsidiary (gains) losses on sales of investments	**1**	**—**	4	—
Equity in earnings of affiliates	**(111)**	**(1.0)**	(106)	(1.1)
Depreciation and amortization	**539**	**4.9**	499	5.2
Interest expense	**237**	**2.2**	229	2.3
Gains on sales of facilities	**(75)**	**(0.7)**	—	—
Impairment of long-lived assets	**130**	**1.2**	19	0.2
Investigation related costs	**5**	**0.1**	30	0.3
	9,499	**88.4**	8,492	86.9
Income before minority interests and income taxes	**1,241**	**11.6**	1,284	13.1
Minority interests in earnings of consolidated entities	**86**	**0.8**	77	0.7
Income before income taxes	**1,155**	**10.8**	1,207	12.4
Provision for income taxes	**446**	**4.2**	472	4.9
Net income	**$ 709**	**6.6**	$ 735	7.5
Basic earnings per share	**$ 1.39**		$ 1.44	
Diluted earnings per share	**$ 1.37**		$ 1.40	
% changes from prior year(a):				
Revenues	**9.9%**		8.9%	
Income before income taxes	**(4.4)**		24.1	
Net income	**(3.6)**		17.7	
Basic earnings per share	**(3.5)**		24.1	
Diluted earnings per share	**(2.1)**		23.9	
Admissions(b)	**1.9**		(0.2)	
Equivalent admissions(c)	**1.2**		0.4	
Revenue per equivalent admission	**8.6**		8.5	
Same facility % changes from prior year(d):				
Revenues	**8.0**		11.4	
Admissions(b)	**0.1**		1.6	
Equivalent admissions(c)	**(0.6)**		2.4	
Revenue per equivalent admission	**8.7**		8.8	

(a) Income and earnings per share amounts for 2001 are based upon adjusted net income (excludes goodwill amortization, net of taxes).
(b) Represents the total number of patients admitted to the Company's hospitals and is used by management and certain investors as a general measure of inpatient volume.
(c) 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.
(d) 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, 2003 and 2002

Income before income taxes decreased 32.9% from $581 million in the second quarter of 2002 to $390 million in the second quarter of 2003. The results for the second quarter of 2003 include an increase in the allowance for doubtful accounts of $106 million and an impairment of long-lived assets of $130 million.

In April 2003, HCA completed the acquisition of eleven hospitals in Kansas City. During the second quarter of 2003, the Kansas City hospitals that were acquired produced revenues of $232 million and a loss before income taxes of $13 million. The Kansas City hospitals are included in the Company's Western Group.

For the second quarter of 2003, admissions increased 4.5% and same facility admissions increased by 0.6% compared to the same period last year. Outpatient surgical volumes increased 1.5%, but decreased 3.6% on a same facility basis. The weaker than expected volumes were the result of general economic conditions in certain markets, increased co-payments and deductibles, physician issues related to physicians relocating or retiring due to rising physician malpractice insurance rates and various competitive pressures in certain markets.

Salaries and benefits decreased, as a percentage of revenues, to 39.8% in the second quarter of 2003 from 40.0% in the same quarter of 2002. During the second quarter of 2003, significant steps were taken to ensure that hospitals were effectively matching labor with hospital volume trends.

Supplies remained flat as a percentage of revenues. Rising supply costs, particularly in the pharmaceutical, orthopedic and cardiac areas, continue to be a challenge for the Company.

Other operating expenses, as a percentage of revenues, increased to 17.0% in the second quarter of 2003 compared to 16.8% in the second quarter of 2002, due primarily to other operating expenses being higher, as a percent of revenues, for the acquired Kansas City hospitals. Other operating expenses is primarily comprised of contract services, professional fees, repairs and maintenance, rents and leases, utilities, insurance (including professional liability insurance) and non-income taxes.

Provision for doubtful accounts, as a percentage of revenues, increased to 10.6% in the second quarter of 2003 from 7.6% in the second quarter of 2002. During the second quarter of 2003, the provision for doubtful accounts was increased by $106 million based upon the results of the Company's customary "hindsight analysis", in which the Company's accounts receivable during a previous twelve-month period are analyzed. The historical "look back" results, along with considerations of current economic trends and collection indicators, are used as the basis for the Company's estimate of the appropriate amount of allowance for doubtful accounts for its current accounts receivable. The Company will begin updating the hindsight analysis on a quarterly basis in the future. Once the charity care and self-pay discounting policy changes are fully implemented, the Company expects an annual reduction in net revenues of approximately $325 million to $375 million, as well as a corresponding reduction to the provision for doubtful accounts of $300 million to $350 million.

Equity in earnings of affiliates decreased from $55 million in the second quarter of 2002 to $53 million in the second quarter of 2003 due to decreases in operating results at joint ventures accounted for under the equity method of accounting.

Depreciation and amortization decreased, as a percentage of revenues, to 5.1% in the second quarter of 2003 from 5.2% in the second quarter of 2002.

Interest expense increased to $123 million in the second quarter of 2003 from $108 million in the second quarter of 2002. The average of the beginning and ending debt balances for the Company increased from $7.1 billion for the second quarter of 2002 to $8.0 billion for the second quarter of 2003.

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

Results of Operations (continued)

Quarters Ended June 30, 2003 and 2002 (continued)

During the second quarter of 2003, HCA announced plans to discontinue activities associated with the internal development of a new patient accounts receivable management system resulting in a non-cash, pretax charge of $130 million. The Company is now redirecting efforts in this area to the implementation of enhancements to its existing patient accounting system. During the second quarter of 2002, HCA management decided to delay the development and implementation of certain financial and procurement information system components of its ERP project, resulting in a non-cash, pretax charge of $19 million.

During the second quarters of 2003 and 2002, respectively, HCA incurred $1 million and $13 million of professional fees (legal and accounting) related to the governmental investigations.

Minority interests increased from $42 million for the second quarter of 2002 to $47 million for the second quarter of 2003 due to improved operating results at certain of HCA's consolidating joint ventures.

Six Months Ended June 30, 2003 and 2002

Income before income taxes decreased 4.4% from $1.207 billion for the six months ended June 30, 2002 to $1.155 billion in the first half of 2003. The results of the first six months of 2003 include an increase in the allowance for doubtful accounts of $106 million, an asset impairment charge of $130 million and gains on sales of facilities of $75 million.

For the first six months of 2003, admissions increased 1.9% and same facility admissions increased by 0.1% compared to the same period last year. Outpatient surgical volumes decreased 1.1%, and decreased 3.2% on a same facility basis. HCA experienced weaker than expected volumes during the first quarter of 2003 due to a weak flu season, the general economic conditions in certain markets, the non-renewal of certain managed care contracts, increased co-payments and deductibles, physician issues related to physicians relocating or retiring due to rising physician malpractice insurance rates and various competitive pressures in certain markets. While volumes were closer to the Company's expectations in the second quarter of 2003, many of these trends continued into the second quarter of 2003. Revenues increased 9.9% to $10.7 billion for the first half of 2003 compared to $9.8 billion for 2002. The increase was primarily due to an increase in revenue per equivalent admission of 8.6%.

Salaries and benefits, as a percentage of revenues, remained relatively flat at 39.8% in 2003 and 2002. Lower than expected volumes required steps to ensure that hospitals match labor costs with volume trends.

Supply costs remained relatively flat as a percentage of revenues at 16.0% for the six months ended June 30, 2003 compared to 15.9% for the six months ended June 30, 2002.

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 16.5% in 2003 from 16.7% in 2002. These expenses tend to decrease, as a percentage of revenues, when the Company experiences revenue increases, because the majority of these expenses are fixed in nature.

Provision for doubtful accounts, as a percentage of revenues, increased to 9.4% in the six months ended June 30, 2003 from 7.6% in the six months ended June 30, 2002. During the second quarter of 2003, the provision for doubtful accounts was increased by $106 million. This change in estimate was based upon the results of the Company's customary "hindsight analysis", in which the Company's accounts receivable during a previous twelve-month period are analyzed. The historical "look back" results, along with considerations of current economic trends and collection indicators, are used as the basis for the Company's estimate of the appropriate amount of allowance for doubtful accounts for its current accounts receivable.

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

Results of Operations (continued)

Six Months Ended June 30, 2003 and 2002 (continued)

Equity in earnings of affiliates increased from $106 million in the first six months of 2002 to $111 million in the first six months of 2003 due to increases in operating results at joint ventures accounted for under the equity method of accounting.

Depreciation and amortization decreased, as a percentage of revenues, to 4.9% in the six months ended June 30, 2003 from 5.2% in the six months ended June 30, 2002 due to the fixed nature of these costs combined with increases in revenues of 9.9% in the first six months of 2003 compared to same period of 2002.

Interest expense increased to $237 million in the six months ended June 30, 2003 from $229 million in the six months ended June 30, 2002. The average of the beginning and ending debt balances for the Company increased from $7.3 billion for the six months ended June 30, 2002 to $7.7 billion for the six months ended June 30, 2003.

During the first six months of 2003, HCA recognized a pretax gain of $75 million ($43 million after-tax) on the sales of two leased hospitals and one consolidating hospital, and the working capital settlement of a sale completed in 2002. Proceeds from the sales were used to repay bank borrowings.

During the second quarter of 2003, HCA announced plans to discontinue activities associated with the internal development of a new patient accounts receivable management system resulting in a non-cash, pretax charge of $130 million. During the second quarter of 2002, HCA management decided to delay the development and implementation of certain financial and procurement information system components of its ERP project, resulting in a non-cash, pretax charge of $19 million.

During the first six months of 2003 and 2002, respectively, HCA incurred $5 million and $30 million of professional fees (legal and accounting) related to the governmental investigations.

Minority interests increased to $86 million for the six months ended June 30, 2003 from $77 million for the six months ended June 30, 2002 due to improved operating results at certain of HCA's consolidating joint ventures.

Liquidity and Capital Resources

Cash provided by operating activities totaled $1.075 billion in the first six months of 2003 compared to $1.224 billion in the first six months of 2002. Working capital totaled $945 million at June 30, 2003 and $766 million at December 31, 2002. During the second quarter of 2003, the Company paid CMS $250 million.

Cash used in investing activities was $1.797 billion in the first six months of 2003 compared to $882 million in the first six months of 2002. Excluding acquisitions, capital expenditures were $920 million in 2003 and $829 million in 2002. HCA has reduced planned capital expenditures from $2.1 billion for 2004 to $1.8 to $1.9 billion. At June 30, 2003, there were projects under construction, which had an estimated additional cost to complete and equip over the next five years of approximately $2.3 billion. During April 2003, HCA completed the acquisition of the Health Midwest system in Kansas City. The aggregate cash paid by HCA at closing was $855 million. HCA expects to finance capital expenditures with internally generated and borrowed funds.

In addition to cash flows from operations, available sources of capital include amounts available under HCA's $1.75 billion revolving credit facility (the "Credit Facility") ($512 million available as of July 31, 2003) and anticipated access to public and private debt markets. Management believes that its available sources of capital are adequate to expand, improve and equip its existing health care facilities and to complete selective acquisitions.

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

Liquidity and Capital Resources (continued)

Investments of HCA's professional liability insurance subsidiary are held to maintain statutory equity and pay claims and totaled $1.849 billion and $1.655 billion at June 30, 2003 and December 31, 2002, respectively. Claims payments, net of reinsurance recoveries, during the next twelve months are expected to approximate $300 million. The estimation of the timing of claims payments beyond a year can vary significantly. HCA's wholly-owned insurance subsidiary has entered into certain reinsurance contracts, and the obligations covered by the reinsurance contracts remain on the balance sheet as the subsidiary remains liable to the extent that the reinsurers do not meet their obligations under the reinsurance contracts. To minimize its exposure to losses from reinsurer insolvencies, HCA routinely monitors the financial condition of its reinsurers. The amounts receivable related to the reinsurance contracts of $246 million and $265 million at June 30, 2003 and December 31, 2002, respectively, are included in other assets.

Cash provided by financing activities totaled $745 million during the first six months of 2003 compared to cash used in financing activities of $376 million during the first six months of 2002. During 2003, HCA accessed the Credit Facility and the public debt market to raise capital.

During the second quarter of 2003, HCA paid CMS $250 million to resolve all Medicare cost report, home office cost statement, and appeal issues between HCA and CMS for the cost report periods ending before August 1, 2001. During July 2003, HCA paid the DOJ $641 million (including $10 million in accrued interest) to resolve all remaining investigation issues between the Company and the DOJ. HCA also paid $17.7 million to state Medicaid agencies and $33 million for private party legal fees. Upon the Company making the payments to the DOJ, the Company no longer has any remaining obligation to maintain letters of credit with the DOJ.

In February 2003, HCA issued $500 million of 6.25% notes due February 15, 2013. In July 2003, HCA issued $500 million of 6.75% notes due July 15, 2013. Following the issuance of the July 2003 notes, the Company has issued debt securities equal to the amount registered in the $1.5 billion shelf registration statement filed in May 2002.

During July 2003, HCA filed a shelf registration statement and prospectus with the SEC which allows the Company to issue from time to time, up to $2.5 billion in debt securities.

HCA's $2.5 billion credit agreement (the "2001 Credit Agreement") which includes the Credit Facility has a final maturity in April 2006. Interest under the 2001 Credit Agreement is payable at a spread to LIBOR, a spread to the prime lending rate or a competitive bid rate. The spread is dependent on HCA's credit ratings. The 2001 Credit Agreement contains customary covenants which include (i) limitations on debt levels, (ii) limitations on sales of assets, mergers and changes of ownership, and (iii) maintenance of minimum interest coverage ratios. As of July 31, 2003, HCA was in compliance with all such covenants.

In April 2003, HCA announced an authorization to repurchase $1.5 billion of its common stock. HCA expects to repurchase its shares from time-to-time through open market purchases or privately negotiated transactions. During the second quarter 2003, HCA, through open market purchases, repurchased under this authorization 10.2 million shares of its common stock for $328 million.

In July 2002, HCA announced an authorization to repurchase up to 12 million shares of its common stock. HCA made open market purchases during 2002 of 6.2 million shares for $282 million, and during the first quarter of 2003, 3.7 million shares for $148 million. During the second quarter of 2003, HCA made open market purchases of 2.1 million shares for $66 million, which completed the repurchases under this authorization. The repurchases were intended to offset the dilutive effect of employee stock compensation programs.

During 2001, HCA entered into an agreement with a financial institution that resulted in the financial institution investing in an entity that would acquire HCA common stock. This consolidated affiliate acquired

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

Liquidity and Capital Resources (continued)

16.8 million of HCA shares in connection with HCA's settlement of certain forward purchase contracts. In June 2002, HCA repaid the financial institution and received 16.8 million shares of the Company's common stock. The quarterly return on the financial institution's investment, based on LIBOR plus 87.5 basis points return rate was recorded as minority interest expense during 2002.

During the second quarter of 2003, HCA announced plans to discontinue activities associated with the development of a patient accounting software system resulting in a non-cash, pretax charge of $130 million. HCA had estimated that the patient accounting project would have required total expenditures of approximately $400 million to develop and install. The Company is now redirecting efforts in this area to the implementation of enhancements to its existing patient accounting system. HCA is also in the process of implementing an enterprise resource planning ("ERP") system to replace its financial and human resources information systems and reporting process. The ERP system is designed to improve the integration among the Company's various software systems and allow for more efficient collecting, sharing and analyzing of data. The ERP system should provide more flexibility to format reports to fit facilities' needs and allow employees to use their personal computers to gather and analyze information. Management estimates that the ERP project will require total expenditures of approximately $330 million to develop and install. At June 30, 2003, project-to-date costs incurred were $180.3 million ($111.8 million of the costs incurred have been capitalized and $68.5 million have been expensed). Management expects that the ERP system development, testing, data conversion and installation will continue through 2006. There can be no assurance that the development and implementation of ERP will not be delayed, that the total cost will not be significantly more than currently anticipated, that business processes will not be interrupted during implementation or that HCA will realize the expected benefits and efficiencies from the developed products.

Management believes that cash flows from operations, amounts available under the Credit Facility and HCA's anticipated access to public and private debt markets are sufficient to meet expected liquidity needs during the next twelve months.

Market Risk

HCA is exposed to market risk related to changes in market values of securities. The investments in debt and equity securities of HCA's wholly-owned insurance subsidiary were $1.263 billion and $586 million, respectively, at June 30, 2003. These investments are carried at fair value with changes in unrealized gains and losses being recorded as adjustments to other comprehensive income. The fair value of investments is generally based on quoted market prices. During the third quarter of 2002, due to a continued overall market decline and management's review and evaluation of the individual investment securities, management concluded that certain unrealized losses of HCA's insurance subsidiary's equity investments were considered "other-than-temporary." HCA recorded an impairment charge on the identified investment securities of $168 million. The declines in fair value and any resulting losses incurred on sales of the securities on which the impairment charge was recorded do not present a current liquidity concern to the Company, as professional liability claim payments, net of reinsurance recoveries, during the next twelve months are estimated to be approximately $300 million and $1.849 billion of investment securities are available. However, if the insurance subsidiary were to experience market declines in its investments, this could require additional investment by the Company to allow the insurance subsidiary to satisfy its minimum capital requirements.

HCA evaluates, among other things, the financial position and near term prospects of the issuer, conditions in the issuer's industry, liquidity of the investment, changes in the amount or timing of expected future cash flows from the investment, and recent downgrades of the issuer by a rating agency to determine if and when a decline in the fair value of an investment below amortized cost is considered "other-than-temporary". The length of time and extent to which the fair value of the investment is less than amortized cost and HCA's ability and intent to retain the investment to allow for any anticipated recovery in the investment's

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

Liquidity and Capital Resources (continued)

Market Risk (continued)

fair value are important components of management's investment securities evaluation process. At June 30, 2003, HCA had a net unrealized gain of $130 million on the insurance subsidiary's investment securities.

HCA is also exposed to market risk related to changes in interest rates on its indebtedness, and HCA periodically enters into interest rate swap agreements to manage its exposure to these fluctuations. HCA's interest rate swap agreements involve the exchange of fixed and variable rate interest payments between two parties, based on common notional principal amounts and maturity dates. The notional amounts and interest payments in these agreements match the cash flows of the related liabilities. The notional amounts of the swap agreements represent balances used to calculate the exchange of cash flows and are not assets or liabilities of HCA. Any market risk or opportunity associated with these swap agreements is offset by the opposite market impact on the related debt. HCA's credit risk related to these agreements is considered low because the swap agreements are with creditworthy financial institutions. The interest payments under these agreements are settled on a net basis. These derivatives and the related hedged debt amounts have been recognized in the financial statements at their respective fair values.

With respect to HCA's interest-bearing liabilities, approximately $2.4 billion of long-term debt at June 30, 2003 is subject to variable rates of interest, while the remaining balance in long-term debt of $6.0 billion at June 30, 2003 is subject to fixed rates of interest. Both the general level of interest rates and, for the 2001 Credit Agreement, the Company's credit rating affect HCA's variable interest rate. HCA's variable rate debt is comprised of the Company's Credit Facility on which interest is payable generally at LIBOR plus 0.7% to 1.5% (depending on HCA's credit ratings), a bank term loan on which interest is payable generally at LIBOR plus 1% to 2%, and fixed rate notes on which interest rate swaps have been employed on which interest is payable at LIBOR plus 1.9% to 2.4%. Due to decreases in LIBOR and the improvement in the Company's credit rating, the average rate for the Company's Credit Facility decreased from 2.55% for the quarter ended June 30, 2002 to 1.93% for the quarter ended June 30, 2003, and the average rate for the Company's term loans decreased from 2.84% for the quarter ended June 30, 2002 to 2.25% for the quarter ended June 30, 2003. The estimated fair value of HCA's total long-term debt was $8.8 billion at June 30, 2003. 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 reduction to future pretax earnings would be approximately $24 million. The impact of such a change in interest rates on the fair 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 HCA's borrowing cost and long-term debt balances. To mitigate the impact of fluctuations in interest rates, HCA generally targets a portion of its debt portfolio to be maintained at fixed rates. Foreign operations and the related market risks associated with foreign currency are currently insignificant to HCA's results of operations and financial position.

Pending IRS Disputes

The Company is contesting income taxes and related interest, proposed by the IRS for prior years, aggregating approximately $331 million as of June 30, 2003. 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 5 — Income Taxes in the notes to condensed consolidated financial statements for a description of the pending IRS disputes.

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

Operating Data

	2003	2002
CONSOLIDATING		
Number of hospitals in operation at:		
March 31	**173**	175
June 30	**184**	175
September 30		175
December 31		173
Number of freestanding outpatient surgical centers in operation at:		
March 31	**74**	74
June 30	**76**	75
September 30		74
December 31		74
Licensed hospital beds at(a):		
March 31	**39,898**	40,054
June 30	**42,152**	39,930
September 30		40,056
December 31		39,932
Weighted average licensed beds(b):		
Quarter:		
First	**39,957**	40,079
Second	**42,178**	39,844
Third		39,998
Fourth		40,020
Year		39,985
Average daily census(c):		
Quarter:		
First	**22,524**	22,897
Second	**22,201**	21,185
Third		20,883
Fourth		21,099
Year		21,509
Admissions(d):		
Quarter:		
First	**404,500**	407,300
Second	**409,000**	391,400
Third		392,400
Fourth		391,700
Year		1,582,800

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

Operating Data — (continued)

	2003	2002
Equivalent admissions(e):		
Quarter:		
First	**587,300**	594,700
Second	**605,300**	584,200
Third		585,200
Fourth		575,300
Year		2,339,400
Average length of stay (days)(f):		
Quarter:		
First	**5.0**	5.1
Second	**4.9**	4.9
Third		4.9
Fourth		5.0
Year		5.0
Emergency room visits(g):		
Quarter:		
First	**1,216,200**	1,206,900
Second	**1,268,300**	1,198,000
Third		1,211,900
Fourth		1,186,000
Year		4,802,800
Outpatient surgeries(h):		
Quarter:		
First	**194,600**	202,000
Second	**209,500**	206,500
Third		201,400
Fourth		200,000
Year		809,900
NON-CONSOLIDATING(i)		
Number of hospitals in operation at:		
March 31.	**6**	6
June 30.	**6**	6
September 30.		6
December 31.		6
Number of freestanding outpatient surgical centers in operation at:		
March 31.	**4**	3
June 30.	**4**	5
September 30.		4
December 31.		4

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

Operating Data — (continued)

	2003	2002
Licensed hospital beds at:		
March 31.	**2,093**	2,063
June 30.	**2,093**	2,063
September 30.		2,047
December 31.		2,047

(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 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) Represents the number of patients treated in the Company's emergency rooms.
(h) Represents the number of surgeries performed on patients who were not admitted to the Company's hospitals. Pain management and endoscopy procedures are not included in outpatient surgeries.
(i) 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.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

HCA’s chief executive officer and principal financial officer have reviewed and evaluated the effectiveness of HCA’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Securities Exchange Act of 1934 (the “Exchange Act”)) as of the end of the period covered by this quarterly report. Based on that evaluation, the chief executive officer and principal financial officer have concluded that HCA’s disclosure controls and procedures effectively and timely provide them with material information relating to HCA and its consolidated subsidiaries required to be disclosed in the reports HCA files or submits under the Exchange Act.

Changes in Internal Controls

During the period covered by this report, there has been no change in the Company’s internal controls over financial reporting that has materially affected or is reasonably likely to materially affect the Company’s internal controls over financial reporting.

Part II: Other Information

Item 1: ***Legal Proceedings***

The Company operates in a highly regulated and litigious industry. As a result, various lawsuits, claims and legal and regulatory proceedings have been and can be expected to be instituted or asserted against the Company from time to time. The resolution of any such lawsuits, claims or legal and regulatory proceedings could materially, adversely affect the Company's results of operations and financial position in a given period.

Government Investigation, Claims and Litigation

HCA continues to be the subject of the following governmental investigations and litigation related to its business practices. While it is premature to predict the final outcome of these matters, it is possible that an adverse resolution of these matters could have a material adverse impact of the Company's results of operations and financial position in a given period.

Commencing in 1997, HCA was the subject of governmental investigations and litigation relating to its business practices. The governmental investigations included activities for certain entities for periods prior to their acquisition by the Company and activities for certain entities that have been divested. As part of the investigation, the United States intervened in a number of *qui tam* actions brought by private parties.

The investigation was concluded through a series of agreements executed in 2000 and 2003. In December 2000, HCA entered into a Plea Agreement with the Criminal Division of the Department of Justice (the "DOJ") and various U.S. Attorneys' offices (the "Plea Agreement") and a Civil and Administrative Settlement Agreement with the Civil Division of the DOJ (the "Civil Agreement"). The agreements resolved all Federal criminal issues outstanding against HCA and certain issues involving Federal civil claims by, or on behalf of, the government against HCA relating to DRG coding, outpatient laboratory billing and home health issues. The civil issues that were not covered by the Civil Agreement included claims related to physician relations, cost report and wound care issues. The Civil Agreement was approved by the Federal District Court of the District of Columbia in August 2001. HCA paid the government $840 million (plus $60 million of accrued interest), as provided by the Civil Agreement and Plea Agreement, during 2001. HCA also entered into a Corporate Integrity Agreement ("CIA") with the Office of Inspector General of the Department of Health and Human Services.

The remaining aspects of the investigation were resolved during 2003. In June 2003, HCA announced that the Company and the Civil Division of the DOJ signed agreements whereby the United States would dismiss the various claims it had brought related to physician relations, cost reports and wound care issues (the "DOJ Agreement"). The DOJ Agreement received court approval in July 2003, and HCA paid the DOJ $641 million (including accrued interest of $10 million) during July 2003. The DOJ Agreement does not affect *qui tam* cases in which the government has not intervened. In addition, the CIA previously entered into by the Company remains in effect. The Company also finalized an agreement with a negotiating team representing states that may have claims against the Company. Under this agreement HCA paid $17.7 million in July 2003 to state Medicaid agencies to resolve these claims. The Company also paid $33 million for reasonable legal fees of the private parties. In connection with the DOJ Agreement, HCA recorded a pretax charge of $603 million ($418 million after-tax) in the fourth quarter of 2002.

Upon the Company making the payment provided under the DOJ Agreement, the Company no longer has any remaining obligation to maintain letters of credit with the DOJ.

During June 2003, HCA announced that the Company and the Centers for Medicare and Medicaid Services ("CMS") signed an agreement, documenting the understanding announced in March 2002, to resolve all Medicare cost report, home office cost statement and appeal issues between HCA and CMS (the "CMS Agreement") for cost report periods ended before August 1, 2001. As a result of the CMS Agreement, HCA paid CMS $250 million in June 2003. HCA recorded a pretax charge of $260 million ($165 million after-tax), consisting of the accrual of $250 million for the settlement payment and the write-off of $10 million

of net Medicare cost report receivables. This charge was recorded in the consolidated income statement for the year ended December 31, 2001.

HCA remains the subject of a December 1997 formal order of investigation by the Securities and Exchange Commission (the "SEC"). HCA understands that the investigation includes the anti-fraud, insider trading, periodic reporting and internal accounting control provisions of the Federal securities laws. The CIA previously entered into by the Company remains in effect.

If HCA was found to be in violation of Federal or state laws relating to Medicare, Medicaid or similar programs or breach of the CIA, HCA could be subject to substantial monetary fines, civil and criminal penalties and/or exclusion from participation in the Medicare and Medicaid programs. Any such sanctions or expenses could have a material adverse effect on HCA's financial position, results of operation and liquidity. See Note 10 — Contingencies and Part II, Item 1: Legal Proceedings.

Lawsuits

Qui Tam Actions

Several *qui tam* actions have been brought by relators on behalf of the United States and have been unsealed and served on the Company. The actions allege, in general, that the Company and certain affiliates violated the False Claims Act, 31 U.S.C. § 3729, *et seq.*, for improper claims submitted to the government for reimbursement. The lawsuits generally seek damages of three times the amount of Medicare or Medicaid claims (involving false claims) presented by the defendants to the Federal government, civil penalties of not less than $5,500 or more than $11,000 for each such Medicare or Medicaid claim, attorneys' fees and costs. In many instances there are additional common law claims.

In February 1999, the United States filed a motion before the Judicial Panel on Multidistrict Litigation ("MDL") seeking to transfer and consolidate, pursuant to 28 U.S.C. § 1407, *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 granted the motion and all of the *qui tam* cases subject to the motion have been consolidated to the U.S. District Court of the District of Columbia.

In June 2003, HCA announced that the Company and the Civil Division of the DOJ signed agreements whereby the United States would dismiss the remaining claims in the various *qui tam* cases in which it had intervened. The dismissals were entered in July 2003, and HCA made a payment of $641 million, including accrued interest.

A. *Qui Tam* Actions Resolved by the July 2003 Dismissals

The United States intervened in eight of the consolidated cases, which fall generally in three categories: (1) cost reports allegedly constituting false claims; (2) alleged improper financial arrangements with physicians to induce referrals; and (3) alleged false claims pertaining to certain management fees paid to Curative Health Services. The dismissed cases include:

1. Cost Report Cases

United States ex rel. Alderson v. Columbia/HCA, et al., Case No. 97-2-35-CIV-T-23E.

United States ex rel. Schilling v. Columbia/HCA, Civil Action No. 96M-1264-CIV-T-23B.

United States ex rel. Michael R. Marine v. Columbia Aventura Medical Center, et al., Case No. 97-4368 (S.D. Fla.).

2. Physician Referral Cases

United States ex rel. James Thompson v. Columbia/HCA Healthcare Corp., et al., Civil Action No. C-95-110.

United States ex rel. King v. Columbia/HCA Healthcare Corp., et al., Civ. Action No. EP-96-CA-342 (W.D. Tex.)

United States ex rel. Ann Mroz v. Columbia/HCA Healthcare Corp., Civil Action No. 97-2828 (S.D. Fla.)

3. Curative Health Services Cases

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

United States et rel. Lanni v. Curative Health Services, et al., 98 Civ. 2501 (S.D.N.Y.)

B. Remaining *Qui Tam* Actions in Which the United States Has Not Intervened

United States of America, ex rel. Scott Pogue v. Diabetes Treatment Centers of America, Inc., et al., Civil Action No. 3-94-0515. HCA, Relator Pogue and the United States have agreed to settle claims against West Paces Ferry Hospital, the only HCA facility named in the action, for $1.5 million. A motion to dismiss these claims is pending.

In 1998, the case *United States ex rel. Barrett and Goodwin v. Columbia/HCA Healthcare Corp., et al.*, Civ. Action No. H-98-0861 (S.D. Tex) was filed in the United States District Court for the Southern District of Texas. In general, the complaint alleges that the Company engaged in improper financial arrangements with physicians to induce referrals in violation of the Anti-kickback Statute as well as improper upcoding of DRG codes. The relators served the complaint, and the Company filed a motion to dismiss. The United States District Court for the District of Columbia dismissed the False Claims Act causes of action with leave to amend, but denied the defendant's motion to dismiss the relator's retaliatory discharge claims.

In 1997, the case *United States ex rel. Hockett, Thompson & Staley v. Columbia/HCA Healthcare Corp. et al.*, Civ. Action No. 97-MC-29-a (W.D. Va.) was filed in the United States District Court for the Western District of Virginia. In general, the case alleges that the Company filed false claims in connection with the filing of its cost reports such as including improper inflation of cost basis, costs relating to unnecessary care to patients, and falsification of records. The Company has been served with the complaint, which it answered. Another defendant filed a motion to dismiss, which was denied on February 14, 2003. The case is now entering the discovery phase.

In 1999, the case *United States ex rel. McCready v. Columbia North Monroe Hospital*, Civil Action No. 99-1099M was filed in the United States District Court for the Western District of Louisiana. In general, the case alleges that a Company hospital failed to timely transfer patients to the rehabilitation unit, a practice that allegedly resulted in improper cost allocation to the hospital's acute care services and thus improperly increased reimbursement. The Company was served with the complaint and filed an answer. Another defendant filed a motion to dismiss, which was denied. The case is now entering the discovery phase.

Shareholder Derivative and Class Action Complaints Filed in the U.S. District Courts

During the April 1997 to October 1997 period, numerous securities class action and derivative lawsuits were 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.

In August 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. The court administratively closed all of the other individual securities class action lawsuits. 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.

The defendants filed a motion to dismiss the Morse lawsuit. 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. In August 2000, plaintiffs filed a motion to alter or amend judgment and for leave to file an amended complaint and requested oral argument on their motion. The plaintiffs' motion to alter or amend was denied in October 2000. In October 2000, plaintiffs filed their Notice of Appeal. That appeal was heard before the Sixth Circuit Court of Appeals in April 2002. The Sixth Circuit reversed and remanded the case to district court. Plaintiffs filed a fourth amended complaint, and defendants have moved to dismiss.

The Company intends to pursue the defense of the shareholder class action complaints vigorously.

In August 1997, the court entered an order consolidating the above-mentioned derivative law claims into a single-captioned case, *Carl H. McCall 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. The court administratively closed all of the other derivative lawsuits. 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 a motion to dismiss the McCall lawsuit. In September 1999, the District Court entered an order granting the defendants' motion to dismiss McCall with prejudice. The plaintiffs in the McCall lawsuit filed an appeal from that order. In February 2001, the United States Court of Appeals for the Sixth Circuit entered an order reversing, in part, the district court's dismissal order and remanding the case to the trial court. In April 2001, the Sixth Circuit denied defendants' motion for rehearing, or certification to the Delaware Supreme Court. In July 2001, the trial court issued a second case management order. The parties reached a settlement in principle that was approved by the HCA Board of Directors on January 30, 2003. The settlement was presented to the court on February 27, 2003 and received preliminary approval. Notice of the settlement by mail to shareholders and by publication occurred in March 2003. Following a notice period, final court approval was granted on June 3, 2003. The McCall settlement also provides for the dismissal of the following derivative claims:

Shareholder Derivative Actions Filed in State Courts

Barron, Evelyn, et al. v. Magdelena Averhoff, et al., (Civil Action No. 15822NC), filed on July 22, 1997, and *Kovalchick, John E. v. Magdelena Averhoff, et al.*, (Civil Action No. 15829NC), filed on July 29, 1997, in the Court of Chancery of the State of Delaware in and for New Castle County.

Williams v. Averhoff, (Civil Action No. 15055-NC) filed on August 5, 1997, in the Court of Chancery of the State of Delaware in and for New Castle County.

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), filed in the Circuit Court in Davidson County, Tennessee.

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., 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 removed to the United States District Court, Southern District of Florida (Case No. 98-814-CIV).

Patient/Payer Actions and Other Class Actions

In 1996, 1997, 1998 and 2000, certain plaintiffs brought purported class action lawsuits against the Company and/or its subsidiaries and affiliates. On February 4, 2003, plaintiffs in each of these cases combined their claims in a single complaint for settlement purposes in the proceeding captioned In re: Columbia/HCA Healthcare Corporation Billing Practices Litigation, Master File No. MDL 1227, pending in the United States District Court for the Middle District of Tennessee (described more fully below). Also on February 4, 2003, the District Court granted preliminary approval to a Settlement Agreement to resolve each of the following combined cases.

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 (see cases below) 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. 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, the 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 a new plaintiff, Board of Trustees of the Pipefitters Local 522 Hospital, Medical and Life Benefit Fund. The defendants have filed an answer to the amended complaint. The plaintiffs' complaint seeks 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 complaint alleges, 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. The plaintiffs filed a motion for class certification on July 19, 2002, seeking certification only of the class of employee welfare benefit plans, naming only two of the named plaintiffs (the Carpenters & Millwrights and Tennessee Laborers plans) as class representatives, and focusing their claims on claims for services never rendered. The Company filed its response to the motion for class certification on August 16, 2002. On August 14, 2002, the United Paperworkers International Union voluntarily withdrew from the case as a named plaintiff, and on September 6, 2002, the Board of Trustees of the Pipefitters Local 522 Hospital, Medical and Life Benefit Fund also voluntarily withdrew from the case as a named plaintiff. In addition, in an order and memorandum opinion dated April 12, 2000, the court ordered the Company to produce certain documents that the Company listed as subject to the attorney-client privilege and/or the attorney work product doctrine on privilege logs. The Company appealed the court's decision to the United States Court of Appeals for the Sixth Circuit. A three-judge panel of the Court of Appeals affirmed the district court's decision on June 10, 2002. The Company moved for reconsideration of the decision on June 24,

2002, and requested rehearing of the matter by the full court. On September 9, 2002, the full Court of Appeals denied the motion and remanded the case to the district court. The parties reached a tentative settlement that received preliminary court approval on February 4, 2003. Following a notice period, final court approval was granted on June 4, 2003. Cases dismissed as a result of this settlement include:

The matter of Boyson, Cordula, on behalf of herself and all others similarly situated v. Columbia/HCA Healthcare Corporation 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 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 filed in the United States District Court for the Eastern District of Texas (Civil Action No. 597CV203).

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 Ironworker's Health Benefit Plan v. Columbia/HCA Healthcare Corporation*, Case No. 598CV158, filed in the United States District Court for the Eastern District of Texas.

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, filed in the United States District Court of the Middle District of Tennessee, Nashville Division, on May 14, 1998.

The matter of The United Paperworkers International Union, et al. v. Columbia/HCA Healthcare Corporation, et al., filed on September 3, 1998 in the Circuit Court for Washington County, Tennessee, Civil Action No. 19350.

The matter of Brown, Nancy, individually and on behalf of all others similarly situated v. Columbia/HCA Healthcare Corporation filed on November 16, 1995, in the Fifteenth Judicial Circuit Court in and for Palm Beach County, Florida, Case No. 95-9102 AD.

The matter of Jackson, Harald F., individually and on behalf of all others similarly situated v. Columbia/HCA Healthcare Corporation filed in the Fifteenth Judicial Circuit Court in and for Palm Beach County, Florida on December 23, 1997, Case No. 97-011419-AI.

Ferguson, Charles, on behalf of himself and all other similarly situated v. Columbia/HCA Healthcare Corporation, et al. filed on September 16, 1997 in the Circuit Court for Washington County, Tennessee, Civil Action No. 18679.

The matter of Hoop, Kemp, et al. v. Columbia/HCA Healthcare Corporation, et al., filed on August 18, 1997 in the District Court of Johnson County, Texas, Civil Action No. 249-171-97.

General Liability and Other Claims

The matter of *Rocky Mountain Medical Center, Inc. v. Northern Utah Healthcare Corporation, d/b/a/ St. Mark's Hospital*, Case No. 000906627, was filed in the Third Judicial District Court of Salt Lake County, Utah on August 22, 2000 with a request for injunctive relief and damages under Utah antitrust law. Specific counts in the complaint include illegal boycott, unreasonable restraint of trade, attempt to monopolize and interference with prospective economic relations. At issue are St. Mark's Hospital's contracts with certain managed care organizations. The court denied the plaintiff's request for a preliminary injunction. Both parties filed cross-motions for summary judgment and both motions were denied in December 2001. Discovery is ongoing.

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 is engaged in discussions with these insurers, 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 is a party to certain proceedings relating to claims for income taxes and related interest in the United States Tax Court, the United States Court of Federal Claims and the Sixth Circuit. For a description of those proceedings, see Note 5 — 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 22, 2003. The following matters were voted upon at the meeting:

		Votes in Favor	Votes Withheld
1.	Election of Directors		
	Magdalena H. Averhoff, M.D.	425,377,038	5,653,897
	Jack O. Bovender, Jr.	423,005,497	8,025,438
	Richard M. Bracken	425,436,151	5,594,784
	Martin Feldstein	420,714,732	10,316,203
	Thomas F. Frist, Jr., M.D.	422,644,744	8,386,191
	Frederick W. Gluck	420,691,902	10,339,033
	Glenda A. Hatchett	425,361,477	5,669,458
	Charles O. Holliday, Jr.	425,388,042	5,642,893
	T. Michael Long	425,357,470	5,673,465
	John H. McArthur	423,302,963	7,727,972
	Kent C. Nelson	425,379,638	5,651,297
	Franck S. Royal, M.D.	425,113,636	5,917,299
	Harold T. Shapiro	420,692,889	10,338,046

		Votes in Favor	Votes Against	Abstentions
2.	Stockholder Proposal Relating to Chief Executive Officer's Compensation	21,097,451	353,886,270	7,670,028

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

(a) List of Exhibits:

Exhibit 10.1 — Administrative Settlement Agreement dated June 25, 2003, by and between the United States Department of Health and Human Services, acting through the Centers for Medicare and Medicaid Services, and HCA Inc.

Exhibit 10.2 — Civil Settlement Agreement by and among the United States of America, acting through the United States Department of Justice and on behalf of the Office of Inspector General of the Department of Health and Human Services, the TRICARE Management Activity, and HCA Inc.

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

Exhibit 31.1 — Certification of Chief Executive Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002.

Exhibit 31.2 — Certification of Principal Financial Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002.

Exhibit 32.1 — Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K filed during the quarter ended June 30, 2003:

On April 2, 2003, the Company filed a report on Form 8-K under Items 5 and 7 which announced the completion of its acquisition of the Health Midwest system in Kansas City.

On April 16, 2003, the Company filed a report on Form 8-K under Item 9 which announced expectations relating to first quarter earnings results.

On April 22, 2003, the Company filed a report on Form 8-K under Item 9 which included its operating results for the 2003 first quarter.

On April 30, 2003, the Company filed a report on Form 8-K under Item 9 which announced a $1.5 Billion Share Repurchase Program.

On May 23, 2003, the Company filed a report on Form 8-K under Item 9 which announced a plan to discontinue development of a new patient accounting information system.

On June 30, 2003, the Company filed a report on Form 8-K under Item 12 which announced the issuance of a press release relating to certain settlement agreements.

Notwithstanding the foregoing, information furnished under Item 9 and Item 12 of the Company's Current Reports on Form 8-K, including the related exhibits shall not be deemed to be filed for purposes of Section 18 of the Securities Exchange Act of 1934.

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 INC.

/s/ R. MILTON JOHNSON

R. Milton Johnson
Senior Vice President and Controller

Date: August 11, 2003

EXHIBIT 10.1

ADMINISTRATIVE SETTLEMENT AGREEMENT

I. PARTIES

This Settlement Agreement ("Agreement") is entered into between the following (hereinafter "the Parties") through their authorized representatives: the United States Department of Health and Human Services ("HHS"), acting through the Centers for Medicare & Medicaid Services ("CMS"), and HCA Inc. ("HCA").

II. DEFINITIONS

For the purposes of this Agreement:

"HCA Provider" shall mean any entity that meets both of the following requirements: (a) has received or is entitled to receive reimbursement from the Medicare program for services provided at a hospital, critical access hospital, skilled nursing facility, comprehensive outpatient rehabilitation facility, home health agency, hospice, rehabilitation hospital, or psychiatric hospital; and (b) is or was managed, owned or controlled by HCA or by any entity directly or indirectly at least 50% owned or controlled by HCA or any of the public companies previously known as HCA-The Healthcare Company, Hospital Corporation of America, HCA-Hospital Corporation of America, Galen Health Care, Inc., HealthTrust, Inc.-The Hospital Company, EPIC Healthcare Group, Inc., Columbia Healthcare Corporation, Columbia Hospital Corporation, Medical Care America, Inc., Basic American Medical, Inc. and Columbia/HCA Healthcare Corporation.

"HCA Cost Report Overpayment Obligations" means any obligation that HCA or any HCA Provider has, could have had or could have to pay amounts to HHS or CMS (or any of their agents, including a carrier or intermediary), directly, through offset, or otherwise, arising from cost statements, cost reports or appeals which have been filed or which could have been

filed by HCA or an HCA Provider for cost reporting periods ending on or before July 31, 2001. HCA Cost Report Overpayment Obligations do not include obligations to repay monies erroneously paid to HCA or an HCA Provider due to representations made by submission of any Form UB-92 or CMS Form 1500 or any actual or potential liability arising under the authority of the Inspector General of HHS for program exclusion or the imposition of civil monetary penalties. HCA Cost Report Overpayment Obligations do not include obligations of any HCA Provider sold or otherwise disposed of by HCA for any cost reporting period ending after such sale or other disposition. HCA Cost Report Obligations do not include obligations of any HCA Provider acquired after July 31, 2001, except for any cost reporting period during which such HCA Provider was previously owned in whole or in part by HCA.

"Effective Time" means the time that CMS receives the electronic transfer payment set forth in paragraph 1.

"DOJ" means the United States Department of Justice.

III. TERMS AND CONDITIONS

NOW, THEREFORE, the Parties agree as follows:

1. HCA agrees to pay to CMS $250,000,000 within five (5) business days from the execution of this Agreement by the Parties. Payment shall be made by electronic funds transfer pursuant to written instructions to be provided HCA by the Office of Financial Management of CMS no later than the date of execution of this Agreement.

2. As of the Effective Time, except as provided in Paragraphs 6 and 9 of this Agreement, HHS, on behalf of itself, its officers, and agents, including but not limited to its fiscal intermediaries ("FIs"), hereby releases and discharges HCA and all HCA Providers from any HCA Cost Report Overpayment Obligations and HHS and CMS shall not pursue such HCA

Cost Report Overpayment Obligations, including by audits or in any administrative forum or court.

3. As of the Effective Time, HCA hereby releases HHS from any liability in connection with cost statements or cost reports which have been filed or could have been filed by HCA or an HCA Provider for cost reporting periods ending on or before July 31, 2001 including any administrative appeals and federal court cases (together, the "Appeals") arising from such claims. HCA shall move to withdraw such Appeals with prejudice, and shall not file any further Appeals with respect to the HCA Cost Report Overpayment Obligations.

4. For all acceptable cost reports (as defined in 42 C.F.R. ss. 413.24(f)(5)) filed and covered by this Agreement, and subject to any Special Circumstances Agreement ("SCA") ratified by HCA and CMS and except as provided in Paragraphs 5 and 9 of this Agreement, HCA and CMS agree that: (a) this Agreement will constitute the final payment determination contemplated by 42 U.S.C. ss. 1395oo; (b) HCA hereby waives its right to appeal this determination; (c) HHS and CMS waive any right they may have to reopen this payment determination with respect to any such cost report; and (d) the data and statistics set forth in or with the first twelve-month as-filed cost report filed on or after January 1, 1999, for each HCA Provider will be used as the basis for computing future reimbursement amounts that are dependent on the settlement of prior year cost reports until such time as said as-filed cost reports are superseded for this purpose by cost reports filed in connection with fiscal years ending after July 31, 2001.

5. Notwithstanding this or any other provision of this Agreement, CMS may (1) reopen HCA and/or HCA Provider cost reports for cost reporting periods ending on or before July 31, 2001, for the purpose of complying with any act of Congress requiring CMS to rely on

settled cost reports for such year(s) as a basis for adjusting Federal payment rates to providers participating in Medicare; (2) reopen HCA and/or HCA Provider cost reports for the purpose of determining overpayments or underpayments for HCA Providers sold or otherwise disposed of by HCA for cost reporting periods ending subsequent to such sale or other disposition; and (3) reopen HCA and/or HCA Provider cost reports for cost reporting periods ending on or before July 31, 2001, for the purpose of implementing paragraph 15 of the December 2000 Civil and Administrative Settlement Agreement, paragraph 17 of the December 2000 Plea Agreement, and paragraph 12 of the _____ 2003 Civil Settlement Agreement; provided, however, that if CMS reopens an HCA and/or HCA Provider cost report under paragraphs 5(1) or 5(2) of this Agreement, (a) CMS will not use any such reopening either to pay any additional amounts to HCA or to seek further payments from HCA for the reopened period(s) and (b) if CMS reopens any cost report specifically identified in the last filed complaints of the United States or relators in United States ex rel. Alderson v. HCA, et al., Case No. 93-3290 (RCL); United States ex rel. Schilling v. HCA, et al., Case No. 99-3289 (RCL); United States ex rel. Marine v. Columbia Aventura Medical Center, et al., Case No. 00-1845 (RCL); United States ex rel. Lanni v. HCA, et al., Case No. 00-2584 (RCL); and United States ex rel. Parslow v. HCA, et al., Case No. 99-3338 (RCL), HCA will promptly provide to CMS alternative versions of such cost reports calculated to reflect the removal of any amounts alleged to have been inflated in such complaints so as to enable CMS to consider this data in setting future rates. Disputes with respect to reopening under 5(2) of this Agreement will be presented to the Provider Reimbursement Review Board (PRRB) for resolution.

6. As of the Effective Time, HCA and any and all HCA providers that have not yet filed acceptable cost reports (as defined by 42 C.F.R. ss. 413.24(f)(5)) for cost reporting periods

ending on or before July 31, 2001, are required to file acceptable cost reports with the appropriate FIs. Notwithstanding this or any other provision of this Settlement Agreement, HCA and/or an HCA provider(s) who fails, by the Effective Time, to file an acceptable cost report(s) for cost reporting periods ending on or before July 31, 2001 with the appropriate FI(s) is subject to the provisions of 42 C.F.R. ss. 405.371(c) and all other potential penalties for failure to file a timely acceptable cost report(s).

7. Each Party to this Agreement will bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

8. This Agreement is entered into contemporaneous with the _____ 2003 Civil Settlement Agreement concerning HCA's alleged liability under the False Claims Act, other federal statutes, and the common law for certain conduct described in the _____ 2003 Civil Settlement Agreement; this Agreement in no way compromises, nor does payment hereunder satisfy claims or damages alleged in the Complaints or Amended Complaints of the United States dismissed through the _____ 2003 Civil Settlement Agreement.

9. Nothing herein affects the obligations of HCA and the rights of the United States and HHS pursuant to the (1) December 2000 Plea Agreement, (2) December 2000 Civil and Administrative Settlement Agreement, (3) December 2000 Corporate Integrity Agreement, and (4) the _____ 2003 Civil Settlement Agreement. Further, nothing herein releases HCA from any administrative monetary claim arising from HCA's charging of any unallowable costs (as that term is defined in paragraph 15(a) of the December 2000 Civil and Administrative Settlement Agreement, paragraph 17 of the December 2000 Plea Agreement, and paragraph 12(a) of the 2003 Civil Settlement Agreement) incurred with respect to the claims settled under

the terms of the _____ 2003 Civil Settlement Agreement, the December 2000 Civil and Administrative Settlement Agreement, or the December 2000 Corporate Integrity Agreement.

10. This Agreement is governed by the laws of the United States. The Parties agree that the exclusive jurisdiction and venue for any dispute arising between and among the Parties under this Agreement will be the United States District Court for the District of Columbia.

11. This Agreement does not constitute evidence or an admission by any party of any liability or wrongful conduct.

12. This Agreement is intended to be for the benefit of the Parties and HCA Providers only; provided, however, that this Agreement does not release any obligations of any HCA Provider sold or otherwise disposed of for any cost reporting period ending after such sale or disposition nor does this Agreement release any obligations of any HCA Provider acquired after July 31, 2001, except for any cost reporting period during which such HCA Provider was previously owned in whole or in part by HCA. The Parties do not release any claims against any other person or entity.

13. This Agreement constitutes the entire agreement between the Parties with respect to the subject matter of the Agreement and supersedes all prior agreements and understandings, both oral and written, between the Parties with respect to the subject matter of this Agreement.

14. This Agreement may not be amended or modified except by written consent of the Parties.

15. The undersigned individuals signing this Agreement on behalf of HCA represent and warrant that they are authorized by HCA to execute and deliver this Agreement. The undersigned United States signatories represent that they are signing this Agreement in their official capacities and that they are authorized to execute and deliver this Agreement.

16. This Agreement is effective on the date of signature of the last signatory to the Agreement. Facsimiles of signatures shall constitute acceptable, binding signatures for purpose of this Agreement.

17. CMS agrees to communicate all relevant terms of this Agreement to its FIs and to ensure that the FIs properly implement its provisions.

"HCA"	UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES
HCA Inc.	By "CMS" Centers for Medicare & Medicaid Services
By /s/ Robert A. Waterman	By /s/ Timothy Hill
Its General Counsel	Timothy Hill Acting Director, Office of Financial Management
Date 6/25/03	Date 6/25/03

/s/ Walter Loughlin
Counsel to HCA

EXHIBIT 10.2

CIVIL SETTLEMENT AGREEMENT

I. PARTIES

This Civil Settlement Agreement ("Agreement") is entered into between the following (the "Parties") through their authorized representatives: the United States of America, acting through the United States Department of Justice and on behalf of the Office of Inspector General ("OIG-HHS") of the Department of Health and Human Services ("HHS"); the TRICARE Management Activity ("TMA")(formerly the Office of Civilian Health and Medical Program of the Uniformed Services ("OCHAMPUS")), through its General Counsel (collectively "the United States"); and HCA Inc., formerly known as Columbia/HCA Healthcare Corporation, on behalf of its predecessors and current and former affiliates, divisions and subsidiaries (collectively "HCA").

II. PREAMBLE

As a preamble to this Agreement, the Parties agree to the following:

A. HCA is a Delaware corporation that through its predecessors and/or its subsidiaries and affiliates operates or has operated over 400 hospitals, over 500 home health agencies, and numerous ancillary health care facilities in at least thirty states.

B. James F. Alderson, Gary L. King, Francesco Lanni, Michael Marine, Ann Mroz, Joseph "Mickey" Parslow, James M. Thompson, and John W. Schilling ("Relators") filed qui tam actions in various United States District Courts that are now pending before the District Court for the District of Columbia captioned as follows:

(1) U.S. ex rel. Alderson v. Columbia/HCA Healthcare Corp., et al,

Case No. 99-3290 (D.D.C.);

(2) U.S. ex rel. King v. Columbia/HCA Healthcare Corp., et al.,

Case No. 99-3306 (D.D.C.);

(3) U.S. ex rel. Lanni v. Curative Health Services, Inc. et al.,

Case No. 00-2584 (D.D.C.);

(4) U.S. ex rel. Marine v. Columbia Aventura Medical Center, et al.,

Case No. 00-1845 (D.D.C.);

(5) U.S. ex rel. Mroz v. Columbia/HCA Healthcare Corp., et al.,

Case No. 99-3292 (D.D.C.);

(6) U.S. ex rel. Parslow v. Columbia/HCA Healthcare Corp., et al.,

Case No. 99-3338 (D.D.C.);

(7) U.S. ex rel. Schilling v. Columbia/HCA Healthcare Corp., et al.,

Case No. 99-3289 (D.D.C.);

(8) U.S. ex rel. Thompson v. Columbia/HCA Healthcare Corp., et al.,

Case No. 99-3302 (D.D.C.).

In the Alderson, Schilling, and Marine actions, above, HCA and certain of the HCA hospitals identified in Attachment 1 to this Agreement filed counterclaims and amended counterclaims against the United States ("HCA Counterclaims").

C. HCA submitted or caused to be submitted claims for payment to the Medicare Program (Medicare), Title XVIH of the Social Security Act, 42 U.S.C.ss.ss.1395-

1395ggg, the Medicaid Program, 42 U.S.C.ss.ss.1396-1396v; and the TRICARE Program (TRIGARE), 10 U.S.C.ss.ss.1071-1110 (collectively "the government healthcare programs").

D. The United States contends that it has certain civil claims under the False Claims Act, 31 U.S.C. ss.ss. 3729-33, and other federal statutes and/or common law and equitable doctrines, as specified in Paragraph 2 below, against HCA, for engaging in the following conduct (hereinafter the "Covered Conduct"):

(1) COST REPORTING

For cost report or cost statement periods ending on or after January 1, 1987 and ending on or before December 31, 1997, HCA and the HCA hospitals identified in Attachment 1 to this Agreement ("the HCA Hospitals") submitted or caused to be submitted cost reports and cost statements to representatives of the government healthcare programs seeking (a) reimbursement based in whole or in part upon costs stated to have been incurred as a result of treating beneficiaries of those programs, or (b) certain other payments claimed for reimbursement through a cost report (specifically, disproportionate share payments, indirect and direct medical education payments, bad debt payments, payments on charges where program reimbursable costs exceeded those charges, organ transplant payments, CORF payments, and rural health clinic payments), all of which HCA or an HCA Hospital represented were subject to reimbursement under the laws, regulations and rules applicable to those programs. These claims were false because many of the costs for which HCA and the HCA Hospitals sought reimbursement were either not incurred, incurred in lesser amounts, and/or otherwise not "allowable," i.e., reimbursable, as claimed under the laws, regulations and rules governing the programs.

(2) PHYSICIAN KICKBACKS

From January 1, 1987 through December 31, 1999, the HCA Hospitals (i.e., the hospitals identified in Attachment 1) and affiliated HCA home health agencies submitted or caused to be submitted claims to representatives of the government healthcare programs for items and services delivered by hospitals and home health agencies that were ordered by a physician, a member of a physician group practice, a professional corporation or other legal entity owned at least in part by a physician with whom the billing HCA provider, an HCA entity having an ownership interest in that provider, or an entity in which the HCA provider has an ownership interest, had a financial relationship, directly or through a family member. These claims were false because (a) Section 1877 of the Social Security Act ("SSA"), 42 U.S.C. ss. 1395nn (also known as the Stark Laws) prohibited the HCA providers from billing Medicare for items or services referred or ordered by physicians with whom HCA had improper financial relationships, (b) the HCA providers forfeited the right to bill the government healthcare programs for such items and services by paying remuneration to physicians intending that remuneration to induce those and other referrals in violation of the Anti-kickback Statute, 42 U.S.C. ss. 1320a-7b(b), or (c) the HCA providers were required to and did certify on cost reports submitted to fiscal intermediaries for the applicable fiscal years that items and services identified or summarized in each cost report were not provided or procured through the payment directly or indirectly of a kickback or billed in violation of federal law (i.e., the Stark Laws).

(3) CURATIVE WOUND CARE CENTERS

From January 1, 1993 through December 31, 1999, HCA hospitals identified in Attachment 2 to this Agreement submitted or caused to be submitted cost reports to

representatives of Medicare seeking reimbursement of management fees paid to Curative Health Services, Inc. ("Curative"), and seeking reimbursement for items and services rendered to patients in Wound Care Centers managed by Curative ("WCCs"). These claims were false because the management fees paid to Curative included unallowable costs for marketing and advertising. Certain of the HCA hospitals identified in Attachment 2 also submitted claims that were false because, contrary to each such hospital's certification, the management fee payments to Curative violated the Anti-kickback Statute, 42 U.S.C. ss. 1320a-7b(b), and claims submitted for items or services rendered to Medicare beneficiaries as a result were fraudulent. Additionally, the claims of certain hospitals identified in Attachment 2 for reimbursement of costs incurred for providing Procuren, a wound-healing product manufactured by Curative, were false because Procuren was not reimbursable under Medicare.

(4) PPS TRANSFER

From January 1, 1992 through December 31, 2000, HCA hospitals identified in Attachment 1 to this Agreement submitted or caused to be submitted claims for discharges of patients who were in fact transferred to another Prospective Payment System ("PPS") facility. Those claims were false because such patients were not "discharged" within the applicable Medicare regulations and the HCA hospitals were not entitled to the full amount of reimbursement they sought.

(5) CEDARS MEDICAL CENTER COST SHIFTING

From 1994 through December 31, 1997, HCA hospitals identified in Attachment 3 filed false Medicare cost reports and cost statements that included Resource Center home health costs incurred by another hospital, Cedars Medical Center, which costs Medicare would not pay

because Cedars' home health costs exceeded the cost limit, to other HCA hospitals that were below the cost limits. These claims were false because hospitals identified in Attachment 3 were not entitled to receive reimbursement for the costs incurred by Cedars Medical Center under the laws, regulations and rules governing Medicare.

(6) LAWNWOOD REGIONAL MEDICAL CENTER CLAIMS

For cost report years 1991 through 1996, HCA's Lawnwood Regional Medical Center submitted cost reports to representatives of Medicare seeking reimbursement of purportedly allowable costs. These claims were false because Lawnwood: (a) overstated the extent to which it treated a disproportionate share of indigent patients; (b) improperly reclassified certain salary and benefit costs to the skilled nursing unit, the psychiatric facility and the outpatient services department for employees who did not work in those units; (c) billed inconsistently for laboratory services; and (d) did not properly allocate the salaries and benefits of certain emergency room physicians.

E. The OIG-HHS and TMA contend that they have certain administrative claims against HCA under the provisions for permissive exclusion from the Medicare, Medicaid, and other Federal health care programs, 42 U.S.C.ss.1320a-7(b), the provisions for civil monetary penalties, 42 U.S.C.ss.1320a-7a, and permissive exclusion from TRICARE, 32 C.F.R. ss.199.9, for the Covered Conduct.

F. HHS also contends that it has certain administrative claims against HCA for overpayments for amounts claimed through cost reports and cost statements submitted to representatives of Medicare. Those administrative overpayment claims are the subject of another

settlement agreement executed contemporaneously with this agreement between HCA and the HHS Centers for Medicare & Medicaid Services ("2003 HHS Administrative Agreement").

G. The Relators identified in Paragraph B above have each represented, through counsel, that they agree that the settlement amount negotiated by the United States for claims stated in the qui tam action each filed is fair, adequate, and reasonable under all the circumstances as defined by 31 U.S.C. ss. 3730(c)(2)(B). Each Relator claims entitlement under 31 U.S.C. ss. 3730(d) to a share of the proceeds of this Agreement. This Agreement does not cover the claims of any Relator to a share of the proceeds or their attorney's fees under 31 U.S.C. ss. 3730(d). Nothing in this agreement shall constitute evidence or an admission that any relator has a valid claim as a relator.

H. This Settlement Agreement does not constitute evidence or an admission by any party of any liability or wrongful conduct.

I. HCA has executed a letter of credit in favor of the United States in the total amount of two hundred fifty million dollars ($250,000,000) pursuant to a February 11, 1999 Letter of Credit Agreement (LOC Agreement), as amended. The LOC Agreement is incorporated herein by reference.

J. HCA and OIG-HHS executed a separate Corporate Integrity Agreement ("CIA") on December 14, 2000, which is incorporated herein by reference.

K. To avoid the delay, uncertainty, inconvenience, and expense of protracted litigation of the claims set forth above, the Parties hereby reach a full and final settlement of the claims against HCA pursuant to the Terms and Conditions set forth below.

III. TERMS AND CONDITIONS

NOW, THEREFORE, in reliance upon the representations contained herein, in consideration of the mutual promises, covenants, and obligations set forth below, and for good and valuable consideration as stated herein, the Parties agree as follows:

1. HCA agrees to pay to the United States $629,487,927.00, plus interest accruing at a simple rate of 4.5% per annum from February 3, 2003 through and including the Payment Date (the "Settlement Amount"). The "Payment Date" shall be within ten (10) days after entry of the Orders of Dismissal by the United States District Court for the District of Columbia. HCA agrees to pay the Settlement Amount to the United States by electronic funds transfer pursuant to written instructions to be provided by Michael F. Hertz, Director, Commercial Litigation Branch, Civil Division, United States Department of Justice. The Settlement Amount represents the total of the following settlement amounts:

Cost Reporting Intervened Claims: $356,000,000
Physician Kickbacks: $225,500,000
Curative Wound Care Centers: $17,000,000
PPS Transfer: $5,000,000
Cedars Medical Center Cost Shifting: $950,000
Lawnwood Regional Medical Center: $5,037,927
Amounts for Alderson and Schilling Declined Claims: Relators' Share for those Claims: $20,000,000

2. Subject to the exceptions in Paragraph 8 below, in consideration of the obligations of HCA set forth in this Agreement, conditioned upon HCA's payment in full of the

Settlement Amount, the United States (on behalf of itself, its officers, agents, agencies, and departments) agrees to release HCA together with its current and former parent corporations, each of its direct and indirect subsidiaries, brother or sister corporations, divisions, corporations, current or former owners, partnerships or other legal entity in which HCA or an HCA subsidiary has or had an ownership interest, and the partners or other shareholders in any such partnership or other legal entity, and the successors and assigns of any of them, from any civil or administrative monetary claim the United States has or may have under the False Claims Act, 31 U.S.C. ss.ss. 3729-3733; the Civil Monetary Penalties Law, 42 U.S.C. ss. 1320a-7a; the Program Fraud Civil Remedies Act, 31 U.S.C. ss.ss. 3801-3812; the civil money penalty provision of the Stark Laws, 42 U.S.C. ss.ss. 1395nn(g)(3), (4); or the common law and/or equitable theories of payment by mistake, unjust enrichment, recoupment, restitution, disgorgement of illegal profits and fraud, for the Covered Conduct.

3. In consideration of the obligations of HCA set forth in this Agreement, conditioned upon HCA's payment in full of the Settlement Amount, the United States (on behalf of itself, its officers, agents, agencies, and departments) agrees to release HCA from all obligations it has under the LOC Agreement.

4. After the execution of this Agreement, the United States, HCA and Relators will file stipulations in the United States District Court for the District of Columbia for (a) dismissal with prejudice of the claims stated against HCA in the United States' Complaints and Amended Complaints in the Civil Actions identified in Paragraph B above; (b) dismissal with prejudice to Relators and without prejudice to the United States of those claims stated against HCA in the Relators' Complaints and Relators' Amended Complaints in the Civil Actions

identified in Paragraph B above; and (c) dismissal with prejudice to HCA and the HCA Hospitals of the HCA Counterclaims. The stipulations of dismissal will be conditioned upon receipt by the United States of the Settlement Amount, and subject to the terms of this Agreement. With the exception of those claims excluded from the above releases by Paragraph 8 below, the parties agree that they reserve the right to seek to dismiss any claim of any relator other than those identified on the grounds they are coextensive with the Covered Conduct or are otherwise barred.

5. Should this Agreement be challenged by any relator as not fair, adequate or reasonable pursuant to 31 U.S.C. ss. 3730(c)(2)(B), the United States and HCA agree that they will take all reasonable and necessary steps to defend this Agreement.

6. In consideration of the obligations of HCA set forth in this Agreement and the CIA, incorporated herein by reference, conditioned upon HCA's payment in full of the Settlement Amount, the OIG-HHS agrees to release and refrain from instituting, directing or maintaining any administrative action seeking exclusion from the Medicare, Medicaid, or other Federal health care programs (as defined in 42 U.S.C. ss. 1320a-7b(f)) against HCA under 42 U.S.C. ss. 1320a-7a (Civil Monetary Penalties Law), or 42 U.S.C. ss. 1320a-7(b)(7) (permissive exclusion for fraud, kickbacks, and other prohibited activities), for the Covered Conduct, except as reserved in Paragraph 8, below, and as reserved in this Paragraph. The OIG-HHS expressly reserves all rights to comply with any statutory obligations to exclude HCA together with its current and former parent corporations, each of its direct and indirect subsidiaries, brother or sister corporations, divisions, current or former owners, affiliates, and the successors and assigns of any of them from the Medicare, Medicaid, or other Federal health care program under 42 U.S.C. ss. 1320a-7(a)(mandatory exclusion) based upon the Covered Conduct. Nothing in this

Paragraph precludes the OIG-HHS from taking action against entities or persons, or for conduct and practices, for which claims have been reserved in Paragraph 8, below.

7. In consideration of the obligations of HCA set forth in this Agreement, conditioned upon HCA's payment in full of the Settlement Amount, TMA agrees to release and refrain from instituting, directing, or maintaining any administrative action seeking exclusion from the TRICARE/CHAMPUS Program against HCA under 32 C.F.R. ss. 199.9 for the Covered Conduct, except as reserved in Paragraph 8, below, and as reserved in this Paragraph. TMA expressly reserves authority to exclude HCA together with its current and former parent corporations, each of its direct and indirect subsidiaries, brother or sister corporations, divisions, current or former owners, affiliates, and the successors and assigns of any of them, from the TRICARE/CHAMPUS program under 32 C.F.R. ss.ss. 199.9 (f)(l)(i)(A), (f)(l)(i)(B), and (f)(l)(iii), based upon the Covered Conduct.

8. Notwithstanding any term of this Agreement, specifically reserved and excluded from the scope and terms of this Agreement as to any entity or person (including HCA and Relators) are any and all of the following claims of the United States or its agencies:

a. Any civil, criminal or administrative liability arising under Title 26, U.S. Code (Internal Revenue Code);

b. Any criminal liability;

c. Except as stated in Paragraphs 2, 6 and 7 of this Agreement, any administrative liability, including mandatory exclusion from Federal health care programs;

d. Any liability for any conduct other than the Covered Conduct;

e. Any claims based upon such obligations as are created by this Agreement;

f. Any express or implied warranty claims or other claims for defective or deficient products or services, including quality of goods and services, provided by HCA;

g. Any claims for personal injury or property damage, or for other similar consequential damages, arising from the Covered Conduct;

h. Any claims based on a failure to deliver items or services due;

i. Any civil or administrative claims against individuals (including current or former directors, officers, employees, agents, or shareholders of HCA);

j. Any civil or administrative claims against hospitals or other entities acquired by HCA after May 2000 for conduct during periods in which those hospitals or entities were not owned in whole or in part by HCA prior to May 2000;

k. Any claims for conduct described in Paragraph (D)(l) (cost reporting) that are alleged in the relators' complaints pending as of December 2002 in the following qui lawsuits:

(i) U.S. ex rel. Hockett, et al., v. Columbia/HCA Healthcare Corp., et al., No. 99-33ll(D.D.C);

(ii) U.S. ex rel. McReady v. Columbia North Monroe Hospital, et al., No. 00-1846(D.D.C.);

(iii) {7.5*. ex rel. Sanderson v. HCA - The Healthcare Company, et al., No. 3-01 0580 (M.D. Tenn.);

(iv) U.S. ex rel. Locke v. Living Hope Institute, et al., Civ. A. No. LR-C-99-031 (E.D.Ark.).

9. HCA waives and will not assert any defenses HCA may have to any criminal prosecution or administrative action relating to the Covered Conduct, which defenses may be based in whole or in part on a contention that, under the Double Jeopardy Clause in the Fifth Amendment of the Constitution, or under the Excessive Fines Clause in the Eighth Amendment of the Constitution, this Settlement bars a remedy sought in such criminal prosecution or administrative action. HCA agrees that this settlement is not punitive in purpose or effect. Nothing in this Paragraph or any other provision of this Agreement constitutes an agreement by the United States concerning the characterization of the Settlement Amount for purposes of the Internal Revenue Laws, Title 26 of the United States Code.

10. HCA and the HCA Hospitals fully and finally release the United States, its agencies, employees, servants, and agents from any claims (including, without limitation, the HCA Counterclaims and any claims for attorney's fees, costs, and expenses of every kind and however denominated) which HCA has asserted, could have asserted, or may assert in the future against the United States, its agencies, employees, servants, and agents, related to the Covered Conduct and the United States' investigation, prosecution and settlement thereof.

11. The Settlement Amount will not be decreased as a result of the denial of claims for payment now being withheld from payment by any Medicare carrier or intermediary or by TRICARE or any State payor, related to the Covered Conduct; and HCA agrees not to resubmit to any Medicare carrier or intermediary or to TRICARE or any State payor any

previously denied claims related to the Covered Conduct, and agrees not to appeal any such denials of claims.

12. HCA agrees to the following:

(a) Unallowable Costs Defined: HCA agrees that all costs (as defined in the Federal Acquisition Regulations (FAR) 48 C.F.R. ss. 31.205-47 and in Titles XVIII and XIX of the Social Security Act, 42 U.S.C. ss.ss. 1395-1395ggg and 1396-1396v, and the regulations promulgated thereunder) incurred by or on behalf of HCA, its predecessors and current and former affiliates, divisions and subsidiaries and its present or former officers, directors, employees, shareholders, and agents in connection with:

(1) the matters covered by this Agreement and any related Plea Agreement,

(2) the Government's audit(s) and civil and any criminal investigation(s) of the matters covered by this Agreement,

(3) HCA's investigation, defense, and corrective actions undertaken in response to the Government's audit(s) and civil and any criminal investigation(s) in connection with the matters covered by this Agreement (including attorneys fees and the obligations undertaken pursuant to the CIA incorporated in this Agreement),

(4) the negotiation and performance of this Agreement and any Plea Agreement, and

(5) the payments HCA makes to the United States pursuant to this Agreement and the 2003 HHS Administrative Agreement and any payments that HCA may make to any relator and/or relator's attorney, are unallowable costs on Government contracts and

under the Medicare Program, Medicaid Program, TRICARE Program, and Federal Employees Health Benefits Program (FEHBP). (All costs described or set forth in this Paragraph 12(a) are hereafter, "unallowable costs").

(b) Future Treatment of Unallowable Costs: These unallowable costs will be separately estimated and accounted for by HCA, and HCA will not charge such unallowable costs directly or indirectly to any contracts with the United States or any State Medicaid Program, or seek payment for such unallowable costs through any cost report, cost statement, information statement, or payment request submitted by HCA or any of its subsidiaries to the Medicare, Medicaid, TRICARE, or FEHBP Programs.

(c) Treatment of Unallowable Costs Previously Sought: HCA further agrees that within 60 days of the effective date of this Agreement it will identify to applicable Medicare and TRICARE fiscal intermediaries, carriers, and/or contractors, and Medicaid, VA and FEHBP fiscal agents, any unallowable costs (as defined in this Paragraph) included in payments previously sought from the United States, or any State Medicaid Program, including, but not limited to, payments sought in any cost reports, cost statements, information reports, or payment requests already submitted by HCA or any of its subsidiaries, and will request, and agree, that such cost reports, cost statements, information reports, or payment requests, even if already settled, be adjusted to account for the effect of the inclusion of the unallowable costs. HCA agrees that the United States will be entitled to recoup from HCA any overpayment as a result of the inclusion of such unallowable costs on previously-submitted cost reports, information reports, cost statements, or requests for payment. Any payments due after the adjustments have been made shall be paid to the United States pursuant to the direction of the

Department of Justice, and/or the affected agencies. The United States reserves its rights to disagree with any calculations submitted by HCA or any of its subsidiaries on the effect of inclusion of unallowable costs (as defined in this Paragraph) on HCA or any of its subsidiaries' cost reports, cost statements, or information reports. Nothing in this Agreement shall constitute a waiver of the rights of the United States to examine or reexamine the unallowable costs described in this Paragraph.

13. HCA agrees to cooperate fully and completely with the United States in any criminal, civil and/or administrative investigations and proceedings of any present and former officers, directors, employees and agents, and of any parties with whom it had or has a business or professional relationship with respect to the Covered Conduct. HCA will itself provide information through testimony and/or oral briefings by competent corporate representatives upon request of the United States. HCA will furnish to the United States, upon reasonable request, complete and un-redacted copies of all non-privileged documents, reports, memoranda of interviews, and records in its possession, custody, or control concerning any investigation of the Covered Conduct which it has undertaken, or which has been performed by others on its behalf, and agrees that it will not assert any claim of privilege with respect to information requested by the United States to establish the authenticity or evidentiary foundation for the non-privileged information it has provided. HCA agrees not to impair, and, upon reasonable notice, will encourage, the cooperation of its directors, officers, employees and agents in any investigation of the Covered Conduct. HCA also agrees to use its best efforts to make available, and encourage the cooperation of, former directors, officers and employees for interviews and testimony, consistent with the rights and privileges of such individuals in any

investigation of the Covered Conduct. The obligations referred to in this Paragraph shall in no way limit HCA's obligations under any other agreement with the United States or the any state, including, but not limited to, the Plea Agreement that HCA entered with the United States in December, 2000.

14. This Agreement is intended to be for the benefit of the Parties, and by this instrument the Parties do not release any claims against any other person or entity, except to the extent specifically provided for in this Agreement.

15. HCA agrees that it will not seek payment for any of the health care billings covered by this Agreement from any health care beneficiaries or their parents or sponsors. HCA waives any causes of action against these beneficiaries or their sponsors or responsible parties based upon the claims for payment covered by this Agreement.

16. Except as may be expressly provided to the contrary in this Agreement, each party to this Agreement will bear its own legal and other costs incurred in connection with this matter, including the preparation and performance of this Agreement.

17. This Agreement is governed by the laws of the United States. The Parties agree that the exclusive jurisdiction and venue for any dispute arising between and among the Parties under this Agreement will be the United States District Court for the District of Columbia, except that disputes arising under the Corporate Integrity Agreement shall be resolved exclusively under the dispute resolution provisions in the Corporate Integrity Agreement.

18. This Agreement may not be amended except by written consent of the Parties, except that only HCA and OIG-HHS must agree in writing to modification of the Corporate Integrity Agreement.

19. The undersigned individuals signing this Agreement on behalf of HCA represent and warrant that they are authorized by HCA to execute this Agreement. The undersigned United States signatories represent that they are signing this Agreement in their official capacities and that they are authorized to execute this Agreement.

20. This Agreement may be executed in counterparts, each of which constitutes an original and all of which constitute one and the same agreement.

21. This Agreement is binding on HCA's successors, transferees, heirs, and assigns.

22. This Agreement is effective on the date of signature of the last signatory to the Agreement. Facsimiles of signatures shall constitute acceptable, binding signatures for purposes of this Settlement Agreement.

THE UNITED STATES OF AMERICA

DATED: June 26, 2003 BY: /s/ Joyce R. Branda

JOYCE R. BRANDA
Deputy Director
Commercial Litigation Branch
Civil Division
U.S. Department of Justice

DATED: June 25, 2003

BY: /s/ Larry J. Goldberg

LARRY J. GOLDBERG
Assistant Inspector for Legal
Affairs Office of Inspector
General United States Department
of Health and Human Services

DATED: 24 June 03

BY: /s/ Laurel C. Gillespie

LAUREL C. GILLESPIE
Deputy General Counsel
TRICARE Management Activity
United States Department of
Defense

HCA INC.

DATED: 6/24/2003 BY: /s/ Robert A. Waterman

ROBERT A. WATERMAN
General Counsel
HCA

DATED: JUNE 24, 2003 BY: /s/ Cathryn L. Sowers

CATHRYN L. SOWERS
Vice President
Litigation
HCA

DATED: 6/26/03 BY: /s/ Roger S. Goldman

ROGER S. GOLDMAN
WALTER P. LOUGHLIN
Latham & Watkins
Counsel for HCA

ATTACHMENT ONE

HCA HOSPITALS TO WHICH
COST REPORTING,
PHYSICIAN KICKBACK AND
PPS TRANSFER
RELEASES APPLY
(RELEASED LIABILITY RUNS ONLY
THROUGH HCA SALE OR CLOSURE DATE)

FACILITY NAME	MEDICARE PROVIDER NUMBER (REDACTED)	STREET	ZIP	CITY	STATE	DATE OF HCA SALE OR CLOSURE
THOMASVILLE HOSPITAL		1440 Highway 43 North	36748	THOMASVILLE	AL	08/17/93
ANDALUSIA HOSPITAL		849 S Three Notch Street	36420	ANDALUSIA	AL	05/11/99
MEDICAL CENTER - ENTERPRISE		400 N Edwards Street	36330	ENTERPRISE	AL	05/01/94
MONTGOMERY REGIONAL MED CTR		301 South Ripley Street	36104	MONTGOMERY	AL	09/01/98
NORTHWEST MEDICAL CENTER		Jackson Hwy. By-Pass	35653	RUSSELLVILLE	AL	10/01/98
NORTHRIDGE MED CTR		124 S Memorial Dr	36067	PRATTVILLE	AL	09/01/98
FOUR RIVERS MED CTR		1015 Medical Center Parkway	36701	SELMA	AL	09/01/98
DOCTORS HOSPITAL - MOBILE		1700 Center Street	36604	MOBILE	AL	05/31/90
FLORENCE HOSPITAL		2111 Cloyd Boulevard	35630	FLORENCE	AL	10/01/98
MEDICAL CENTER - SHOALS		201 Avalon Ave.	35661	MUSCLE SHOALS	AL	10/01/98
MEDICAL CENTER - HUNTSVILLE		911 Big Cove Rd., S.E.	35801	HUNTSVILLE	AL	03/23/94
CRESTWOOD - MED CTR HUNTSVILLE		One Hospital Drive	35801	HUNTSVILLE	AL	05/11/99
EAST MONTGOMERY MEDICAL CTR		404 Taylor Road	36117	MONTGOMERY	AL	09/01/98
KNOLLWOOD PARK MEDICAL CENTER		5600 Girby Road	36690	MOBILE	AL	05/31/90
ALASKA REGIONAL		2801 Debarr Road Pouch 8AH	99514	ANCHORAGE	AK	
MEDICAL CENTER - PHOENIX		1947 East Thomas Rd	85016	PHOENIX	AZ	05/11/99
EL DORADO MEDICAL CENTER		1400 North Wilmot Road	85712	TUCSON	AZ	05/11/99
PARADISE VALLEY HOSPITAL		3929 E. Bell Road	85032	PHOENIX	AZ	05/11/99
NORTHWEST HOSPITAL		6200 N. La Cholla Boulevard	85741	TUCSON	AZ	05/11/99
SONORA DESERT PSYCHIATRIC		1920 W. Rudasill Rd.	85704	TUCSON	AZ	06/12/92
PARADISE VALLEY PSYCHIATRIC		7100 East Mescal St	85254	PHOENIX	AZ	05/11/99
MED CTR OF SOUTH ARKANSAS		700 West Grove	71731	EL DORADO	AR	05/11/99
MEDICAL PARK HOSPITAL		2001 South Main Street	71801	HOPE	AR	05/11/99
DEQUEEN REGIONAL MED CTR		1306 W. Collin Raye Boulevard	71832	DEQUEEN	AR	05/11/99
DOCTORS HOSPITAL (LITTLE ROCK)		6101 Capitol Avenue	72205	LITTLE ROCK	AR	02/01/98
RIVERSIDE COMMUNITY MEDICAL		4445 Magnolia Avenue	92501	RIVERSIDE	CA	
BROTMAN MEDICAL CENTER		3828 Delmass Terrace	90231	CULVER CITY	CA	05/31/89
ENCINO TARZANA REGIONAL		16237 Ventura Boulevard	91436	ENCINO	CA	12/31/92
VALLEY MEDICAL CENTER		1688 East Main St	92021	EL CAJON	CA	03/16/93
SAN JOSE MEDICAL CENTER		675 E. Santa Clara Street	95112	SAN JOSE	CA	
SAN LEANDRO HOSPITAL		13855 E. 14th Street	94578	SAN LEANDRO	CA	05/11/99
WESTSIDE HOSPITAL		910 S. Fairfax Ave.	90036	LOS ANGELES	CA	07/01/96
HEALDSBURG GENERAL HOSPITAL		1375 University Avenue	78413	HEALDSBURG	CA	11/16/98
HUMANA HOSPITAL - WESTMINSTER		200 Hospital Circle	92683	WESTMINSTER	CA	11/10/92
GOOD SAMARITAN HOSPITAL		2425 Samaritan Drive	95124	SAN FRANCISCO	CA	
PALM DRIVE HOSPITAL		501 Petaluma Avenue	95472	SEBASTOPOL	CA	03/01/99
VISALIA COMMUNITY HOSPITAL		1633 S. Court St.	93277	VISALIA	CA	08/31/94
GREEN HOSPITAL OF SCRIPPS CLINIC		10666 North Torrey Pines Road	92037	LA JOLLA	CA	10/31/91
WEST ANAHEIM MED CTR		3033 W Orange Ave	92804	ANAHEIM	CA	05/11/99
COMMUNITY - GARDENA		1246 West 155th Street	90247	GARDENA	CA	12/31/91
UKIAH GENERAL HOSPITAL		1120 South Dora Street	95482	UKIAH	CA	08/07/88
WEST HILLS REGIONAL MEDICAL CTR		7300 Medical Center Drive	91307	CANOGA PARK	CA	
HUNTINGTON BEACH HOSPITAL		17772 Beach Boulevard	92647	HUNTINGTON BEACH	CA	05/11/99
LOS ROBLES REGIONAL		215 West Janss Road	91360	THOUSAND OAKS	CA	
LA HABRA COMMUNITY HOSPITAL		1251 W Lambert Rd	90631	LA HABRA	CA	03/31/88
SAN CLEMENTE HOSPITAL		654 Camino De Los Mares	92673	SAN CLEMENTE	CA	05/15/98
CHINO VALLEY MED CTR		5451 Walnut Avenue	91710	CHINO	CA	
WESTLAKE MEDICAL CENTER		32126 Agoura Road	91359	WESTLAKE VILLAGE	CA	07/25/96
MISSION BAY HOSPITAL		3030 Bunker Hill Street	92109	SAN DIEGO	CA	05/11/99
SOUTH VALLEY HOSPITAL		9400 No Name Uno	95020	GILROY	CA	09/30/99
WOODVIEW-CALABASAS HOSPITAL		25100 Calabasas Rd.	91302	CALABASAS	CA	03/31/93
LAS ENCINAS HOSPITAL		2900 E Del Mar Blvd	91107	PASADENA	CA	
CEDAR VISTA PSYCHIATRIC		7171 North Cedar Avenue		FRESNO	CA	01/01/94
CANYON RIDGE HOSPITAL		5353 G Street		CHINO	CA	01/01/94
PRESBYTERIAN ST LUKES MED CTR		1719 E 19th Ave	80218	DENVER	CO	
ROSE MEDICAL CENTER		4567 East Ninth Avenue	80220	DENVER	CO	
SWEDISH MEDICAL CENTER		501 E. Hampden Avenue	80110	ENGLEWOOD	CO	
NORTH SUBURBAN MEDICAL CTR		9191 Grant Street	80229	THORNTON	CO	
AURORA MEDICAL CENTER		1501 S. Potomac WY	80012	AURORA	CO	01/01/97
AURORA PRESBYTERIAN		900 Potomac	80011	AURORA	CO	

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SPALDING REHABILITATION HOSPITAL		900 Potomac St	80011	AURORA	CO	
ROCKY MOUNTAIN REHABILITATION		900 Potomac St	80011	AURORA	CO	12/31/95
NORTH SUBURBAN REHABILITATION				THORNTON	CO	
COLUMBINE PSYCHIATRIC		8565 S. Poplar Way	80126	LITTLETON	CO	09/01/96
BETHESDA PSYCHEALTH SYSTEM		4400 East Iliff Avenue	80222	DENVER	CO	01/01/98
Aurora Presbyterian Transitional Care		1501 S. Potomac Street	80012	Aurora	CO	12/29/98
Park Manor		1707 East 18th Street	80218	Denver	CO	
ROCKFORD CENTER		100 Rockford Drive	19714	NEWARK	DE	08/31/96
CEDARS MEDICAL CENTER		1400 NW 12th Avenue	33136	MIAMI	FL	
TWIN CITIES HOSPITAL		2190 Highway 85 N	32578	NICEVILLE	FL	
NORTH BEACH COMMUNITY		2835 North Ocean Boulevard	33308	FORT LAUDERDALE	FL	03/31/90
MIAMI HEART INSTITUTE NORTH		250 63rd Street	33141	MIAMI	FL	02/28/97
MIAMI HEART INSTITUTE SOUTH		4701 N. Meridan Avenue	33140	MIAMI	FL	
COLUMBIA MED CTR - PENINSULA		264 S Atlantic Avenue	32176	ORMOND BEACH	FL	11/11/99
JFK MEDICAL CENTER		5301 South Congress Avenue	33462	ATLANTIS	FL	
KISSIMMEE MEMORIAL		200 Hilda St.	34742	KISSIMMEE	FL	08/12/93
VICTORIA HOSPITAL		955 N.W. Third St.	33128	MIAMI	FL	09/30/93
EAST POINTE HOSPITAL		1500 Lee Boulevard	33936	LEHIGH ACRES	FL	
HAMILTON MEMORIAL HOSPITAL		506 NW 4th St	32052	JASPER	FL	05/11/99
MEDICAL CENTER OF OSCEOLA		700 West Oak Street	34742	KISSIMMEE	FL	
BARTOW MEMORIAL		1239 E Main St	33830	BARTOW	FL	05/11/99
NORTH OSKALOOSA MEDICAL CENTER		151 Redstone Avenue, SE	32536	CRESTVIEW	FL	03/15/96
SANTA ROSA MEDICAL CENTER		1450 Berry Mill Road	32570	MILTON	FL	05/17/96
AVENTURA HOSPITAL & MEDICAL CTR		20900 Biscayne Boulevard	33180	AVENTURA	FL	
NORTH GABLES HOSPITAL		5190 Southwest Eighth St.	33134	Coral Gables	FL	01/07/92
LAKE CITY MEDICAL CENTER		1701 West Duval Street	32055	LAKE CITY	FL	
MEDICAL CENTER OF SANFORD		1401 W Seminole Blvd	32771	SANFORD	FL	
WINTER PARK MEMORIAL HOSPITAL		200 N. Lakemont	32792	WINTER PARK	FL	
SARASOTA DOCTORS HOSPITAL		5731 Bee Ridge Road	34233	SARASOTA	FL	
PLANTATION GENERAL HOSPITAL		401 N.W. 42nd Avenue	33317	PLANTATION	FL	
CLEARWATER COMMUNITY		1521 East Druid Road	34616	CLEARWATER	FL	02/08/99
MEMORIAL HOSP. OF JACKSONVILLE		3625 University Blvd South	32216	JACKSONVILLE	FL	
ST. PETERSBURG MEDICAL CENTER		6500 38 Ave N	33710	ST PETERSBURG	FL	
HUMANA HOSPITAL - SUN BAY		3030 Sixth St. S	33705	ST. PETERSBURG	FL	12/20/90
NORTHWEST REGIONAL HOSPITAL		2801 North State Road # 7	33063	MARGATE	FL	
NEW PORT RICHEY HOSPITAL		5637 Marine Parkway	34652	NEW PORT RICHEY	FL	
HUMANA HOSPITAL-SOUTH BROWARD		5100 W Hallandale Beach Blvd	33023	HOLLYWOOD	FL	10/15/91
SPECIALTY HOSPITAL - JACKSONVILLE		4901 Richard Street	32207	JACKSONVILLE	FL	
POMPANO BEACH MEDICAL CTR		600 S.W. Third St.	33060	POMPANO BEACH	FL	12/17/98
SEMINOLE HOSPITAL		9675 Seminole Blvd.	34642	SEMINOLE	FL	03/17/96
NORTH FLORIDA REGIONAL MED CTR		6500 Newberry Road	32605	GAINESVILLE	FL	
PALM BEACH REGIONAL		2829 Tenth Ave. N		LAKE WORTH	FL	11/30/96
DEERING HOSPITAL		9333 S.W. 152nd Street	33157	MIAMI	FL	
KENDALL REGIONAL MEDICAL CTR		11750 Bird Road	33175	MIAMI	FL	
DADE CITY HOSPITAL		13100 Fort King Road	33525	DADE CITY	FL	
OCALA REGIONAL MEDICAL CENTER		1431 SW First Street	32671	OCALA	FL	
BLAKE MEDICAL CENTER		2020 59th Street West	34209	BRADENTON	FL	
SEBASTIAN HOSPITAL		13695 U S Highway 1	32958	SEBASTIAN	FL	09/01/93
ST. AUGUSTINE HOSPITAL		U.S. Highway One South	32086	ST. AUGUSTINE	FL	10/31/91
SOUTHWEST FLORIDA REG CTR		2727 Winkler Avenue	33901	FORT MYERS	FL	
PARK MEDICAL CENTER		818 S Main Lane	32801	ORLANDO	FL	07/01/99
FORT WALTON BEACH MED CTR		1000 Mar-Walt Drive	32547	FORT WALTON BEACH	FL	
UNIVERSITY HOSPITAL & MED CTR		7201 N. University Drive	33321	TAMARAC	FL	
ORANGE PARK MEDICAL CENTER		2001 Kingsley Avenue	32073	ORANGE PARK	FL	
HUMANA WOMEN'S HOSPITAL		3030 W. Buffalo Ave.	33607	TAMPA	FL	02/28/93

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WESTSIDE REGIONAL MED CTR		8201 W. Broward	33324	PLANTATION	FL	
MEDICAL CENTER OF DAYTONA		400 North Clyde Morris Boulevard	32114	DAYTONA BEACH	FL	11/12/99
PEMBROKE PINES HOSPITAL		2301 N University Drive	33024	PEMBROKE PINES	FL	07/01/95
WEST FLORIDA REGIONAL MED CTR		8383 North Davis Highway	32523	PENSACOLA	FL	
PUTNAM MEDICAL CENTER		Highway 20 W Drawer 778	32177	PALATKA	FL	
COLUMBIA - PALM BEACH - HOSPITAL		2201 45th Street	33407	WEST PALM BEACH	FL	
UNIVERSITY GENERAL HOSPITAL		10200 Seminole Boulevard	34642	SEMINOLE	FL	05/16/97
FAWCETT MEMORIAL		21298 Olean Blvd.	33952	PORT CHARLOTTE	FL	
NORTHSIDE MEDICAL CENTER		6000 49th Street North	33709	ST PETERSBURG	FL	
EDWARD WHITE HOSPITAL		2323 9th Avenue North	33713	ST PETERSBURG	FL	
GULF COAST COMMUNITY HOSPITAL		449 West 23 Street	32405	PANAMA CITY	FL	
BRANDON REGIONAL MED CTR		119 Oakfield Drive	33511	BRANDON	FL	
LAWNWOOD REGIONAL MEDICAL		1700 S. 23rd Street	34954	FORT PIERCE	FL	
LARGO MEDICAL CENTER		201 14 Street, S.W.	34649	LARGO	FL	
RAULERSON HOSPITAL		1796 Highway 441 N	34973	OKEECHOBEE	FL	
TALLAHASSEE COMMUNITY HOSPITAL		2626 Capital Medical Boulevard	32308	TALLAHASSEE	FL	
REG MED CTR AT BAYONET POINT		14000 Fivay Road	34667	HUDSON	FL	
SOUTH BAY HOSPITAL		4016 State Road 674	33570	SUN CITY CENTER	FL	
MED CTR PORT ST. LUCIE		1800 SE Tiffany Avenue	34952	PORT SAINT LUCIE	FL	
SOUTH SEMINOLE COMMUNITY		555 West State Road 434	32750	LONGWOOD	FL	11/30/97
OAK HILL REGIONAL MEDICAL CENTER		11375 Cortez Blvd Box 5300	34606	SPRING HILL	FL	
ENGLEWOOD COMMUNITY		700 Medical Boulevard	34223	ENGLEWOOD	FL	
PALMS WEST HOSPITAL		13001 State Road 80	33470	LOXAHATCHEE	FL	
DESTIN HOSPITAL		996 Airport Rd.	32541	DESTIN	FL	08/31/94
GULF COAST HOSPITAL		13681 Doctor's Way	33912	FORT MYERS	FL	
HIGHLAND PARK GENERAL HOSP		1660 NW 7th Court	33136	Miami	FL	05/31/88
WEST LAKE HOSPITAL		589 W. State Rd. 434	32750	LONGWOOD	FL	07/31/93
UNIVERSITY OF SOUTH FLORIDA		3515 E Fletcher Ave	33613	TAMPA	FL	02/19/93
UNIVERSITY PAVILION		7201 North University Drive	33321	TAMARAC	FL	01/01/95
Behavioral Health Center		11100 Northwest 27th Street	33172	Miami	FL	09/02/99
Gulf Coast Hospital - SNU		13681 Doctor's Way	33912	FORT MYERS	FL	
Columbia Homecare - HHA		4012 Gunn Highway, Suite 200	33624	Tampa	FL	
Columbia Homecare - HHA		259 U.S. Highway 27, North	33870	Sebring	FL	11/07/98
PEACHTREE REGIONAL HOSPITAL		60 Hospital Road	30263	NEWNAN	GA	
CARTERSVILLE MEDICAL CENTER		960 Joe Frank Harris Parkway	30120	CARTERSVILLE	GA	
NORTHLAKE REGIONAL MED CTR		1455 Montreal Road	30084	TUCKER	GA	
BARROW MEDICAL CENTER		316 North Broad Street	30680	WINDER	GA	05/11/99
MURRAY MEDICAL CENTER		707 Ellijay Road	30705	CHATSWORTH	GA	03/06/98
POLK GENERAL		424 N Main St	30125	CEDARTOWN	GA	
FAIRVIEW PARK		200 Industrial Boulevard	31021	DUBLIN	GA	
WORTH COMMUNITY HOSPITAL		807 S. Isabella Street	31791	SYLVESTER	GA	03/31/88
PALMYRA MEDICAL CENTER		2000 Palmyra Road	31701	ALBANY	GA	
COLISEUM MEDICAL CENTER		350 Hospital Drive	31217	MACON	GA	
MIDDLE GEORGIA HOSPITAL		888 Pine Street	31297	MACON	GA	12/31/99
REDMOND REGIONAL MED CTR		501 Redmond Road	30165	ROME	GA	
METROPOLITAN HOSPITAL		3223 Howell Mill Road NW	30327	ATLANTA	GA	
WEST PACES MEDICAL CENTER		3200 Howell Mill Road NW	30327	ATLANTA	GA	02/10/99
DUNWOODY MEDICAL CENTER		4575 N Shallowford Rd	30338	ATLANTA	GA	
AUGUSTA HOSPITAL		3651 Wheeler Road	30909	AUGUSTA	GA	
PARKWAY MEDICAL CENTER		1000 Thornton Road	30122	LITHIA SPRINGS	GA	
DOCTORS HOSPITAL - COLUMBUS		616 19th Street	31901	COLUMBUS	GA	
LANIER PARK HOSPITAL		675 White Sulpher Road	30501	GAINESVILLE	GA	
EASTSIDE MEDICAL CENTER		1700 Medical Way	30078	SNELLVILLE	GA	
HUGHSTON SPORTS MEDICINE HOSP		100 Frist Court	31909	COLUMBUS	GA	
MACON NORTHSIDE HOSPITAL		400 Charter Box 4627	31210	MACON	GA	
WHEELER COUNTY HOSPITAL		Third Street Box 398	30428	GLENWOOD	GA	06/30/94
COLISEUM PSYCHIATRIC HOSPITAL		340 Hospital Dr Box 9366	31201	MACON	GA	

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Amedysi HH of Georgia (Northlake)		9144 HWY. 278 East	30014	COVINGTON	GA	11/30/98
WEST VALLEY MEDICAL CENTER		1717 Arlington Avenue	83605	CALDWELL	ID	
EASTERN IDAHO REGIONAL MED		3100 Channing Way	83404	IDAHO FALLS	ID	
WALKER CENTER		1120A Montana Street	83330	GOODING	ID	08/30/91
MOUNTAIN RIVER		2280 East 25th Street	83401	IDAHO FALLS	ID	01/13/89
LAGRANGE MEMORIAL		5101 S. Willow Springs Road	60525	LA GRANGE	IL	02/01/99
MICHAEL REESE		2929 South Ellis Avenue	60616	CHICAGO	IL	11/12/98
CHICAGO OSTEOPATHIC		5200 South Ellis Avenue	60615	CHICAGO	IL	
GRANT HOSPITAL		550 W Webster Ave	60614	CHICAGO	IL	11/12/98
HUMANA HOSPITAL - SPRINGFIELD		5230 South 6th Street	62794	SPRINGFIELD	IL	08/31/88
HOFFMAN ESTATES MEDICAL CENTER		1555 North Barrington Road	60194	HOFFMAN ESTATES	IL	02/01/99
CHICAGO LAKESHORE		4840 N Marine Dr	60640	CHICAGO	IL	
RIVEREDGE HOSPITAL		8311 West Roosevelt Road	60130	FOREST PARK	IL	
BARCLAY HOSPITAL		4700 North Clarendon Avenue	60640	CHICAGO	IL	02/01/97
WOODLAND HOSPITAL		1650 Moon Lake Blvd	60194	HOFFMAN ESTATES	IL	02/01/99
TERRE HAUTE REGIONAL		3901 South 7th Street	47802	TERRE HAUTE	IN	
NORTH CLARK COMMUNITY		2200 Market Street	47111	CHARLESTOWN	IN	12/31/91
WOMENS HOSPITAL - INDIANAPOLIS		8111 Township Line Road	46260	INDIANAPOLIS	IN	
WESLEY MEDICAL CENTER		550 North Hillside	67214	WICHITA	KS	
HALSTEAD HOSPITAL		328 Poplar Street	67056	HALSTEAD	KS	05/11/99
BETHANY MEDICAL CENTER		51 North 12th Street	66102	KANSAS CITY	KS	12/04/98
WESTERN PLAINS REGIONAL HOSP		3001 Avenue A	67801	DODGE CITY	KS	05/11/99
OVERLAND PARK REGIONAL MED CTR		10500 Quivira Avenue	66215	OVERLAND PARK	KS	12/31/98
COLUMBIA HOSPITAL LEXINGTON		310 Limestone Street	40508	LEXINGTON	KY	
AUDUBON REG MED CENTER		One Audubon Plaza	40217	LOUISVILLE	KY	09/01/98
MEADOWVIEW REGIONAL MED CTR		989 West Highway 10	41056	MAYSVILLE	KY	05/11/99
SPRING VIEW HOSPITAL		St. Mary Road	40333	LEBANON	KY	09/01/98
BOURBON GENERAL		9 Linville Drive	40361	PARIS	KY	05/11/99
LOGAN MEMORIAL HOSPITAL		1625 S. Nashville Road	42276	RUSSELLVILLE	KY	05/11/99
GEORGETOWN (KY)		1140 Lexington Road	40324	GEORGETOWN	KY	05/11/99
PINE LAKE REGIONAL		1099 Medical Center Circle	42066	MAYFIELD	KY	05/11/99
VALLEY VIEW MEDICAL CENTER		4604 US Hwy 60 West	42437	MORGANFIELD	KY	09/01/87
SUBURBAN MEDICAL CENTER		4001 Dutchmans Lane	40207	LOUISVILLE	KY	09/01/98
GREENVIEW REGIONAL HOSPITAL		1801 Ashley Circle	42104	BOWLING GREEN	KY	
HOSPITAL FRANKFORT		299 Kings Daughters Drive	40601	FRANKFORT	KY	
THREE RIVERS HOSPITAL		Highway 644 PO Box 769	41230	LOUISA	KY	05/28/93
LAKE CUMBERLAND REGIONAL		305 Langdon Street	42503	SOMERSET	KY	05/11/99
SOUTHWEST HOSPITAL		9820 Third St Rd	40272	LOUISVILLE	KY	09/01/98
UNIVERSITY OF LOUISVILLE		530 S. Jackson St.	40202	LOUISVILLE	KY	02/06/96
TRI-COUNTY COMMUNITY HOSPITAL		1025 New Moody Lane	40031	LOUISVILLE	KY	09/30/92
Home Care of Louisville		100 Mallard Creek Road, Suite 200	40207	LOUISVILLE	KY	10/16/98
DAUTERIVE HOSPITAL		600 N. Lewis	70560	NEW IBERIA	LA	
SAVOY MEDICAL CENTER		801 Poinciana Avenue	70554	MAMOU	LA	
RAPIDES REGIONAL MEDICAL CENTER		211 Fourth Street	71301	ALEXANDRIA	LA	
SPRINGHILL MEDICAL CENTER		2001 Humana Dr	71075	SPRINGHILL	LA	05/11/99
WINN PARISH MEDICAL CENTER		301 W. Boundary Street	71483	WINNFIELD	LA	
ELWOOD MEDICAL CENTER		1221 S. Clearview Parkway	70121	JEFFERSON	LA	12/31/96
AVOYELLES HOSPITAL		Highway 1192 Bluetown Road	71351	MARKSVILLE	LA	
OAKDALE COMMUNITY		130 N. Hospital Drive	71463	OAKDALE	LA	
HIGHLAND HOSPITAL		1453 E. Bert Kouns Ind	71105	SHREVEPORT	LA	09/30/99
VILLE PLATTE MEDICAL CENTER		800 E Main	70586	VILLE PLATTE	LA	09/01/96
TULANE UNIVERSITY MED CTR		1415 Tulane Avenue	70112	NEW ORLEANS	LA	
LAKEVIEW MEDICAL CENTER		95 East Fairway Drive	70433	COVINGTON	LA	
LAKESIDE HOSPITAL		4700 I-10 Service Road W	70001	METAIRIE	LA	
DOCTORS HOSPITAL - OPELOUSAS		5101 Hwy 67 South	70570	OPELOUSAS	LA	06/01/99
WOMEN'S & CHILDREN'S HOSPITAL		4600 Ambassador Caffery Parkway	70508	LAFAYETTE	LA	
NORTH MONROE HOSPITAL		3421 Medical Park Drive	71203	MONROE	LA	
WESTPARK HOSPITAL		1900 S. Morrison Blvd	70403	HAMMOND	LA	01/08/93

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LAKELAND MEDICAL CENTER		6000 Bullard Road	70128	NEW ORLEANS	LA	
WOMEN & CHILDREN'S		4200 Nelson Road	70605	LAKE CHARLES	LA	05/11/99
MEDICAL CENTER OF BATON ROUGE		17000 Medical Ctr Dr	70816	BATON ROUGE	LA	10/01/98
MEDICAL CENTER OF SW LOUISIANA		3125 CANAL ST	70112	LAFAYETTE	LA	
RIVERVIEW MEDICAL CENTER		1125 West LA Highway 30	70737	GONZALES	LA	05/11/99
DEPAUL HOSPITAL		1040 Calhoun St.	70118	NEW ORLEANS	LA	01/01/97
HUMANA HOSPITAL - BRENTWOOD		1800 Irving Pl.	71101	SHREVEPORT	LA	09/11/90
CYPRESS HOSPITAL		302 Dulles Dr.	70506	LAFAYETTE	LA	07/01/95
PARKLAND MEDICAL CENTER		2414 Bunker Hill Dr.	70808	BATON ROGUE	LA	10/30/92
DEPAUL NORTHSHORE HOSPITAL		De Paul Northshore Dr.	70434	COVINGTON	LA	02/07/92
METROWEST MEDICAL CENTER		280 Irving Street	01701	Framingham	MA	03/15/99
VICKSBURG MEDICAL CENTER		1111 North Frontage Road	39180	VICKSBURG	MS	11/01/98
NATCHEZ COMMUNITY		129 Jeff Davis Blvd Box 1203	39120	NATCHEZ	MS	09/01/93
GARDEN PARK HOSPITAL		1520 Broad Avenue	39501	GULFPORT	MS	
DOCTORS HOSPITAL - SPRINGFIELD		2828 North National St.	65801	SPRINGFIELD	MO	10/20/95
INDEPENDENCE REG HEALTH CTR		1509 W. Truman Road	64050	INDEPENDENCE	MO	12/31/98
ST. PETERS HOSPITAL		10 Hospital Drive	63376	ST. PETERS	MO	02/10/88
COLUMBIA HSPS NORTH & SOUTH		3535 South National Road	65807	SPRINGFIELD	MO	08/01/98
RESEARCH PSYCHIATRIC CENTER		2323 E 63rd St	64130	KANSAS CITY	MO	05/11/99
SUNRISE HOSPITAL & MED CTR		3186 S. Maryland Parkway	89109	LAS VEGAS	NV	
SUNRISE MOUNTAIN VIEW HOSP		3100 N. Tenaya Way	89128	LAS VEGAS	NV	
TRUCKEE MEADOWS HOSPITAL		1240 E. 9th Street	89512	Reno	NV	07/01/93
MONTE VISTA HOSPITAL		5900 W. Rochelle	89103	LAS VEGAS	NV	07/01/93
PINEBROOK CENTER		2100 E. Rancho Dr.	89520	Reno	NV	05/01/90
PARKLAND MEDICAL CENTER		One Parkland Drive	03038	DERRY	NH	
PORTSMOUTH REGIONAL HOSPITAL		333 Borthwick Avenue	03801	PORTSMOUTH	NH	
LOVELACE MEDICAL CENTER		5400 Gibson Blvd SE	87108	ALBUQUERQUE	NM	03/31/90
MEDICAL CENTER - CARLSBAD		2340 W Pierce	88220	CARLSBAD	NM	05/11/99
LEA REGIONAL HOSPITAL		5419 Lovington Highway	88240	HOBBS	NM	05/11/99
HEIGHTS PSYCHIATRIC HOSPITAL		103 Hospital Loop NE	87109	ALBUQUERQUE	NM	05/31/95
Charlotte Eye, Ear, and Throat Hospital		1600 E. Third Street	28204	CHARLOTTE	NC	05/31/87
RALEIGH COMMUNITY HOSPITAL		3400 Wake Forest Road	27609	RALEIGH	NC	09/15/98
CAPE FEAR MEMORIAL		5301 Wrightsville Avenue	28403	WILMINGTON	NC	11/01/98
HERITAGE MEMORIAL		111 Hospital Drive	27866	TARBORO	NC	10/01/98
DAVIS MEDICAL CENTER		218 Old Mocksville Road	28625	STATESVILLE	NC	11/19/98
PRESBYTERIAN ORTHOPEDIC HOSP		1901 Randolph Road	28207	CHARLOTTE	NC	08/01/98
HUMANA HOSPITAL - GREENSBORO		1200 N. Elm St.	27401	GREENSBORO	NC	06/01/88
BRUNSWICK HOSPITAL		1 Medical Center Drive	28462	SUPPLY	NC	
HIGHSMITH-RAINEY MEMORIAL HOSP		150 Robeson Street	28301	FAYETTEVILLE	NC	05/31/99
HOLLY HILL HOSPITAL		3019 Falstaff Rd	27610	WAKE FOREST	NC	06/30/95
ST VINCENT CHARITY HOSPITAL		2351 E 22nd St	44115	CLEVELAND	OH	06/12/99
ST. LUKE'S MEDICAL CENTER		11311 Shaker Blvd	44104	CLEVELAND	OH	06/12/99
MERCY MEDICAL CENTER		1320 Mercy Drive NW	44708	CANTON	OH	06/12/99
ST. JOHN WEST SHORE HOSPITAL		29000 Center Ridge	44145	WESTLAKE	OH	06/12/99
ST. MARY'S MEDICAL CENTER		305 South 5th Street, P O Box 232	73702	ENID	OK	09/30/95
CLAREMORE REGIONAL HOSPITAL		1202 Muskogee Street	74017	CLAREMORE	OK	05/11/99
TULSA REGIONAL MEDICAL CENTER		744 West 9th Street	74127	TULSA	OK	12/31/98
PRESBYTERIAN HOSPITAL		700 N.E. 13th Street	73104	OKLAHOMA CITY	OK	
SOUTHWESTERN MEDICAL		5602 SW Lee Boulevard	73506	LAWTON	OK	
DOCTORS HOSPITAL - TULSA		2323 S. Harvard Ave.	74114	TULSA	OK	12/31/98
EDMOND REGIONAL MED CTR		One South Bryant	73034	EDMOND	OK	
BETHANY HEALTH CENTER		51 North 12th Street	66102	BETHANY	OK	04/01/98
WAGONER COMMUNITY HOSPITAL		1200 West Cherokee	74467	WAGONER	OK	05/11/99
SEILING HOSPITAL		US Highway 60 Northeast	73663	SEILING	OK	03/25/88
SEMINOLE MEDICAL CENTER		2401 Wrangler Boulevard	74686	SEMINOLE	OK	
SPECIALTY HOSPITAL - TULSA		2408 East 81St Street, Floors 24 & 25	74137	TULSA	OK	12/11/98
REHABILITATION INSTITUTE - OK		700 NW 7TH Street	73102	OKLAHOMA CITY	OK	06/07/88
SPECIALTY HOSPITAL - TULSA		2408 East 81St Street, Floors 24 & 25	74137	TULSA	OK	08/31/94
DOUGLAS MEDICAL CENTER		738 West Harvard Boulevard	97470	ROSEBURG	OR	05/11/99
WILLAMETTE VALLEY MED CTR		2700 Three Mile Lane	97128	MCMINNVILLE	OR	05/11/99
PROVIDENCE HOSPITAL		2435 Forrest Drive	29204	COLUMBIA	SC	
COLLETON REGIONAL HOSPITAL		501 Robertson Boulevard	29488	WALTERBORO	SC	

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FACILITY NAME	MEDICARE PROVIDER NUMBER (REDACTED)	STREET	ZIP	CITY	STATE	DATE OF HCA SALE OR CLOSURE
MARLBORO PARK		204 N. Marlboro Street	29512	BENNETTSVILLE	SC	05/01/95
CHESTERFIELD GENERAL		Highway 9 Box 151	29520	CHERAW	SC	05/01/95
DOCTORS HOSPITAL - SPARTANBURG		389 Serpentine Dr.	29303	SPARTANBURG	SC	07/31/94
TRIDENT MEDICAL CENTER		9330 Medical Plaza Drive	29406	CHARLESTON	SC	
AIKEN REGIONAL MEDICAL CENTER		202 University Parkway	29801	AIKEN	SC	07/07/95
GRAND STRAND REGIONAL MED CTR		809 82nd Parkway	29572	MYRTLE BEACH	SC	
AURORA PAVILION		P.O. Box 1073	29802	AIKEN	SC	07/31/93
NASHVILLE MEMORIAL HOSPITAL		612 West Due West Avenue	37115	MADISON	TN	
SYCAMORE SHOALS HOSPITAL		1501 West Elk Avenue	37643	ELIZABETHTON	TN	09/01/98
HILLSIDE HOSPITAL		1265 E College Street	38478	PULASKI	TN	05/11/99
EDGEFIELD HOSPITAL		610 Gallatin Road	37206	NASHVILLE	TN	08/31/90
HORIZON MEDICAL CENTER		111 Highway 70 E	37055	DICKSON	TN	
SOUTHERN TENNESSEE MEDICAL		185 Hospital Road	37398	WINCHESTER	TN	05/11/99
VOLUNTEER GENERAL HOSPITAL		161 Mount Pelia Rd	38237	MARTIN	TN	06/01/98
SOUTH PITTSBURG HOSPITAL		210 W. 12th Street	37380	SOUTH PITTSBURG	TN	
LAKEWAY REGIONAL		726 McFarland St	37814	MORRISTOWN	TN	05/28/93
ATHENS COMMUNITY		1114 West Madison	37371	ATHENS	TN	
NORTH PARK		2051 Hamil Road	37343	HIXSON	TN	05/01/88
JOHNSON CITY SPECIALTY HOSPITAL		203 E. Watauga Avenue	37601	JOHNSON CITY	TN	08/31/98
HUMBOLDT CEDAR CREST		3525 Chere Carol Road	38343	HUMBOLDT	TN	10/21/89
SMYRNA HOSPITAL		Hwy. 41S. P.O. Box 306	37167	SMYRNA	TN	02/20/88
HUMANA HOSPITAL - MCFARLAND		500 Park Ave.	37087	LEBANON	TN	06/01/92
BENTON COMMUNITY		Hospital Street	38320	CAMDEN	TN	10/05/90
DEKALB GENERAL		W. Main Street	37166	SMITHVILLE	TN	07/31/92
TRINITY HOSPITAL		353 Main Street	37061	ERIN	TN	05/11/99
DONELSON HOSPITAL (SUMMIT)		5655 Frist Blvd	37076	HERMITAGE	TN	
RIVER PARK HOSPITAL		1559 Sparta Road	37110	MCMINNVILLE	TN	
PARKRIDGE MEDICAL CENTER		2333 McCallie Road	37404	CHATTANOOGA	TN	
CENTENNIAL MEDICAL CENTER (Park View)		2300 Patterson Street	37203	NASHVILLE	TN	
DIAGNOSTIC CENTER		2412 McCallie Ave	37404	CHATTANOOGA	TN	10/14/88
WESTSIDE HOSPITAL		2208 Patterson St.	37203	NASHVILLE	TN	07/01/89
PARK WEST MEDICAL CENTERS		9352 Park West Blvd	37919	Knoxville	TN	08/24/90
HAYWOOD PARK HOSPITAL		2545 N Washington Ave	38012	BROWNSVILLE	TN	04/01/88
CROCKETT HOSPITAL		U.S. Highway 43 South	38464	LAWRENCEBURG	TN	05/11/99
INDIAN PATH MEDICAL CENTER		2000 Brookside Road	37660	KINGSPORT	TN	08/31/98
EAST RIDGE HOSPITAL		941 Spring Creek Road	37412	EAST RIDGE	TN	06/07/96
NORTH SIDE HOSPITAL		401 Princeton Road	37601	JOHNSON CITY	TN	09/01/98
SMITH COUNTY MEMORIAL		158 Hospital Drive	37030	CARTHAGE	TN	05/11/99
LIVINGSTON REGIONAL		315 Oak Street	38570	LIVINGSTON	TN	05/11/99
REGIONAL HOSPITAL OF JACKSON		367 Hospital Boulevard	38303	JACKSON	TN	06/01/98
HENDERSONVILLE HOSPITAL		355 New Shackle Island Road	37075	HENDERSONSVILLE	TN	
SOUTHERN HILLS MEDICAL CENTER		391 Wallace Road	37211	NASHVILLE	TN	
STONES RIVER HOSPITAL		Route 1, Dolittle Road	37190	WOODBURY	TN	10/05/99
CHEATAM MEDICAL CENTER		313 North Main Street	37015	Ashland City	TN	
WHITWELL MEDICAL CENTER		101 N. Maple Street	37397	WHITWELL	TN	10/17/97
Northeast Tennessee Rehab		400 State of Franklin Road	37604	Johnson City	TN	08/31/98
VALLEY PSYCHIATRIC HOSPITAL		Shallowford Rd.	37421	CHATTANOOGA	TN	08/31/96
INDIAN PATH PAVILION		2300 Pavilion Dr.	37660	KINGSPORT	TN	09/27/96
PSYCHIATRIC HOSP AT VANDERBILT		1601 23rd Avenue South	37220	NASHVILLE	TN	04/30/99
GULF COAST HOSPITAL		2800 Garth Rd.	77521	BAYTOWN	TX	09/01/92
ST. JOSEPH HOSPITAL		1401 South Main Street	76104	FORT WORTH	TX	07/01/95
WESTBURY		5556 Gasmer Rd.	77035	HOUSTON	TX	07/31/95
GILMER MEDICAL CENTER		712 N. Wood St.	75644	GILMER	TX	10/28/95
SOUTHSIDE COMMUNITY		4626 Weber Rd.	78411	CORPUS CHRISTI	TX	07/18/93
NORTH HILLS MEDICAL CENTER		4401 Booth Calloway Road	76180	NORTH RICHLAND HILLS	TX	
MEDICAL CENTER DALLAS SW		2929 S Hampton Rd	75224	DALLAS	TX	
BAYSHORE MEDICAL CENTER		4000 Spencer Highway	77504	PASADENA	TX	
MEDICAL CENTER - PAMPA		1 Medical Plaza	79066	PAMPA	TX	05/11/99
MEDICAL CENTER - WEST		1801 North Oregon	79902	EL PASO	TX	

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HUMANA HOSPITAL - SOUTHMORE		906 E Southmore	77502	PASADENA	TX	09/30/90
DOCTORS REGIONAL MED CTR		3315 South Alameda	78411	CORPUS CHRISTI	TX	05/01/99
EAST HOUSTON MEDICAL CENTER		13111 East Freeway	77015	HOUSTON	TX	08/31/98
NORTHWEST HOSPITAL - TEXAS		13725 Farm Rd 624, PO Box 9917	78469	CORPUS CHRISTI	TX	
NORTHEAST COMMUNITY		1301 Airport Freeway	76021	BEDFORD	TX	05/31/96
DETAR HOSPITAL		506 E. San Antonio	77902	VICTORIA	TX	05/11/99
COLONIAL HOSPITAL		502 W College St	75160	TERRELL	TX	12/31/92
CORPUS CHRISTI DOCTORS HOSPITAL		1502 Tarleton	78415	CORPUS CHRISTI	TX	10/18/90
MAINLAND HOSPITAL		519 Ninth Ave. N.	77590	TEXAS CITY	TX	08/31/93
GULF COAST MEDICAL CENTER		1400 HWY 59 Bypass	77488	WHARTON	TX	05/11/99
CONROE REGIONAL MEDICAL CTR		504 Medical Center Blvd	77305	CONROE	TX	
DOCTORS HOSPITAL - EAST LOOP		9339 North Loop East	77029	HOUSTON	TX	02/29/96
MED CTR COLLEGE STATION		1604 Rock Prairie Road	77840	COLLEGE STATION	TX	05/11/99
ROSEWOOD MEDICAL CENTER		9200 Westheimer Road	77063	HOUSTON	TX	
SUNBELT REGIONAL MED CTR - EAST		15101 East Freeway	77530	CHANNELVILLE	TX	08/31/88
SAN ANGELO COMMUNITY MED CTR		3501 Knickerbocker Rd	76904	SAN ANGELO	TX	05/11/99
ALICE PHYS & SURGEONS HOSP		300 East Third Street	78332	ALICE	TX	05/11/99
SAM HOUSTON MEMORIAL		1615 Hillendahl	77055	HOUSTON	TX	07/01/94
SOUTHWEST TEXAS METHODIST		7700 Floyd Curl	78229	SAN ANTONIO	TX	
MEDICAL CENTER - SHERMAN		1111 Gallagher Road	75090	SHERMAN	TX	05/11/99
WYSONG MEDICAL CENTER		130 S. Central Expressway	75069	MCKINNEY	TX	01/10/93
NORTH TEXAS MEDICAL CENTER		1800 North Graves Street	75069	MCKINNEY	TX	
FLOW MEMORIAL HOSPITAL		1310 Scripture Street	76207	DENTON	TX	09/26/88
BELLAIRE MEDICAL CENTER		5314 Dashwood Drive	77081	HOUSTON	TX	
ST. DAVID'S MEDICAL CENTER		919 E. 32nd Street	78705	AUSTIN	TX	
NAVARRO REGIONAL HOSPITAL		3201 West Highway 22	75110	CORSICANA	TX	05/11/99
WOODLAND HEIGHTS MED CTR		500 Gaslight Boulevard	75904	LUFKIN	TX	05/11/99
DIAGNOSTIC CENTER HOSPITAL		6447 Main Street	77030	HOUSTON	TX	08/31/93
MAINLAND MEDICAL CENTER		6801 EF Lowry Expressway	77591	TEXAS CITY	TX	
HUMANA HOSPITAL - BAYTOWN		1700 James Bowie Drive Box 1451	77520	BAYTOWN	TX	12/11/90
ALVIN MEDICAL CENTER		301 Medic Lane	77511	ALVIN	TX	01/01/97
NORTH HOUSTON MEDICAL CENTER		232 West Parker Road	77076	HOUSTON	TX	07/22/99
HEIGHTS HOSPITAL		1917 Ashland St.	77008	HOUSTON	TX	08/31/94
NORTH HOUSTON MEDICAL CENTER		5815 Airline Drive	77076	AIRLINE	TX	08/31/96
ABILENE REGIONAL MEDICAL CENTER		6250 HWY 83-84 AT Antilley Road	79606	ABILENE	TX	05/01/94
SILSBEE DOCTORS HOSPITAL		Highway 418 West	77656	SILSBEE	TX	05/11/99
BROWNWOOD REGIONAL MED CTR		1501 Burnet Drive	76801	BROWNWOOD	TX	05/11/99
NORTH BAY HOSPITAL		1711 West Wheeler Avenue	78336	ARKANSAS PASS	TX	
CLEAR LAKE REG MED CENTER		500 Medical Center Boulevard	77598	WEBSTER	TX	
SPRING BRANCH MEDICAL CENTER		8850 Long Point Road	77055	HOUSTON	TX	
SAN ANTONIO REGIONAL HOSPITAL		8026 Floyd Curl	78229	SAN ANTONIO	TX	
METROPOLITAN METHODIST HOSP		1310 McCollough Avenue	78212	SAN ANTONIO	TX	07/01/99
MEDICAL CENTER - DENTON		4405 N Interstate 35	76207	DENTON	TX	
DOCTORS HOSPITAL - CONROE		3205 West Davis	77035	CONROE	TX	06/16/95
DOCTORS HOSPITAL - LAREDO		500 E Mann Rd	78041	LAREDO	TX	05/11/99
WEST HOUSTON MEDICAL CENTER		12141 Richmond Avenue	77082	HOUSTON	TX	
MEDICAL CENTER - EAST		10301 Gateway West	79925	EL PASO	TX	
MEDICAL CITY DALLAS		7777 Forest Lane	75230	DALLAS	TX	
MEDICAL CENTER - PLANO		3901 W 15Th St	75075	PLANO	TX	
MEDICAL CENTER HOSPITAL DEL ORO		8081 Green Briar	77054	HOUSTON	TX	08/18/95
VALLEY REGIONAL MEDICAL CENTER		1 Ted Hunt Boulevard	78521	BROWNSVILLE	TX	
BEAUMONT MEDICAL CENTER		3080 College Street	77701	BEAUMONT	TX	05/11/99
MEDICAL CENTER - LEWISVILLE		500 West Main Street	75057	LEWISVILLE	TX	
PLAZA MEDICAL CENTER - FT. WORTH		900 Eighth Avenue	76104	FORT WORTH	TX	
WOMENS HOSPITAL - TEXAS		7600 Fannin Street	77054	HOUSTON	TX	
MEDICAL CENTER - ARLINGTON		3301 Matlock Road	76015	ARLINGTON	TX	
MEDICAL CENTER - TERRELL		1551 HWY 34 S	75160	TERRELL	TX	05/11/99
EL CAMPO MEMORIAL HOSPITAL		303 Sandy Corner Road	77437	EL CAMPO	TX	01/31/96

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MEDICAL ARTS HOSPITAL - WEBSTER		6161 Harry Hines Boulevard	75235	WEBSTER	TX	03/13/98
LONGVIEW REGIONAL HOSPITAL		2901 N 4th Street	75605	LONGVIEW	TX	05/11/99
MEDICAL ARTS HOSP - TEXARKANA		2501 College Dr.	75501	TEXARKANA	TX	12/31/97
KATY MEDICAL CENTER		5602 Medical Center Drive	77494	KATY	TX	10/01/99
RIO GRANDE REGIONAL HOSPITAL		101 East Ridge Road	78503	MCALLEN	TX	
ST. DAVID'S SOUTH HOSPITAL		901 West Ben White Blvd	78704	AUSTIN	TX	
MEDICAL CENTER - LANCASTER		2600 W Pleasant Run Rd	75146	LANCASTER	TX	
FORT BEND MEDICAL CENTER		3803 F M 1092 at HWY 6	77459	MISSOURI CITY	TX	10/01/99
ST. DAVID'S HOSP ROUND ROCK		2400 Round Rock Ave	78681	ROUND ROCK	TX	
MANSFIELD HOSPITAL		1802 Highway 157 North	76063	MANSFIELD	TX	12/21/89
WOMENS & CHILDREN'S HOSPITAL		8109 Fredericksburg Road	78229	SAN ANTONIO	TX	01/01/97
NORTHEAST METHODIST HOSPITAL		12412 Judson Road	78233	SAN ANTONIO	TX	
DENTON COMMUNITY		207 N Bonnie Brae	76201	DENTON	TX	11/13/96
TOPS SURGICAL SPECIALTY HOSPITAL		17080 Red Oak Dr Box 73409	77090	HOUSTON	TX	07/01/99
KINGWOOD MEDICAL CENTER		22999 US HWY 59 North	77339	KINGWOOD	TX	
METHODIST AMBULATORY SURGICAL		9150 Huebner Rd Suite 900	78240	SAN ANTONIO	TX	
SURGICARE SPECIALTY HOSPITAL		718 Elizabeth St	78404	CORPUS CHRISTI	TX	
BAY AREA MEDICAL CENTER		7101 S. Padre Island Drive	78412	CORPUS CHRISTI	TX	05/01/99
PANHANDLE SURGICAL HOSPITAL		7100 West 9th Ave	79106	AMARILLO	TX	05/11/99
TEXAS ORTHOPEDIC HOSPITAL		7401 S Main	77030	HOUSTON	TX	
AUSTIN DIAGNOSTIC MEDICAL CTR		12221 Mopac Expressway North	78758	AUSTIN	TX	
MEDICAL CENTER - LAS COLINAS		6800 N. MacArthur Blvd	75039	Irving	TX	
SPECIALTY HOSPITAL OF HOUSTON		5556 Gasmer	77035	HOUSTON	TX	04/05/95
SPECIALTY HOSP OF MEDICAL ARTS		6161 Harry Hines Blvd	75235	DALLAS	TX	03/13/98
REHABILITATION HOSPITAL SOUTH TX		6226 Saratoga Blvd	78414	CORPUS CHRISTI	TX	
ST. DAVID'S REHABILITATION		1005 E 32nd St	78705	AUSTIN	TX	
SPECIALTY HOSPITAL OF AUSTIN		4207 Burnet Road	78756	AUSTIN	TX	03/01/95
CHAMPIONS TREATMENT CENTER		14320 Walters Road	77014	HOUSTON	TX	06/15/97
BEAUMONT MEDICAL & SURGICAL		3250 Fannin St.	77701	BEAUMONT	TX	01/01/95
BELLE PARK HOSPITAL		4427 Belle Park Dr.	77072	HOUSTON	TX	08/27/93
GREENLEAF PSYCHIATRIC		2000 Greens Prarie Rd	77845	COLLEGE STATION	TX	04/19/93
RED RIVER HOSPITAL		1505 8th St	76301	WICHITA FALLS	TX	10/01/93
HOUSTON INTERNATIONAL HOSPITAL		6441 Main St.	77030	HOUSTON	TX	11/30/90
SUN VALLEY REGIONAL HOSPITAL		1155 Idaho St.	79902	EL PASO	TX	08/30/92
SHOAL CREEK HOSPITAL		3501 Mills Avenue	78731	Austin	TX	07/01/93
BRAZOS CENTER FOR PSYCHIATRY		301 Londonberry Dr	76702	WACO	TX	12/21/92
BAYVIEW PSYCHIATRIC CENTER		6226 Saratoga Blvd	78414	CORPUS CHRISTI	TX	05/01/99
GULF PINES PSYCHIATRIC HOSPITAL		205 Hollow Tree Lane	77090	HOUSTON	TX	10/01/93
HILL COUNTRY HOSPITAL		8205 Palisades Dr.	78233	SAN ANTONIO	TX	03/01/92
RICHLAND HOSPITAL		7501 Glenview Dr.	76180	NORTH RICHLAND HILLS	TX	07/01/93
ST. DAVID'S PAVILION		919 East 32nd Street	78765	AUSTIN	TX	
DEER PARK HOSPITAL		4525 Glenwood	77536	DEER PARK	TX	02/12/93
Willow Creek Hosptial		7000 Highway 287 S at Eden Rd	76017	ARLINGTON	TX	08/17/93
Hearthstone Home Health, Inc.		2900 North Loop West, suite 580	77092	Houston	TX	10/16/98
Lifeway Home Health Care		2028 East Ben White Blvd., Suite 450	78741	Austin	TX	
SALT LAKE REGIONAL		1050 East South Temple	84102	SALT LAKE CITY	UT	04/30/95
OGDEN REGIONAL MEDICAL CENTER		5475 South 500 East	84405	OGDEN	UT	
PIONEER VALLEY HOSPITAL		3460 S. Pioneer Parkway	84120	WEST VALLEY CITY	UT	05/17/96
CASTLEVIEW HOSPITAL		300 N Hospital Drive	84501	PRICE	UT	05/11/99
MOUNTAIN VIEW HOSPITAL		1000 East Highway 6	84651	PAYSON	UT	
BRIGHAM CITY COMMUNITY		900 South 500 West	84302	BRIGHAM CITY	UT	
ASHLEY VALLEY MED CENTER		151 W. 200 N	84078	VERNAL	UT	05/11/99
DAVIS MEDICAL CENTER		1600 West Antelope Drive	84041	LAYTON	UT	05/17/96

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LAKEVIEW HOSPITAL		630 E. Medical Drive	84010	BOUNTIFUL	UT	
ST. MARKS HOSPITAL		1200 East 3900 South	84124	SALT LAKE CITY	UT	
JORDAN VALLEY		3580 West 9000 South	84088	WEST JORDAN	UT	03/01/96
PENTAGON CITY HOSPITAL		2455 Army-Navy Drive	22206	ARLINGTON	VA	09/02/99
HUMANA HOSPITAL - RICHMOND		7700 Parham Rd	23294	RICHMOND	VA	12/10/91
JOHN RANDOLPH MEDICAL CENTER		411 West Randolph Road	23860	HOPEWELL	VA	
JOHNSTON-WILLIS HOSPITAL		1401 Johnston-Willis Drive	23235	RICHMOND	VA	01/01/96
LEWIS-GALE MEDICAL CENTER		1900 Electric Road	24153	SALEM	VA	
ARLINGTON HOSPITAL		1701 N George Mason Drive	22205	ARLINGTON	VA	09/30/99
CLINCH VALLEY MEDICAL CENTER		2949 West Front Street	24641	RICHLANDS	VA	
RETREAT HOSPITAL		2621 Grove Avenue	23220	RICHMOND	VA	
NORTHERN VIRGINIA DOCTORS		601 S. Carlin Springs Road	22204	ARLINGTON	VA	05/17/95
RESTON HOSPITAL CENTER		1850 Town Center Pkwy PO Box 3220	22090	RESTON	VA	
MONTGOMERY REGIONAL		3700 South Main Street	24060	BLACKSBURG	VA	
CHIPPENHAM MEDICAL CENTER		7101 Jahnke Road	23225	RICHMOND	VA	
PULASKI COMMUNITY HOSPITAL		2400 Lee Highway	24301	PULASKI	VA	
HENRICO DOCTORS HOSPITAL		1602 Skipwith Road	23229	RICHMOND	VA	
HUMANA HOSPITAL - BAYSIDE		800 Independence Blvd	23455	VIRGINIA BEACH	VA	07/31/91
ALLEGHANY REGIONAL HOSPITAL		1 ARH Lane	24457	LOWMOOR	VA	
PENINSULA PSYCHIATRIC HOSPITAL		2244 Executive Drive	23666	HAMPTON	VA	
LEWIS-GALE PSYCHIATRIC HOSPITAL		1902 Braeburn Dr.	24153	SALEM	VA	04/01/96
POPLAR SPRINGS HOSPITAL		350 Poplar Drive PO Box 3060	23805	PETERSBURG	VA	02/15/97
DOMINION HOSPITAL		2960 Sleepy Hollow Rd	22044	FALLS CHURCH	VA	
LAKEVIEW HOSPITAL		S. 19th St. And Union Sts.	98405	TACOMA	WA	08/31/89
CAPITAL MEDICAL CENTER		3900 Capitol Mall Drive SW	98502	OLYMPIC	WA	
GREENBRIER VALLEY MED CTR		202 Maplewood Avenue	24970	RONCEVERTE	WV	11/19/98
ST FRANCIS HOSPITAL		333 Laidley	25301	CHARLESTON	WV	
ST. JOSEPH HOSPITAL		1824 Murdock Ave	26101	PARKERSBURG	WV	
BECKLEY HOSPITAL		1007 South Oakwood Avenue	25801	BECKLEY	WV	07/09/97
ST. LUKE'S HOSPITAL		1333 Southview Drive	24701	BLUFIELD	WV	01/31/99
RALEIGH GENERAL HOSPITAL		1710 Harper Road	25801	BECKLEY	WV	
PUTMAN GENERAL HOSPITAL		1400 Hospital Drive	25526	HURRICANE	WV	
RIVER PARK HOSPITAL		1230 Sixth Avenue	25701	HUNTINGTON	WV	
PARKWAY REGIONAL		6001 Research Park Blvd.	53719	MADISON	WI	12/15/93
RIVERTON MEMORIAL		2100 W. Sunset Drive	82501	RIVERTON	WY	05/11/99
SPALDING - CHEYENNE REHAB		2600 East 18th Street	82001	CHEYENNE	WY	05/31/99

ATTACHMENT TWO

HCA HOSPITALS TO WHICH
WOUND CARE RELEASES APPLY
(RELEASED LIABILITY RUNS ONLY
THROUGH HCA SALE OR CLOSURE DATE)

FACILITY NAME	MEDICARE PROVIDER NUMBER (REDACTED)	STREET	ZIP	CITY	STATE	DATE OF HCA SALE OR CLOSURE
MONTGOMERY REGIONAL MED CTR		301 South Ripley Street	36104	MONTGOMERY	AL	09/01/98
MEDICAL CENTER - PHOENIX		1947 East Thomas Rd	85016	PHOENIX	AZ	05/11/99
SAN LEANDRO HOSPITAL		13855 E. 14th Street	94578	SAN LEANDRO	CA	05/11/99
MISSION BAY HOSPITAL		3030 Bunker Hill Street	92109	SAN DIEGO	CA	05/11/99
PRESBYTERIAN ST LUKES MED CTR		1719 E 19th Ave	80218	DENVER	CO	
MIAMI HEART INSTITUTE SOUTH		4701 N. Meridan Avenue	33140	MIAMI	FL	
JFK MEDICAL CENTER		5301 South Congress Avenue	33462	ATLANTIS	FL	
MEDICAL CENTER OF OSCEOLA		700 West Oak Street	34742	KISSIMMEE	FL	
BARTOW MEMORIAL		1239 E Main St	33830	BARTOW	FL	05/11/99
AVENTURA HOSPITAL & MEDICAL CTR		20900 Biscayne Boulevard	33180	AVENTURA	FL	
MEDICAL CENTER OF SANFORD		1401 W Seminole Blvd	32771	SANFORD	FL	
SARASOTA DOCTORS HOSPITAL		5731 Bee Ridge Road	34233	SARASOTA	FL	
CLEARWATER COMMUNITY		1521 East Druid Road	34616	CLEARWATER	FL	02/08/99
MEMORIAL HOSP. OF JACKSONVILLE		3625 University Blvd South	32216	JACKSONVILLE	FL	
ST. PETERSBURG MEDICAL CENTER		6500 38 Ave N	33710	ST PETERSBURG	FL	
NORTHWEST REGIONAL HOSPITAL		2801 North State Road # 7	33063	MARGATE	FL	
NORTH FLORIDA REGIONAL MED CTR		6500 Newberry Road	32605	GAINESVILLE	FL	
DEERING HOSPITAL		9333 S.W. 152nd Street	33157	MIAMI	FL	
KENDALL REGIONAL MEDICAL CTR		11750 Bird Road	33175	MIAMI	FL	
OCALA REGIONAL MEDICAL CENTER		1431 SW First Street	32671	OCALA	FL	
SOUTHWEST FLORIDA REG CTR		2727 Winkler Avenue	33901	FORT MYERS	FL	
PARK MEDICAL CENTER		818 S Main Lane	32801	ORLANDO	FL	07/01/99
UNIVERSITY HOSPITAL		7201 N. University Drive	33321	TAMARAC	FL	
ORANGE PARK MEDICAL CENTER		2001 Kingsley Avenue	32073	ORANGE PARK	FL	
WESTSIDE REGIONAL MED CTR		8201 W. Broward	33324	PLANTATION	FL	
MEDICAL CENTER OF DAYTONA		400 North Clyde Morris Boulevard	32114	DAYTONA BEACH	FL	11/12/99
WEST FLORIDA REGIONAL MED CTR		8383 North Davis Highway	32523	PENSACOLA	FL	
PALM BEACH - HOSPITAL		2201 45th Street	33407	WEST PALM BEACH	FL	
FAWCETT MEMORIAL		21298 Olean Blvd.	33952	PORT CHARLOTTE	FL	
GULF COAST COMMUNITY HOSPITAL		449 West 23 Street	32405	PANAMA CITY	FL	
BRANDON REGIONAL MED CTR		119 Oakfield Drive	33511	BRANDON	FL	
TALLAHASSEE COMMUNITY HOSPITAL		2626 Capital Medical Boulevard	32308	TALLAHASSEE	FL	
REG MED CTR AT BAYONET POINT		14000 Fivay Road	34667	HUDSON	FL	
MED CTR PORT ST. LUCIE		1800 SE Tiffany Avenue	34952	PORT SAINT LUCIE	FL	
ENGLEWOOD COMMUNITY		700 Medical Boulevard	34223	ENGLEWOOD	FL	02/10/99
WEST PACES MEDICAL CENTER		3200 Howell Mill Road NW	30327	ATLANTA	GA	
EASTSIDE MEDICAL CENTER		1700 Medical Way	30078	SNELLVILLE	GA	12/04/98
BETHANY MEDICAL CENTER		51 North 12th Street	66102	KANSAS CITY	KS	
COLUMBIA HOSPITAL LEXINGTON		310 Limestone Street	40508	LEXINGTON	KY	05/11/99
PINE LAKE REGIONAL		1099 Medical Center Circle	42066	MAYFIELD	KY	09/01/98
SUBURBAN MEDICAL CENTER		4001 Dutchmans Lane	40207	LOUISVILLE	KY	
GREENVIEW REGIONAL HOSPITAL		1801 Ashley Circle	42104	BOWLING GREEN	KY	
PARKLAND MEDICAL CENTER		One Parkland Drive	03038	DERRY	NH	
PORTSMOUTH REGIONAL HOSPITAL		333 Borthwick Avenue	03801	PORTSMOUTH	NH	11/01/98
CAPE FEAR MEMORIAL		5301 Wrightsville Avenue	28403	WILMINGTON	NC	11/19/98
DAVIS MEDICAL CENTER		218 Old Mocksville Road	28625	STATESVILLE	NC	08/01/98
PRESBYTERIAN ORTHOPEDIC HOSP		1901 Randolph Road	28207	CHARLOTTE	NC	
PROVIDENCE HOSPITAL		2435 Forrest Drive	29204	COLUMBIA	SC	
GRAND STRAND REGIONAL MED CTR		809 82nd Parkway	29572	MYRTLE BEACH	SC	
MEDICAL CENTER - WEST		1801 North Oregon	79902	EL PASO	TX	07/01/94
SAM HOUSTON MEMORIAL		1615 Hillendahl	77055	HOUSTON	TX	
SOUTHWEST TEXAS METHODIST HOSPITAL		7700 Floyd Curl Drive	78229	SAN ANTONIO		
SPRING BRANCH MEDICAL CENTER		8850 Long Point Road	77055	HOUSTON	TX	05/11/99
MEDICAL CENTER - EAST		10301 Gateway West	79925	EL PASO	TX	
BEAUMONT MEDICAL CENTER		3080 College Street	77701	BEAUMONT	TX	
LAKEVIEW HOSPITAL		630 E. Medical Drive	84010	BOUNTIFUL	UT	

ATTACHMENT THREE

HCA HOSPITALS TO WHICH
CEDARS MEDICAL CENTER
COST SHIFTING RELEASES APPLIES

FACILITY NAME	MEDICARE PROVIDER # (REDACTED)	STREET	ZIP	CITY	STATE
CEDARS MEDICAL CENTER		1400 NW 12th Avenue	33136	MIAMI	FL
MIAMI HEART INSTITUTE SOUTH		4701 N. Meridan Avenue	33140	MIAMI	FL
JFK MEDICAL CENTER		5301 South Congress Avenue	33462	ATLANTIS	FL
AVENTURA HOSPITAL & MEDICAL CTR		20900 Biscayne Boulevard	33180	AVENTURA	FL
NORTHWEST REGIONAL HOSPITAL		2801 North State Road #7	33063	MARGATE	FL
KENDALL REGIONAL MEDICAL CTR		11750 Bird Road	33175	MIAMI	FL
UNIVERSITY HOSPITAL & MED CTR		7201 N. University Drive	33321	TAMARAC	FL
WESTSIDE REGIONAL MED CTR		8201 W. Broward	33324	PLANTATION	FL
COLUMBIA - PALM BEACH - HOSPITAL		2201 45th Street	33407	WEST PALM BEACH	FL

EXHIBIT 12

HCA INC.

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
FOR THE QUARTERS AND SIX MONTHS JUNE 30, 2003 AND 2002
(DOLLARS IN MILLIONS)

	QUARTER		SIX MONTHS	
	2003	2002	2003	2002
EARNINGS:				
Income before minority interests and income taxes	$437	$623	$1,241	$1,284
Fixed charges, excluding capitalized interest	153	137	296	286
	$590	$760	$1,537	$1,570
FIXED CHARGES:				
Interest charged to expense	$123	$108	$ 237	$ 229
Interest portion of rental expense and amortization of deferred loan costs	30	29	59	57
Fixed charges, excluding capitalized interest	153	137	296	286
Capitalized interest	13	10	25	13
	$166	$147	$ 321	$ 299
Ratio of earnings to fixed charges	3.55	5.17	4.79	5.25

EXHIBIT 31.1

CERTIFICATION

I, Jack O. Bovender, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of HCA Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2003

By: /s/ JACK O. BOVENDER, JR.

Jack O. Bovender, Jr.
Chairman of the Board and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, R. Milton Johnson, certify that:

1. I have reviewed this quarterly report of Form 10-Q of HCA Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2003

By: /s/ R. MILTON JOHNSON

R. Milton Johnson
Senior Vice President and Controller
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of HCA Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ JACK O. BOVENDER, JR.

Jack O. Bovender, Jr.
Chairman of the Board and Chief Executive Officer
August 11, 2003

By: /s/ R. MILTON JOHNSON

R. Milton Johnson
Senior Vice President and Controller
(Principal Financial Officer)
August 11, 2003