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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 September 30, 2017

Or

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

For the transition period from to

Commission file number 1-11239

HCA Healthcare, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**27-3865930**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
One Park Plaza **Nashville, Tennessee**	**37203**
(Address of principal executive offices)	**(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 ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

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

Class of Common Stock	Outstanding at October 31, 2017
Voting common stock, $.01 par value	354,052,500 shares

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HCA HEALTHCARE, INC.
Form 10-Q
September 30, 2017

HCA HEALTHCARE, INC.
CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE QUARTERS AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
Unaudited
(Dollars in millions, except per share amounts)

	Quarter		Nine months	
	2017	2016	2017	2016
Revenues before provision for doubtful accounts	**$ 11,967**	$ 11,110	**$ 35,156**	$ 33,241
Provision for doubtful accounts	**1,271**	840	**3,104**	2,392
Revenues	**10,696**	10,270	**32,052**	30,849
Salaries and benefits	**5,081**	4,740	**14,878**	14,133
Supplies	**1,777**	1,699	**5,369**	5,131
Other operating expenses	**2,075**	1,896	**5,970**	5,617
Equity in earnings of affiliates	**(13)**	(22)	**(36)**	(44)
Depreciation and amortization	**539**	495	**1,581**	1,463
Interest expense	**427**	432	**1,257**	1,275
Gains on sales of facilities	**(7)**	(3)	**(10)**	(8)
Losses on retirement of debt	**39**	4	**39**	4
Legal claim costs	**—**	11	**—**	33
	9,918	9,252	**29,048**	27,604
Income before income taxes	**778**	1,018	**3,004**	3,245
Provision for income taxes	**248**	273	**902**	898
Net income	**530**	745	**2,102**	2,347
Net income attributable to noncontrolling interests	**104**	127	**360**	377
Net income attributable to HCA Healthcare, Inc.	**$ 426**	$ 618	**$ 1,742**	$ 1,970
Per share data:				
Basic earnings per share	**$ 1.18**	$ 1.63	**$ 4.77**	$ 5.09
Diluted earnings per share	**$ 1.15**	$ 1.59	**$ 4.64**	$ 4.93
Shares used in earnings per share calculations (in millions):				
Basic	**360.170**	378.199	**365.398**	386.968
Diluted	**369.834**	389.592	**375.013**	399.577

See accompanying notes.

HCA HEALTHCARE, INC.
CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS
FOR THE QUARTERS AND NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
Unaudited
(Dollars in millions)

	Quarter		Nine months	
	2017	2016	2017	2016
Net income	**$530**	$745	**$2,102**	$2,347
Other comprehensive income (loss) before taxes:				
Foreign currency translation	**32**	(40)	**87**	(169)
Unrealized gains (losses) on available-for-sale securities	**—**	(2)	**5**	3
Defined benefit plans	**—**	—	**—**	—
Pension costs included in salaries and benefits	**5**	4	**14**	13
	5	4	**14**	13
Change in fair value of derivative financial instruments	**(1)**	13	**(9)**	(57)
Interest costs included in interest expense	**4**	28	**17**	84
	3	41	**8**	27
Other comprehensive income (loss) before taxes	**40**	3	**114**	(126)
Income taxes (benefits) related to other comprehensive income items	**15**	—	**44**	(50)
Other comprehensive income (loss)	**25**	3	**70**	(76)
Comprehensive income	**555**	748	**2,172**	2,271
Comprehensive income attributable to noncontrolling interests	**104**	127	**360**	377
Comprehensive income attributable to HCA Healthcare, Inc.	**$451**	$621	**$1,812**	$1,894

See accompanying notes.

HCA HEALTHCARE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
Unaudited
(Dollars in millions)

	September 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 718**	$ 646
Accounts receivable, less allowance for doubtful accounts of $5,416 and $4,988	**5,980**	5,826
Inventories	**1,546**	1,503
Other	**1,204**	1,111
	9,448	9,086
Property and equipment, at cost	**39,262**	37,055
Accumulated depreciation	**(21,933)**	(20,703)
	17,329	16,352
Investments of insurance subsidiaries	**368**	336
Investments in and advances to affiliates	**201**	206
Goodwill and other intangible assets	**7,357**	6,704
Other	**1,028**	1,074
	$ 35,731	$ 33,758
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	**$ 2,314**	$ 2,318
Accrued salaries	**1,312**	1,265
Other accrued expenses	**1,783**	2,035
Long-term debt due within one year	**202**	216
	5,611	5,834
Long-term debt, less net debt issuance costs of $171 and $170	**32,751**	31,160
Professional liability risks	**1,179**	1,148
Income taxes and other liabilities	**1,256**	1,249
Stockholders' deficit:		
Common stock $0.01 par; authorized 1,800,000,000 shares; outstanding 356,979,800 shares in 2017 and 370,535,900 shares in 2016	**4**	4
Accumulated other comprehensive loss	**(268)**	(338)
Retained deficit	**(6,516)**	(6,968)
Stockholders' deficit attributable to HCA Healthcare, Inc.	**(6,780)**	(7,302)
Noncontrolling interests	**1,714**	1,669
	(5,066)	(5,633)
	$ 35,731	$ 33,758

See accompanying notes.

HCA HEALTHCARE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017 AND 2016
Unaudited
(Dollars in millions)

	2017	2016
Cash flows from operating activities:		
Net income	**$ 2,102**	$ 2,347
Adjustments to reconcile net income to net cash provided by operating activities:		
Increase (decrease) in cash from operating assets and liabilities:		
Accounts receivable	**(3,174)**	(2,044)
Provision for doubtful accounts	**3,104**	2,392
Accounts receivable, net	**(70)**	348
Inventories and other assets	**(50)**	(161)
Accounts payable and accrued expenses	**(169)**	(341)
Depreciation and amortization	**1,581**	1,463
Income taxes	**(9)**	8
Gains on sales of facilities	**(10)**	(8)
Losses on retirement of debt	**39**	4
Legal claim costs	**—**	33
Amortization of debt issuance costs	**23**	26
Share-based compensation	**195**	196
Other	**60**	39
Net cash provided by operating activities	**3,692**	3,954
Cash flows from investing activities:		
Purchase of property and equipment	**(2,033)**	(1,884)
Acquisition of hospitals and health care entities	**(1,142)**	(468)
Disposal of hospitals and health care entities	**24**	23
Change in investments	**(15)**	78
Other	**(6)**	17
Net cash used in investing activities	**(3,172)**	(2,234)
Cash flows from financing activities:		
Issuances of long-term debt	**1,502**	5,400
Net change in revolving bank credit facilities	**650**	(70)
Repayment of long-term debt	**(700)**	(4,424)
Distributions to noncontrolling interests	**(363)**	(342)
Payment of debt issuance costs	**(25)**	(40)
Repurchases of common stock	**(1,475)**	(2,213)
Other	**(37)**	(95)
Net cash used in financing activities	**(448)**	(1,784)
Change in cash and cash equivalents	**72**	(64)
Cash and cash equivalents at beginning of period	**646**	741
Cash and cash equivalents at end of period	**$ 718**	$ 677
Interest payments	**$ 1,383**	$ 1,339
Income tax payments, net	**$ 911**	$ 890

See accompanying notes.

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

HCA Healthcare, 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 Healthcare, Inc. and partnerships and joint ventures in which such subsidiaries are partners. At September 30, 2017, these affiliates owned and operated 177 hospitals, 119 freestanding surgery centers and provided extensive outpatient and ancillary services. HCA Healthcare, Inc.'s facilities are located in 20 states and England. The terms "Company," "HCA," "we," "our" or "us," as used herein and unless otherwise stated or indicated by context, refer to HCA Healthcare, Inc. and its affiliates. The terms "facilities" or "hospitals" refer to entities owned and operated by affiliates of HCA and the term "employees" refers to employees of affiliates of HCA.

Basis of Presentation

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 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 and are of a normal and recurring nature.

The majority of our expenses are "costs of revenues" items. Costs that could be classified as general and administrative would include our corporate office costs, which were $91 million and $94 million for the quarters ended September 30, 2017 and 2016, respectively, and $273 million and $272 million for the nine months ended September 30, 2017 and 2016, respectively. Operating results for the quarter and nine months ended September 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. For further information, refer to the consolidated financial statements and footnotes thereto included in our annual report on Form 10-K for the year ended December 31, 2016.

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1 — BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues

Revenues are recorded during the period the health care services are provided, based upon the estimated amounts due from the patients and third-party payers. Third-party payers include federal and state agencies (under the Medicare and Medicaid programs), managed care health plans and commercial insurance companies (including plans offered through the health insurance exchanges), and employers. Estimates of contractual allowances under managed care health plans are based upon the payment terms specified in the related contractual agreements. Revenues related to uninsured patients and uninsured copayment and deductible amounts for patients who have health care coverage may have discounts applied (uninsured discounts and contractual discounts). We also record a provision for doubtful accounts (based primarily on historical collection experience) related to uninsured accounts to record net self-pay revenues at the estimated amounts we expect to collect. Our revenues from third-party payers, the uninsured and other for the quarters and nine months ended September 30, 2017 and 2016 are summarized in the following table (dollars in millions):

	Quarter			
	2017	Ratio	2016	Ratio
Medicare	**$ 2,354**	**22.0%**	$ 2,158	21.0%
Managed Medicare	**1,156**	**10.8**	1,068	10.4
Medicaid	**362**	**3.4**	405	3.9
Managed Medicaid	**582**	**5.4**	611	6.0
Managed care and other insurers	**6,039**	**56.4**	5,863	57.1
International (managed care and other insurers)	**276**	**2.6**	285	2.8
	10,769	**100.6**	10,390	101.2
Uninsured	**849**	**7.9**	336	3.3
Other	**349**	**3.3**	384	3.7
Revenues before provision for doubtful accounts	**11,967**	**111.8**	11,110	108.2
Provision for doubtful accounts	**(1,271)**	**(11.8)**	(840)	(8.2)
Revenues	**$10,696**	**100.0%**	$10,270	100.0%

	Nine Months			
	2017	Ratio	2016	Ratio
Medicare	**$ 7,080**	**22.1%**	$ 6,641	21.5%
Managed Medicare	**3,546**	**11.1**	3,250	10.5
Medicaid	**1,188**	**3.7**	1,248	4.0
Managed Medicaid	**1,798**	**5.6**	1,816	5.9
Managed care and other insurers	**18,071**	**56.4**	17,324	56.2
International (managed care and other insurers)	**814**	**2.5**	926	3.0
	32,497	**101.4**	31,205	101.1
Uninsured	**1,593**	**5.0**	750	2.4
Other	**1,066**	**3.3**	1,286	4.2
Revenues before provision for doubtful accounts	**35,156**	**109.7**	33,241	107.7
Provision for doubtful accounts	**(3,104)**	**(9.7)**	(2,392)	(7.7)
Revenues	**$32,052**	**100.0%**	$30,849	100.0%

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1 — BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") and the International Accounting Standards Board issued a final, converged, principles-based standard on revenue recognition. Companies across all industries will use a five-step model to recognize revenue from customer contracts. The new standard, which replaces nearly all existing revenue recognition guidance, will require significant management judgments and change the way many companies recognize revenue in their financial statements. In July 2015, the FASB decided to defer the effective date of the new revenue standard by one year to annual and interim periods beginning after December 15, 2017 for public entities and permit entities to adopt one year earlier if they choose. The FASB decided, based on its outreach to various stakeholders and continuing amendments to the new revenue standard, that a deferral was necessary to provide adequate time to effectively implement the new standard. We are continuing to evaluate the effects the adoption of this standard will have on our financial statements and financial disclosures. We believe the most significant impact will be to the presentation of our income statement where the provision for doubtful accounts will be recorded as a direct reduction to revenues and will not be presented as a separate line item. We expect to adopt the new standard using the full retrospective application, and we do not currently believe the adoption will have a significant impact on our recognition of net revenues or related disclosures for any period.

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases* ("ASU 2016-02"), which requires lessees to recognize assets and liabilities for most leases. ASU 2016-02 is effective for public business entities for annual and interim periods beginning after December 15, 2018. Early adoption is permitted. ASU 2016-02's transition provisions will be applied using a modified retrospective approach at the beginning of the earliest comparative period presented in the financial statements. We are currently evaluating the provisions of ASU 2016-02 to determine how our financial statements will be affected, and we believe the primary effect of adopting the new standard will be to record right-of-use assets and obligations for our leases currently classified as operating leases.

Reclassifications

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

NOTE 2 — ACQUISITIONS AND DISPOSITIONS

During the nine months ended September 30, 2017, we paid $1.000 billion to acquire seven hospital facilities (one of the acquired hospital facilities has an effective acquisition date of October 1, 2017) and $142 million to acquire other nonhospital health care entities. During the nine months ended September 30, 2016, we paid $343 million to acquire three hospital facilities and $125 million to acquire other nonhospital health care entities.

During the nine months ended September 30, 2017, we received proceeds of $24 million and recognized a net pretax gain of $10 million related to sales of real estate and other investments. During the nine months ended September 30, 2016, we received proceeds of $23 million and recognized a net pretax gain of $8 million related to sales of real estate and other investments.

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 3 — INCOME TAXES

Our liability for unrecognized tax benefits was $429 million, including accrued interest of $40 million, as of September 30, 2017 ($418 million and $45 million, respectively, as of December 31, 2016). Unrecognized tax benefits of $136 million ($137 million as of December 31, 2016) would affect the effective rate, if recognized.

Our provision for income taxes for the quarters ended September 30, 2017 and 2016, included tax benefits of $4 million and $11 million, respectively, and for the nine months ended September 30, 2017 and 2016, included tax benefits of $80 million and $129 million, respectively, related to the settlement of employee equity awards. Our provision for income taxes for the quarter and nine months ended September 30, 2017 also included $4 million and $16 million, respectively, of reductions in interest expense (net of tax). We also reduced our provision for income taxes for the quarter and nine months ended September 30, 2016 by $51 million, including interest of $17 million (net of tax) primarily related to the completion of IRS examinations which resolved all outstanding federal tax issues for our 2011 and 2012 tax years.

We are subject to examination by federal, state and foreign taxing authorities. Depending on the resolution of any federal, state and foreign tax disputes, the completion of examinations by federal, state or foreign taxing authorities, or the expiration of statutes of limitation for specific taxing jurisdictions, we believe it is reasonably possible that our liability for unrecognized tax benefits may significantly increase or decrease within the next 12 months. However, we are currently unable to estimate the range of any possible change.

NOTE 4 — EARNINGS PER SHARE

We compute basic earnings per share using the weighted average number of common shares outstanding. We compute diluted earnings per share using the weighted average number of common shares outstanding, plus the dilutive effect of outstanding equity awards and potential shares, computed using the treasury stock method.

The following table sets forth the computation of basic and diluted earnings per share for the quarters and nine months ended September 30, 2017 and 2016 (dollars and shares in millions, except per share amounts):

	Quarter		Nine months	
	2017	2016	2017	2016
Net income attributable to HCA Healthcare, Inc.	**$ 426**	$ 618	**$ 1,742**	$ 1,970
Weighted average common shares outstanding	**360.170**	378.199	**365.398**	386.968
Effect of dilutive incremental shares	**9.664**	11.393	**9.615**	12.609
Shares used for diluted earnings per share	**369.834**	389.592	**375.013**	399.577
Earnings per share:				
Basic earnings per share	**$ 1.18**	$ 1.63	**$ 4.77**	$ 5.09
Diluted earnings per share	**$ 1.15**	$ 1.59	**$ 4.64**	$ 4.93

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 5 — INVESTMENTS OF INSURANCE SUBSIDIARIES

A summary of our insurance subsidiaries' investments at September 30, 2017 and December 31, 2016 follows (dollars in millions):

	September 30, 2017			
	Amortized Cost	Unrealized Amounts		Fair Value
		Gains	Losses	
Debt securities:				
States and municipalities	$ 352	$14	$—	$366
Money market funds	52	—	—	52
	404	14	—	418
Equity securities	1	2	—	3
	$ 405	$16	$—	421
Amounts classified as current assets				(53)
Investment carrying value				$368

	December 31, 2016			
	Amortized Cost	Unrealized Amounts		Fair Value
		Gains	Losses	
Debt securities:				
States and municipalities	$ 345	$9	$(1)	$353
Money market funds	28	—	—	28
	373	9	(1)	381
Equity securities	1	3	—	4
	$ 374	$12	$(1)	385
Amounts classified as current assets				(49)
Investment carrying value				$336

At September 30, 2017 and December 31, 2016, the investments of our insurance subsidiaries were classified as "available-for-sale." Changes in temporary unrealized gains and losses are recorded as adjustments to other comprehensive income (loss).

Scheduled maturities of investments in debt securities at September 30, 2017 were as follows (dollars in millions):

	Amortized Cost	Fair Value
Due in one year or less	$ 100	$100
Due after one year through five years	76	80
Due after five years through ten years	178	187
Due after ten years	50	51
	$ 404	$418

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 5 — INVESTMENTS OF INSURANCE SUBSIDIARIES (Continued)

The average expected maturity of the investments in debt securities at September 30, 2017 was 4.0 years, compared to the average scheduled maturity of 5.5 years. Expected and scheduled maturities may differ because the issuers of certain securities have the right to call, prepay or otherwise redeem such obligations prior to their scheduled maturity date.

NOTE 6 — FINANCIAL INSTRUMENTS

Interest Rate Swap Agreements

We have entered into interest rate swap agreements to manage our exposure to fluctuations in interest rates. These swap agreements involve the exchange of fixed and variable rate interest payments between two parties based on common notional principal amounts and maturity dates. Pay-fixed interest rate swaps effectively convert LIBOR indexed variable rate obligations to fixed interest rate obligations. The interest payments under these agreements are settled on a net basis. The net interest payments, based on the notional amounts in these agreements, generally match the timing of the related liabilities for the interest rate swap agreements which have been designated as cash flow hedges. The notional amounts of the swap agreements represent amounts used to calculate the exchange of cash flows and are not our assets or liabilities. Our credit risk related to these agreements is considered low because the swap agreements are with creditworthy financial institutions.

The following table sets forth our interest rate swap agreements, which have been designated as cash flow hedges, at September 30, 2017 (dollars in millions):

	Notional Amount	Maturity Date	Fair Value
Pay-fixed interest rate swaps	$1,000	December 2017	$ (3)
Pay-fixed interest rate swaps	2,000	December 2021	30

During the next 12 months, we estimate $3 million will be reclassified from other comprehensive income (“OCI”) to interest expense.

Derivatives — Results of Operations

The following table presents the effect of our interest rate swaps on our results of operations for the nine months ended September 30, 2017 (dollars in millions):

Derivatives in Cash Flow Hedging Relationships	Amount of Loss Recognized in OCI on Derivatives, Net of Tax	Location of Loss Reclassified from Accumulated OCI into Operations	Amount of Loss Reclassified from Accumulated OCI into Operations
Interest rate swaps	$ 6	Interest expense	$ 17

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 7 — ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Accounting Standards Codification 820, *Fair Value Measurements and Disclosures* ("ASC 820") emphasizes fair value is a market-based measurement, and fair value measurements should be determined based on the assumptions market participants would use in pricing assets or liabilities. ASC 820 utilizes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment.

Cash Traded Investments

Our cash traded investments are generally classified within Level 1 or Level 2 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Certain types of cash traded instruments are classified within Level 3 of the fair value hierarchy because they trade infrequently and therefore have little or no price transparency. The valuation of these securities involves the consideration of market factors and management's judgment.

Derivative Financial Instruments

We have entered into interest rate swap agreements to manage our exposure to fluctuations in interest rates. The valuation of these instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. We incorporate credit valuation adjustments to reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements of these instruments.

Although we determined the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties. We assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions, and at September 30, 2017 and December 31, 2016, we determined the credit valuation adjustments were not significant to the overall valuation of our derivatives.

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 7 — ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (Continued)

The following tables summarize our assets and liabilities measured at fair value on a recurring basis as of September 30, 2017 and December 31, 2016, aggregated by the level in the fair value hierarchy within which those measurements fall (dollars in millions):

	September 30, 2017			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments of insurance subsidiaries:				
Debt securities:				
States and municipalities	**$ 366**	**$ —**	**$ 366**	**$ —**
Money market funds	**52**	**52**	**—**	**—**
	418	**52**	**366**	**—**
Equity securities	**3**	**3**	**—**	**—**
Investments of insurance subsidiaries	**421**	**55**	**366**	**—**
Less amounts classified as current assets	**(53)**	**(52)**	**(1)**	**—**
	$ 368	**$ 3**	**$ 365**	**$ —**
Interest rate swaps (Other)	**$ 30**	**$ —**	**$ 30**	**$ —**
Liabilities:				
Interest rate swaps (Income taxes and other liabilities)	**$ 3**	**$ —**	**$ 3**	**$ —**

	December 31, 2016			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments of insurance subsidiaries:				
Debt securities:				
States and municipalities	$ 353	$ —	$ 347	$ 6
Money market funds	28	28	—	—
	381	28	347	6
Equity securities	4	4	—	—
Investments of insurance subsidiaries	385	32	347	6
Less amounts classified as current assets	(49)	(28)	(21)	—
	$ 336	$ 4	$ 326	$ 6
Interest rate swaps (Other)	$ 31	$ —	$ 31	$ —
Liabilities:				
Interest rate swaps (Income taxes and other liabilities)	$ 12	$ —	$ 12	$ —

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 7 — ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (Continued)

The $6 million reduction in the Level 3 investments of our insurance subsidiaries resulted from settlements. The estimated fair value of our long-term debt was $34.998 billion and $32.833 billion at September 30, 2017 and December 31, 2016, respectively, compared to carrying amounts, excluding net debt issuance costs, aggregating $33.124 billion and $31.546 billion, respectively. The estimates of fair value are generally based upon the quoted market prices or quoted market prices for similar issues of long-term debt with the same maturities.

NOTE 8 — LONG-TERM DEBT

A summary of long-term debt at September 30, 2017 and December 31, 2016, including related interest rates at September 30, 2017, follows (dollars in millions):

	September 30, 2017	December 31, 2016
Senior secured asset-based revolving credit facility (effective interest rate of 2.7%)	**$ 3,570**	$ 2,920
Senior secured revolving credit facility	**—**	—
Senior secured term loan facilities (effective interest rate of 3.6%)	**3,915**	3,981
Senior secured notes (effective interest rate of 5.4%)	**15,300**	13,800
Other senior secured debt (effective interest rate of 5.8%)	**587**	593
Senior secured debt	**23,372**	21,294
Senior unsecured notes (effective interest rate of 6.4%)	**9,752**	10,252
Net debt issuance costs	**(171)**	(170)
Total debt (average life of 7.1 years, rates averaging 5.2%)	**32,953**	31,376
Less amounts due within one year	**202**	216
	$ 32,751	$ 31,160

2017 Activity

During June 2017, we issued $1.500 billion aggregate principal amount of 5.500% senior secured notes due 2047. We used the net proceeds for general corporate purposes, including funding the purchase of certain hospital acquisitions, and the redemption, during July 2017, of all $500 million aggregate principal amount of our existing 8.000% senior notes maturing in October 2018. The pretax loss on retirement of debt was $39 million.

During June 2017, we amended our senior secured revolving credit facilities by (i) increasing the commitments under the senior secured asset-based revolving credit facility to $3.750 billion, (ii) extending the maturity date of the revolving credit commitments to June 28, 2022, (iii) amending the incremental facility provisions to permit the incurrence of additional incremental credit facilities in an aggregate principal amount of $1.5 billion and (iv) providing that the commitment fee for unutilized commitments under the senior secured asset-based revolving credit facility shall be 0.250% per annum.

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 9 — CONTINGENCIES

We operate 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 us. We are also 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 us which may not be covered by insurance. We are also subject to claims by various taxing authorities for additional taxes and related interest and penalties. The resolution of any such lawsuits, claims or legal and regulatory proceedings could have a material, adverse effect on our results of operations, financial position or liquidity.

Health care companies are subject to numerous investigations by various governmental agencies. Under the federal False Claims Act, private parties have the right to bring *qui tam*, or "whistleblower," suits against companies that submit false claims for payments to, or improperly retain overpayments from, the government. Some states have adopted similar state whistleblower and false claims provisions. Certain of our individual facilities have received, and from time to time, other facilities may receive, government inquiries from, and may be subject to investigation by, federal and state agencies. Depending on whether the underlying conduct in these or future inquiries or investigations could be considered systemic, their resolution could have a material, adverse effect on our results of operations, financial position or liquidity.

NOTE 10 — CAPITAL STRUCTURE

The changes in stockholders' deficit, including changes in stockholders' deficit attributable to HCA Healthcare, Inc. and changes in equity attributable to noncontrolling interests, are as follows (dollars and shares in millions):

	Equity (Deficit) Attributable to HCA Healthcare, Inc.						
	Common Stock		Capital in Excess of Par Value	Accumulated Other Comprehensive Loss	Retained Deficit	Equity Attributable to Noncontrolling Interests	Total
	Shares	Par Value					
Balances at December 31, 2016	370.536	$ 4	$ —	$ (338)	$(6,968)	$ 1,669	$(5,633)
Comprehensive income	—	—	—	70	1,742	360	2,172
Repurchase of common stock	(17.847)	—	(185)	—	(1,290)	—	(1,475)
Distributions	—	—	—	—	—	(363)	(363)
Share-based benefit plans	4.291	—	188	—	—	—	188
Other	—	—	(3)	—	—	48	45
Balances at September 30, 2017	356.980	$ 4	$ —	$ (268)	$(6,516)	$ 1,714	$(5,066)

During the nine months ended September 30, 2017, we repurchased 17.847 million shares of our common stock at an average price of $82.62 per share through market purchases pursuant to the $2.0 billion share repurchase program authorized during November 2016. At September 30, 2017, we had $379 million of repurchase authorization available under the November 2016 authorization. During October 2017, our board of directors authorized a share repurchase program for up to $2 billion of our outstanding common stock.

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 10 — CAPITAL STRUCTURE (Continued)

The components of accumulated other comprehensive loss are as follows (dollars in millions):

	Unrealized Gains on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Benefit Plans	Change in Fair Value of Derivative Instruments	Total
Balances at December 31, 2016	$ 7	$ (211)	$ (146)	$ 12	$(338)
Unrealized gains on available-for-sale securities, net of $2 of income taxes	3	—	—	—	3
Foreign currency translation adjustments, net of $34 of income taxes	—	53	—	—	53
Change in fair value of derivative instruments, net of $3 income tax benefits	—	—	—	(6)	(6)
Expense reclassified into operations from other comprehensive income, net of $5 and $6, respectively, income tax benefits	—	—	9	11	20
Balances at September 30, 2017	$ 10	$ (158)	$ (137)	$ 17	$(268)

NOTE 11 — SEGMENT AND GEOGRAPHIC INFORMATION

We operate in one line of business, which is operating hospitals and related health care entities. We operate in two geographically organized groups: the National and American Groups. The National Group includes 86 hospitals located in Alaska, California, Florida, southern Georgia, Idaho, Indiana, northern Kentucky, Nevada, New Hampshire, South Carolina, Utah and Virginia, and the American Group includes 85 hospitals located in Colorado, northern Georgia, Kansas, southern Kentucky, Louisiana, Mississippi, Missouri, Oklahoma, Tennessee and Texas. We also operate six hospitals in England, 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, losses on retirement of debt, legal claim costs, income taxes and net income attributable to noncontrolling interests. We use 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 our revenues,

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 11 — SEGMENT AND GEOGRAPHIC INFORMATION (Continued)

equity in earnings of affiliates, adjusted segment EBITDA and depreciation and amortization for the quarters and nine months ended September 30, 2017 and 2016 are summarized in the following table (dollars in millions):

	Quarter		Nine months	
	2017	2016	2017	2016
Revenues:				
National Group	**$ 5,036**	$ 4,882	**$15,344**	$14,780
American Group	**5,180**	4,908	**15,268**	14,554
Corporate and other	**480**	480	**1,440**	1,515
	$10,696	$10,270	**$32,052**	$30,849
Equity in earnings of affiliates:				
National Group	**$ (8)**	$ (13)	**$ (17)**	$ (17)
American Group	**(9)**	(9)	**(27)**	(26)
Corporate and other	**4**	—	**8**	(1)
	$ (13)	$ (22)	**$ (36)**	$ (44)
Adjusted segment EBITDA:				
National Group	**$ 975**	$ 1,073	**$ 3,268**	$ 3,342
American Group	**930**	1,016	**2,977**	3,002
Corporate and other	**(129)**	(132)	**(374)**	(332)
	$ 1,776	$ 1,957	**$ 5,871**	$ 6,012
Depreciation and amortization:				
National Group	**$ 219**	$ 204	**$ 650**	$ 602
American Group	**251**	231	**727**	675
Corporate and other	**69**	60	**204**	186
	$ 539	$ 495	**$ 1,581**	$ 1,463
Adjusted segment EBITDA	**$ 1,776**	$ 1,957	**$ 5,871**	$ 6,012
Depreciation and amortization	**539**	495	**1,581**	1,463
Interest expense	**427**	432	**1,257**	1,275
Gains on sales of facilities	**(7)**	(3)	**(10)**	(8)
Losses on retirement of debt	**39**	4	**39**	4
Legal claim costs	**—**	11	**—**	33
Income before income taxes	**$ 778**	$ 1,018	**$ 3,004**	$ 3,245

NOTE 12 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION

During December 2012, HCA Healthcare, Inc. issued $1.000 billion aggregate principal amount of 6.250% senior unsecured notes due 2021. These notes are senior unsecured obligations and are not guaranteed by any of our subsidiaries.

HCA Inc., a direct wholly-owned subsidiary of HCA Healthcare, Inc., is the obligor under a significant portion of our other indebtedness, including our senior secured credit facilities, senior secured notes and senior unsecured notes (other than the senior unsecured notes issued by HCA Healthcare, Inc.). The senior secured notes and senior unsecured notes issued by HCA Inc. are fully and unconditionally guaranteed

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

by HCA Healthcare, Inc. The senior secured credit facilities and senior secured notes are fully and unconditionally guaranteed by substantially all existing and future, direct and indirect, 100% owned material domestic subsidiaries that are "Unrestricted Subsidiaries" under our Indenture dated December 16, 1993 (except for certain special purpose subsidiaries that only guarantee and pledge their assets under our senior secured asset-based revolving credit facility).

Our summarized condensed consolidating comprehensive income statements for the quarters and nine months ended September 30, 2017 and 2016, condensed consolidating balance sheets at September 30, 2017 and December 31, 2016 and condensed consolidating statements of cash flows for the nine months ended September 30, 2017 and 2016, segregating HCA Healthcare, Inc. issuer, HCA Inc. issuer, the subsidiary guarantors, the subsidiary non-guarantors and eliminations, follow:

HCA HEALTHCARE, INC.
CONDENSED CONSOLIDATING COMPREHENSIVE INCOME STATEMENT
FOR THE QUARTER ENDED SEPTEMBER 30, 2017
(Dollars in millions)

	HCA Healthcare, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Condensed Consolidated
Revenues before provision for doubtful accounts	$ —	$ —	$ 5,897	$ 6,070	$ —	$ 11,967
Provision for doubtful accounts	—	—	636	635	—	1,271
Revenues	—	—	5,261	5,435	—	10,696
Salaries and benefits	—	—	2,427	2,654	—	5,081
Supplies	—	—	889	888	—	1,777
Other operating expenses	—	—	963	1,112	—	2,075
Equity in earnings of affiliates	(436)	—	(1)	(12)	436	(13)
Depreciation and amortization	—	—	249	290	—	539
Interest expense	16	792	(318)	(63)	—	427
Gains on sales of facilities	—	—	(4)	(3)	—	(7)
Losses on retirement of debt	—	39	—	—	—	39
Management fees	—	—	(215)	215	—	—
	(420)	831	3,990	5,081	436	9,918
Income (loss) before income taxes	420	(831)	1,271	354	(436)	778
Provision (benefit) for income taxes	(6)	(307)	460	101	—	248
Net income (loss)	426	(524)	811	253	(436)	530
Net income attributable to noncontrolling interests	—	—	24	80	—	104
Net income (loss) attributable to HCA Healthcare, Inc.	$ 426	$ (524)	$ 787	$ 173	$ (436)	$ 426
Comprehensive income (loss) attributable to HCA Healthcare, Inc.	$ 451	$ (522)	$ 790	$ 193	$ (461)	$ 451

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

HCA HEALTHCARE, INC.
CONDENSED CONSOLIDATING COMPREHENSIVE INCOME STATEMENT
FOR THE QUARTER ENDED SEPTEMBER 30, 2016
(Dollars in millions)

	HCA Healthcare, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Condensed Consolidated
Revenues before provision for doubtful accounts	$ —	$ —	$ 5,591	$ 5,519	$ —	$ 11,110
Provision for doubtful accounts	—	—	391	449	—	840
Revenues	—	—	5,200	5,070	—	10,270
Salaries and benefits	—	—	2,373	2,367	—	4,740
Supplies	—	—	888	811	—	1,699
Other operating expenses	1	—	904	991	—	1,896
Equity in earnings of affiliates	(573)	—	(1)	(21)	573	(22)
Depreciation and amortization	—	—	242	253	—	495
Interest expense	16	711	(235)	(60)	—	432
Gains on sales of facilities	—	—	—	(3)	—	(3)
Losses on retirement of debt	—	4	—	—	—	4
Legal claim costs	—	11	—	—	—	11
Management fees	—	—	(206)	206	—	—
	(556)	726	3,965	4,544	573	9,252
Income (loss) before income taxes	556	(726)	1,235	526	(573)	1,018
Provision (benefit) for income taxes	(62)	(268)	447	156	—	273
Net income (loss)	618	(458)	788	370	(573)	745
Net income attributable to noncontrolling interests	—	—	24	103	—	127
Net income (loss) attributable to HCA Healthcare, Inc.	$ 618	$ (458)	$ 764	$ 267	$ (573)	$ 618
Comprehensive income (loss) attributable to HCA Healthcare, Inc.	$ 621	$ (432)	$ 766	$ 242	$ (576)	$ 621

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

HCA HEALTHCARE, INC.
CONDENSED CONSOLIDATING COMPREHENSIVE INCOME STATEMENT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(Dollars in millions)

	HCA Healthcare, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Condensed Consolidated
Revenues before provision for doubtful accounts	$ —	$ —	$ 17,799	17,357	$ —	$ 35,156
Provision for doubtful accounts	—	—	1,648	1,456	—	3,104
Revenues	—	—	16,151	15,901	—	32,052
Salaries and benefits	—	—	7,330	7,548	—	14,878
Supplies	—	—	2,771	2,598	—	5,369
Other operating expenses	5	—	2,841	3,124	—	5,970
Equity in earnings of affiliates	(1,702)	—	(3)	(33)	1,702	(36)
Depreciation and amortization	—	—	748	833	—	1,581
Interest expense	48	2,280	(878)	(193)	—	1,257
Gains on sales of facilities	—	—	(5)	(5)	—	(10)
Losses on retirement of debt	—	39	—	—	—	39
Management fees	—	—	(637)	637	—	—
	(1,649)	2,319	12,167	14,509	1,702	29,048
Income (loss) before income taxes	1,649	(2,319)	3,984	1,392	(1,702)	3,004
Provision (benefit) for income taxes	(93)	(856)	1,443	408	—	902
Net income (loss)	1,742	(1,463)	2,541	984	(1,702)	2,102
Net income attributable to noncontrolling interests	—	—	74	286	—	360
Net income (loss) attributable to HCA Healthcare, Inc.	$ 1,742	$(1,463)	$ 2,467	$ 698	$ (1,702)	$ 1,742
Comprehensive income (loss) attributable to HCA Healthcare, Inc.	$ 1,812	$(1,458)	$ 2,476	$ 754	$ (1,772)	$ 1,812

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

HCA HEALTHCARE, INC.
CONDENSED CONSOLIDATING COMPREHENSIVE INCOME STATEMENT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
(Dollars in millions)

	HCA Healthcare, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Condensed Consolidated
Revenues before provision for doubtful accounts	$ —	$ —	$ 16,957	$ 16,284	$ —	$ 33,241
Provision for doubtful accounts	—	—	1,383	1,009	—	2,392
Revenues	—	—	15,574	15,275	—	30,849
Salaries and benefits	—	—	7,074	7,059	—	14,133
Supplies	—	—	2,672	2,459	—	5,131
Other operating expenses	5	—	2,654	2,958	—	5,617
Equity in earnings of affiliates	(1,843)	—	(4)	(40)	1,843	(44)
Depreciation and amortization	—	—	707	756	—	1,463
Interest expense	48	2,031	(646)	(158)	—	1,275
Gains on sales of facilities	—	—	—	(8)	—	(8)
Losses on retirement of debt	—	4	—	—	—	4
Legal claim costs	—	33	—	—	—	33
Management fees	—	—	(601)	601	—	—
	(1,790)	2,068	11,856	13,627	1,843	27,604
Income (loss) before income taxes	1,790	(2,068)	3,718	1,648	(1,843)	3,245
Provision (benefit) for income taxes	(180)	(763)	1,347	494	—	898
Net income (loss)	1,970	(1,305)	2,371	1,154	(1,843)	2,347
Net income attributable to noncontrolling interests	—	—	67	310	—	377
Net income (loss) attributable to HCA Healthcare, Inc.	$ 1,970	$(1,305)	$ 2,304	$ 844	$ (1,843)	$ 1,970
Comprehensive income (loss) attributable to HCA Healthcare, Inc.	$ 1,894	$(1,288)	$ 2,312	$ 743	$ (1,767)	$ 1,894

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

HCA HEALTHCARE, INC.
CONDENSED CONSOLIDATING BALANCE SHEET
SEPTEMBER 30, 2017
(Dollars in millions)

	HCA Healthcare, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Condensed Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	$ 1	$ —	$ 117	$ 600	$ —	$ 718
Accounts receivable, net	—	—	3,003	2,977	—	5,980
Inventories	—	—	899	647	—	1,546
Other	33	—	438	733	—	1,204
	34	—	4,457	4,957	—	9,448
Property and equipment, net	—	—	8,670	8,659	—	17,329
Investments of insurance subsidiaries	—	—	—	368	—	368
Investments in and advances to affiliates	28,817	—	15	186	(28,817)	201
Goodwill and other intangible assets	—	—	1,728	5,629	—	7,357
Other	783	29	35	181	—	1,028
	$ 29,634	$ 29	$ 14,905	$ 19,980	$ (28,817)	$ 35,731
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY						
Current liabilities:						
Accounts payable	$ —	$ —	$ 1,288	$ 1,026	$ —	$ 2,314
Accrued salaries	—	—	704	608	—	1,312
Other accrued expenses	8	279	475	1,021	—	1,783
Long-term debt due within one year	—	97	54	51	—	202
	8	376	2,521	2,706	—	5,611
Long-term debt, net	994	31,275	192	290	—	32,751
Intercompany balances	34,983	(10,069)	(28,514)	3,600	—	—
Professional liability risks	—	—	—	1,179	—	1,179
Income taxes and other liabilities	429	2	353	472	—	1,256
	36,414	21,584	(25,448)	8,247	—	40,797
Stockholders' (deficit) equity attributable to HCA Healthcare, Inc.	(6,780)	(21,555)	40,228	10,144	(28,817)	(6,780)
Noncontrolling interests	—	—	125	1,589	—	1,714
	(6,780)	(21,555)	40,353	11,733	(28,817)	(5,066)
	$ 29,634	$ 29	$ 14,905	$ 19,980	$ (28,817)	$ 35,731

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

HCA HEALTHCARE, INC.
CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2016
(Dollars in millions)

	HCA Healthcare, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Condensed Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	$ —	$ —	$ 110	$ 536	$ —	$ 646
Accounts receivable, net	—	—	3,028	2,798	—	5,826
Inventories	—	—	890	613	—	1,503
Other	—	—	445	666	—	1,111
	—	—	4,473	4,613	—	9,086
Property and equipment, net	—	—	8,463	7,889	—	16,352
Investments of insurance subsidiaries	—	—	—	336	—	336
Investments in and advances to affiliates	27,045	—	16	190	(27,045)	206
Goodwill and other intangible assets	—	—	1,728	4,976	—	6,704
Other	877	—	34	163	—	1,074
	$ 27,922	$ —	$ 14,714	$ 18,167	$ (27,045)	$ 33,758
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY						
Current liabilities:						
Accounts payable	$ —	$ —	$ 1,439	$ 879	$ —	$ 2,318
Accrued salaries	—	—	704	561	—	1,265
Other accrued expenses	29	572	464	970	—	2,035
Long-term debt due within one year	—	97	60	59	—	216
	29	669	2,667	2,469	—	5,834
Long-term debt, net	993	29,693	199	275	—	31,160
Intercompany balances	33,784	(10,277)	(26,447)	2,940	—	—
Professional liability risks	—	—	—	1,148	—	1,148
Income taxes and other liabilities	418	12	387	432	—	1,249
	35,224	20,097	(23,194)	7,264	—	39,391
Stockholders' (deficit) equity attributable to HCA Healthcare, Inc.	(7,302)	(20,097)	37,752	9,390	(27,045)	(7,302)
Noncontrolling interests	—	—	156	1,513	—	1,669
	(7,302)	(20,097)	37,908	10,903	(27,045)	(5,633)
	$ 27,922	$ —	$ 14,714	$ 18,167	$ (27,045)	$ 33,758

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

HCA HEALTHCARE, INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2017
(Dollars in millions)

	HCA Healthcare, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Condensed Consolidated
Cash flows from operating activities:						
Net income (loss)	$ 1,742	$ (1,463)	$ 2,541	$ 984	$ (1,702)	$ 2,102
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:						
Changes in operating assets and liabilities	(15)	(293)	(1,785)	(1,300)	—	(3,393)
Provision for doubtful accounts	—	—	1,648	1,456	—	3,104
Depreciation and amortization	—	—	748	833	—	1,581
Income taxes	(9)	—	—	—	—	(9)
Gains on sales of facilities	—	—	(5)	(5)	—	(10)
Losses on retirement of debt	—	39	—	—	—	39
Amortization of debt issuance costs	—	23	—	—	—	23
Share-based compensation	—	—	195	—	—	195
Equity in earnings of affiliates	(1,702)	—	—	—	1,702	—
Other	58	—	—	2	—	60
Net cash provided by (used in) operating activities	74	(1,694)	3,342	1,970	—	3,692
Cash flows from investing activities:						
Purchase of property and equipment	—	—	(912)	(1,121)	—	(2,033)
Acquisition of hospitals and health care entities	—	—	(9)	(1,133)	—	(1,142)
Disposition of hospitals and health care entities	—	—	12	12	—	24
Change in investments	—	—	—	(15)	—	(15)
Other	—	—	(2)	(4)	—	(6)
Net cash used in investing activities	—	—	(911)	(2,261)	—	(3,172)
Cash flows from financing activities:						
Issuance of long-term debt	—	1,500	—	2	—	1,502
Net change in revolving credit facilities	—	650	—	—	—	650
Repayment of long-term debt	—	(604)	(52)	(44)	—	(700)
Distributions to noncontrolling interests	—	—	(105)	(258)	—	(363)
Payment of debt issuance costs	—	(25)	—	—	—	(25)
Repurchases of common stock	(1,475)	—	—	—	—	(1,475)
Changes in intercompany balances with affiliates, net	1,468	173	(2,267)	626	—	—
Other	(66)	—	—	29	—	(37)
Net cash (used in) provided by financing activities	(73)	1,694	(2,424)	355	—	(448)
Change in cash and cash equivalents	1	—	7	64	—	72
Cash and cash equivalents at beginning of period	—	—	110	536	—	646
Cash and cash equivalents at end of period	$ 1	$ —	$ 117	$ 600	$ —	$ 718

HCA HEALTHCARE, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (Continued)

HCA HEALTHCARE, INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2016
(Dollars in millions)

	HCA Healthcare, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Condensed Consolidated
Cash flows from operating activities:						
Net income (loss)	$ 1,970	$ (1,305)	$ 2,371	$ 1,154	$ (1,843)	$ 2,347
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:						
Changes in operating assets and liabilities	(40)	(49)	(1,628)	(829)	—	(2,546)
Provision for doubtful accounts	—	—	1,383	1,009	—	2,392
Depreciation and amortization	—	—	707	756	—	1,463
Income taxes	8	—	—	—	—	8
Gains on sales of facilities	—	—	—	(8)	—	(8)
Losses on retirement of debt	—	4	—	—	—	4
Legal claim costs	—	33	—	—	—	33
Amortization of debt issuance costs	—	26	—	—	—	26
Share-based compensation	—	—	196	—	—	196
Equity in earnings of affiliates	(1,843)	—	—	—	1,843	—
Other	53	—	(3)	(11)	—	39
Net cash provided by (used in) operating activities	148	(1,291)	3,026	2,071	—	3,954
Cash flows from investing activities:						
Purchase of property and equipment	—	—	(892)	(992)	—	(1,884)
Acquisition of hospitals and health care entities	—	—	(164)	(304)	—	(468)
Disposition of hospitals and health care entities	—	—	10	13	—	23
Change in investments	—	—	(2)	80	—	78
Other	—	—	—	17	—	17
Net cash used in investing activities	—	—	(1,048)	(1,186)	—	(2,234)
Cash flows from financing activities:						
Issuance of long-term debt	—	5,400	—	—	—	5,400
Net change in revolving credit facilities	—	(70)	—	—	—	(70)
Repayment of long-term debt	—	(4,334)	(54)	(36)	—	(4,424)
Distributions to noncontrolling interests	—	—	(46)	(296)	—	(342)
Payment of debt issuance costs	—	(40)	—	—	—	(40)
Repurchases of common stock	(2,213)	—	—	—	—	(2,213)
Changes in intercompany balances with affiliates, net	2,171	335	(1,895)	(611)	—	—
Other	(105)	—	—	10	—	(95)
Net cash (used in) provided by financing activities	(147)	1,291	(1,995)	(933)	—	(1,784)
Change in cash and cash equivalents	1	—	(17)	(48)	—	(64)
Cash and cash equivalents at beginning of period	—	—	155	586	—	741
Cash and cash equivalents at end of period	$ 1	$ —	$ 138	$ 538	$ —	$ 677

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

Forward-Looking Statements

This quarterly report on Form 10-Q includes certain disclosures which contain "forward-looking statements." Forward-looking statements include statements regarding expected share-based compensation expense, expected capital expenditures and expected net claim payments and all other 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 our current plans and expectations and are subject to a number of known and unknown uncertainties and risks, many of which are beyond our control, which could significantly affect current plans and expectations and our future financial position and results of operations. These factors include, but are not limited to, (1) the impact of our substantial indebtedness and the ability to refinance such indebtedness on acceptable terms, (2) the impact of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, the "Health Reform Law"), including the effects of any repeal of, or changes to, the Health Reform Law or changes to its implementation, the possible enactment of additional federal or state health care reforms and possible changes to other federal, state or local laws or regulations affecting the health care industry, (3) the effects related to the continued implementation of the sequestration spending reductions required under the Budget Control Act of 2011, and related legislation extending these reductions, and the potential for future deficit reduction legislation that may alter these spending reductions, which include cuts to Medicare payments, or create additional spending reductions, (4) increases in the amount and risk of collectability of uninsured accounts and deductibles and copayment amounts for insured accounts, (5) the ability to achieve operating and financial targets, and attain expected levels of patient volumes and control the costs of providing services, (6) possible changes in Medicare, Medicaid and other state programs, including Medicaid upper payment limit programs or Waiver Programs, that may impact reimbursements to health care providers and insurers, (7) the highly competitive nature of the health care business, (8) changes in service mix, revenue mix and surgical volumes, including potential declines in the population covered under managed care agreements, the ability to enter into and renew managed care provider agreements on acceptable terms and the impact of consumer-driven health plans and physician utilization trends and practices, (9) the efforts of insurers, health care providers and others to contain health care costs, (10) the outcome of our continuing efforts to monitor, maintain and comply with appropriate laws, regulations, policies and procedures, (11) increases in wages and the ability to attract and retain qualified management and personnel, including affiliated physicians, nurses and medical and technical support personnel, (12) the availability and terms of capital to fund the expansion of our business and improvements to our existing facilities, (13) changes in accounting practices, (14) changes in general economic conditions nationally and regionally in our markets, (15) the emergence and effects related to infectious diseases, (16) future divestitures which may result in charges and possible impairments of long-lived assets, (17) changes in business strategy or development plans, (18) delays in receiving payments for services provided, (19) the outcome of pending and any future tax audits, disputes and litigation associated with our tax positions, (20) potential adverse impact of known and unknown government investigations, litigation and other claims that may be made against us, (21) the impact of potential cybersecurity incidents or security breaches, (22) our ongoing ability to demonstrate meaningful use of certified electronic health record ("EHR") technology, and (23) other risk factors described in our annual report on Form 10-K for the year ended December 31, 2016 and our other filings with the Securities and Exchange Commission. 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, which forward-looking statements reflect management's views only as of the date of this report. We undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise.

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

Third Quarter 2017 Operations Summary

Revenues increased to $10.696 billion in the third quarter of 2017 from $10.270 billion in the third quarter of 2016. Net income attributable to HCA Healthcare, Inc. totaled $426 million, or $1.15 per diluted share, for the quarter ended September 30, 2017, compared to $618 million, or $1.59 per diluted share, for the quarter ended September 30, 2016. Third quarter 2017 results include additional expenses and losses of revenues estimated at approximately $140 million, or $0.24 per diluted share, associated with the impact of hurricanes Harvey and Irma on our Texas, Florida, Georgia and South Carolina facilities, and a negative impact to operating results related to the Texas Medicaid Waiver program of approximately $50 million, or $0.08 per diluted share, related to final settlement amounts for the program year ended September 30, 2017. The amount associated with the hurricanes is prior to any insurance recoveries which we may receive. Third quarter 2017 results also include net gains on sales of facilities of $7 million, or $0.01 per diluted share, and losses on retirement of debt of $39 million, or $0.07 per diluted share. Third quarter 2016 results include legal claim costs of $11 million, or $0.02 per diluted share, losses on retirement of debt of $4 million, or $0.01 per diluted share, and net gains on sales of facilities of $3 million, or $0.01 per diluted share. Our provisions for income taxes for the third quarters of 2017 and 2016 included tax benefits of $4 million, or $0.01 per diluted share, and $11 million, or $0.03 per diluted share, respectively, related to excess tax benefits from employee equity award settlements. Our provision for income taxes for the third quarter of 2016 also included tax benefits of $51 million, or $0.13 per diluted share, primarily related to the resolution of federal income tax issues for our 2011 and 2012 tax years. All "per diluted share" disclosures are based upon amounts net of the applicable income taxes. Shares used for diluted earnings per share were 369.834 million shares for the quarter ended September 30, 2017 and 389.592 million shares for the quarter ended September 30, 2016. During 2016 and the first nine months of 2017, we repurchased 36.325 million shares and 17.847 million shares of our common stock, respectively.

Revenues increased 4.2% on a consolidated basis and increased 2.3% on a same facility basis for the quarter ended September 30, 2017, compared to the quarter ended September 30, 2016. The increase in consolidated revenues can be attributed to the combined impact of a 1.6% increase in revenue per equivalent admission and a 2.5% increase in equivalent admissions. The same facility revenues increase resulted from the combined impact of a 2.0% increase in same facility revenue per equivalent admission and a 0.3% increase in same facility equivalent admissions.

During the quarters ended September 30, 2017 and 2016, consolidated admissions and same facility admissions increased 2.7% and 0.6%, respectively. Surgeries declined 0.7% on a consolidated basis and declined 2.9% on a same facility basis during the quarter ended September 30, 2017, compared to the quarter ended September 30, 2016. Emergency department visits increased 2.5% on a consolidated basis and increased 0.3% on a same facility basis during the quarter ended September 30, 2017, compared to the quarter ended September 30, 2016.

For the quarter ended September 30, 2017, the provision for doubtful accounts increased $431 million, compared to the quarter ended September 30, 2016. The self-pay revenue deductions for charity care and uninsured discounts increased $189 million and $256 million, respectively, during the third quarter of 2017, compared to the third quarter of 2016. The sum of the provision for doubtful accounts, uninsured discounts and charity care, as a percentage of the sum of revenues, provision for doubtful accounts, uninsured discounts and charity care, was 36.3% for the third quarter of 2017, compared to 33.7% for the third quarter of 2016. Same facility uninsured admissions increased 6.4% for the quarter ended September 30, 2017, compared to the quarter ended September 30, 2016.

Cash flows from operating activities declined $198 million from $1.206 billion for the third quarter of 2016 to $1.008 billion for the third quarter of 2017. The decline relates primarily to the decline in net income of $215 million.

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

Results of Operations

Revenue/Volume Trends

Our 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. Gross charges typically do not reflect what our facilities are actually paid. Our 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. We do not pursue collection of amounts related to patients who meet our guidelines to qualify for charity care; therefore, they are not reported in revenues. We provide discounts to uninsured patients who do not qualify for Medicaid or charity care. After the discounts are applied, we are still unable to collect a significant portion of uninsured patients' accounts, and we record provisions for doubtful accounts (based upon our historical collection experience) related to uninsured patients in the period the services are provided to record the net self-pay revenues at the estimated amounts we expect to collect.

Revenues increased 4.2% from $10.270 billion in the third quarter of 2016 to $10.696 billion in the third quarter of 2017. Revenues are recorded during the period the health care services are provided, based upon the estimated amounts due from the patients and third-party payers. Third-party payers include federal and state agencies (under the Medicare and Medicaid programs), managed care health plans and commercial insurance companies (including plans offered through the health insurance exchanges), and employers. Estimates of contractual allowances under managed care health plans are based upon the payment terms specified in the related contractual agreements. Revenues related to uninsured patients and uninsured copayment and deductible amounts for patients who have health care coverage may have discounts applied (uninsured discounts and contractual discounts). Our revenues from our third-party payers, the uninsured and other payers for the quarters and nine months ended September 30, 2017 and 2016 are summarized in the following table (dollars in millions):

	Quarter			
	2017	**Ratio**	**2016**	**Ratio**
Medicare	**$ 2,354**	**22.0%**	$ 2,158	21.0%
Managed Medicare	**1,156**	**10.8**	1,068	10.4
Medicaid	**362**	**3.4**	405	3.9
Managed Medicaid	**582**	**5.4**	611	6.0
Managed care and other insurers	**6,039**	**56.4**	5,863	57.1
International (managed care and other insurers)	**276**	**2.6**	285	2.8
	10,769	**100.6**	10,390	101.2
Uninsured	**849**	**7.9**	336	3.3
Other	**349**	**3.3**	384	3.7
Revenues before provision for doubtful accounts	**11,967**	**111.8**	11,110	108.2
Provision for doubtful accounts	**(1,271)**	**(11.8)**	(840)	(8.2)
Revenues	**$10,696**	**100.0%**	$10,270	100.0%

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

Results of Operations (Continued)

Revenue/Volume Trends (Continued)

	Nine Months			
	2017	Ratio	2016	Ratio
Medicare	**$ 7,080**	**22.1%**	$ 6,641	21.5%
Managed Medicare	**3,546**	**11.1**	3,250	10.5
Medicaid	**1,188**	**3.7**	1,248	4.0
Managed Medicaid	**1,798**	**5.6**	1,816	5.9
Managed care and other insurers	**18,071**	**56.4**	17,324	56.2
International (managed care and other insurers)	**814**	**2.5**	926	3.0
	32,497	**101.4**	31,205	101.1
Uninsured	**1,593**	**5.0**	750	2.4
Other	**1,066**	**3.3**	1,286	4.2
Revenues before provision for doubtful accounts	**35,156**	**109.7**	33,241	107.7
Provision for doubtful accounts	**(3,104)**	**(9.7)**	(2,392)	(7.7)
Revenues	**$32,052**	**100.0%**	$30,849	100.0%

Consolidated and same facility revenue per equivalent admission increased 1.6% and 2.0%, respectively, in the third quarter of 2017, compared to the third quarter of 2016. Consolidated and same facility equivalent admissions increased 2.5% and 0.3%, respectively, in the third quarter of 2017, compared to the third quarter of 2016. Consolidated and same facility outpatient surgeries declined 2.1% and 4.2%, respectively, in the third quarter of 2017, compared to the third quarter of 2016. Consolidated inpatient surgeries increased 1.6% and same facility inpatient surgeries declined 0.7% in the third quarter of 2017, compared to the third quarter of 2016. Consolidated and same facility emergency department visits increased 2.5% and 0.3%, respectively, in the third quarter of 2017, compared to the third quarter of 2016.

Our uninsured revenues increased $513 million and $843 million, respectively, for the quarter and nine months ended September 30, 2017 compared to the quarter and nine months ended September 30, 2016. The provision for doubtful accounts increased $431 million and $712 million, respectively, for the quarter and nine months ended September 30, 2017, which offset the majority of the increases in uninsured revenues during the same periods. During these periods we also experienced declines in the percentages of our total uncompensated care that related to uninsured discounts, with uninsured discounts comprising 59% and 64%, respectively, of total uncompensated care for the quarters ended September 30, 2017 and 2016, and 62% and 63%, respectively, of total uncompensated care for the nine months ended September 30, 2017 and 2016.

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

Results of Operations (Continued)

Revenue/Volume Trends (Continued)

To quantify the total impact of and trends related to uninsured accounts, we believe it is beneficial to view the direct uninsured revenue deductions (charity care and uninsured discounts) and provision for doubtful accounts in combination, rather than each separately. At September 30, 2017, our allowance for doubtful accounts represented 99.1% of the $5.465 billion total patient due accounts receivable balance. The patient due accounts receivable balance represents the estimated uninsured portion of our accounts receivable. A summary of these adjustments to revenues amounts, related to uninsured accounts, for the quarters and nine months ended September 30, 2017 and 2016 follows (dollars in millions):

	Quarter				Nine Months			
	2017	Ratio	2016	Ratio	2017	Ratio	2016	Ratio
Charity care	**$1,235**	**20%**	$1,046	20%	**$ 3,494**	**20%**	$ 3,100	21%
Uninsured discounts	**3,583**	**59**	3,327	64	**10,539**	**62**	9,539	63
Provision for doubtful accounts	**1,271**	**21**	840	16	**3,104**	**18**	2,392	16
Totals	**$6,089**	**100%**	$5,213	100%	**$17,137**	**100%**	$15,031	100%

Same facility uninsured admissions increased by 2,354 admissions, or 6.4%, in the third quarter of 2017, compared to the third quarter of 2016. Same facility uninsured admissions increased by 4.9%, in the second quarter of 2017, compared to the second quarter of 2016. Same facility uninsured admissions increased by 3.2%, in the first quarter of 2017, compared to the first quarter of 2016. Same facility uninsured admissions in 2016, compared to 2015, declined 0.3% in the fourth quarter of 2016, increased 0.7% in the third quarter of 2016, increased 5.7% in the second quarter of 2016 and increased 10.6% in the first quarter of 2016.

The approximate percentages of our admissions related to Medicare, managed Medicare, Medicaid, managed Medicaid, managed care and other insurers and the uninsured for the quarters and nine months ended September 30, 2017 and 2016 are set forth in the following table.

	Quarter		Nine Months	
	2017	2016	2017	2016
Medicare	**30%**	30%	**31%**	31%
Managed Medicare	**15**	15	**16**	15
Medicaid	**5**	6	**5**	6
Managed Medicaid	**13**	12	**12**	12
Managed care and other insurers	**28**	29	**28**	29
Uninsured	**9**	8	**8**	7
	100%	100%	**100%**	100%

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

Results of Operations (Continued)

Revenue/Volume Trends (Continued)

The approximate percentages of our inpatient revenues, before provision for doubtful accounts, related to Medicare, managed Medicare, Medicaid, managed Medicaid, managed care and other insurers and the uninsured for the quarters and nine months ended September 30, 2017 and 2016 are set forth in the following table.

	Quarter		Nine Months	
	2017	2016	2017	2016
Medicare	**27%**	27%	**27%**	28%
Managed Medicare	**12**	12	**12**	12
Medicaid	**4**	6	**5**	6
Managed Medicaid	**5**	6	**6**	6
Managed care and other insurers	**47**	49	**47**	48
Uninsured	**5**	—	**3**	—
	100%	100%	**100%**	100%

At September 30, 2017, we had 89 hospitals in the states of Texas and Florida. During the third quarter of 2017, 56% of our admissions and 48% of our revenues were generated by these hospitals. Uninsured admissions in Texas and Florida represented 70% of our uninsured admissions during the third quarter of 2017.

We receive a significant portion of our revenues from government health programs, principally Medicare and Medicaid, which are highly regulated and subject to frequent and substantial changes. In 2011, the Centers for Medicare & Medicaid Services ("CMS") approved a Medicaid waiver that allows Texas to continue receiving supplemental Medicaid reimbursement while expanding its Medicaid managed care program. Texas currently operates its Medicaid Waiver Program pursuant to this waiver, which CMS has agreed to extend through December 2017. We cannot predict whether the Texas Medicaid Waiver Program will be further extended, be revised or that revenues recognized from the program will not decline.

The Texas Medicaid Waiver Program includes two primary components: an indigent care component and a Delivery System Reform Incentive Payment ("DSRIP") component. Initiatives under the DSRIP program are designed to provide incentive payments to hospitals and other providers for their investments in delivery system reforms that increase access to health care, improve the quality of care and enhance the health of patients and families they serve. We provide indigent care services in several communities in the state of Texas, in affiliation with other hospitals. The state of Texas has been involved in efforts to increase the indigent care provided by private hospitals. As a result of additional indigent care being provided by private hospitals, public hospital districts or counties in Texas have available funds that were previously devoted to indigent care. The public hospital districts or counties are under no contractual or legal obligation to provide such indigent care. The public hospital districts or counties have elected to transfer some portion of these available funds to the state's Medicaid program. Such action is at the sole discretion of the public hospital districts or counties. It is anticipated that these contributions to the state will be matched with federal Medicaid funds. The state then may make supplemental payments to hospitals in the state for Medicaid services rendered. Hospitals receiving Medicaid supplemental payments may include those that are providing additional indigent care services. Our Texas Medicaid revenues included Medicaid supplemental payments of $60 million ($26 million DSRIP related and $34 million indigent care related) and $109 million ($25 million DSRIP related and $84 million indigent care related) during the third quarters of 2017 and 2016, respectively, and $261 million ($82 million DSRIP related and $179 million indigent care related) and $293 million ($78 million DSRIP related and $215 million indigent care related) during the first nine months of 2017 and 2016, respectively.

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

Results of Operations (Continued)

Revenue/Volume Trends (Continued)

In addition, we receive supplemental payments in several other states. We are aware these supplemental payment programs are currently being reviewed by certain state agencies and CMS, and some states have made waiver requests to CMS to replace their existing supplemental payment programs. It is possible these reviews and waiver requests will result in the restructuring of such supplemental payment programs and could result in the payment programs being reduced or eliminated. Because deliberations about these programs are ongoing, we are unable to estimate the financial impact the program structure modifications, if any, may have on our results of operations.

Operating Results Summary

The following is a comparative summary of results of operations for the quarters and nine months ended September 30, 2017 and 2016 (dollars in millions):

	Quarter			
	2017		2016	
	Amount	Ratio	Amount	Ratio
Revenues before provision for doubtful accounts	**$ 11,967**		$ 11,110	
Provision for doubtful accounts	**1,271**		840	
Revenues	**10,696**	**100.0**	10,270	100.0
Salaries and benefits	**5,081**	**47.5**	4,740	46.1
Supplies	**1,777**	**16.6**	1,699	16.5
Other operating expenses	**2,075**	**19.4**	1,896	18.5
Equity in earnings of affiliates	**(13)**	**(0.1)**	(22)	(0.2)
Depreciation and amortization	**539**	**5.0**	495	4.9
Interest expense	**427**	**4.0**	432	4.2
Gains on sales of facilities	**(7)**	**(0.1)**	(3)	—
Losses on retirement of debt	**39**	**0.4**	4	—
Legal claim costs	**—**	**—**	11	0.1
	9,918	**92.7**	9,252	90.1
Income before income taxes	**778**	**7.3**	1,018	9.9
Provision for income taxes	**248**	**2.3**	273	2.6
Net income	**530**	**5.0**	745	7.3
Net income attributable to noncontrolling interests	**104**	**1.0**	127	1.3
Net income attributable to HCA Healthcare, Inc.	**$ 426**	**4.0**	$ 618	6.0
% changes from prior year:				
Revenues	**4.2%**		4.2%	
Income before income taxes	**(23.6)**		20.6	
Net income attributable to HCA Healthcare, Inc.	**(31.1)**		37.7	
Admissions(a)	**2.7**		0.7	
Equivalent admissions(b)	**2.5**		1.5	
Revenue per equivalent admission	**1.6**		2.7	
Same facility % changes from prior year(c):				
Revenues	**2.3**		4.0	
Admissions(a)	**0.6**		0.7	
Equivalent admissions(b)	**0.3**		1.3	
Revenue per equivalent admission	**2.0**		2.7	

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

Results of Operations (Continued)

Operating Results Summary (Continued)

	Nine Months			
	2017		2016	
	Amount	Ratio	Amount	Ratio
Revenues before provision for doubtful accounts	**$35,156**		$33,241	
Provision for doubtful accounts	**3,104**		2,392	
Revenues	**32,052**	**100.0**	30,849	100.0
Salaries and benefits	**14,878**	**46.4**	14,133	45.8
Supplies	**5,369**	**16.8**	5,131	16.6
Other operating expenses	**5,970**	**18.6**	5,617	18.2
Equity in earnings of affiliates	**(36)**	**(0.1)**	(44)	(0.1)
Depreciation and amortization	**1,581**	**4.9**	1,463	4.8
Interest expense	**1,257**	**3.9**	1,275	4.1
Gains on sales of facilities	**(10)**	**—**	(8)	—
Losses on retirement of debt	**39**	**0.1**	4	—
Legal claim costs	**—**	**—**	33	0.1
	29,048	**90.6**	27,604	89.5
Income before income taxes	**3,004**	**9.4**	3,245	10.5
Provision for income taxes	**902**	**2.8**	898	2.9
Net income	**2,102**	**6.6**	2,347	7.6
Net income attributable to noncontrolling interests	**360**	**1.2**	377	1.2
Net income attributable to HCA Healthcare, Inc.	**$ 1,742**	**5.4**	$ 1,970	6.4
% changes from prior year:				
Revenues	**3.9%**		4.8%	
Income before income taxes	**(7.4)**		11.7	
Net income attributable to HCA Healthcare, Inc.	**(11.6)**		27.3	
Admissions(a)	**1.8**		1.1	
Equivalent admissions(b)	**2.1**		2.3	
Revenue per equivalent admission	**1.7**		2.4	
Same facility % changes from prior year(c):				
Revenues	**3.0**		4.4	
Admissions(a)	**1.0**		1.0	
Equivalent admissions(b)	**1.2**		2.0	
Revenue per equivalent admission	**1.8**		2.3	

(a) Represents the total number of patients admitted to our hospitals and is used by management and certain investors as a general measure of inpatient volume.

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

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

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

Results of Operations (Continued)

Quarters Ended September 30, 2017 and 2016

Net income attributable to HCA Healthcare, Inc. totaled $426 million, or $1.15 per diluted share, for the third quarter of 2017, compared to $618 million, or $1.59 per diluted share, for the third quarter of 2016. Third quarter 2017 results include additional expenses and losses of revenues estimated at approximately $140 million, or $0.24 per diluted share, associated with the impact of hurricanes Harvey and Irma on our Texas, Florida, Georgia and South Carolina facilities, and a negative impact to operating results related to the Texas Medicaid Waiver program of approximately $50 million, or $0.08 per diluted share, related to final settlement amounts for the program year ended September 30, 2017. The amount associated with the hurricanes is prior to any insurance recoveries which we may receive. Third quarter 2017 results also include net gains on sales of facilities of $7 million, or $0.01 per diluted share, and losses on retirement of debt of $39 million, or $0.07 per diluted share. Third quarter 2016 results include legal claim costs of $11 million, or $0.02 per diluted share, losses on retirement of debt of $4 million, or $0.01 per diluted share, and net gains on sales of facilities of $3 million, or $0.01 per diluted share. Our provision for income taxes for the third quarter of 2016 also included tax benefits of $51 million, or $0.13 per diluted share, primarily related to the resolution of federal income tax issues for our 2011 and 2012 tax years. All "per diluted share" disclosures are based upon amounts net of the applicable income taxes. Shares used for diluted earnings per share were 369.834 million shares for the quarter ended September 30, 2017 and 389.592 million shares for the quarter ended September 30, 2016. During 2016 and the first nine months of 2017, we repurchased 36.325 million and 17.847 million shares of our common stock, respectively.

Revenues before provision for doubtful accounts increased 7.7% for the third quarter of 2017 compared to the third quarter of 2016. The provision for doubtful accounts increased $431 million, from $840 million in the third quarter of 2016 to $1.271 billion in the third quarter of 2017. The provision for doubtful accounts relates primarily to uninsured amounts due directly from patients, including copayment and deductible amounts for patients who have health care coverage. The self-pay revenue deductions for charity care and uninsured discounts increased $189 million and $256 million, respectively, during the third quarter of 2017, compared to the third quarter of 2016. The sum of the provision for doubtful accounts, uninsured discounts and charity care, as a percentage of the sum of revenues, the provision for doubtful accounts, uninsured discounts and charity care, was 36.3% for the third quarter of 2017, compared to 33.7% for the third quarter of 2016. At September 30, 2017, our allowance for doubtful accounts represented 99.1% of the $5.465 billion total patient due accounts receivable balance, including accounts, net of estimated contractual discounts, related to patients for which eligibility for Medicaid coverage or uninsured discounts was being evaluated.

Revenues increased 4.2% due to the combined impact of revenue per equivalent admission growth of 1.6% and a 2.5% increase in equivalent admissions for the third quarter of 2017 compared to the third quarter of 2016. Same facility revenues increased 2.3% due to the combined impact of a 2.0% increase in same facility revenue per equivalent admission and a 0.3% increase in same facility equivalent admissions for the third quarter of 2017 compared to the third quarter of 2016.

Salaries and benefits, as a percentage of revenues, were 47.5% in the third quarter of 2017 and 46.1% in the third quarter of 2016. Salaries and benefits per equivalent admission increased 4.6% in the third quarter of 2017 compared to the third quarter of 2016. Same facility labor rate increases averaged 3.3% for the third quarter of 2017 compared to the third quarter of 2016.

Supplies, as a percentage of revenues, were 16.6% in the third quarter of 2017 and 16.5% in the third quarter of 2016. Supply costs per equivalent admission increased 2.1% in the third quarter of 2017 compared to the third quarter of 2016. Supply costs per equivalent admission increased 2.9% for medical devices, 0.8% for pharmacy supplies and 1.8% for general medical and surgical items in the third quarter of 2017 compared to the third quarter of 2016.

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

Results of Operations (continued)

Quarters Ended September 30, 2017 and 2016 (continued)

Other operating expenses, as a percentage of revenues, were 19.4% in the third quarter of 2017 and 18.5% in the third quarter of 2016. Other operating expenses is primarily comprised of contract services, professional fees, repairs and maintenance, rents and leases, utilities, insurance (including professional liability insurance) and nonincome taxes. The increase in other operating expenses, as a percentage of revenues, for the third quarter of 2017 compared to the third quarter of 2016 was due to small increases in many of the other operating expense components. Provisions for losses related to professional liability risks were $116 million and $106 million for the third quarters of 2017 and 2016, respectively.

Equity in earnings of affiliates was $13 million and $22 million in the third quarters of 2017 and 2016, respectively.

Depreciation and amortization increased $44 million, from $495 million in the third quarter of 2016 to $539 million in the third quarter of 2017. The increase in depreciation relates to both acquired facilities and increased routine capital expenditures.

Interest expense was $427 million in the third quarter of 2017 and $432 million in the third quarter of 2016. Our average debt balance was $32.337 billion for the third quarter of 2017 compared to $31.358 billion for the third quarter of 2016. The average effective interest rate for our long-term debt declined to 5.2% from 5.5% for the quarters ended September 30, 2017 and 2016, respectively.

During the third quarters of 2017 and 2016, we recorded net gains on sales of facilities of $7 million and $3 million, respectively.

During June 2017, we issued $1.500 billion aggregate principal amount of 5.500% senior secured notes due 2047. We used the net proceeds for general corporate purposes, including funding the purchase of certain hospital acquisitions, and the redemption, during July 2017, of all $500 million aggregate principal amount of our existing 8.000% senior notes maturing in October 2018. The pretax loss on retirement of debt was $39 million. During August 2016, we issued $1.200 billion aggregate principal amount of 4.500% senior secured notes due 2027. We used the net proceeds for general corporate purposes and to retire a portion of one of our senior secured term loans. We also entered into a joinder agreement to retire the remaining portion of this senior secured term loan using proceeds from a new $1.200 billion senior secured term loan facility maturing in February 2024. The pretax loss on retirement of debt was $4 million.

We recorded $11 million of legal claim costs during the third quarter of 2016 related to the Health Midwest litigation.

The effective tax rates were 36.7% and 30.6% for the third quarters of 2017 and 2016, respectively. The effective tax rate computations exclude net income attributable to noncontrolling interests as it relates to consolidated partnerships. Our provisions for income taxes for the third quarters of 2017 and 2016 included tax benefits of $4 million and $11 million, respectively, related to excess tax benefits from employee equity award settlements. Our provision for income taxes for the third quarter of 2016 also included a tax benefit of $51 million primarily related to the resolution of federal income tax issues for our 2011 and 2012 tax years. Our provision for income taxes for the third quarter of 2017 also included $4 million of reductions in interest expense (net of tax). Excluding the effect of these adjustments, the effective tax rate for the third quarters of 2017 and 2016 would have been 37.8% and 37.6%, respectively.

Net income attributable to noncontrolling interests declined from $127 million for the third quarter of 2016 to $104 million for the third quarter of 2017. The decline in net income attributable to noncontrolling interests related primarily to one of our Texas markets.

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

Results of Operations (continued)

Nine months Ended September 30, 2017 and 2016

Net income attributable to HCA Healthcare, Inc. totaled $1.742 billion, or $4.64 per diluted share, in the nine months ended September 30, 2017 compared to $1.970 billion, or $4.93 per diluted share, in the nine months ended September 30, 2016. The first nine months of 2017 results include additional expenses and losses of revenues estimated at approximately $140 million, or $0.24 per diluted share, associated with the impact of hurricanes Harvey and Irma on our Texas, Florida, Georgia and South Carolina facilities, and a negative impact to operating results related to the Texas Medicaid Waiver program of approximately $50 million, or $0.08 per diluted share, related to final settlement amounts for the program year ended September 30, 2017. The amount associated with the hurricanes is prior to any insurance recoveries which we may receive. The first nine months of 2017 results also include net gains on sales of facilities of $10 million, or $0.02 per diluted share, and losses on retirement of debt of $39 million, or $0.07 per diluted share. The first nine months of 2016 results include legal claim costs of $33 million, or $0.05 per diluted share, losses on retirement of debt of $4 million, or $0.01 per diluted share, and net gains on sales of facilities of $8 million, or $0.01 per diluted share. Our provision for income taxes for the first nine months of 2016 also included tax benefits of $51 million, or $0.13 per diluted share, primarily related to the resolution of federal income tax issues for our 2011 and 2012 tax years. All "per diluted share" disclosures are based upon amounts net of the applicable income taxes. Shares used for diluted earnings per share were 375.013 million shares and 399.577 million shares for the nine months ended September 30, 2017 and 2016, respectively. During 2016 and the first nine months of 2017, we repurchased 36.325 million and 17.847 million shares of our common stock, respectively.

For the first nine months of 2017, consolidated and same facility admissions increased 1.8% and 1.0%, respectively, compared to the first nine months of 2016. Consolidated and same facility outpatient surgical volumes declined 0.8% and 2.0%, respectively, during the first nine months of 2017, compared to the first nine months of 2016. Consolidated and same facility inpatient surgeries increased 1.0% and 0.1%, respectively, in the first nine months of 2017, compared to the first nine months of 2016. Consolidated and same facility emergency department visits increased 1.7% and 0.7%, respectively, during the nine months ended September 30, 2017, compared to the nine months ended September 30, 2016.

Revenues before provision for doubtful accounts increased 5.8% for the first nine months of 2017 compared to the first nine months of 2016. Provision for doubtful accounts increased $712 million from $2.392 billion in the first nine months of 2016 to $3.104 billion in the first nine months of 2017. The provision for doubtful accounts relates primarily to uninsured amounts due directly from patients, including copayment and deductible amounts for patients who have health care coverage. The self-pay revenue deductions for charity care and uninsured discounts increased $394 million and $1.000 billion, respectively, during the first nine months of 2017, compared to the first nine months of 2016. The sum of the provision for doubtful accounts, uninsured discounts and charity care, as a percentage of the sum of revenues, the provision for doubtful accounts, uninsured discounts and charity care, was 34.8% for the first nine months of 2017, compared to 32.8% for the first nine months of 2016. At September 30, 2017, our allowance for doubtful accounts represented approximately 99.1% of the $5.465 billion total patient due accounts receivable balance, including accounts, net of estimated contractual discounts, related to patients for which eligibility for Medicaid coverage or uninsured discounts was being evaluated.

Revenues increased 3.9% primarily due to the combined impact of revenue per equivalent admission growth of 1.7% and an increase of 2.1% in equivalent admissions for the first nine months of 2017 compared to the first nine months of 2016. Same facility revenues increased 3.0% due to the combined impact of a 1.8% increase in same facility revenue per equivalent admission and a 1.2% increase in same facility equivalent admissions for the first nine months of 2017 compared to the first nine months of 2016.

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

Results of Operations (continued)

Nine months Ended September 30, 2017 and 2016 (continued)

Salaries and benefits, as a percentage of revenues, were 46.4% in the first nine months of 2017 and 45.8% in the first nine months of 2016. Salaries and benefits per equivalent admission increased 3.1% in the first nine months of 2017 compared to the first nine months of 2016. Same facility labor rate increases averaged 2.7% for the first nine months of 2017 compared to the first nine months of 2016.

Supplies, as a percentage of revenues, were 16.8% in the first nine months of 2017 and 16.6% in the first nine months of 2016. Supply costs per equivalent admission increased 2.5% in the first nine months of 2017 compared to the first nine months of 2016. Supply costs per equivalent admission increased 5.1% for medical devices and 1.6% for general medical and surgical items, and were flat for pharmacy supplies in the first nine months of 2017 compared to the first nine months of 2016.

Other operating expenses, as a percentage of revenues, increased to 18.6% in the first nine months of 2017 from 18.2% in the first nine months of 2016. Other operating expenses is primarily comprised of contract services, professional fees, repairs and maintenance, rents and leases, utilities, insurance (including professional liability insurance) and nonincome taxes. Provisions for losses related to professional liability risks were $353 million and $329 million for the first nine months of 2017 and 2016, respectively.

Equity in earnings of affiliates was $36 million and $44 million in the first nine months of 2017 and 2016, respectively.

Depreciation and amortization increased $118 million, from $1.463 billion in the first nine months of 2016 to $1.581 billion in the first nine months of 2017. The increase in depreciation relates to both acquired facilities and increased routine capital expenditures.

Interest expense was $1.257 billion for the first nine months of 2017 and $1.275 billion for the first nine months of 2016. Our average debt balance was $31.846 billion for the first nine months of 2017 compared to $31.002 billion for the first nine months of 2016. The average effective interest rate for our long-term debt declined from 5.5% for the nine months ended September 30, 2016 to 5.3% for the nine months ended September 30, 2017.

During the first nine months of 2017 and 2016, we recorded net gains on sales of facilities of $10 million and $8 million, respectively.

During June 2017, we issued $1.500 billion aggregate principal amount of 5.500% senior secured notes due 2047. We used the net proceeds for general corporate purposes, including funding the purchase of certain hospital acquisitions, and the redemption, during July 2017, of all $500 million aggregate principal amount of our existing 8.000% senior notes maturing in October 2018. The pretax loss on retirement of debt was $39 million. During August 2016, we issued $1.200 billion aggregate principal amount of 4.500% senior secured notes due 2027. We used the net proceeds for general corporate purposes and to retire a portion of one of our senior secured term loans. We also entered into a joinder agreement to retire the remaining portion of this senior secured term loan using proceeds from a new $1.200 billion senior secured term loan facility maturing in February 2024. The pretax loss on retirement of debt was $4 million.

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

Results of Operations (continued)

Nine months Ended September 30, 2017 and 2016 (continued)

We recorded $33 million of legal claim costs during the first nine months of 2016 related to the Health Midwest litigation.

The effective tax rates were 34.1% and 31.3% for the first nine months of 2017 and 2016, respectively. The effective tax rate computations exclude net income attributable to noncontrolling interests as it relates to consolidated partnerships. Our provision for income taxes for the first nine months of 2017 and 2016 included tax benefits of $80 million and $129 million, respectively, related to excess tax benefits from employee equity award settlements. Our provision for income taxes for the first nine months of 2016 also included a tax benefit of $51 million primarily related to the resolution of federal income tax issues for our 2011 and 2012 tax years. Our provision for income taxes for the first nine months of 2017 also included $16 million of reductions in interest expense (net of tax). Excluding the effect of these adjustments, the effective tax rate for the first nine months of 2017 and 2016 would have been 37.7% and 37.6%, respectively.

Net income attributable to noncontrolling interests declined from $377 million for the first nine months of 2016 to $360 million for the first nine months of 2017. The decline in net income attributable to noncontrolling interests related primarily to one of our Texas markets.

Liquidity and Capital Resources

Cash provided by operating activities totaled $3.692 billion in the first nine months of 2017 compared to $3.954 billion in the first nine months of 2016. The $262 million decline in cash provided by operating activities in the first nine months of 2017 compared to the first nine months of 2016 primarily related to the $245 million decline in net income. The combined interest payments and net tax payments in the first nine months of 2017 and 2016 were $2.294 billion and $2.229 billion, respectively. Working capital totaled $3.837 billion at September 30, 2017 and $3.252 billion at December 31, 2016.

Cash used in investing activities was $3.172 billion in the first nine months of 2017 compared to $2.234 billion in the first nine months of 2016. Acquisitions of hospitals and health care entities increased from $468 million in the first nine months of 2016 to $1.142 billion in the first nine months of 2017. Excluding acquisitions, capital expenditures were $2.033 billion in the first nine months of 2017 and $1.884 billion in the first nine months of 2016. Capital expenditures, excluding acquisitions, are expected to approximate $3.0 billion in 2017. At September 30, 2017, there were projects under construction which had estimated additional costs to complete and equip over the next five years of approximately $3.5 billion. We expect to finance capital expenditures with internally generated and borrowed funds.

Cash used in financing activities totaled $448 million in the first nine months of 2017 compared to $1.784 billion in the first nine months of 2016. During the first nine months of 2017, net cash flows used in financing activities included a net increase of $1.452 billion in our indebtedness, repurchases of common stock of $1.475 billion, distributions to noncontrolling interests of $363 million and payments of debt issuance costs of $25 million. During the first nine months of 2016, net cash flows used in financing activities included a net increase of $906 million in our indebtedness, repurchases of common stock of $2.213 billion, distributions to noncontrolling interests of $342 million and payments of debt issuance costs of $40 million.

We are a highly leveraged company with significant debt service requirements. Our debt totaled $32.953 billion at September 30, 2017. Our interest expense was $1.257 billion for the first nine months of 2017 and $1.275 billion for the first nine months of 2016.

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

Liquidity and Capital Resources (continued)

In addition to cash flows from operations, available sources of capital include amounts available under our senior secured credit facilities ($2.037 billion and $2.154 billion available as of September 30, 2017 and October 31, 2017, respectively) and anticipated access to public and private debt markets.

During June 2017, we issued $1.500 billion aggregate principal amount of 5.500% senior secured notes due 2047. We used the net proceeds for general corporate purposes, including funding the purchase of certain hospital acquisitions, and the redemption, during July 2017, of all $500 million aggregate principal amount of our existing 8.000% senior notes maturing in October 2018. The pretax loss on retirement of debt was $39 million.

During June 2017, we amended our senior secured revolving credit facilities by (i) increasing the commitments under the senior secured asset-based revolving credit facility to $3.750 billion, (ii) extending the maturity date of the revolving credit commitments to June 28, 2022, (iii) amending the incremental facility provisions to permit the incurrence of additional incremental credit facilities in an aggregate principal amount of $1.5 billion and (iv) providing that the commitment fee for unutilized commitments under the senior secured asset-based revolving credit facility shall be 0.250% per annum.

During August 2016, we issued $1.200 billion aggregate principal amount of 4.500% senior secured notes due 2027. We used the net proceeds for general corporate purposes and to retire a portion of one of our senior secured term loans. We also entered into a joinder agreement to retire the remaining portion of this senior secured term loan using proceeds from a new $1.200 billion senior secured term loan facility maturing in February 2024. The pretax loss on retirement of debt was $4 million.

During March 2016, we issued $1.500 billion aggregate principal amount of 5.250% senior secured notes due 2026. We used the net proceeds for general corporate purposes and to retire a portion of one of our senior secured term loans. We also entered into a joinder agreement to retire the remaining portion of this senior secured term loan using proceeds from a new $1.500 billion senior secured term loan facility maturing in March 2023.

Investments of our professional liability insurance subsidiaries, to maintain statutory equity and pay claims, totaled $421 million and $385 million at September 30, 2017 and December 31, 2016, respectively. An insurance subsidiary maintained net reserves for professional liability risks of $202 million and $215 million at September 30, 2017 and December 31, 2016, respectively. Our facilities are insured by a 100% owned insurance subsidiary for losses up to $50 million per occurrence; however, this coverage is subject to a $15 million per occurrence self-insured retention. Net reserves for the self-insured professional liability risks retained were $1.378 billion and $1.279 billion at September 30, 2017 and December 31, 2016, respectively. Claims payments, net of reinsurance recoveries, during the next 12 months are expected to approximate $419 million. We estimate that approximately $372 million of the expected net claim payments during the next 12 months will relate to claims subject to the self-insured retention.

Management believes that cash flows from operations, amounts available under our senior secured credit facilities and our anticipated access to public and private debt markets will be sufficient to meet expected liquidity needs during the next 12 months.

Market Risk

We are exposed to market risk related to changes in market values of securities. The investments in debt and equity securities of our 100% owned insurance subsidiaries were $418 million and $3 million, respectively, at

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

Liquidity and Capital Resources (continued)

Market Risk (continued)

September 30, 2017. These investments are carried at fair value, with changes in unrealized gains and losses being recorded as adjustments to other comprehensive income. At September 30, 2017, we had a net unrealized gain of $16 million on the insurance subsidiaries' investment securities.

We are exposed to market risk related to market illiquidity. Investments in debt and equity securities of our 100% owned insurance subsidiaries could be impaired by the inability to access the capital markets. Should the 100% owned insurance subsidiaries require significant amounts of cash in excess of normal cash requirements to pay claims and other expenses on short notice, we may have difficulty selling these investments in a timely manner or be forced to sell them at a price less than what we might otherwise have been able to in a normal market environment. We may be required to recognize other-than-temporary impairments on our investment securities in future periods should issuers default on interest payments or should the fair market valuations of the securities deteriorate due to ratings downgrades or other issue-specific factors.

We are also exposed to market risk related to changes in interest rates, and we periodically enter into interest rate swap agreements to manage our exposure to these fluctuations. Our 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 of the swap agreements represent balances used to calculate the exchange of cash flows and are not our assets or liabilities. Our 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 have been recognized in the financial statements at their respective fair values. Changes in the fair value of these derivatives, which are designated as cash flow hedges, are included in other comprehensive income, and changes in the fair value of derivatives which have not been designated as hedges are recorded in operations.

With respect to our interest-bearing liabilities, approximately $4.486 billion of long-term debt at September 30, 2017 was subject to variable rates of interest, while the remaining balance in long-term debt of $28.467 billion at September 30, 2017 was subject to fixed rates of interest. Both the general level of interest rates and, for the senior secured credit facilities, our leverage affect our variable interest rates. Our variable debt is comprised primarily of amounts outstanding under the senior secured credit facilities. Borrowings under the senior secured credit facilities bear interest at a rate equal to an applicable margin plus, at our option, either (a) a base rate determined by reference to the higher of (1) the federal funds rate plus 0.50% and (2) the prime rate of Bank of America or (b) a LIBOR rate for the currency of such borrowing for the relevant interest period. The applicable margin for borrowings under the senior secured credit facilities may fluctuate according to a leverage ratio. The average effective interest rate for our long-term debt declined from 5.5% for the nine months ended September 30, 2016 to 5.3% for the nine months ended September 30, 2017.

The estimated fair value of our total long-term debt was $34.998 billion at September 30, 2017. 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 $45 million. To mitigate the impact of fluctuations in interest rates, we generally target a portion of our debt portfolio to be maintained at fixed rates.

We are exposed to currency translation risk related to our foreign operations. Our international operations represented 2.6% and 2.5%, respectively, of our consolidated revenues for the quarter and nine months ended September 30, 2017. The United Kingdom's vote to exit the European Union in June 2016 contributed to a 16.8% decline in the Great British pound (GBP) to US dollar (USD) translation ratio during 2016. However, the GBP/USD translation ratio has stabilized (6.6% increase) during the first nine months of 2017. We currently do not consider the market risk related to GBP/USD translation to be material to our consolidated financial statements or our liquidity.

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

Tax Examinations

We are subject to examination by federal, state and foreign taxing authorities. Management believes HCA Healthcare, Inc. and its predecessors, subsidiaries and affiliates properly reported taxable income and paid taxes in accordance with applicable laws and agreements established with IRS, state and foreign taxing authorities and final resolution of any disputes will not have a material, adverse effect on our results of operations or financial position. However, if payments due upon final resolution of any issues exceed our recorded estimates, such resolutions could have a material, adverse effect on our results of operations or financial position.

Operating Data

	2017	2016
Number of hospitals in operation at:		
March 31	**171**	168
June 30	**172**	169
September 30	**177**	169
December 31		170
Number of freestanding outpatient surgical centers in operation at:		
March 31	**118**	116
June 30	**119**	116
September 30	**119**	117
December 31		118
Licensed hospital beds at(a):		
March 31	**44,374**	43,817
June 30	**44,727**	44,127
September 30	**46,250**	44,226
December 31		44,290
Weighted average licensed beds(b):		
Quarter:		
First	**44,362**	43,780
Second	**44,605**	44,064
Third	**45,887**	44,188
Fourth		44,274
Year		44,077
Average daily census(c):		
Quarter:		
First	**26,699**	26,325
Second	**25,353**	25,199
Third	**25,653**	24,748
Fourth		25,096
Year		25,340
Admissions(d):		
Quarter:		
First	**485,761**	479,568
Second	**473,174**	467,218
Third	**482,557**	469,764
Fourth		475,281
Year		1,891,831
Equivalent admissions(e):		
Quarter:		
First	**812,192**	798,001
Second	**809,367**	792,599
Third	**818,887**	799,120
Fourth		801,799
Year		3,191,519

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

Operating Data (Continued)

	2017	2016
Average length of stay (days)(f):		
Quarter:		
First	**4.9**	5.0
Second	**4.9**	4.9
Third	**4.9**	4.8
Fourth		4.9
Emergency room visits(g):		
Quarter:		
First	**2,163,138**	2,133,289
Second	**2,116,123**	2,093,039
Third	**2,130,460**	2,077,938
Fourth		2,074,074
Year		8,378,340
Outpatient surgeries(h):		
Quarter:		
First	**225,915**	226,486
Second	**234,215**	234,578
Third	**224,252**	229,054
Fourth		242,095
Year		932,213
Inpatient surgeries(i):		
Quarter:		
First	**133,341**	131,840
Second	**134,553**	134,068
Third	**137,187**	135,013
Fourth		136,385
Year		537,306
Days revenues in accounts receivable(j):		
Quarter:		
First	**48**	52
Second	**49**	50
Third	**51**	49
Fourth		50
Outpatient revenues as a % of patient revenues(k):		
Quarter:		
First	**37%**	38%
Second	**38%**	38%
Third	**38%**	39%
Fourth		39%
Year		38%

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

Operating Data (Continued)

BALANCE SHEET DATA

	% of Accounts Receivable		
	Under 91 Days	91 – 180 Days	Over 180 Days
Accounts receivable aging at September 30, 2017(l):			
Medicare and Medicaid	11%	1%	1%
Managed care and other discounted	29	5	5
Uninsured	21	6	21
Total	61%	12%	27%

(a) Licensed beds are those beds for which a facility has been granted approval to operate from the applicable state licensing agency.
(b) Represents the average number of licensed beds, weighted based on periods owned.
(c) Represents the average number of patients in our hospital beds each day.
(d) Represents the total number of patients admitted to our 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 revenues and gross outpatient revenues and then dividing the resulting amount by gross inpatient revenues. The equivalent admissions computation "equates" outpatient revenues 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 our hospitals.
(g) Represents the number of patients treated in our emergency rooms.
(h) Represents the number of surgeries performed on patients who were not admitted to our hospitals. Pain management and endoscopy procedures are not included in outpatient surgeries.
(i) Represents the number of surgeries performed on patients who have been admitted to our hospitals. Pain management and endoscopy procedures are not included in inpatient surgeries.
(j) Revenues per day is calculated by dividing the revenues for the quarter by the days in the quarter. Days revenues in accounts receivable is then calculated as accounts receivable, net of allowance for doubtful accounts, at the end of the quarter divided by the revenues per day. "Revenues" used in this computation are net of the provision for doubtful accounts.
(k) Represents the percentage of patient revenues related to patients who are not admitted to our hospitals.
(l) Accounts receivable aging data is based upon consolidated gross accounts receivable of $11.396 billion (each 1% is equivalent to approximately $114 million of gross accounts receivable).

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT 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 chief 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) as of the end of the period covered by this quarterly report. Based on that evaluation, the chief executive officer and chief financial officer have concluded HCA’s disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

During the period covered by this report, there have been no changes in our internal control over financial reporting that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We operate 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 us. We are also 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 us which may not be covered by insurance. We are also subject to claims by various taxing authorities for additional taxes and related interest and penalties. The resolution of any such lawsuits, claims or legal and regulatory proceedings could have a material, adverse effect on our results of operations, financial position or liquidity.

Health care companies are subject to numerous investigations by various governmental agencies. Further, under the federal False Claims Act, private parties have the right to bring *qui tam*, or “whistleblower,” suits against companies that submit false claims for payments to, or improperly retain overpayments from, the government. Some states have adopted similar state whistleblower and false claims provisions. Certain of our individual facilities have received, and from time to time, other facilities may receive, government inquiries from, and may be subject to investigation by, federal and state agencies. Depending on whether the underlying conduct in these or future inquiries or investigations could be considered systemic, their resolution could have a material, adverse effect on our results of operations, financial position or liquidity.

ITEM 1A. RISK FACTORS

Reference is made to the factors set forth under the caption “Forward-Looking Statements” in Part I, Item 2 of this quarterly report on Form 10-Q and other risk factors described in our annual report on Form 10-K for the year ended December 31, 2016, which are incorporated herein by reference. There have not been any material changes to the risk factors previously disclosed in our annual report on Form 10-K for the year ended December 31, 2016.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the quarter ended September 30, 2017, we repurchased 6,321,873 shares of our common stock at an average price of $80.44 per share through market purchases pursuant to the $2 billion share repurchase program authorized during November 2016. At September 30, 2017, we had $379 million of repurchase authorization available under the November 2016 authorization. During October 2017, our board of directors authorized a share repurchase program for up to $2 billion of our outstanding common stock.

The following table provides certain information with respect to our repurchases of common stock from July 1, 2017 through September 30, 2017 (dollars in millions, except per share amounts).

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs
July 1, 2017 through July 31, 2017	1,663,241	$ 86.05	1,663,241	$ 744
August 1, 2017 through August 31, 2017	2,001,470	$ 79.22	2,001,470	$ 585
September 1, 2017 through September 30, 2017	2,657,162	$ 77.85	2,657,162	$ 379
Total for third quarter 2017	6,321,873	$ 80.44	6,321,873	$ 379

ITEM 6. EXHIBITS

(a) List of Exhibits:

31.1	—	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	—	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	—	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	—	The following financial information from our quarterly report on Form 10-Q for the quarters and the nine months ended September 30, 2017 and 2016, filed with the SEC on November 7, 2017, formatted in Extensible Business Reporting Language: (i) the condensed consolidated balance sheets at September 30, 2017 and December 31, 2016, (ii) the condensed consolidated income statements for the quarters and nine months ended September 30, 2017 and 2016, (iii) the condensed consolidated comprehensive income statements for the quarters and nine months ended September 30, 2017 and 2016, (iv) the condensed consolidated statements of cash flows for the nine months ended September 30, 2017 and 2016 and (v) the notes to condensed consolidated financial statements.

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 Healthcare, Inc.

By: /S/ WILLIAM B. RUTHERFORD
William B. Rutherford
Executive Vice President and Chief Financial Officer

Date: November 7, 2017

EXHIBIT 31.1

CERTIFICATION

I, R. Milton Johnson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of HCA Healthcare, 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 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(s) 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) 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

(d) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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 the 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.

By: /s/ R. MILTON JOHNSON
R. Milton Johnson
Chairman and Chief Executive Officer

Date: November 7, 2017

EXHIBIT 31.2

CERTIFICATION

I, William B. Rutherford, certify that:

1. I have reviewed this quarterly report on Form 10-Q of HCA Healthcare, 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 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(s) 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) 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

(d) 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 (the registrant's fourth fiscal quarter in the case of an annual report) 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(s) 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 the 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.

By: /S/ WILLIAM B. RUTHERFORD
William B. Rutherford
Executive Vice President and Chief Financial Officer

Date: November 7, 2017

EXHIBIT 32

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 Healthcare, Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2017, 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/ R. MILTON JOHNSON
R. Milton Johnson
Chairman and Chief Executive Officer

November 7, 2017

By: /S/ WILLIAM B. RUTHERFORD
William B. Rutherford
Executive Vice President and Chief Financial Officer

November 7, 2017