FORM 10-K

HCA Holdings, Inc. - HCA

Filed: March 12, 2004 (period: December 31, 2003)

Annual report with a comprehensive overview of the company

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2003

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 INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**75-2497104**
(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)

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

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

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, $.01 Par Value	New York Stock Exchange

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

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ☒ No ☐

As of February 29, 2004, there were outstanding 467,884,800 shares of the Registrant's Voting Common Stock and 21,000,000 shares of the Registrant's Nonvoting Common Stock. As of June 30, 2003, the aggregate market value of the Common Stock held by non-affiliates was approximately $14.8 billion. For purposes of the foregoing calculation only, the Registrant's directors, executive officers and the HCA 401(k) Plan have been deemed to be affiliates.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for its 2004 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

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PART I

Item 1. *Business*

General

HCA Inc. is one of the leading health care services companies in the United States. At December 31, 2003, the Company operated 191 hospitals, comprised of 176 general, acute care hospitals, seven psychiatric hospitals, one rehabilitation hospital and seven hospitals, one of which is a rehabilitation hospital, included in joint ventures, which are accounted for using the equity method. In addition, the Company operated 83 freestanding surgery centers, four of which are accounted for using the equity method. The Company's facilities are located in 23 states, England and Switzerland. The terms "Company" and "HCA," as used herein, refer to HCA Inc. and its affiliates unless otherwise stated or indicated by context. The term "affiliates" means direct and indirect subsidiaries of HCA Inc. and partnerships and joint ventures in which such subsidiaries are partners. The terms "facilities" or "hospitals" refer to entities owned and operated by affiliates of HCA and references to "employees" refer to employees of affiliates of HCA.

HCA's primary objective is to provide the communities it serves a comprehensive array of quality health care services in the most cost-effective manner possible. HCA's general, acute care hospitals typically provide a full range of services to accommodate such medical specialties as internal medicine, general surgery, cardiology, oncology, neurosurgery, orthopedics and obstetrics, as well as diagnostic and emergency services. Outpatient and ancillary health care services are provided by HCA's general, acute care hospitals and through HCA's freestanding surgery centers, diagnostic centers, and rehabilitation facilities. HCA's psychiatric hospitals provide a full range of mental health care services through inpatient, partial hospitalization and outpatient settings.

The Company was incorporated in Nevada in January 1990 and reincorporated in Delaware in September 1993. HCA's principal executive offices are located at One Park Plaza, Nashville, Tennessee 37203, and its telephone number is (615) 344-9551.

Available Information

HCA files reports with the Securities and Exchange Commission ("SEC"), including annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. The public may read and copy any materials HCA files with the SEC at the SEC's Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. HCA is an electronic filer and the SEC maintains an Internet site at http://www.sec.gov that contains the reports, proxy and information statements, and other information filed electronically. HCA's website address is www.hcahealthcare.com. Please note that HCA's website address is provided as an inactive textual reference only. HCA makes available free of charge through the Company's website, the annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. The information provided on the Company's website is not part of this report, and is therefore not incorporated by reference unless such information is otherwise specifically referenced elsewhere in this report.

HCA has posted its Corporate Governance Guidelines, its Code of Conduct for directors, officers and employees, and the charters of its Audit, Compensation, Ethics and Compliance, Finance and Investments and Nominating and Corporate Governance Committees of the Board of Directors on its website at www.hcahealthcare.com (Corporate Governance page). HCA's corporate governance materials are available free of charge upon request to HCA's Corporate Secretary, HCA Inc., One Park Plaza, Nashville, Tennessee 37203.

Business Strategy

HCA is committed to providing the communities it serves high quality, cost-effective, health care while maintaining consistency with HCA's ethics and compliance program, governmental regulations and guidelines, and industry standards. As a part of this strategy, HCA's management focuses on the following areas:

- commitment to the care and improvement of human life;
- commitment to ethics and compliance;
- focus on core communities;
- becoming the health care employer of choice;
- continuing to strive for operational excellence; and
- allocating capital to strategically complement its operational strategy and enhance stockholder value.

Health Care Facilities

HCA currently owns, manages or operates hospitals, freestanding surgery centers, diagnostic centers, radiation and oncology therapy centers, comprehensive rehabilitation and physical therapy centers and various other facilities.

At December 31, 2003, HCA owned and operated 176 general, acute care hospitals with 41,364 licensed beds and an additional six hospitals with 2,077 licensed beds are operated through joint ventures, which are accounted for using the equity method. Most of HCA's general, acute care hospitals provide medical and surgical services, including inpatient care, intensive care, cardiac care, diagnostic services and emergency services. The general, acute care hospitals also provide outpatient services such as outpatient surgery, laboratory, radiology, respiratory therapy, cardiology and physical therapy. Each hospital has an organized medical staff and a local board of trustees or governing board, made up of members of the local community.

Like most hospitals, HCA's hospitals do not engage in extensive medical research and education programs. However, some of HCA's hospitals are affiliated with medical schools and may participate in the clinical rotation of medical interns and residents and other education programs.

At December 31, 2003, HCA operated seven psychiatric hospitals with 680 licensed beds. HCA's psychiatric hospitals provide therapeutic programs including child, adolescent and adult psychiatric care, adult and adolescent alcohol and drug abuse treatment and counseling.

Outpatient health care facilities operated by HCA include freestanding surgery centers, diagnostic centers, comprehensive outpatient rehabilitation and physical therapy centers, outpatient radiation and oncology therapy centers and various other facilities. These outpatient services are an integral component of HCA's strategy to develop comprehensive health care networks in select communities.

In addition to providing capital resources, HCA makes available a variety of management services to its health care facilities, including ethics and compliance programs; national supply contracts; equipment purchasing and leasing contracts; accounting, financial and clinical systems; governmental reimbursement assistance; construction planning and coordination; information technology systems and solutions; legal counsel; human resource services; and internal audit.

Sources of Revenue

Hospital revenues depend upon inpatient occupancy levels, the medical and ancillary services ordered by physicians and provided to patients, the volume of outpatient procedures and the charges or payment rates for such services. Charges and reimbursement rates for inpatient services vary significantly depending on the type of service (e.g., medical/surgical, intensive care or psychiatric) and the geographic location of the hospital. Inpatient occupancy levels fluctuate for various reasons, many of which are beyond the Company's control.

HCA receives payment for patient services from the Federal government primarily under the Medicare program, state governments under their respective Medicaid or similar programs, managed care plans, private insurers and directly from patients. The approximate percentages of the Company's patient revenues from such sources were as follows:

	Year Ended December 31,		
	2003	2002	2001
Medicare	28%	28%	28%
Managed care and other discounted plans	54%	55%	53%
Medicaid and self-pay	18%	17%	19%
Total	100%	100%	100%

Medicare is a Federal program that provides certain hospital and medical insurance benefits to persons age 65 and over, some disabled persons and persons with end-stage renal disease. Medicaid is a Federal-state program, administered by the states, which provides hospital and medical benefits to qualifying individuals who are unable to afford health care. All of HCA's hospitals located in the United States are certified as health care services providers for persons covered under the Medicare and Medicaid programs. Amounts received under Medicare and Medicaid programs are generally significantly less than the hospitals' established gross charges for the services provided.

HCA's hospitals generally offer discounts from established charges to certain group purchasers of health care services, including Blue Cross, other private insurance companies, employers, HMOs, PPOs and other managed care plans. These discount programs limit HCA's ability to increase revenues in response to increasing costs. (See Item 1: Business — Competition.) Patients are generally not responsible for the total difference between established hospital gross charges and amounts reimbursed for such services under Medicare, Medicaid, Blue Cross plans, HMOs or PPOs, but are responsible to the extent of any exclusions, deductibles or coinsurance features of their coverage. The amount of such exclusions, deductibles and coinsurance has been increasing each year. Collection of amounts due from individuals is typically more difficult than from governmental or third-party payers. In 2003, HCA implemented changes to its charity care policies, to provide financial relief to more of its charity patients and needs-based discounts to uninsured patients who receive nonelective care at its hospitals. See "Management's Discussion and Analysis of Financial Conditions and Results of Operations — Revenue/ Volume Trends."

Medicare

Under the Medicare program, HCA receives reimbursement under a prospective payment system ("PPS") for acute care hospital inpatient and outpatient services. Under hospital inpatient PPS, fixed payment amounts per inpatient discharge are established based on the patient's assigned diagnosis related group ("DRG"). DRGs classify treatments for illnesses according to the estimated intensity of hospital resources necessary to furnish care for each principal diagnosis. DRG weights represent the average resources for a given DRG relative to the average resources for all DRGs. When the cost to treat certain patients falls well outside the normal distribution, providers typically receive additional "outlier" payments. DRG payments do not consider a specific hospital's cost, but are adjusted for area wage differentials. Hospitals, other than those defined as "new or that qualify," receive PPS reimbursement for inpatient capital costs, based on DRG weights multiplied by a geographically adjusted Federal rate, unless a hospital qualifies for a special exceptions payment.

DRG rates are updated and DRG weights are recalibrated each Federal fiscal year. The index used to update the DRG rates (the "market basket") gives consideration to the inflation experienced by hospitals and entities outside of the health care industry in purchasing goods and services. However, for several years the percentage increases to the DRG rates have been lower than the percentage increases in the costs of goods and services purchased by hospitals. In Federal fiscal year 2003, the DRG rate increase was market basket of 3.5% minus 0.55% (or 2.95%). For Federal fiscal year 2004, the Centers for Medicare and Medicaid Services ("CMS") set the DRG rate increase at full market basket of 3.4%. Through recent legislation, including the

Medicare Prescription Drug, Improvement, and Modernization Act of 2003 ("MMA"), Congress equalized the DRG payment rate for urban and rural hospitals at the large urban rate for all hospitals for discharges on or after April 1, 2003. Further, MMA provides for DRG rate increases for Federal fiscal years 2005, 2006, and 2007 at full market basket, if data for ten patient care quality indicators is submitted to the Secretary of Health and Human Services ("HHS"). Those hospitals not submitting data on the ten quality indicators will receive an increase equal to the market basket rate minus 0.4%. HCA expects that its hospitals will participate in the quality initiative by the Secretary of HHS by submitting the quality data requested.

Historically, the Medicare program has set aside 5.1% of Medicare inpatient payments to pay for outlier cases. During Federal fiscal years 2003, 2002 and 2001, the CMS payments for cost outlier cases exceeded the 5.1% set aside. Outlier payments are made by CMS for those DRG cases where the cost of the case exceeds the total DRG payments plus a fixed threshold amount. CMS increased the threshold from $16,350 at the end of Federal fiscal year 2001, to $21,025 for 2002, and $33,560 for 2003. In June 2003, CMS adopted significant regulatory changes to outlier payments. Included in the regulatory changes were provisions to: 1) use the most recent settled cost report to establish the hospital's cost-to-charge ratio, 2) eliminate the use of the statewide average when the hospital's cost-to-charge ratio falls three standard deviations below the national average, and 3) permit CMS to reconcile outlier payments in the Medicare cost report for hospitals meeting CMS defined audit criteria. As a result of these changes, CMS set the outlier threshold at $31,000 for Federal fiscal year 2004. The result of the prior year increases to the outlier threshold and the final outlier regulatory provisions will be to reduce both the number of cases that qualify for outlier payments and the amount of payments for qualifying outlier cases.

In order to calculate whether outlier payments are due, the Medicare fiscal intermediary multiplies the hospital's billed (or gross) charges on its Medicare claim by its cost-to-charge ratio from the most recent settled Medicare cost report. The product of that calculation is considered the cost of the claim. An outlier payment is made for 80% of such costs in excess of the sum of the total DRG payments for that claim plus the fixed threshold amount ($31,000 for Federal fiscal year 2004).

Excluding the hospitals acquired in the April 2003 Kansas City acquisition, HCA recorded $218 million, $284 million and $240 million of revenues related to Medicare operating outlier cases for 2003, 2002 and 2001, respectively. These amounts represent 3.7%, 5.1% and 4.7% of HCA's Medicare revenues and 1.0%, 1.4% and 1.3% of HCA's total revenues for 2003, 2002 and 2001, respectively. There can be no assurances that HCA will continue to receive these levels of Medicare operating outlier payments in future periods. Based on the Company's estimates, future Medicare operating outlier payments will be materially, adversely affected by the CMS' revisions to regulations on outlier payments. For periods subsequent to October 1, 2003, assuming the Company does not experience changes in Medicare patient acuity levels, the Company estimates its monthly revenue from Medicare operating outlier payments may be reduced by up to $12 million.

Outpatient

On August 1, 2000, CMS began reimbursing hospital outpatient services (and certain Medicare Part B services furnished to hospital inpatients who have no Part A coverage) on a PPS-basis. CMS will continue to use existing fee schedules to pay for physical, occupational and speech therapies, durable medical equipment, clinical diagnostic laboratory services and nonimplantable orthotics and prosthetics. Freestanding surgery centers are reimbursed on a fee schedule.

All PPS-based hospital outpatient services are classified into groups called ambulatory payment classifications ("APCs"). Services for each APC are similar clinically and in terms of the resources they require. A payment rate is established for each APC. Depending on the services provided, a hospital may be paid for more than one APC for a patient visit. The APC payment rates were updated, effective April 1, 2002, for calendar year 2002 by market basket of 3.3% minus 1.0% (or 2.3%) and for calendar year 2003 by market basket of 3.5%. The update for 2004 is market basket of 3.4%.

For calendar year 2002, the Medicare program set aside 2.5% of APC payments to pay for certain approved medical devices, drugs, and biologicals, on a pass-through basis. As part of an update process, CMS estimated that pass-through payments for 2002 would be considerably in excess of the 2.5% set aside and issued final regulations that made significant changes to pass-through device payments for services furnished on or after April 1, 2002, including a pro-rata reduction of 63.6%. For calendar year 2003, CMS set aside 2.3% of APC payments to pay for certain approved medical devices, drugs, and biologicals on a pass-through basis, and CMS did not make a pro-rata reduction for such pass-through payments. For calendar year 2004, CMS has set aside 1.3% of APC payments to pay for approved medical devices, drugs, and biologicals on a pass-through basis. CMS included the 1.0% reduction in the set aside amount in the APC payment rates. CMS did not make a pro-rata reduction for calendar year 2004.

Rehabilitation

PPS for rehabilitation hospitals and rehabilitation units of hospitals was implemented for Medicare cost reporting periods beginning on or after January 1, 2002. Hospitals and units with cost reporting periods beginning prior to October 1, 2002 could elect to be paid under PPS or a blend of PPS and the facility-specific payment rates. Rehabilitation hospitals and units are paid under PPS for cost reporting periods beginning on or after October 1, 2002. Under PPS, patients are classified into case mix groups based upon impairment, age, comorbidities and functional capability. Inpatient rehabilitation facilities are paid a predetermined amount per discharge that reflects the patient's case mix group and is adjusted for area wage levels, low-income patients, rural areas and high-cost outliers. For Federal fiscal years 2003 and 2004, CMS updated the PPS rate for rehabilitation hospitals and units by market basket of 3.0% and 3.2%, respectively. As of December 31, 2003, HCA had two rehabilitation hospitals, one of which is operated through a joint venture, and 60 hospital rehabilitation units.

In September 2003, CMS published a proposed rule to revise the criterion, commonly known as the "75 percent rule," used to classify a hospital as an inpatient rehabilitation facility ("IRF"). The proposed rule would also modify and expand the medical conditions listed in the 75 percent rule regulatory requirements as well as lower for three years the percentage of patients required to fall within one of the specified list of medical criteria from 75% to 65%. The public comment period ended on November 3, 2003. CMS has yet to respond to public comments or issue the final rule. Thus, the financial impact that any final rule will have on rehabilitation hospitals and units is uncertain.

Medicare fiscal intermediaries have been given the authority to develop and implement Local Coverage Determination ("LCD") to determine the medical necessity of care rendered to Medicare patients where there is no national coverage determination. A consortium of Medicare fiscal intermediaries has been working together to develop a restrictive LCD on rehabilitation care. The rehabilitation LCD is still in the drafting stage, and it is uncertain whether or not the draft LCD will be finalized and implemented. A restrictive rehabilitation LCD would have the potential to significantly impact Medicare rehabilitation payments. The financial impact to HCA of any final rehabilitation LCD is uncertain.

Other

Payments to PPS-exempt psychiatric hospitals and units are currently based upon reasonable cost, subject to a cost-per-discharge target (the TEFRA limits). These limits are updated annually by a market basket index. The update to a hospital's target amount for its cost reporting periods beginning in fiscal years 2003 and 2004 is market basket of 3.5% and 3.4%, respectively. Caps had been established for the cost-per-discharge target at the 75th percentile for each category of PPS-exempt hospitals and units. For cost reporting periods beginning on or after October 1, 2002, payments to these PPS-exempt hospitals and units are no longer subject to these caps. However, if a PPS-exempt hospital or unit was subject to the cap in the cost report for the year prior to October 1, 2002, such limitation will be included in its future target amount. The cost-per-discharge for new hospitals and hospital units cannot exceed 110% of the national median target rate for hospitals in the same category.

The Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act of 1999 ("BBRA") required CMS to develop and implement budget-neutral PPS systems for both psychiatric and long-term hospitals for cost reporting periods beginning on or after October 1, 2002. On November 28, 2003, CMS published a proposed rule to establish a prospective payment system for inpatient hospital services furnished in psychiatric hospitals and psychiatric units of acute care hospitals. CMS has proposed a graduated per diem prospective payment system that would be implemented over a transition period of three years or more. CMS has projected an implementation date of April 1, 2004 in the proposed rule, but also has acknowledged that the implementation date could be delayed beyond April 1. The proposed rule was subject to public comments until February 26, 2004. Due to the uncertainties of the prospective payment system that will be finally adopted by CMS, HCA is unable to predict the financial impact of such proposed prospective payment system. As of December 31, 2003, HCA had seven psychiatric hospitals and 45 hospital psychiatric units.

CMS has established a prospective payment system for Medicare skilled nursing facilities under which facilities are paid a per diem rate for virtually all covered services. The skilled nursing facilities PPS payment rates were updated for Federal fiscal year 2004 by market basket of 3.0% and by a positive market basket forecast error adjustment of 3.26%. As of December 31, 2003, HCA had 31 skilled nursing units.

Under the various Medicare prospective payment systems, the prospective payment rates are adjusted for the area differences in wage levels by a factor ("wage index") reflecting the relative wage level in the geographic area compared to the national average wage level. Currently, CMS defines the labor market areas based on the definitions of Metropolitan Statistical Areas, Primary Metropolitan Statistical Areas, and New England County Metropolitan Areas, issued by the Office of Management and Budget ("OMB"). In June 2003, OMB issued revised definitions of Metropolitan Statistical Areas, and new definitions of Micropolitan Statistical Areas and Combined Statistical Areas. CMS has stated that the earliest usage of these new definitions would be in the Federal fiscal year 2005 wage index. It is uncertain whether CMS will adopt the new definitions in part or in total. The financial impact the new OMB area wage definitions will have upon the Company is uncertain. In addition, CMS is obligated by Section 304(c) of Public Law 106-554 to implement an occupational mix adjustment factor to the wage index for inpatient DRG payments to be effective October 1, 2004 that is to account for variation in the skill mix across hospitals. CMS is in the process of collecting the occupational mix data from hospitals. HCA expects that CMS will include a proposed occupational mix adjustment factor in the inpatient DRG update rule in May 2004. The financial impact, if any, that an occupational mix adjustment factor will have upon the Company is uncertain.

Medicaid

Medicaid programs are funded jointly by the Federal government and the states and are administered by states under approved plans. Most state Medicaid program payments are made under a PPS or are based on negotiated payment levels with individual hospitals. Medicaid reimbursement is often less than a hospital's cost of services. The Federal government and many states are currently considering altering the level of Medicaid funding (including upper payment limits) or program eligibility that could adversely affect future levels of Medicaid reimbursement received by HCA's hospitals. As permitted by law, certain states in which HCA operates have adopted broad-based provider taxes to fund their Medicaid programs.

Self-Pay

HCA also provides services to patients who are not covered by insurance or by the Medicare or Medicaid programs. HCA provides care to patients who are financially unable to pay for the health care services they receive, and because HCA does not pursue collection of amounts determined to qualify as charity care, they are not reported in revenues. In the first quarter of 2003, the Company announced that patients treated at an HCA wholly-owned hospital for nonelective care who have income at or below 200% of the Federal poverty level are eligible for charity care, a standard HCA estimates that 70% of its hospitals were previously using. The Federal poverty level is established by the Federal government and is based on income and family size. On October 1, 2003, HCA began implementing a sliding scale of discounts for uninsured patients, treated at HCA wholly-owned hospitals for nonelective care, with income between 200% and 400% of the Federal poverty level.

Annual Cost Reports

All hospitals participating in the Medicare, Medicaid and TRICARE programs, whether paid on a reasonable cost basis or under a PPS, are required to meet certain financial reporting requirements. Federal and, where applicable, state regulations require the submission of annual cost reports covering the revenue, costs and expenses associated with the services provided by each hospital to Medicare beneficiaries and Medicaid recipients.

Annual cost reports required under the Medicare and Medicaid programs are subject to routine audits, which may result in adjustments to the amounts ultimately determined to be due to HCA under these reimbursement programs. These audits often require several years to reach the final determination of amounts due to or from HCA under these programs. Providers also have rights of appeal, and it is common to contest issues raised in audits of prior years' reports.

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

In June 2003, HCA announced that the Company and the Civil Division of the Department of Justice ("DOJ") had signed agreements whereby the United States would dismiss the various claims it had brought related to physician relations, cost reports and wound care issues (the "DOJ Agreement"). The DOJ Agreement received court approval in July 2003, and HCA paid the DOJ $641 million (including accrued interest of $10 million) during July 2003. The DOJ Agreement does not affect *qui tam* cases in which the government has not intervened. HCA also finalized an agreement with a negotiating team representing states that may have claims against HCA. Under this agreement, HCA paid $17.7 million in July 2003 to state Medicaid agencies to resolve these claims. HCA also paid $33 million for legal fees of the private parties. In connection with the DOJ Agreement, HCA recorded a pretax charge of $603 million ($418 million after-tax) in 2002. The consolidated income statement for the year ended December 31, 2003 includes a pretax favorable change in estimate of $41 million ($25 million after-tax) related to Medicaid cost report balances for cost report years ended December 31, 1997 and prior.

Managed Care and Other Discounted Plans

Most of HCA's hospitals offer discounts from established charges to certain large group purchasers of health care services, including managed care plans, Blue Cross, other private insurance companies and employers. HCA's admissions reimbursed by managed care and other discounted plans decreased from 48% for the year ended December 31, 2001, to 47% for the year ended December 31, 2002, and to 45% for the year ended December 31, 2003. Managed care contracts are typically negotiated for two-year terms. While HCA has generally received annual average price increases of seven to eight percent from managed care payers during the previous two years, there can be no assurance that HCA will continue to receive increases in the future.

Hospital Utilization

HCA believes that the most important factors relating to the overall utilization of a hospital are the quality and market position of the hospital and the number and quality of physicians and other health care professionals providing patient care within the facility. Generally, HCA believes that the ability of a hospital to be a market leader is determined by its breadth of services, level of technology, emphasis on quality of care and convenience for patients and physicians. Other factors that impact utilization include the growth in local population, local economic conditions and market penetration of managed care programs.

The following table sets forth certain operating statistics for HCA hospitals. Hospital operations are subject to certain seasonal fluctuations, including decreases in patient utilization during holiday periods and increases in the cold weather months.

	Years Ended December 31,				
	2003	2002	2001	2000	1999
Number of hospitals at end of period(a)	184	173	178	187	195
Number of freestanding outpatient surgery centers at end of period(b)	79	74	76	75	80
Number of licensed beds at end of period(c)	42,108	39,932	40,112	41,009	42,484
Weighted average licensed beds(d)	41,568	39,985	40,645	41,659	46,291
Admissions(e)	1,635,200	1,582,800	1,564,100	1,553,500	1,625,400
Equivalent admissions(f)	2,405,400	2,339,400	2,311,700	2,300,800	2,425,100
Average length of stay (days)(g)	5.0	5.0	4.9	4.9	4.9
Average daily census(h)	22,234	21,509	21,160	20,952	22,002
Occupancy rate(i)	54%	54%	52%	50%	48%
Emergency room visits(j)	5,130,500	4,802,800	4,676,800	4,534,400	4,765,900
Outpatient surgeries(k)	814,300	809,900	804,300	823,500	886,700
Inpatient surgeries(l)	528,600	518,100	507,800	486,600	485,900

(a) Excludes seven facilities in 2003, six facilities in 2002, six facilities in 2001, nine facilities in 2000 and 12 facilities in 1999 that are not consolidated (accounted for using the equity method) for financial reporting purposes.
(b) Excludes four facilities in 2003, four facilities in 2002, three facilities in 2001, three in 2000 and three facilities in 1999 that are not consolidated (accounted for using the equity method) for financial reporting purposes.
(c) Licensed beds are those beds for which a facility has been granted approval to operate from the applicable state licensing agency.
(d) Represents the average number of licensed beds, weighted based on periods owned.
(e) Represents the total number of patients admitted to HCA's hospitals and is used by management and certain investors as a general measure of inpatient volume.
(f) Equivalent admissions are used by management and certain investors as a general measure of combined inpatient and outpatient volume. Equivalent admissions are computed by multiplying admissions (inpatient volume) by the sum of gross inpatient revenue and gross outpatient revenue and then dividing the resulting amount by gross inpatient revenue. The equivalent admissions computation "equates" outpatient revenue to the volume measure (admissions) used to measure inpatient volume, resulting in a general measure of combined inpatient and outpatient volume.
(g) Represents the average number of days admitted patients stay in HCA's hospitals.
(h) Represents the average number of patients in HCA's hospital beds each day.
(i) Represents the percentage of hospital licensed beds occupied by patients. Both average daily census and occupancy rate provide measures of the utilization of inpatient rooms.
(j) Represents the number of patients treated in the Company's emergency rooms.
(k) Represents the number of surgeries performed on patients who were not admitted to the Company's hospitals. Pain management and endoscopy procedures are not included in outpatient surgeries.
(l) Represents the number of surgeries performed on patients who have been admitted to the Company's hospitals. Pain management and endoscopy procedures are not included in inpatient surgeries.

Competition

Generally, other hospitals in the local communities served by most of HCA's hospitals provide services similar to those offered by HCA's hospitals. Additionally, in the past several years the number of freestanding surgery centers and diagnostic centers (including facilities owned by physicians) in the geographic areas in which HCA operates has increased significantly. As a result, most of HCA's hospitals operate in an increasingly competitive environment. The rates charged by HCA's hospitals are intended to be competitive

with those charged by other local hospitals for similar services. In some cases, competing hospitals are more established than HCA's hospitals. Some competing hospitals are owned by tax-supported government agencies and many others by not-for-profit entities that may be supported by endowments and charitable contributions and are exempt from sales, property and income taxes. Such exemptions and support are not available to HCA's hospitals. In addition, in certain localities served by HCA there are large teaching hospitals that provide highly specialized facilities, equipment and services which may not be available at most of HCA's hospitals. HCA is facing increasing competition from physician-owned specialty hospitals and freestanding surgery centers for market share in high margin services. Psychiatric hospitals frequently attract patients from areas outside their immediate locale and, therefore, HCA's psychiatric hospitals compete with both local and regional hospitals, including the psychiatric units of general, acute care hospitals.

HCA's strategies are designed to ensure HCA's hospitals are competitive. HCA believes that its hospitals compete within local communities on the basis of many factors, including the quality of care, ability to attract and retain quality physicians, skilled clinical personnel and other health care professionals, location, breadth of services, technology offered and prices charged. HCA is increasing its focus on operating outpatient services with improved accessibility and more convenient service for patients and increased predictability and efficiency for physicians.

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

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

State certificate of need ("CON") laws, which place limitations on a hospital's ability to expand hospital services and facilities, make capital expenditures and otherwise make changes in operations, may also have the effect of restricting competition. In those states which have no CON laws or which set relatively high levels of expenditures before they become reviewable by state authorities, competition in the form of new services, facilities and capital spending is more prevalent. See Item 1: Business — Regulation and Other Factors.

HCA, and the health care industry as a whole, face the challenge of continuing to provide quality patient care while dealing with rising costs and strong competition for patients. Changes in medical technology, existing and future legislation, regulations and interpretations and competitive contracting for provider services by private and government payers remain ongoing challenges. These challenges may require changes in HCA's operations in the future.

Admissions and average lengths of stay continue to be negatively affected by payer-required pre-admission authorization, utilization review and by payer pressure to maximize outpatient and alternative health care delivery services for less acutely ill patients. Increased competition, admission constraints and payer pressures are expected to continue. To meet these challenges, HCA intends to expand many of its facilities or acquire or construct new facilities to better enable the provision of a comprehensive array of

outpatient services, offer discounts to private payer groups, upgrade facilities and equipment, and offer new or expanded programs and services.

Regulation and Other Factors

Licensure, Certification and Accreditation

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

Certificates of Need

In some states where HCA operates hospitals, the construction or expansion of health care facilities, the acquisition of existing facilities, the transfer or change of ownership and the addition of new beds or services may be subject to review by and prior approval of state regulatory agencies under a CON program. Such laws generally require the reviewing state agency to determine the public need for additional or expanded health care facilities and services. Failure to obtain necessary state approval can result in the inability to expand facilities, complete an acquisition or change ownership.

State Rate Review

Some states where HCA operates hospitals have adopted legislation mandating rate or budget review for hospitals or have adopted taxes on hospital revenues, assessments or licensure fees to fund indigent health care within the state. In the aggregate, state rate reviews and indigent tax provisions have not materially, adversely affected HCA's results of operations.

Utilization Review

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

Federal Health Care Program Regulations

Participation in any Federal health care program, including the Medicare and Medicaid programs, is heavily regulated by statute and regulation. If a hospital fails to substantially comply with the numerous

conditions of participation in the Medicare and Medicaid programs or performs certain prohibited acts, the hospital's participation in the Federal health care programs may be terminated, or civil or criminal penalties may be imposed under certain provisions of the Social Security Act, or both.

Anti-kickback Statute

A section of the Social Security Act known as the "Anti-kickback Statute" prohibits providers and others from directly or indirectly, soliciting, receiving, offering or paying, any remuneration with the intent of generating referrals or orders for services, or items covered by a Federal health care program. Courts have interpreted this statute broadly. Violations of the Anti-kickback Statute may be punished by a criminal fine of up to $25,000 for each violation or imprisonment, civil money penalties of up to $50,000 per violation and damages of up to three times the total amount of the remuneration and/or exclusion from participation in Federal health care programs, including Medicare and Medicaid.

The Office of Inspector General at the Department of Health and Human Services ("OIG"), among other regulatory agencies, is responsible for identifying and eliminating fraud, abuse and waste. The OIG carries out this mission through a nationwide program of audits, investigations and inspections. In order to provide guidance to health care providers, the OIG issues "Special Fraud Alerts." These alerts do not have the force of law, but identify features of arrangements or transactions that may indicate that the arrangements or transactions violate the Anti-kickback Statute or other Federal health care laws. The OIG has identified several incentive arrangements, which, if accompanied by inappropriate intent, constitute suspect practices, including: (a) payment of any incentive by the hospital each time a physician refers a patient to the hospital, (b) the use of free or significantly discounted office space or equipment in facilities usually located close to the hospital, (c) provision of free or significantly discounted billing, nursing or other staff services, (d) free training for a physician's office staff in areas such as management techniques and laboratory techniques, (e) guarantees which provide that, if the physician's income fails to reach a predetermined level, the hospital will pay any portion of the remainder, (f) low-interest or interest-free loans, or loans which may be forgiven if a physician refers patients to the hospital, (g) payment of the costs of a physician's travel and expenses for conferences, (h) coverage on the hospital's group health insurance plans at an inappropriately low cost to the physician, (i) payment for services (which may include consultations at the hospital) which require few, if any, substantive duties by the physician, (j) purchasing goods or services from physicians at prices in excess of their fair market value, or (k) certain "gainsharing" arrangements, the practice of giving physicians a share of any reduction in a hospital's costs for patient care attributable in part to the physician's efforts. The OIG has encouraged persons having information about hospitals who offer the above types of incentives to physicians to report such information to the OIG.

As authorized by Congress, the OIG has published safe harbor regulations that outline categories of activities that are deemed protected from prosecution under the Anti-kickback Statute. Currently, there are statutory exceptions and safe harbors for various activities, including the following: investment interests, space rental, equipment rental, practitioner recruitment, personnel services and management contracts, sale of practice, referral services, warranties, discounts, employees, group purchasing organizations, waiver of beneficiary coinsurance and deductible amounts, managed care arrangements, obstetrical malpractice insurance subsidies, investments in group practices, freestanding surgery centers, and referral agreements for specialty services. The fact that conduct or a business arrangement does not fall within a safe harbor does not automatically render the conduct or business arrangement illegal under the Anti-kickback Statute. Such conduct and business arrangements, however, may lead to increased scrutiny by government enforcement authorities. Although the Company believes that its arrangements with physicians have been structured to comply with current law and available interpretations, there can be no assurance that regulatory authorities enforcing these laws will determine these financial arrangements do not violate the Anti-kickback Statute or other applicable laws. This determination could subject the Company to liabilities under the Social Security Act, including criminal penalties, civil monetary penalties and exclusion from participation in Medicare, Medicaid or other Federal health care programs.

Stark Law

The Social Security Act also includes a provision commonly known as the "Stark Law." This law effectively prohibits physicians from referring Medicare and Medicaid patients to entities with which they or any of their immediate family members have a financial relationship, if these entities provide certain designated health services that are reimbursable by Medicare, including inpatient and outpatient hospital services. Sanctions for violating the Stark Law include denial of payment, refunding amounts received for services provided pursuant to prohibited referrals, civil monetary penalties of up to $15,000 per prohibited service provided, and exclusion from the Medicare and Medicaid programs. The statute also provides for a penalty of up to $100,000 for a circumvention scheme. There are exceptions to the self-referral prohibition for many of the customary financial arrangements between physicians and providers, including employment contracts, leases and recruitment agreements. There is also an exception for a physician's ownership interest in an entire hospital, as opposed to an ownership interest in a hospital department.

In January 2001, CMS issued regulations, intended to clarify parts of the Stark Law and some of the exceptions to it. These regulations are considered the first phase of a two-phase process, with the remaining regulations to be published at an unknown future date. The phase one regulations generally became effective January 4, 2002. However, CMS delayed until July 7, 2004 the effective date of regulations related to whether percentage-based compensation is deemed to be "set in advance" for purposes of exceptions to the Stark Law. The Company cannot predict the final form that these regulations will take or the effect that the regulations will have on its operations.

Congress recently passed legislation that modifies the hospital ownership exception to the Stark Law by creating an 18-month moratorium on allowing physicians to own interests in new specialty hospitals. During the moratorium, HHS is required to conduct an analysis of specialty hospitals, including quality of care provided and physician referral patterns to these facilities. MedPac will study cost and payment issues related to specialty hospitals. The moratorium applies to hospitals that primarily or exclusively treat cardiac, orthopedic or surgical conditions or any other specialized category of patients or cases designated by regulation, unless the hospitals were in operation or development before November 18, 2003, do not increase the number of physician investors, and meet certain other requirements. It is uncertain how CMS will interpret this legislation, what recommendations HHS will make regarding specialty hospitals, or whether additional changes will be made to the hospital ownership exception.

Similar State Laws

Many states in which HCA operates also have laws that prohibit payments to physicians for patient referrals similar to the Anti-kickback Statute and self-referral legislation similar to the Stark Law. The scope of these state laws is broad, since they can often apply regardless of the source of payment for care, and little precedent exists for their interpretation or enforcement. These statutes typically provide for criminal and civil penalties as well as loss of facility licensure.

HIPAA and BBA-97

The Health Insurance Portability and Accountability Act of 1996 ("HIPAA") broadened the scope of certain fraud and abuse laws by adding several criminal provisions for health care fraud offenses that apply to all health benefit programs. HIPAA also added a prohibition against incentives intended to influence decisions by Medicare beneficiaries as to the provider from which they will receive services. In addition, HIPAA created new enforcement mechanisms to combat fraud and abuse, including the Medicare Integrity Program, and an incentive program under which individuals can receive up to $1,000 for providing information on Medicare fraud and abuse that leads to the recovery of at least $100 of Medicare funds. Federal enforcement officials now have the ability to exclude from Medicare and Medicaid any investors, officers and managing employees associated with business entities that have committed health care fraud, even if the officer or managing employee had no knowledge of the fraud. HIPAA was followed by the Balanced Budge Act of 1997 ("BBA-97"), which created additional fraud and abuse provisions, including civil penalties for contracting

with an individual or entity that the provider knows or should know is excluded from a Federal health care program.

Other Fraud and Abuse Provisions

The Social Security Act also imposes criminal and civil penalties for making false claims and statements to Medicare and Medicaid. False claims include, but are not limited to, billing for services not rendered or for misrepresenting actual services rendered in order to obtain higher reimbursement, billing for unnecessary goods and services, and cost report fraud. Criminal and civil penalties may be imposed for a number of other prohibited activities, including failure to return known overpayments, certain gainsharing arrangements, and offering remuneration to influence a Medicare or Medicaid beneficiary's selection of a health care provider. Like the Anti-kickback Statute, these provisions are very broad. Careful and accurate coding of claims for reimbursement, as well as accurately preparing cost reports, must be performed to avoid liability.

The Federal False Claims Act and Similar State Laws

A factor affecting the health care industry is the use of the Federal False Claims Act and, in particular, actions brought by individuals on the government's behalf under the False Claims Act's *"qui tam,"* or whistleblower, provisions. Whistleblower provisions allow private individuals to bring actions on behalf of the government alleging that the defendant has defrauded the Federal government.

When a defendant is determined by a court of law to be liable under the False Claims Act, the defendant may be required to pay three times the actual damages sustained by the government, plus mandatory civil penalties of between $5,500 and $11,000 for each separate false claim. There are many potential bases for liability under the False Claims Act. Liability often arises when an entity knowingly submits a false claim for reimbursement to the Federal government. The False Claims Act defines the term "knowingly" broadly. Though simple negligence will not give rise to liability under the False Claims Act, submitting a claim with reckless disregard to its truth or falsity constitutes a "knowing" submission under the False Claims Act and, therefore, will qualify for liability.

In some cases, whistleblowers and the Federal government have taken the position that providers who allegedly have violated other statutes, such as the Anti-kickback Statute and the Stark Law, have thereby submitted false claims under the False Claims Act. A number of states in which HCA operates have adopted their own false claims provisions as well as their own whistleblower provisions whereby a private party may file a civil lawsuit in state court.

HIPAA Administrative Simplification and Privacy Requirements

The Administrative Simplification Provisions of HIPAA require the use of uniform electronic data transmission standards for certain health care claims and payment transactions submitted or received electronically. These provisions are intended to encourage electronic commerce in the health care industry. HHS has issued regulations implementing the HIPAA Administrative Simplification Provisions and compliance with these regulations became mandatory for HCA's facilities on October 16, 2003. HHS has agreed to accept noncompliant Medicare claims, for an unspecified time, to assist providers that are not yet able to process compliant transactions. However, this extension may be terminated by HHS and is not binding on private payers. HCA believes that the cost of compliance with these regulations has not had and is not expected to have a material adverse effect on our business, financial position or results of operations.

HIPAA also requires HHS to adopt standards to protect the privacy and security of individually identifiable health-related information. HHS released regulations containing privacy standards in December 2000 and published revisions to the regulations in August 2002. Compliance with these regulations became mandatory on April 14, 2003. The privacy regulations regulate the use and disclosure of individually identifiable health-related information, whether communicated electronically, on paper or orally. The regulations also provide patients with significant new rights related to understanding and controlling how their health information is used or disclosed. HHS released security regulations on February 20, 2003. The security regulations will become mandatory on April 20, 2005 and will require health care providers to

implement administrative, physical and technical practices to protect the security of individually identifiable health information that is maintained or transmitted electronically. The privacy regulations and security regulations, when fully implemented, could impose significant costs on HCA's facilities in order to comply with these standards.

Violations of HIPAA could result in civil penalties of up to $25,000 per type of violation in each calendar year and criminal penalties of up to $250,000 per violation. In addition, there are numerous legislative and regulatory initiatives at the Federal and state levels addressing patient privacy concerns. Facilities will continue to remain subject to any Federal or state privacy-related laws that are more restrictive than the privacy regulations issued under HIPAA. These statutes vary and could impose additional penalties.

EMTALA

All of HCA's hospitals are subject to the Emergency Medical Treatment and Active Labor Act ("EMTALA"). This Federal law requires any hospital that participates in the Medicare program to conduct an appropriate medical screening examination of every person who presents to the hospital's emergency room for treatment and, if the patient is suffering from an emergency medical condition, to either stabilize that condition or make an appropriate transfer of the patient to a facility that can handle the condition. The obligation to screen and stabilize emergency medical conditions exists regardless of a patient's ability to pay for treatment. There are severe penalties under EMTALA if a hospital fails to screen or appropriately stabilize or transfer a patient or if the hospital delays appropriate treatment in order to first inquire about the patient's ability to pay. Penalties for violations of EMTALA include civil monetary penalties and exclusion from participation in the Medicare program. In addition, an injured patient, the patient's family or a medical facility that suffers a financial loss as a direct result of another hospital's violation of the law can bring a civil suit against the hospital.

The government broadly interprets EMTALA to cover situations in which patients do not actually present to a hospital's emergency room, but present for emergency examination or treatment to the hospital's campus, generally, or to a hospital-based clinic that treats emergency medical conditions or are transported in a hospital-owned ambulance, subject to certain exceptions. The government also has expressed its intent to investigate and enforce EMTALA violations actively in the future. The Company believes HCA's hospitals operate in substantial compliance with EMTALA.

Corporate Practice of Medicine/ Fee Splitting

Some of the states in which HCA operates have laws that prohibit corporations and other entities from employing physicians and practicing medicine for a profit or that prohibit certain direct and indirect payments or fee-splitting arrangements between health care providers that are designed to induce or encourage the referral of patients to, or the recommendation of, particular providers for medical products and services. Possible sanctions for violation of these restrictions include loss of license and civil and criminal penalties. In addition, agreements between the corporation and the physician may be considered void and unenforceable. These statutes vary from state to state, are often vague and have seldom been interpreted by the courts or regulatory agencies.

Health Care Industry Investigations

Significant media and public attention has focused in recent years on the hospital industry. While HCA is currently not aware of any material investigations of the Company, it is possible that governmental entities could initiate investigations or litigation in the future at facilities operated by HCA and that such matters could result in significant penalties as well as adverse publicity. It is also possible that HCA's executives and managers could be included in governmental investigations or litigation or named as defendants in private litigation.

The Company's substantial Medicare, Medicaid and other governmental billings result in heightened scrutiny of its operations. The Company continues to monitor all aspects of its business and has developed a comprehensive ethics and compliance program that is designed to meet or exceed applicable Federal

guidelines and industry standards. Because the law in this area is complex and constantly evolving, governmental investigations or litigation may result in interpretations that are inconsistent with industry practices, including the Company's.

Health Care Reform

Health care is one of the largest industries in the United States and continues to attract much legislative interest and public attention. In recent years, various legislative proposals have been introduced or proposed in Congress and in some state legislatures that would affect major changes in the health care system, either nationally or at the state level. Many states have enacted, or are considering enacting, measures designed to reduce their Medicaid expenditures and change private health care insurance. Most states, including the states in which HCA operates, have applied for and been granted Federal waivers from current Medicaid regulations to allow them to serve some or all of their Medicaid participants through managed care providers.

Compliance Program and Corporate Integrity Agreement

HCA maintains a comprehensive ethics and compliance program that is designed to meet or exceed applicable Federal guidelines and industry standards. The program is intended to monitor and raise awareness of various regulatory issues among employees and to emphasize the importance of complying with governmental laws and regulations. As part of the ethics and compliance program, HCA provides annual ethics and compliance training to its employees and encourages all employees to report any violations to their supervisor, an ethics and compliance officer or a toll-free telephone ethics line.

In January 2001, HCA entered into an eight-year Corporate Integrity Agreement ("CIA") with the OIG. The CIA is structured to assure the Federal government of HCA's overall Federal health care program compliance and specifically covers DRG coding, outpatient PPS billing and physician relations. The CIA also included testing for outpatient laboratory billing in 2001, which was replaced with skilled nursing facilities billing in 2003. Under the CIA, HCA has an affirmative obligation to report potential violations of applicable Federal heath care laws and regulations and has, pursuant to this obligation, reported a number of potential technical violations of the Stark and EMTALA laws. This obligation could result in greater scrutiny by regulatory authorities. Breach of the CIA could subject HCA to substantial monetary penalties and/or exclusion from participation in the Medicare and Medicaid programs.

Conversion Legislation

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

Revenue Ruling 98-15

In March 1998, the IRS issued guidance regarding the tax consequences of joint ventures between for-profit and not-for-profit hospitals. As a result of the tax ruling, the IRS has proposed, and may in the future propose, to revoke the tax-exempt or public charity status of certain not-for-profit entities which participate in such joint ventures or to treat joint venture income as unrelated business taxable income to them. HCA is continuing to review the impact of the tax ruling on its existing joint ventures and the development of future joint ventures, and is consulting with its joint venture partners and tax advisers to develop appropriate courses of action. In January 2001, a not-for-profit entity which participates in a joint venture with HCA filed a refund suit in Federal District Court seeking to recover taxes, interest and penalties assessed by the IRS in connection with the IRS's proposed revocation of the not-for-profit entity's tax-exempt status. In March 2004, a Federal

court granted the entity's claim for refund and upheld its tax-exempt status. The IRS has 30 days in which to appeal.

The tax ruling has limited development of joint ventures and any adverse determination by the IRS or the courts regarding the tax-exempt or public charity status of a not-for-profit partner or the characterization of joint venture income as unrelated business taxable income could further limit joint venture development with not-for-profit hospitals, and/or require the restructuring of certain existing joint ventures with not-for-profits.

Antitrust Laws

The Federal government and most states have enacted antitrust laws that prohibit certain types of conduct deemed to be anti-competitive. These laws prohibit price fixing, concerted refusal to deal, market monopolization, price discrimination, tying arrangements, acquisitions of competitors and other practices that have, or may have, an adverse effect on competition. Violations of Federal or state antitrust laws can result in various sanctions, including criminal and civil penalties. Antitrust enforcement in the health care industry is currently a priority of the Federal Trade Commission. HCA believes it is in compliance with such Federal and state laws, but there can be no assurance that a review of HCA's practices by courts or regulatory authorities will not result in a determination that could adversely affect HCA's operations.

Environmental Matters

HCA is subject to various Federal, state and local statutes and ordinances regulating the discharge of materials into the environment. Management does not believe that HCA will be required to expend any material amounts in order to comply with these laws and regulations or that compliance will materially affect its capital expenditures, results of operations or financial condition.

Insurance

As is typical in the health care industry, HCA is subject to claims and legal actions by patients in the ordinary course of business. Through a wholly-owned insurance subsidiary, HCA insures a substantial portion of its professional liability risks. HCA's facilities are insured by the insurance subsidiary for losses of up to $25 million per occurrence. Professional liability risks above a $10 million retention per occurrence for 2002 were reinsured with unrelated commercial carriers. HCA also maintains professional liability insurance with unrelated commercial carriers for losses in excess of amounts insured by its insurance subsidiary. HCA and its insurance subsidiary maintain reserves for professional liability risks that totaled $1.477 billion, net of reinsurance recoverables, at December 31, 2003. Management considers such reserves, which are based on actuarially determined estimates, to be adequate for such liability risks. HCA maintains its directors and officers, property and other typical coverages with unrelated commercial carriers.

Employees and Medical Staffs

At December 31, 2003, HCA had approximately 188,000 employees, including approximately 54,000 part-time employees. References herein to "employees" refer to employees of affiliates of HCA. HCA is subject to various state and Federal laws that regulate wages, hours, benefits and other terms and conditions relating to employment. Employees at 17 hospitals are represented by various labor unions. HCA considers its employee relations to be satisfactory. HCA's hospitals are experiencing an increase in union organizational activity, particularly in California. However, the Company does not expect such efforts to materially affect its future operations. HCA's hospitals, like most hospitals, have experienced labor costs rising faster than the general inflation rate. In some markets, nurse and medical support personnel availability has become a significant operating issue to health care providers. To address this challenge, HCA has implemented several initiatives to improve retention, recruiting, compensation programs and productivity. This shortage may also require an increase in the utilization of more expensive temporary personnel.

Licensed physicians who have been accepted to the medical staff of individual hospitals staff HCA's hospitals. With certain exceptions, physicians generally are not employees of HCA's hospitals. However, some physicians provide services in HCA's hospitals under contracts which generally describe a term of service,

provide and establish the duties and obligations of such physicians, require the maintenance of certain performance criteria and fix compensation for such services. Any licensed physician may apply to be accepted to the medical staff of any of HCA's hospitals, but the hospital's medical staff and the appropriate governing board of the hospital, in accordance with established credentialing criteria, must approve acceptance to the staff. Members of the medical staffs of HCA's hospitals often also serve on the medical staffs of other hospitals and may terminate their affiliation with a hospital at any time.

Risk Factors

If any of the events discussed in the following risks were to occur, HCA's business, financial position, results of operations, cash flows or prospects could be materially, adversely affected. Additional risks and uncertainties not presently known, or currently deemed immaterial by HCA, may also constrain its business and operations. In either case, the trading price of HCA's common stock could decline and stockholders could lose all or part of their investment.

HCA Has Been The Subject Of Governmental Investigations, Claims And Litigation That Have Resulted In Significant Charges And Ongoing Reporting Obligations.

Commencing in 1997, HCA became aware it was the subject of governmental investigations and litigation relating to its business practices. The investigations were concluded through a series of agreements executed in 2000 and 2003. In January 2001, HCA entered into an eight-year CIA with the OIG.

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

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

If HCA Fails To Comply With Extensive Laws And Government Regulations, It Could Suffer Penalties Or Be Required To Make Significant Changes To Its Operations.

The health care industry is required to comply with extensive and complex laws and regulations at the Federal, state and local government levels relating to, among other things:

- billing for services;
- relationships with physicians and other referral sources;
- adequacy of medical care;
- quality of medical equipment and services;
- qualifications of medical and support personnel;
- confidentiality, maintenance and security issues associated with health-related information and medical records;
- the screening, stabilization and transfer of patients who have emergency medical conditions;
- licensure;
- hospital rate or budget review;
- operating policies and procedures; and
- addition of facilities and services.

Among these laws are the Anti-kickback Statute and the Stark Law. These laws impact the relationships that HCA may have with physicians and other referral sources. HCA has a variety of financial relationships with physicians who refer patients to its hospitals, including employment contracts, leases and professional service agreements. HCA also provides financial incentives, including minimum revenue guarantees, to recruit physicians into the communities served by its hospitals. The OIG has enacted safe harbor regulations that outline practices that are deemed protected from prosecution under the Anti-kickback Statute. A number of HCA's current financial relationships with physicians and other referral sources do not qualify for safe harbor protection under the Anti-kickback Statute. While the Company endeavors to comply with the applicable safe harbors, certain of the Company's current arrangements, including joint ventures, do not qualify for safe harbor protection. Failure to meet a safe harbor does not mean that the arrangement necessarily violates the Anti-kickback Statute, but may subject the arrangement to greater scrutiny. HCA cannot assure that practices that are outside of a safe harbor will not be found to violate the Anti-kickback Statute.

HCA's financial relationships with physicians and their immediate family members must comply with the Stark Law by meeting an exception. HCA attempts to structure its relationships to meet an exception to the Stark Law, but the regulations implementing the exceptions, some of which are still under review, are detailed and complex, and HCA cannot assure that every relationship complies fully with the Stark Law.

If HCA fails to comply with the Anti-kickback Statute, the Stark Law or other applicable laws and regulations, it could be subjected to liabilities, including criminal penalties, civil penalties (including the loss of its licenses to operate one or more facilities), and exclusion of one or more facilities from participation in the Medicare, Medicaid and other Federal and state health care programs. See Item 1: Business — Regulation and Other Factors.

Because many of these laws and regulations are relatively new, HCA does not always have the benefit of significant regulatory or judicial interpretation of these laws and regulations. In the future, different interpretations or enforcement of these laws and regulations could subject HCA's current or past practices to allegations of impropriety or illegality or could require HCA to make changes in its facilities, equipment, personnel, services, capital expenditure programs and operating expenses. A determination that HCA has violated these laws, or the public announcement that it is being investigated for possible violations of these laws, could have a material adverse effect on its business, financial condition, results of operations or prospects and HCA's business reputation could suffer significantly. In addition, HCA is unable to predict whether other legislation or regulations at the Federal or state level will be adopted, what form such legislation or regulations may take or their impact.

HCA Is Subject To Uncertainties Regarding Health Care Reform.

In recent years, an increasing number of legislative initiatives have been introduced or proposed in Congress and in state legislatures that would result in major changes in the health care system, either nationally or at the state level. Among the proposals that have been introduced are price controls on hospitals, insurance market reforms to increase the availability of group health insurance to small businesses, requirements that all businesses offer health insurance coverage to their employees and the creation of a government health insurance plan or plans that would cover all citizens and increase payments by beneficiaries. HCA cannot predict whether any of the above proposals, or any other proposals, will be adopted, and if adopted, no assurance can be given that the implementation of such reforms will not have a material adverse effect on its business, financial position or results of operations.

HCA's Hospitals Face Competition For Patients From Other Hospitals And Health Care Providers.

The health care business is highly competitive and competition among hospitals and other health care providers for patients has intensified in recent years. Generally, other hospitals in the local communities served by most of HCA's hospitals provide services similar to those offered by HCA's hospitals. In addition, the number of freestanding specialty hospitals and surgery and diagnostic centers in the geographic areas in which HCA operates has increased significantly. As a result, most of HCA's hospitals operate in an increasingly competitive environment. Some of the hospitals that compete with HCA's hospitals are owned by govern-

mental agencies or not-for-profit corporations supported by endowments and charitable contributions and can finance capital expenditures and operations on a tax-exempt basis. HCA is facing increasing competition from physician-owned specialty hospitals and freestanding surgery centers for market share in high margin services and for quality physicians and personnel. If HCA's competitors are better able to attract patients, recruit physicians, expand services or obtain favorable managed care contracts at their facilities, HCA may experience a decline in patient volume. See Item 1: Business — Competition.

HCA's Performance Depends On Its Ability To Recruit And Retain Quality Physicians.

Physicians generally direct the majority of hospital admissions and, therefore, the success of HCA's hospitals depends, in part, on the number and quality of the physicians on the medical staffs of its hospitals, the admitting practices of those physicians and maintaining good relations with those physicians. Physicians are generally not employees of the hospitals at which they practice and, in many of the markets that HCA serves, most physicians have admitting privileges at other hospitals in addition to HCA's hospitals. Such physicians may terminate their affiliation with HCA hospitals at any time. If HCA is unable to provide adequate support personnel or technologically advanced equipment and hospital facilities that meet the needs of those physicians, they may be discouraged from referring patients to HCA facilities, admissions may decrease and HCA's operating performance may decline.

HCA's Hospitals Face Competition For Staffing, Which May Increase Its Labor Costs And Reduce Profitability.

HCA's operations are dependent on the efforts, abilities and experience of its management and medical support personnel, such as nurses, pharmacists and lab technicians, as well as its physicians. HCA competes with other health care providers in recruiting and retaining qualified management and support personnel responsible for the daily operations of each of its hospitals, including nurses and other nonphysician health care professionals. In some markets, the availability of nurses and other medical support personnel has become a significant operating issue to health care providers. This shortage may require HCA to continue to enhance wages and benefits to recruit and retain nurses and other medical support personnel or to hire more expensive temporary personnel. HCA also depends on the available labor pool of semiskilled and unskilled employees in each of the markets in which it operates. If HCA's labor costs increase, it may not be able to raise rates to offset these increased costs. Because a significant percentage of HCA's revenues consist of fixed, prospective payments, its ability to pass along increased labor costs is constrained. HCA's failure to recruit and retain qualified management, nurses and other medical support personnel, or to control its labor costs could have a material adverse effect on HCA's results of operations.

Changes In Governmental Programs May Reduce HCA's Revenues.

A significant portion of HCA's patient volumes are derived from government health care programs, principally Medicare and Medicaid, which are highly regulated and subject to frequent and substantial changes. HCA derived approximately 51% of its admissions from the Medicare and Medicaid programs in 2003. In recent years, legislative changes, have resulted in limitations on and, in some cases, reductions in levels of payments to health care providers for certain services under these government programs.

In 2003, CMS adopted significant changes to the methodology for determining Medicare outlier payments that will result in a significant reduction in outlier payments the Company receives. In addition, a number of states are experiencing budget problems and have adopted, or are considering, legislation designed to reduce their Medicaid expenditures. States have also adopted, or are considering, legislation designed to provide universal coverage and additional care. Such legislation includes reducing coverage and program eligibility, enrolling Medicaid recipients in managed care programs and imposing additional taxes on hospitals to help finance or expand the states' Medicaid systems. Hospital operating margins have been, and may continue to be, under significant pressure because of deterioration in pricing flexibility and payer mix, and growth in operating expenses in excess of the increase in PPS payments under the Medicare program. Future legislation or other changes in the administration or interpretation of government health programs could have a material adverse effect on the financial position and results of operations of HCA.

Demands Of Nongovernment Payers May Adversely Affect HCA's Growth In Revenues.

HCA's ability to negotiate favorable contracts with nongovernment payers, including managed care plans, significantly affects the revenues and operating results of most of its hospitals. Admissions derived from managed care and other discounted plans accounted for approximately 45% of HCA's admissions in 2003. Nongovernment payers, including managed care payers, increasingly are demanding discounted fee structures. Reductions in price increases or the amounts received from managed care, commercial insurance or other payers could have a material adverse effect on the financial position and results of operations of HCA.

The Growth Of Uninsured And Self-Pay Accounts And A Deterioration In The Collectability Of These Accounts Could Adversely Affect HCA's Results Of Operations.

The primary collection risks of the Company's accounts receivable relate to the uninsured patient accounts and patient accounts for which the primary insurance carrier has paid the amounts covered by the applicable agreement, but patient responsibility amounts (deductibles and copayments) remain outstanding. The provision for doubtful accounts relates primarily to these "self-pay" amounts due from patients.

The amount of the provision for doubtful accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Federal and state governmental and private employer health care coverage and other collection indicators. At December 31, 2003 the Company's allowance for doubtful accounts, as a percentage of self-pay accounts, was approximately 88%. For the year ended December 31, 2003, the provision for doubtful accounts increased to 10.1% of revenues compared to 8.0% of revenues in 2002. For the fourth quarter of 2003, the provision for doubtful accounts was 11.4% of revenues compared to 8.6% of revenues in the fourth quarter of 2002.

A continuation of the trends that have resulted in an increasing proportion of accounts receivable being comprised of uninsured accounts and a deterioration in the collectability of these accounts will adversely affect HCA's collection of accounts receivable, cash flows and results of operations.

Controls Designed To Reduce Inpatient Services May Reduce HCA's Revenues.

Controls imposed by third-party payers designed to reduce admissions and lengths of stay, commonly referred to as "utilization review," have affected and are expected to continue to affect HCA's facilities. Utilization review entails the review of the admission and course of treatment of a patient by managed care plans. Inpatient utilization, average lengths of stay and occupancy rates continue to be negatively affected by payer-required preadmission authorization and utilization review and by payer pressure to maximize outpatient and alternative health care delivery services for less acutely ill patients. Efforts to impose more stringent cost controls are expected to continue. Although HCA is unable to predict the effect these changes will have on its operations, significant limits on the scope of services reimbursed and on reimbursement rates and fees could have a material adverse effect on HCA's business, financial position and results of operations.

HCA's Shared Services And Other Initiatives May Not Achieve Anticipated Efficiencies.

HCA implemented shared services initiatives designed to increase revenue, accelerate cash flows and reduce operating costs by consolidating hospitals' back-office functions such as billing, collections and purchasing. HCA has developed ten regional patient account services ("PAS") centers located in the Company's major regional markets. The PASs provide the business office services that were previously performed in each facility and provide a setting to better utilize experienced personnel, share best practices and handle volumes of transactions more efficiently through stratification and specialization. HCA has implemented supply improvement and distribution programs that include consolidating purchasing functions regionally, combining warehouses and developing division-based procurement programs. HCA has expended significant sums to build and implement these shared services initiatives. There can be no assurance that HCA will be able to realize the anticipated efficiencies from these initiatives.

During the second quarter of 2003, HCA announced plans to discontinue activities associated with the development of a patient accounting software system resulting in a pretax charge of $130 million. HCA had

estimated that the patient accounting project would have required total expenditures of approximately $400 million to develop and install. The Company is now redirecting efforts in this area to the implementation of enhancements to its existing patient accounting system. HCA is also in the process of implementing projects to replace its payroll and human resources information systems. Management estimates that the payroll and human resources system projects will require total expenditures of approximately $332 million to develop and install. At December 31, 2003, project-to-date costs incurred were $212 million ($137 million of the costs incurred have been capitalized and $75 million have been expensed). Management expects that the system development, testing, data conversion and installation will continue through 2006. There can be no assurance that the development and implementation of those systems will not be delayed, that the total cost will not be significantly more than currently anticipated, that business processes will not be interrupted during implementation or that HCA will realize the expected benefits and efficiencies from the developed products.

HCA's Operations Could Be Impaired By A Failure Of The Company's Information Systems.

The performance of HCA's sophisticated information technology and systems is critical to HCA's business operations. In addition to HCA's shared services initiatives, HCA's information systems are essential to a number of critical areas of the Company's business operations, including:

- accounting and financial reporting;
- coding and compliance;
- clinical systems;
- medical records and document storage;
- inventory management; and
- negotiating, pricing and administering managed care contracts.

Any system failure that causes an interruption in service or availability of HCA's systems could adversely affect operations or delay the collection of revenue. Even though HCA has implemented network security measures, the Company's servers are vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering. The occurrence of any of these events could result in interruptions, delays, the loss or corruption of data, or cessations in the availability of systems, all of which could have a material adverse effect on the financial position and results of operations of HCA and harm HCA's business reputation.

State Efforts To Regulate The Construction Or Expansion Of Hospitals Could Impair HCA's Ability To Operate And Expand Its Operations.

Some states require health care providers to obtain prior approval, known as a certificate of need or CON, for the purchase, construction or expansion of health care facilities, to make certain capital expenditures or to make changes in services or bed capacity. In giving approval, these states consider the need for additional or expanded health care facilities or services. HCA currently operates hospitals in a number of states with CON laws. The failure to obtain any requested CON could impair HCA's ability to operate or expand operations.

HCA's Facilities Are Heavily Concentrated In Florida And Texas, Which Makes The Company Sensitive To Regulatory, Economic And Competitive Changes In Those States.

HCA operated 191 hospitals at December 31, 2003, and 77 of those hospitals are located in Florida and Texas. This situation makes HCA particularly sensitive to regulatory, economic, and competition changes in those states. Any material change in the current payment programs or regulatory, economic or competitive conditions in those states could have a disproportionate effect on the Company's overall business results.

HCA May Be Subject To Liabilities From Claims By The IRS.

HCA is currently contesting claims for income taxes and related interest proposed by the IRS for prior years aggregating approximately $381 million through December 31, 2003. The disputed items include the

timing of recognition of certain patient service revenues in 2000, the amount of insurance expense deducted in 1999 and 2000, and the amount of gain or loss recognized on the divestiture of certain business units in 1998. During 2004, the IRS began an examination of HCA's 2001 through 2002 Federal income tax returns. HCA is presently unable to estimate the amount of any additional income tax and interest that the IRS may claim upon completion of this examination or any future examinations that may be initiated by the IRS. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — IRS Disputes".

HCA May Be Subject To Liabilities From Claims Brought Against Its Facilities.

HCA is subject to litigation relating to its business practices including claims and legal actions by patients and others in the ordinary course of business alleging malpractice, product liability or other legal theories. See Item 3: Legal Proceedings. Many of these actions involve large claims and significant defense costs. HCA insures a substantial portion of its professional and general liability risks through a wholly-owned subsidiary, in amounts management believes are sufficient to cover claims arising out of the operation of HCA's facilities. HCA's wholly-owned insurance subsidiary historically has entered into certain reinsurance contracts, and the obligations covered by the reinsurance contracts remain on the balance sheet as the subsidiary remains liable to the extent that the reinsurers do not meet their obligations under the reinsurance contracts. If payments for claims exceed actuarially determined estimates, are not covered by insurance or reinsurers, if any, fail to meet their obligations, the results of operations and financial position of HCA could be adversely affected.

Fluctuations In Operating Results And Other Factors May Result In Decreases In HCA's Stock Price.

The stock markets have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of HCA's common stock. There may be significant volatility in the market price of HCA's common stock. If HCA is unable to operate its hospitals as profitably as it has in the past, investors could sell shares of HCA's common stock when it becomes apparent that the expectations of the market may not be realized, resulting in a decrease in the market price of HCA's common stock.

In addition to HCA's operating results, the operating results of other hospital companies, changes in financial estimates or recommendations by analysts, changes in government health care programs, governmental investigations and litigation, speculation in the press or investment community, the possible affects of war, terrorist and other hostilities, adverse weather conditions, the level of seasonal illnesses, changes in general conditions in the economy or the financial markets, or other developments affecting the health care industry, could cause the market price of HCA's common stock to fluctuate substantially.

Executive Officers of the Registrant

The executive officers of HCA as of February 29, 2004, were as follows:

Name	Age	Position(s)
Jack O. Bovender, Jr.	58	Chairman of the Board and Chief Executive Officer
Richard M. Bracken	51	President, Chief Operating Officer and Director
David G. Anderson	56	Senior Vice President — Finance and Treasurer
Victor L. Campbell	57	Senior Vice President
Rosalyn S. Elton	42	Senior Vice President — Operations Finance
James A. Fitzgerald, Jr.	49	Senior Vice President — Supply Chain Operations
V. Carl George	59	Senior Vice President — Development
Jay F. Grinney	52	President — Eastern Group
Samuel N. Hazen	43	President — Western Group
Frank M. Houser, M.D.	63	Senior Vice President — Quality and Medical Director
R. Milton Johnson	47	Senior Vice President and Controller
Patricia T. Lindler	56	Senior Vice President — Government Programs
A. Bruce Moore, Jr.	44	Senior Vice President — Operations Administration
Gregory S. Roth	47	President — Ambulatory Surgery Group
William B. Rutherford	40	Chief Financial Officer — Eastern Group
Richard J. Shallcross	45	Chief Financial Officer — Western Group
Joseph N. Steakley	49	Senior Vice President — Internal Audit Services
John M. Steele	48	Senior Vice President — Human Resources
Marilyn B. Tavenner	52	President — Outpatient Services Group
Beverly B. Wallace	53	President — Financial Services Group
Robert A. Waterman	50	Senior Vice President and General Counsel
Noel Brown Williams	48	Senior Vice President and Chief Information Officer
Alan R. Yuspeh	54	Senior Vice President — Ethics, Compliance and Corporate Responsibility

Jack O. Bovender, Jr. was appointed Chairman of the Board and Chief Executive Officer effective January 2002. Mr. Bovender served as President and Chief Executive Officer from January 2001 until December 2001. Mr. Bovender served as President and Chief Operating Officer of the Company from August 1997 to January 2001 and was appointed a Director of the Company in July 1999. From April 1994 to August 1997, he was retired after serving as Chief Operating Officer of HCA-Hospital Corporation of America from 1992 until 1994. Prior to 1992, Mr. Bovender held several senior level positions with HCA-Hospital Corporation of America.

Richard M. Bracken was appointed to the Company's Board of Directors in November 2002. Mr. Bracken was appointed President and Chief Operating Officer in January 2002 after being appointed Chief Operating Officer in July 2001. Mr. Bracken served as President — Western Group of the Company from August 1997 until July 2001. From January 1995 to August 1997, Mr. Bracken served as President of the Pacific Division of the Company. Prior to 1995 he served in various hospital Chief Executive Officer and Administrator positions with HCA-Hospital Corporation of America.

David G. Anderson has served as Senior Vice President — Finance and Treasurer of the Company since July 1999. Mr. Anderson served as Vice President — Finance of the Company from September 1993 to July 1999 and was elected to the additional position of Treasurer in November 1996. From March 1993 until September 1993, Mr. Anderson served as Vice President — Finance and Treasurer of Galen Health Care, Inc. From July 1988 to March 1993, Mr. Anderson served as Vice President — Finance and Treasurer of Humana Inc.

Victor L. Campbell has served as Senior Vice President of the Company since February 1994. Prior to that time, Mr. Campbell served as HCA-Hospital Corporation of America's Vice President for Investor, Corporate and Government Relations. Mr. Campbell joined HCA-Hospital Corporation of America in 1972.

Mr. Campbell is currently a director of the Federation of American Hospitals and serves on the Board of HRET, a subsidiary of the American Hospital Association.

Rosalyn S. Elton has served as Senior Vice President — Operations Finance of the Company since July 1999. Ms. Elton served as Vice President — Operations Finance of the Company from August 1993 to July 1999. From October 1990 to August 1993, Ms. Elton served as Vice President — Financial Planning and Treasury for the Company.

James A. Fitzgerald, Jr. has served as Senior Vice President — Supply Chain Operations of the Company since July 1999. Mr. Fitzgerald served as Vice President — Contracts and Operations Support of the Company from 1994 to July 1999. From 1993 to 1994, he served as the Vice President of Operations Support for HCA-Hospital Corporation of America. From July 1981 to 1993, Mr. Fitzgerald served as Director of Internal Audit for HCA-Hospital Corporation of America.

V. Carl George has served as Senior Vice President — Development of the Company since July 1999. Mr. George served as Vice President — Development of the Company from April 1995 to July 1999. From September 1987 to April 1995, Mr. George served as Director of Development for Healthtrust. Prior to working for Healthtrust, Mr. George served with HCA-Hospital Corporation of America in various positions.

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

Samuel N. Hazen was appointed President — Western Group of the Company in July 2001. Mr. Hazen served as Chief Financial Officer — Western Group of the Company from August 1995 to July 2001. Mr. Hazen served as Chief Financial Officer — North Texas Division of the Company from February 1994 to July 1995. Prior to that time, Mr. Hazen served in various hospital and regional Chief Financial Officer positions with Humana Inc. and Galen Health Care, Inc.

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

R. Milton Johnson has served as Senior Vice President and Controller of the Company since July 1999. Mr. Johnson served as Vice President and Controller of the Company from November 1998 to July 1999. Prior to that time, Mr. Johnson served as Vice President — Tax of the Company from April 1995 to October 1998. Prior to that time, Mr. Johnson served as Director of Tax for Healthtrust from September 1987 to April 1995.

Patricia T. Lindler has served as Senior Vice President — Government Programs of the Company since July 1999. Ms. Lindler served as Vice President — Reimbursement of the Company from September 1998 to July 1999. Prior to that time, Ms. Lindler was the President of Health Financial Directions, Inc. from March 1995 to November 1998. From September 1980 to February 1995, Ms. Lindler served as Director of Reimbursement of the Company's Florida Group.

A. Bruce Moore, Jr. has served as Senior Vice President — Operations Administration since July 1999. Mr. Moore served as Vice President — Operations Administration of the Company from September 1997 to July 1999. From October 1996 to September 1997, Mr. Moore served as Vice President — Benefits of the Company. Mr. Moore served as Vice President of Compensation of the Company from March 1995 until October 1996. From February 1994 to March 1995, Mr. Moore served as Director — Compensation of the Company. Mr. Moore also served as Director — Compensation for HCA-Hospital Corporation of America from November 1987 until February 1994.

Gregory S. Roth has served as President — Ambulatory Surgery Group of the Company since July 1998. From May 1997 to July 1998, Mr. Roth served as Senior Vice President — Ambulatory Surgery Division of the Company. Mr. Roth served as Chief Financial Officer — Ambulatory Surgery Division of the Company from January 1995 to May 1997. Prior to that time, Mr. Roth held various multi-facility and hospital Chief Financial Officer positions with OrNda HealthCorp and EPIC Healthcare Group, Inc.

William B. Rutherford has served as Chief Financial Officer — Eastern Group of the Company since January 1996. From 1994 to January 1996, Mr. Rutherford served as Chief Financial Officer — Georgia Division of the Company. Prior to that time, Mr. Rutherford held several positions with HCA-Hospital Corporation of America, including Director of Internal Audit and Director of Operations Support.

Richard J. Shallcross was appointed Chief Financial Officer — Western Group of the Company in August 2001. Mr. Shallcross served as Chief Financial Officer — Continental Division of the Company from September 1997 to August 2001. From October 1996 to August 1997, Mr. Shallcross served as Chief Financial Officer — Utah/ Idaho Division of the Company. From November 1995 until September 1996, Mr. Shallcross served as Vice President of Finance and Managed Care for the Colorado Division of the Company.

Joseph N. Steakley has served as Senior Vice President — Internal Audit Services of the Company since July 1999. Mr. Steakley served as Vice President — Internal Audit Services from November 1997 to July 1999. From October 1989 until October 1997, Mr. Steakley was a partner with Ernst & Young LLP.

John M. Steele has served as Senior Vice President — Human Resources of the Company since November 2003. Mr. Steele served as Vice President — Compensation and Recruitment of the Company from November 1997 to October 2003. From September 1995 to November 1997, Mr. Steele served as Assistant Vice President — Recruitment.

Marilyn B. Tavenner was appointed President — Outpatient Services Group in January 2004. From February 2001 to December 2003, Ms. Tavenner served as President for the Central Atlantic Division of the Company. From February 1996 to January 2001, Ms. Tavenner served as President of the Richmond Market of the Company. From April 1993 to January 1996, Ms. Tavenner served as Chief Executive Officer of CJW Medical Center.

Beverly B. Wallace was appointed President — Financial Services Group in January 2003. Ms. Wallace served as Senior Vice President — Revenue Cycle Operations Management of the Company from July 1999 to January 2003. Ms. Wallace served as Vice President-Managed Care of the Company from July 1998 to July 1999. From 1997 to 1998, Ms. Wallace served as President — Homecare Division of the Company. From 1996 to 1997, Ms. Wallace served as Chief Financial Officer — Nashville Division of the Company. From 1994 to 1996, Ms. Wallace served as Chief Financial Officer — Mid-America Division of the Company.

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

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

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

Item 2. ***Properties***

The following table lists, by state, the number of hospitals (general, acute care and psychiatric), directly or indirectly, owned and operated by the Company as of December 31, 2003:

State	Hospitals	Beds
Alaska	1	254
California	6	1,792
Colorado	7	2,199
Florida	40	10,255
Georgia	14	2,304
Idaho	2	476
Indiana	1	282
Kansas	4	1,310
Kentucky	2	384
Louisiana	14	2,104
Mississippi	1	130
Missouri	8	1,739
Nevada	2	900
New Hampshire	2	295
North Carolina	1	60
Oklahoma	3	1,228
South Carolina	3	740
Tennessee	12	2,237
Texas	37	9,436
Utah	6	912
Virginia	12	3,265
Washington	1	119
West Virginia	4	962
International		
Switzerland	2	220
United Kingdom	6	704
	191	44,307

In addition to the hospitals listed in the above table, HCA, directly or indirectly operates 83 freestanding surgery centers. HCA also operates medical office buildings in conjunction with some of its hospitals. These office buildings are primarily occupied by physicians who practice at HCA's hospitals.

HCA owns and maintains its headquarters in approximately 902,000 square feet of space in six office buildings in Nashville, Tennessee. In addition to the headquarters in Nashville, HCA owns and maintains service centers related to the Company's shared services initiatives. These service centers are located in markets in which the Company operates hospitals.

HCA's headquarters, hospitals and other facilities are suitable for their respective uses and are, in general, adequate for HCA's present needs. HCA's properties are subject to various Federal, state and local statutes and ordinances regulating their operation. Management does not believe that compliance with such statutes and ordinances will materially affect HCA's financial position or results from operations.

Item 3. ***Legal Proceedings***

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

Government Investigation, Claims and Litigation

Commencing in 1997, HCA became aware it was the subject of governmental investigations and litigation relating to its business practices. The investigations were concluded through a series of agreements executed in 2000 and 2003. In January 2001, HCA entered into an eight-year CIA with the OIG.

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

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

Lawsuits

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

During the April 1997 to October 1997 period, numerous securities class action and derivative lawsuits were filed in the United States District Court for the Middle District of Tennessee against the Company and certain of its current and former directors, officers and/or employees.

In August 1997, the court entered an order consolidating the securities class action claims into a single-captioned case, *Morse, Sidney, et al. v. R. Clayton McWhorter, et al.,* Case No. 3-97-0370. The court administratively closed all of the other individual securities class action lawsuits. The consolidated Morse lawsuit is a purported class action seeking the certification of a class of persons or entities who acquired the Company's common stock from April 9, 1994 to September 9, 1997. The consolidated lawsuit was brought against the Company, Richard Scott, David Vandewater, Thomas Frist, Jr., R. Clayton McWhorter, Carl E. Reichardt, Magdalena Averhoff, M.D., T. Michael Long and Donald S. MacNaughton. The lawsuit alleges, among other things, that the defendants committed violations of the Federal securities laws by materially inflating the Company's revenues and earnings through a number of practices, including upcoding, maintaining reserve cost reports, disseminating false and misleading statements, cost shifting, illegal reimbursements, improper billing, unbundling and violating various Medicare laws. The lawsuit seeks damages, costs and expenses.

During 2003, HCA reached an understanding with attorneys representing shareholder groups to settle class action securities lawsuits originally filed in 1997. Under the terms of the settlement, a $49.5 million settlement fund has been established to pay class members based on their individual claims. HCA also reached an understanding with its insurance carriers under which the insurers will pay the majority of the settlement amount. Final approval of the settlement was granted by the court on February 4, 2004.

General Liability and Other Claims

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

filed cross-motions for summary judgment and both motions were denied in December 2001. Discovery has concluded. On November 10, 2003, the Company filed a renewed motion for summary judgment. The court granted the Company's motion for summary judgment in full. On February 25, 2004, the plaintiff filed a notice of appeal.

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

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

The Company is a party to certain proceedings relating to claims for income taxes and related interest in the United States Tax Court, the United States Court of Federal Claims and the United States Court of Appeals for the Sixth Circuit. For a description of those proceedings, see Note 6 — Income Taxes in the notes to consolidated financial statements.

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

Item 4. ***Submission of Matters to a Vote of Security Holders***

No matters were submitted to a vote of security holders during the fourth quarter of 2003.

PART II

Item 5. *Market for Registrant's Common Equity and Related Stockholder Matters*

HCA's common stock is traded on the New York Stock Exchange, Inc. (the "NYSE") (symbol "HCA"). The table below sets forth, for the calendar quarters indicated, the high and low sales prices per share reported on the NYSE composite tape for HCA's common stock.

	Sales Price		Cash Dividend Declared
	High	Low	
2003			
First Quarter	$44.45	$ 37.00	$ 0.02
Second Quarter	41.36	27.30	0.02
Third Quarter	40.05	31.60	0.02
Fourth Quarter	43.45	35.11	0.02
2002			
First Quarter	$44.45	$37.35	$ 0.02
Second Quarter	52.05	43.30	0.02
Third Quarter	48.61	39.62	0.02
Fourth Quarter	51.98	36.21	0.02

At the close of business on February 29, 2004, there were approximately 16,100 holders of record of HCA's common stock and one holder of record of HCA's nonvoting common stock.

In January 2004, HCA's Board of Directors approved an increase in its quarterly dividend from $0.02 per share to $0.13 per share. The Board declared the initial $0.13 per share dividend payable on June 1, 2004 to shareholders of record at May 1, 2004. The declaration and payment of future dividends by HCA will depend upon many factors, including HCA's earnings, financial position, business needs, capital and surplus and regulatory considerations.

Item 6. ***Selected Financial Data***

HCA INC.

SELECTED FINANCIAL DATA
AS OF AND FOR THE YEARS ENDED DECEMBER 31
(Dollars in millions, except per share amounts)

	2003	2002	2001	2000	1999
Summary of Operations:					
Revenues	**$ 21,808**	$ 19,729	$ 17,953	$ 16,670	$ 16,657
Salaries and benefits	**8,682**	7,952	7,279	6,639	6,694
Supplies	**3,522**	3,158	2,860	2,640	2,645
Other operating expenses	**3,676**	3,341	3,238	3,208	3,306
Provision for doubtful accounts	**2,207**	1,581	1,376	1,255	1,269
(Gains) losses on sales of investment securities	**(1)**	2	(63)	(123)	(55)
Equity in earnings of affiliates	**(199)**	(206)	(158)	(126)	(90)
Depreciation and amortization	**1,112**	1,010	1,048	1,033	1,094
Interest expense	**491**	446	536	559	471
Settlement with government agencies	**(41)**	603	262	840	—
Gains on sales of facilities	**(85)**	(6)	(131)	(34)	(297)
Impairment of investment securities	**—**	168	—	—	—
Impairment of long-lived assets	**130**	19	17	117	220
Restructuring of operations and investigation related costs	**8**	58	65	62	116
Loss on retirement of debt	**—**	—	28	—	—
	19,502	18,126	16,357	16,070	15,373
Income before minority interests and income taxes	**2,306**	1,603	1,596	600	1,284
Minority interests in earnings of consolidated entities	**150**	148	119	84	57
Income before income taxes	**2,156**	1,455	1,477	516	1,227
Provision for income taxes	**824**	622	591	297	570
Reported net income	**1,332**	833	886	219	657
Goodwill amortization, net of income taxes	**—**	—	69	73	83
Adjusted net income	**$ 1,332**	$ 833	$ 955	$ 292	$ 740
Basic earnings per share:					
Reported net income	**$ 2.66**	$ 1.63	$ 1.69	$ 0.39	$ 1.12
Goodwill amortization, net of income taxes	**—**	—	0.13	0.13	0.15
Adjusted net income	**$ 2.66**	$ 1.63	$ 1.82	$ 0.52	$ 1.27
Shares used in computing basic earnings per share (in thousands)	**501,799**	511,824	524,112	555,553	585,216
Diluted earnings per share:					
Reported net income	**$ 2.61**	$ 1.59	$ 1.65	$ 0.39	$ 1.11
Goodwill amortization, net of income taxes	**—**	—	0.13	0.13	0.15
Adjusted net income	**$ 2.61**	$ 1.59	$ 1.78	$ 0.52	$ 1.26
Shares used in computing diluted earnings per share (in thousands)	**510,874**	525,219	538,177	567,685	591,029
Cash dividends per common share	**$ 0.08**	$ 0.08	$ 0.08	$ 0.08	$ 0.08

HCA INC.
SELECTED FINANCIAL DATA
AS OF AND FOR THE YEARS ENDED DECEMBER 31 — (Continued)
(Dollars in millions, except per share amounts)

	2003	2002	2001	2000	1999
Financial Position:					
Assets	**$ 21,063**	$ 18,741	$ 17,730	$ 17,568	$ 16,885
Working capital	**1,654**	766	957	312	480
Long-term debt, including amounts due within one year	**8,707**	6,943	7,360	6,752	6,444
Minority interests in equity of consolidated entities	**680**	611	563	572	763
Company-obligated mandatorily redeemable securities of affiliate holding solely Company securities	**—**	—	400	—	—
Forward purchase contracts and put options	**—**	—	—	769	—
Stockholders' equity	**6,209**	5,702	4,762	4,405	5,617
Cash Flow Data:					
Cash provided by operating activities	**$ 2,166**	$ 2,750	$ 1,413	$ 1,547	$ 1,223
Cash provided by (used in) investing activities	**(2,862)**	(1,740)	(1,300)	(1,087)	925
Cash provided by (used in) financing activities	**650**	(934)	(342)	(336)	(2,255)
Operating Data:					
Number of hospitals at end of period(a)	**184**	173	178	187	195
Number of freestanding outpatient surgical centers at end of period(b)	**79**	74	76	75	80
Number of licensed beds at end of period(c)	**42,108**	39,932	40,112	41,009	42,484
Weighted average licensed beds(d)	**41,568**	39,985	40,645	41,659	46,291
Admissions(e)	**1,635,200**	1,582,800	1,564,100	1,553,500	1,625,400
Equivalent admissions(f)	**2,405,400**	2,339,400	2,311,700	2,300,800	2,425,100
Average length of stay (days)(g)	**5.0**	5.0	4.9	4.9	4.9
Average daily census(h)	**22,234**	21,509	21,160	20,952	22,002
Occupancy(i)	**54%**	54%	52%	50%	48%
Emergency room visits(j)	**5,130,500**	4,802,800	4,676,800	4,534,400	4,765,900
Outpatient surgeries(k)	**814,300**	809,900	804,300	823,500	886,700
Inpatient surgeries(l)	**528,600**	518,100	507,800	486,600	485,900

(a) Excludes seven facilities in 2003, six facilities in 2002, six facilities in 2001, nine facilities in 2000 and 12 facilities in 1999 that are not consolidated (accounted for using the equity method) for financial reporting purposes.
(b) Excludes four facilities in 2003, four facilities in 2002, three facilities in 2001, three in 2000 and three facilities in 1999 that are not consolidated (accounted for using the equity method) for financial reporting purposes.
(c) Licensed beds are those beds for which a facility has been granted approval to operate from the applicable state licensing agency.
(d) Weighted average licensed beds represents the average number of licensed beds, weighted based on periods owned.
(e) Represents the total number of patients admitted to HCA's hospitals and is used by management and certain investors as a general measure of inpatient volume.
(f) Equivalent admissions are used by management and certain investors as a general measure of combined inpatient and outpatient volume. Equivalent admissions are computed by multiplying admissions (inpatient volume) by the sum of gross inpatient revenue and gross outpatient revenue and then dividing the resulting amount by gross inpatient revenue. The equivalent admissions computation "equates" outpatient revenue to the volume measure (admissions) used to measure inpatient volume, resulting in a general measure of combined inpatient and outpatient volume.
(g) Represents the average number of days admitted patients stay in HCA's hospitals.
(h) Represents the average number of patients in HCA's hospital beds each day.
(i) Represents the percentage of hospital licensed beds occupied by patients. Both average daily census and occupancy rate provide measures of the utilization of inpatient rooms.
(j) Represents the number of patients treated in the Company's emergency rooms.
(k) Represents the number of surgeries performed on patients who were not admitted to the Company's hospitals. Pain management and endoscopy procedures are not included in outpatient surgeries.
(l) Represents the number of surgeries performed on patients who have been admitted to the Company's hospitals. Pain management and endoscopy procedures are not included in inpatient surgeries.

Item 7. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

HCA INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The selected financial data and the accompanying consolidated financial statements present certain information with respect to the financial position, results of operations and cash flows of HCA Inc. which should be read in conjunction with the following discussion and analysis. The terms "HCA" or the "Company," as used herein, refer to HCA Inc. and its affiliates unless otherwise stated or indicated by context. The term "affiliates" means direct and indirect subsidiaries of HCA Inc. and partnerships and joint ventures in which such subsidiaries are partners.

Forward-Looking Statements

This "Annual Report on Form 10-K" includes certain disclosures which contain "forward-looking statements." Forward-looking statements include all statements that do not relate solely to historical or current facts, and can be identified by the use of words like "may," "believe," "will," "expect," "project," "estimate," "anticipate," "plan," "initiative" or "continue." These forward-looking statements are based on the current plans and expectations of HCA and are subject to a number of known and unknown uncertainties and risks, many of which are beyond HCA's control, that could significantly affect current plans and expectations and HCA's future financial position and results of operations. These factors include, but are not limited to, (i) the highly competitive nature of the health care business, (ii) the efforts of insurers, health care providers and others to contain health care costs, (iii) possible changes in the Medicare and Medicaid programs that may impact reimbursements to health care providers and insurers, (iv) the ability to achieve operating and financial targets, achieve expected levels of patient volumes and control the costs of providing services, (v) increases in the amount and risk of collectibility of uninsured accounts and deductibles and copay amounts for insured accounts, (vi) the ability to attract and retain qualified management and personnel, including affiliated physicians, nurses and medical support personnel, (vii) potential liabilities and other claims that may be asserted against HCA, (viii) fluctuations in the market value of HCA's common stock, (ix) changes in accounting practices, (x) changes in general economic conditions, (xi) future divestitures which may result in additional charges, (xii) changes in revenue mix and the ability to enter into and renew managed care provider arrangements on acceptable terms, (xiii) the availability and terms of capital to fund the expansion of the Company's business, (xiv) changes in business strategy or development plans, (xv) delays in receiving payments for services provided, (xvi) the possible enactment of Federal or state health care reform, (xvii) the outcome of pending and any future tax audits and litigation associated with HCA's tax positions, (xviii) the outcome of HCA's continuing efforts to monitor, maintain and comply with appropriate laws, regulations, policies and procedures and HCA's corporate integrity agreement with the government, (xix) changes in Federal, state or local regulations affecting the health care industry, (xx) the impact of the charity care and self-pay discounting policy changes, (xxi) the ability to successfully integrate the operations of Health Midwest, (xxii) the ability to develop and implement the payroll and human resources information systems within the expected time and cost projections and, upon implementation, to realize the expected benefits and efficiencies, and (xxiii) other risk factors described in this Annual Report on Form 10-K. As a consequence, current plans, anticipated actions and future financial position and results 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.

2003 Operations Summary

The general economic environment for the general, acute care hospital industry during 2003 was negatively impacted by the following trends: a reduction in the growth rate of inpatient admissions, increasing competition from specialty facilities for cardiac, orthopedic and outpatient surgery services, and rising levels of uninsured and patient due accounts, and the resulting increase in the provision for doubtful accounts.

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

2003 Operations Summary (Continued)

During 2003, same facility admissions increased 0.6%, compared to 2.5% and 2.7% increases attained during 2002 and 2001, respectively. Same facility outpatient surgeries declined 3.0% during 2003, compared to an increase of 2.2% in 2002 and a decrease of 1.2% in 2001. The provision for doubtful accounts increased to 10.1% of revenues in 2003 from 8.0% and 7.7% of revenues for 2002 and 2001, respectively. The difference between 10.1% and 8.0% of 2003 revenues is $462 million. Management expects these negative volume and bad debt trends to remain significant challenges for HCA in 2004.

During 2003, HCA was able to manage salaries and benefits and other operating expenses effectively and adjustments were made to react timely to the volume trends. Salaries and benefits were reduced to 39.8% of revenues in 2003 compared to 40.3% and 40.5% of revenues in 2002 and 2001, respectively. Other operating expenses were reduced to 16.8% of revenues in 2003 compared to 16.9% and 18.1% of revenues in 2002 and 2001, respectively.

During 2003, the remaining aspects of the governmental investigations into HCA's business practices that began in 1997 were concluded. Over the past five years, HCA paid approximately $2 billion in settlement payments to the applicable government agencies and for legal and investigation related costs. The investigations also demanded significant time requirements for management and numerous employees over the past years. Management is pleased that these investigations have been concluded.

While the Company has faced both operational and investigation related challenges during the past three years, management believes that it is important to recognize that HCA has generated cash provided by operating activities of $2.166 billion, $2.750 billion and $1.413 billion during 2003, 2002 and 2001, respectively.

Investigations and Settlement of Certain Government Claims

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

The investigations were concluded through a series of agreements executed in 2000 and 2003. In December 2000, HCA entered into a Plea Agreement with the Criminal Division of the Department of Justice (the "DOJ") and various U.S. Attorneys' offices (the "Plea Agreement") and a Civil and Administrative Settlement Agreement with the Civil Division of the DOJ (the "Civil Agreement"). The agreements resolved all Federal criminal issues outstanding against HCA and certain issues involving Federal civil claims by, or on behalf of, the government against HCA relating to DRG coding, outpatient laboratory billing and home health issues. The civil issues that were not covered by the Civil Agreement included claims related to physician relations, cost reports and wound care issues. The Civil Agreement was approved by the Federal District Court of the District of Columbia in August 2001. HCA paid the government $900 million (including accrued interest of $60 million), as provided by the Civil Agreement and Plea Agreement, during 2001. In January 2001, HCA entered into an eight-year Corporate Integrity Agreement ("CIA") with the Office of Inspector General of the Department of Health and Human Services.

The remaining aspects of the investigations were resolved during 2003. In June 2003, HCA announced that the Company and the Civil Division of the DOJ had signed agreements, documenting the understanding announced in December 2002, whereby the United States would dismiss the various claims it had brought related to physician relations, cost reports and wound care issues (the "DOJ Agreement"). The DOJ Agreement received court approval in July 2003, and HCA paid the DOJ $641 million (including accrued

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

Investigations and Settlement of Certain Government Claims (Continued)

interest of $10 million) during July 2003. The DOJ Agreement does not affect *qui tam* cases in which the government has not intervened. HCA also finalized an agreement with a negotiating team representing states that may have claims against the Company. Under this agreement, HCA paid $17.7 million in July 2003 to state Medicaid agencies to resolve these claims. HCA also paid $33 million for legal fees of the private parties. In connection with the DOJ Agreement, HCA recorded a pretax charge of $603 million ($418 million after-tax) in the fourth quarter of 2002. The consolidated income statement for the year ended December 31, 2003 includes a pretax favorable change in estimate of $41 million ($25 million after-tax) related to Medicaid cost report balances for cost report years ended December 31, 1997 and prior.

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

During September 2003, HCA reached an understanding with attorneys representing shareholder groups to settle class action securities lawsuits originally filed in 1997. Under the terms of the settlement, a $49.5 million settlement fund has been established to pay class members based on their individual claims. HCA also reached an understanding with its insurance carriers under which the insurers will pay the majority of the settlement amount. Final approval of the settlement was granted by the court on February 4, 2004.

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

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

Business Strategy

HCA is committed to providing the communities it serves high quality, cost-effective, health care while maintaining consistency with HCA's ethics and compliance program, governmental regulations and guidelines, and industry standards. As a part of this strategy, HCA's management focuses on the following areas:

- *Commitment to the care and improvement of human life:* The foundation of HCA is built on putting patients first and providing quality health care services in the communities it serves. HCA continues to increase efforts and funding for the Company's patient safety agenda. Management believes patient outcomes will increasingly influence physician and patient choices concerning health care delivery.

- *Commitment to ethics and compliance:* HCA is committed to a corporate culture highlighted by the following values — compassion, honesty, integrity, fairness, loyalty, respect and kindness. The Company's comprehensive ethics and compliance program articulates a set of values and behavioral standards to reinforce HCA's dedication to these values and to ensure integrity.

- *Focus on core communities:* HCA strives to maintain market-leading positions in large, growing urban and suburban communities, primarily in the Southern and Western regions of the United States.

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

Business Strategy (Continued)

- *Becoming the health care employer of choice:* HCA uses a number of industry leading practices to help ensure its hospitals are the health care employer of choice in their communities. The Company's labor initiatives provide strategies to the hospitals for recruiting, compensation and productivity, and include various leadership and career development programs. The Company also maintains an internal contract labor agency to provide improved quality and reduce costs.

- *Continuing to strive for operational excellence:* The Company's focus on operational excellence includes a group purchasing organization that achieves pricing efficiencies in purchasing and supply contracts. HCA also uses a shared services model to process revenue and accounts receivable through ten regional patient accounting services centers. In a natural progression of the Company's ongoing strategy, HCA is increasing focus on operating outpatient services with improved accessibility and more convenient service for patients and increased predictability and efficiency for physicians. As part of this focus, HCA may buy or build outpatient facilities to improve its market presence.

- *Allocating capital to strategically complement its operational strategy and enhance stockholder value:* HCA's capital spending is intended to increase bed capacity, provide new or expanded services in existing facilities, maintain or replace equipment and renovate existing facilities or construct replacement facilities. The Company also selectively evaluates acquisitions that may complement its strategies in existing or new markets. Capital may also be allocated to take advantage of opportunities such as repayment of indebtedness, stock repurchases and payment of dividends. In 2004, HCA's Board of Directors approved an increase in its quarterly dividend from $0.02 per share to $0.13 per share.

Critical Accounting Policies and Estimates

The preparation of HCA's consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities and the reported amounts of revenues and expenses. HCA's management base their estimates on historical experience and various other assumptions that they believe are reasonable under the circumstances. Management evaluates its estimates on an ongoing basis and makes changes to the estimates and related disclosures as experience develops or new information becomes known. Actual results may differ from these estimates under different assumptions or conditions.

Management believes that the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Revenues

Revenues are recorded during the period the health care services are provided, based upon the estimated amounts due from payers. Estimates of contractual allowances under managed care health plans are based upon the payment terms specified in the related contractual agreements. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The estimated reimbursement amounts are made on a payer-specific basis and are recorded based on the best information available regarding management's interpretation of the applicable laws, regulations and contract terms. Management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and the frequent changes in managed care contractual terms that result from contract renegotiations and renewals. Management has invested significant resources to refine and improve the information system data used to make these contractual estimates and to develop a standardized calculation process and train employees.

HCA does not pursue collection of amounts related to patients that meet the Company's guidelines to qualify as charity care; therefore, they are not reported in revenues. The revenues associated with uninsured

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

Critical Accounting Policies and Estimates (Continued)

Revenues (Continued)

patients that do not meet the Company's guidelines to qualify as charity care have generally been reported in revenues at gross charges. During 2003, the Company announced that patients treated at an HCA wholly-owned hospital for nonelective care who have income at or below 200% of the Federal poverty level are eligible for charity care, a standard HCA estimates that 70% of its hospitals were previously using. The Federal poverty level is established by the Federal government and is based on income and family size. On October 1, 2003, HCA began implementing a sliding scale of discounts for uninsured patients, treated at HCA wholly-owned hospitals for nonelective care, with income between 200% and 400% of the Federal poverty level.

Due to the complexities involved in these estimations of revenues earned, the health care services authorized and provided and related reimbursement are often subject to interpretations that could result in payments that are different from our estimates.

Provision for Doubtful Accounts and the Allowance for Doubtful Accounts

The collection of outstanding receivables from Medicare, managed care payers, other third-party payers and patients is HCA's primary source of cash and is critical to the Company's operating performance. The primary collection risks relate to the uninsured patient accounts and patient accounts for which the primary insurance carrier has paid the amounts covered by the applicable agreement, but patient responsibility amounts (deductibles and copayments) remain outstanding. The provision for doubtful accounts and the allowance for doubtful accounts relate primarily to amounts due directly from patients. Because HCA does not pursue collection of amounts related to patients that meet the Company's guidelines to qualify as charity care, they are not reported in revenues and do not have an impact on the provision for doubtful accounts. HCA expects the revised charity care and self-pay discounting policy changes will result in reductions to both revenues and the provision for doubtful accounts in future periods.

The amount of the provision for doubtful accounts is based upon management's assessment of historical write-offs and expected net collections, business and economic conditions, trends in Federal and state governmental and private employer health care coverage and other collection indicators. Management relies on the results of detailed reviews of historical write-offs and recoveries at facilities that represent a majority of HCA's revenues and accounts receivable (the "hindsight analysis") as a primary source of information in estimating the collectability of HCA's accounts receivable. Prior to the third quarter of 2003, the Company performed the hindsight analysis on an annual basis. The results of the annual hindsight analysis that was completed during the second quarter of 2003 indicated an increasing proportion of accounts receivable being comprised of uninsured accounts and the collectability of this category of accounts had deteriorated. Beginning with the third quarter of 2003, HCA began performing a quarterly, rolling twelve-month hindsight analysis to enable a more timely reaction to trends affecting the collectability of the accounts receivable. At December 31, 2003, HCA's allowance for doubtful accounts, as a percentage of patient due accounts, was approximately 88%. For the year ended December 31, 2003, the provision for doubtful accounts increased to 10.1% of revenues compared to 8.0% of revenues in 2002. Management does not expect the provision for doubtful accounts, as a percentage of revenues, to decline from 2003 levels during 2004, based upon the revenue and trends at December 31, 2003. Adverse changes in general economic conditions, business office operations, payer mix, or trends in Federal or state governmental and private employer health care coverage could affect HCA's collection of accounts receivable, cash flows and results of operations.

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

Critical Accounting Policies and Estimates (Continued)

Investments of Insurance Subsidiary – Other-than-temporary Impairment Considerations

HCA's wholly-owned insurance subsidiary holds debt and equity security investments having an aggregate fair value of $2.065 billion at December 31, 2003. The fair value of the investment securities is generally based on quoted market prices. The investment securities are held for the purpose of providing the funding source to pay professional and general liability claims covered by the insurance subsidiary. Management's assessment each quarter of whether a decline in fair value is temporary or other-than-temporary involves multiple judgment calls, often involves estimating the outcome of future events, and requires a significant level of professional judgment in determining whether factors exist that indicate an impairment has occurred. HCA evaluates, among other things, the financial position and near term prospects of the issuer, conditions in the issuer's industry, liquidity of the investment, changes in the amount or timing of expected future cash flows from the investment, and recent downgrades of the issuer by a rating agency to determine if, and when, a decline in the fair value of an investment below amortized cost is considered other-than-temporary. The length of time and extent to which the fair value of the investment is less than amortized cost and HCA's ability and intent to retain the investment to allow for any anticipated recovery of the investment's fair value are important components of management's investment securities evaluation process. During 2002, HCA recognized a $168 million other-than-temporary impairment charge related, primarily, to the insurance subsidiary's equity investment securities. The equity investments market experienced generally, steady increases during 2003 and at December 31, 2003, the insurance subsidiary's investment security portfolio had unrealized gains of $212 million and unrealized losses of $4 million.

Professional Liability Insurance Claims

HCA, along with virtually all health care providers, operates in an environment with professional liability risks. A substantial portion of HCA's professional liability risks is insured through a wholly-owned insurance subsidiary. Reserves for professional liability risks were $1.624 billion and $1.551 billion at December 31, 2003 and December 31, 2002, respectively. Obligations covered by reinsurance contracts remain on the balance sheet as the subsidiary remains liable to the extent that reinsurers do not meet their obligations. Reserves for professional liability risks (net of $147 million and $265 million receivable under reinsurance contracts at December 31, 2003 and 2002, respectively) were $1.477 billion and $1.286 billion at December 31, 2003 and 2002, respectively. Reserves and provisions for professional liability risks are based upon actuarially determined estimates. The independent actuaries estimated reserve ranges, net of amounts receivable under reinsurance contracts, were $1.255 billion to $1.515 billion at December 31, 2003 and $1.022 billion to $1.361 billion at December 31, 2002. Reserves for professional liability risks represent the estimated ultimate cost of all reported and unreported losses incurred through the respective consolidated balance sheet dates. The reserves are estimated using individual case-basis valuations and actuarial analyses. Those estimates are subject to the effects of trends in loss severity and frequency. The estimates are continually reviewed and adjustments are recorded as experience develops or new information becomes known.

The reserves for professional liability risks cover approximately 3,900 and 4,000 individual claims at December 31, 2003 and 2002, respectively, and estimates for potential unreported claims. The time period required to resolve these claims can vary depending upon the jurisdiction and whether the claim is settled or litigated. The estimation of the timing of payments beyond a year can vary significantly. Changes to the estimated reserve amounts are included in current operating results. Due to the considerable variability that is inherent in such estimates, there can be no assurance that the ultimate liability will not exceed management's estimates.

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

Results of Operations

Revenue/ Volume Trends

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

Admissions related to Medicare, managed care and other discounted plans and Medicaid and self-pay for the years ended December 31, 2003, 2002 and 2001 are set forth below. Certain prior year amounts have been reclassified to conform to the 2003 presentation.

	Years Ended December 31,		
	2003	2002	2001
Medicare	**39%**	38%	38%
Managed care and other discounted plans	**45%**	47%	48%
Medicaid and self-pay	**16%**	15%	14%
	100%	100%	100%

For 2003, consolidated admissions increased 3.3% and same facility admissions increased by 0.6% compared to 2002. Same facility outpatient surgeries declined 3.0% in 2003 compared to 2002. The weaker than expected volumes were the result of general economic conditions and increasing unemployment levels in certain markets. Additionally, in certain markets, physician issues related to physicians retiring or relocating due to rising physician malpractice insurance rates, managed care contract disputes and new competition, both in the inpatient and outpatient lines of business, are contributing to a slower rate of volume growth. Another important factor affecting outpatient surgeries was increased competition from physician-owned specialty hospitals and physician-owned freestanding surgery centers. To compete more effectively in the outpatient area, the Company announced the appointment of a new Group President for Outpatient Services effective January 1, 2004. HCA also expects to increase, consistent with applicable laws, its participation in the development of physician partnerships for the delivery of certain outpatient services in selected markets.

HCA's health care facilities' gross charges typically do not reflect what the facilities are actually paid. HCA's health care facilities have entered into agreements with third-party payers, including government programs and managed care health plans, under which the facilities are paid based upon the cost of providing services, predetermined rates per diagnosis, fixed per diem rates or discounts from gross charges. HCA's facilities have experienced revenue growth due to changes in patient mix and favorable pricing trends. HCA has experienced increases in same facility revenue per equivalent admission over the prior period of 7.5%, 8.8% and 7.4%, for the years ended December 31, 2003, 2002 and 2001, respectively. There can be no assurance that HCA will continue to receive these levels of increases in the future. These increases were the result of renegotiating and renewing certain managed care contracts on more favorable terms, shifts of managed care admissions to more favorable plans and improved reimbursement from the government.

One factor contributing to the moderation in the rate of increase in same facility revenue per equivalent admission in 2003 compared to 2002 is the Company's roll out of the charity policies that were announced in March 2003. Beginning in the second quarter of 2003, patients treated at an HCA wholly-owned hospital for nonelective care who have income at or below 200% of the Federal poverty level are eligible for charity care, a standard HCA estimates that 70% of its hospitals were previously using. In the fourth quarter of 2003, HCA implemented a sliding scale of discounts for uninsured patients treated at an HCA wholly-owned hospital for nonelective care with income between 200% and 400% of the Federal poverty level. Charity discounts, increased $242 million in 2003, compared to 2002 (from $579 million to $821 million).

HCA INC.
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 inpatient revenues of the Company's facilities related to Medicare, managed care plans and other discounted plans and Medicaid and self-pay for the years ended December 31, 2003, 2002 and 2001 are set forth below. Certain prior year amounts have been reclassified to conform to the 2003 presentation.

	Years Ended December 31,		
	2003	2002	2001
Medicare	**38%**	38%	39%
Managed care and other discounted plans	**49%**	50%	48%
Medicaid and self-pay	**13%**	12%	13%
	100%	100%	100%

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

Excluding the hospitals included in the Kansas City acquisition, HCA recorded $218 million, $284 million, and $240 million of revenues related to Medicare operating outlier cases for the years ended December 31, 2003, 2002, and 2001, respectively. These amounts represent 3.7%, 5.1% and 4.7% of Medicare revenues and 1.0%, 1.4%, and 1.3% of total revenues for the years ended December 31, 2003, 2002 and 2001, respectively. There can be no assurances that HCA will continue to receive these levels of Medicare outlier payments in future periods. Based on the Company's estimates, future Medicare operating outlier payments will be materially, adversely affected by CMS' published revisions to regulations on outlier payments. For periods subsequent to October 1, 2003, assuming the Company does not experience changes in Medicare patient acuity levels, the Company estimates its monthly revenue from Medicare operating outlier payments may be reduced by up to $12 million. During the fourth quarter of 2003, Medicare operating outlier payments were $22 million, compared to $53 million in the fourth quarter of 2002.

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

Results of Operations (Continued)

Revenue/ Volume Trends (Continued)

The following are comparative summaries of net income for the years ended December 31, 2003, 2002 and 2001 (dollars in millions, except per share amounts):

	2003		2002		2001	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Revenues	**$21,808**	**100.0**	$19,729	100.0	$17,953	100.0
Salaries and benefits	**8,682**	**39.8**	7,952	40.3	7,279	40.5
Supplies	**3,522**	**16.2**	3,158	16.0	2,860	15.9
Other operating expenses	**3,676**	**16.8**	3,341	16.9	3,238	18.1
Provision for doubtful accounts	**2,207**	**10.1**	1,581	8.0	1,376	7.7
(Gains) losses on sales of investment securities	**(1)**	**—**	2	—	(63)	(0.4)
Equity in earnings of affiliates	**(199)**	**(0.9)**	(206)	(1.0)	(158)	(0.9)
Depreciation and amortization	**1,112**	**5.1**	1,010	5.0	1,048	5.8
Interest expense	**491**	**2.3**	446	2.3	536	3.0
Settlement with government agencies	**(41)**	**(0.2)**	603	3.1	262	1.5
Gains on sales of facilities	**(85)**	**(0.4)**	(6)	—	(131)	(0.7)
Impairment of investment securities	**—**	**—**	168	0.9	—	—
Impairment of long-lived assets	**130**	**0.6**	19	0.1	17	0.1
Investigation related costs	**8**	**—**	58	0.3	65	0.4
Loss on retirement of debt	**—**	**—**	—	—	28	0.1
	19,502	**89.4**	18,126	91.9	16,357	91.1
Income before minority interests and income taxes	**2,306**	**10.6**	1,603	8.1	1,596	8.9
Minority interests in earnings of consolidated entities	**150**	**0.7**	148	0.7	119	0.7
Income before income taxes	**2,156**	**9.9**	1,455	7.4	1,477	8.2
Provision for income taxes	**824**	**3.8**	622	3.2	591	3.3
Reported net income	**1,332**	**6.1**	833	4.2	886	4.9
Goodwill amortization, net of income taxes	**—**	**—**	—	—	69	0.4
Adjusted net income	**$ 1,332**	**6.1**	$ 833	4.2	$ 955	5.3
Adjusted earnings per share:						
Basic earnings per share	**$ 2.66**		$ 1.63		$ 1.82	
Diluted earnings per share	**$ 2.61**		$ 1.59		$ 1.78	
% changes from prior year:						
Revenues	**10.5%**		9.9%		7.7%	
Income before income taxes	**48.2**		(1.5)		186.4	
Adjusted net income	**59.9**		(12.8)		227.2	
Basic earnings per share	**63.2**		(10.4)		250.0	
Diluted earnings per share	**64.2**		(10.7)		242.3	
Admissions(a)	**3.3**		1.2		0.7	
Equivalent admissions(b)	**2.8**		1.2		0.5	
Revenue per equivalent admission	**7.5**		8.6		7.2	
Same facility % changes from prior year(c):						
Revenues	**7.6**		11.7		10.2	
Admissions(a)	**0.6**		2.5		2.7	
Equivalent admissions(b)	**—**		2.6		2.6	
Revenue per equivalent admission	**7.5**		8.8		7.4	

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

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

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

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

Results of Operations (Continued)

Years Ended December 31, 2003 and 2002

Net income totaled $1.332 billion, or $2.61 per diluted share, in 2003 compared to $833 million, or $1.59 per diluted share, in 2002. The operating results for 2003 include a favorable change in estimate related to Medicaid cost report balances for cost report years ended 1997, and prior, of $41 million pretax, or $0.05 per diluted share, gains on sales of facilities of $85 million pretax, or $0.10 per diluted share, impairment of long-lived assets of ($130) million pretax, or ($0.16) per diluted share, and investigation related costs of ($8) million pretax, or ($0.01) per diluted share. The operating results for 2002 include a ($603) million pretax charge, or ($0.80) per diluted share, related to the settlement with government agencies, gains on the sales of facilities of $6 million pretax, or $0.01 per diluted share, a ($168) million pretax charge, or ($0.20) per diluted share, on the impairment of investment securities, an impairment of long-lived assets of ($19) million pretax, or ($0.03) per diluted share, and investigation related costs of ($58) million pretax, or ($0.07) per diluted share.

In April 2003, HCA completed the acquisition of eleven hospitals in Kansas City. During 2003, the acquired Kansas City hospitals produced revenues of $698 million and a net loss of $22 million. The Kansas City hospitals are included in the Company's Western Group.

For 2003, admissions increased 3.3% and same facility admissions increased by 0.6% compared to 2002. Outpatient surgical volumes increased 0.5%, but decreased 3.0% on a same facility basis. The weaker than expected volumes were the result of general economic conditions and increasing unemployment levels in certain markets. Additionally, in certain markets, physician issues related to physicians retiring or relocating due to rising physician malpractice insurance rates, managed care contract disputes and new competition, both in the inpatient and outpatient lines of business, are contributing to a slower rate of volume growth.

Revenues for 2003 increased 10.5% compared to 2002. The 10.5% increase in revenues is primarily attributable to the 7.6% increase in the same facility revenues and the $698 million of revenues related to the acquired Kansas City hospitals. The 7.6% increase in same facility revenues is primarily attributable to rate increases, as same facility equivalent admissions remained flat in 2003.

Salaries and benefits, as a percentage of revenues, decreased to 39.8% in 2003 from 40.3% in 2002. Excluding the acquired Kansas City hospitals, salaries and benefits, as a percentage of revenues, were 39.6% for 2003. The decreases reflect improvements in the utilization of contract labor. Contract labor per equivalent admission decreased 26.3% for 2003 compared to 2002.

Supply costs increased, as a percentage of revenues, to 16.2% for 2003 compared to 16.0% for 2002. Rising supply costs, particularly in the cardiac, orthopedic and pharmaceutical areas, continue to be a challenge for the Company.

Other operating expenses (primarily consisting of contract services, professional fees, repairs and maintenance, rents and leases, utilities, insurance and nonincome taxes), as a percentage of revenues, decreased to 16.8% in 2003 from 16.9% in 2002. Excluding the acquired Kansas City hospitals, other operating expenses, as a percentage of revenues decreased to 16.5% for 2003.

Provision for doubtful accounts, as a percentage of revenues, increased to 10.1% in 2003 from 8.0% in 2002. The factors influencing this increase include the Company's recent experience of increasing patient due or uninsured accounts and a continued deterioration associated with the collectability of these accounts. The soft economic environment in many of the Company's markets, combined with increasing copayments and deductibles, are placing an increasing financial responsibility on the patient. The provision for doubtful accounts and the allowance for doubtful accounts relate primarily to uninsured amounts due directly from

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

Results of Operations (Continued)

Years Ended December 31, 2003 and 2002 (Continued)

patients. At December 31, 2003, the Company's allowance for doubtful accounts as a percentage of these patient due accounts was approximately 88%.

Equity in earnings of affiliates decreased from $206 million in 2002 to $199 million in 2003. The decrease was due to a decline in operating results at a hospital joint venture in California.

Depreciation and amortization remained relatively flat, as a percentage of revenues, at 5.1% in 2003 compared to 5.0% in 2002.

Interest expense increased to $491 million in 2003 from $446 million in 2002. The increase in interest expense was due to higher levels of debt in 2003 compared to 2002. Interest rates on the Company's debt were lower in 2003 than in 2002. HCA's ratio of current and long-term debt to current and long-term debt and common and minority equity was 55.8% at December 31, 2003 compared to 52.4% at December 31, 2002.

The consolidated income statement for the year ended December 31, 2003 includes a pretax favorable change in estimate of $41 million ($25 million after-tax) related to Medicaid cost report balances for cost report years ended December 31, 1997, and prior.

During 2003, HCA recognized pretax gains on sales of facilities of $85 million ($49 million after-tax), primarily on the sale of two leased hospitals. Proceeds from the sales were used to repay bank borrowings. During 2002, HCA recognized pretax gains on sales of facilities of $6 million ($4 million after-tax) on the sales of two consolidating hospitals.

During 2002, due to the continued overall market decline and management's review and evaluation of the individual investment securities, management concluded that certain unrealized losses on HCA's equity investments should be classified as "other-than-temporary" and recorded a pretax impairment charge on investment securities of $168 million ($107 million after-tax).

During 2003, HCA announced plans to discontinue activities associated with the internal development of a patient accounts receivable management system, resulting in a pretax charge of $130 million ($79 million after-tax). During 2002, HCA management decided to delay the development and implementation of certain financial and procurement information systems, resulting in a pretax charge of $19 million.

During 2003 and 2002, respectively, HCA incurred $8 million and $58 million of investigation related costs. In 2003 and 2002, respectively, these costs included $8 million and $56 million of professional fees (legal and accounting) related to the governmental investigations. In 2002, $2 million of other costs were also included. The governmental investigations of the Company's business practices were concluded during 2003, and the Company does not currently expect to incur investigation related costs in 2004.

Minority interests in earnings of consolidated entities increased to $150 million for 2003 from $148 million for 2002.

The effective income tax rate was 38.2% in 2003 and 42.7% in 2002. The higher effective income tax rate in 2002 was due to the recording of a valuation allowance in 2002.

Years Ended December 31, 2002 and 2001

Net income totaled $833 million or $1.59 per diluted share, in 2002 compared to $955 million, or $1.78 per diluted share, in 2001. The operating results for 2002 include a ($603) million pretax charge, or ($0.80) per diluted share, related to the settlement with government agencies, gains on the sales of facilities of

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

Results of Operations (Continued)

Years Ended December 31, 2002 and 2001 (Continued)

$6 million pretax, or $0.01 per diluted share, a ($168) million pretax charge, or ($0.20) per diluted share, on the impairment of investment securities, an impairment of long-lived assets of ($19) million pretax, or ($0.03) per diluted share, and investigation related costs of ($58) million pretax, or ($0.07) per diluted share. The operating results for 2001 include a ($262) million pretax charge, or ($0.30) per diluted share, related to an understanding with CMS to settle cost report, home office cost statement and appeal issues between HCA and CMS, pretax gains on the sales of facilities of $131 million, or $0.14 per diluted share, an impairment of long-lived assets of ($17) million pretax, or ($0.02) per diluted share, investigation related costs of ($65) million pretax, or ($0.08) per diluted share, and a pretax loss on retirement of debt of ($28) million, or ($0.03) per diluted share.

Revenues increased 9.9% from 2001 to 2002 due to both volume and rate increases. Equivalent admissions increased 1.2% on a reported basis and 2.6% on a same facility basis. Revenue per equivalent admission increased 8.6% on a reported basis and 8.8% on a same facility basis. The revenue per equivalent admission increases were the result of continued efforts in renegotiating and renewing certain managed care contracts on favorable terms, shifts from Medicare managed care to traditional Medicare and shifts within managed care from HMO to PPO products.

Salaries and benefits decreased, as a percentage of revenues, to 40.3% in 2002 from 40.5% in 2001. Salaries and benefits per equivalent admission increased 7.9% on a reported basis and 8.3% on a same facility basis, while revenue per equivalent admission increased 8.6% on a reported basis and 8.8% on a same facility basis.

Supply costs increased slightly, as a percentage of revenues, from 15.9% in 2001 to 16.0% in 2002. The 9.1% increase in supplies per equivalent admission (including cardiac, orthopedic and pharmaceutical supplies) exceeded the 8.6% increase in revenue per equivalent admission.

Other operating expenses (primarily consisting of contract services, professional fees, repairs and maintenance, rents and leases, utilities, insurance and non-income taxes), as a percentage of revenues, decreased to 16.9% in 2002 from 18.1% in 2001. The decrease was primarily due to a reduction in contract services costs that were incurred in 2001 related to the preliminary project stage activities being performed to develop the Company's shared services initiatives.

Provision for doubtful accounts, as a percentage of revenues, increased to 8.0% in 2002 from 7.7% in 2001. Factors that influenced this increase included increases in patient due or uninsured accounts, decreases in collectability and the effect of rate increases. The revenues associated with these patients are generally recorded at gross charges, which are typically higher than what government programs and managed care plans pay, and the majority of bad debts are attributed to these uninsured and patient due accounts.

Gains and losses on sales of investments consist primarily of realized gains and losses on the sales of investment securities by HCA's wholly-owned insurance subsidiary. In 2001, HCA had gains of $63 million compared to losses of $2 million in 2002, due to continued overall market declines during 2002.

Equity in earnings of affiliates increased from $158 million in 2001 to $206 million in 2002 due to improved operations at the Company's joint ventures.

Depreciation and amortization decreased, as a percentage of revenues, to 5.0% in 2002 from 5.8% in 2001. HCA adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") on January 1, 2002. Under the provisions of SFAS 142, goodwill is no longer

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

Results of Operations (Continued)

Years Ended December 31, 2002 and 2001 (Continued)

amortized, but is subject to annual impairment tests. During 2001, $76 million of goodwill amortization was included in depreciation and amortization.

Interest expense decreased to $446 million in 2002 from $536 million in 2001. Interest expense on HCA's variable rate bank debt decreased due to a decline in short-term interest rates and an upgrade in HCA's credit rating.

During 2002, HCA recognized a pretax gain of $6 million ($4 million after-tax) on the sales of two consolidating hospitals. During 2001, HCA recognized a net pretax gain of $131 million ($76 million after-tax) on the sales of three consolidating hospitals, HCA's interest in two non-consolidating hospitals and a provider of specialty managed care benefit programs.

During 2002, the continued overall market decline and management's quarterly review and evaluation of the individual investment securities, provided the basis for a conclusion that certain unrealized losses on HCA's equity investments should be classified as "other-than-temporary" and an impairment charge on investment securities of $168 million ($107 million after-tax) was recorded. See Note 5 — Impairment of Investment Securities in the notes to consolidated financial statements.

During 2002, management decided to delay the development and implementation of certain financial and procurement information systems to concentrate and direct efforts to the patient accounting and human resources information systems, resulting in a pretax charge of $19 million. During 2001, HCA reduced the carrying value for a non-hospital, equity method joint venture to fair value, based upon estimates of sales value, resulting in a pretax charge of $17 million.

During 2002 and 2001, HCA incurred $58 million and $65 million, respectively, of investigation related costs. In 2002, these costs included $56 million of professional fees (legal and accounting) related to the governmental investigations and $2 million of other costs. In 2001, these costs included $54 million of professional fees (legal and accounting) related to the governmental investigations and $11 million of other costs.

HCA adopted Statement of Financial Accounting Standards No. 145, "Rescission of FASB Statements No. 4, 44 and 62, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS 145") on January 1, 2002. Under the provisions of SFAS 145, gains and losses on extinguishments of debt are generally classified in operating income, rather than as extraordinary items as previously required. During the fourth quarter of 2001, HCA recognized an extraordinary charge on extinguishment of debt of $28 million that has been reclassified in the consolidated income statements.

Minority interests in earnings of consolidated entities remained flat as a percentage of revenues.

The effective income tax rate was 42.7% in 2002 and 40.0% in 2001. The higher effective income tax rate in 2002 was due to the recording of a valuation allowance and in 2001, to certain nondeductible intangible assets related to gains on sales of facilities and impairment of long-lived assets. If the effect of the valuation allowance, the nondeductible intangible assets and related amortization were excluded the effective income tax rate would have been 39% for both periods.

Liquidity and Capital Resources

Cash provided by operating activities totaled $2.166 billion in 2003, compared to $2.750 billion in 2002 and $1.413 billion in 2001. Working capital totaled $1.654 billion at December 31, 2003 and $766 million at

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

Liquidity and Capital Resources (Continued)

December 31, 2002. The decrease in cash flow from operating activities from 2002 to 2003 and the increase in working capital from December 31, 2002 to December 31, 2003 relate, primarily, to the Company making government settlement payments of $942 million in 2003. The increase in cash provided by operating activities from 2001 to 2002 was primarily due to the payment of $900 million to the Federal government in 2001 pursuant to the Plea and Civil Agreements and changes in income tax payments.

Cash used in investing activities was $2.862 billion, $1.740 billion and $1.300 billion in 2003, 2002 and 2001, respectively. Excluding acquisitions, capital expenditures were $1.838 billion in 2003, $1.718 billion in 2002 and $1.370 billion in 2001. HCA expended $908 million, $124 million and $239 million for acquisitions and investments in and advances to affiliates during 2003, 2002 and 2001, respectively. During April 2003, HCA completed the acquisition of the Health Midwest system in Kansas City. The aggregate cash paid by HCA at closing was $855 million. During 2002 and 2001 the cash paid was generally for interests in joint ventures that are accounted for using the equity method. Capital expenditures in all three years were funded by a combination of cash flows from operations and the issuance of debt. Annual planned capital expenditures are expected to approximate $1.8 billion in 2004 and approximate $1.6 billion for 2005. At December 31, 2003, there were projects under construction, which had an estimated additional cost to complete and equip over the next five years of $2.0 billion. HCA expects to finance capital expenditures with internally generated and borrowed funds.

In addition to cash flows from operations, available sources of capital include amounts available under HCA's $1.75 billion revolving credit facility (the "Credit Facility") ($1.177 billion and $926 million as of December 31, 2003 and February 29, 2004, respectively) and anticipated access to public and private debt markets. Management believes that the Company's available sources of capital are adequate to expand, improve and equip its existing health care facilities and to complete selective acquisitions.

Investments of HCA's professional liability insurance subsidiary, to maintain statutory equity and pay claims, totaled $2.065 billion and $1.655 billion at December 31, 2003 and 2002, respectively. Claims payments, net of reinsurance recoveries, during the next twelve months are expected to approximate $275 million. HCA's wholly-owned insurance subsidiary has entered into certain reinsurance contracts, and the obligations covered by the reinsurance contracts remain on the balance sheet as the subsidiary remains liable to the extent that the reinsurers do not meet their obligations under the reinsurance contracts. To minimize its exposure to losses from reinsurer insolvencies, HCA evaluates the financial condition of its reinsurers and monitors concentrations of credit risk arising from similar activities or economic characteristics of the reinsurers. The amounts receivable related to the reinsurance contracts of $147 million and $265 million at December 31, 2003 and 2002, respectively, are included in other assets.

Cash flows provided by financing activities totaled $650 million in 2003, compared to cash used in financing activities of $934 million in 2002 and $342 million in 2001. During 2003, HCA accessed the Credit Facility and the public debt market to raise capital. The increase in cash used during 2002 compared to 2001 was related to the repayment of an investment made by a financial institution that invested $400 million to capitalize an entity that acquired HCA common stock. The primary source of funds for the cash used in financing activities was cash flow from operating activities.

During the second quarter of 2003, HCA paid CMS $250 million to resolve all Medicare cost report, home office cost statement, and appeal issues between HCA and CMS for the cost report periods ended before August 1, 2001. During the third quarter of 2003, HCA paid the DOJ $641 million (including $10 million in accrued interest) to resolve all remaining investigation issues between the Company and the DOJ. HCA also paid $17.7 million to state Medicaid agencies and $33 million for private party legal fees. Upon the Company

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

Liquidity and Capital Resources (Continued)

making the payments to the DOJ, the Company no longer has any remaining obligation to maintain letters of credit with the DOJ.

In January 2004, HCA's Board of Directors approved an increase in its quarterly dividend from $0.02 per share to $0.13 per share. The Board declared the initial $0.13 per share dividend payable on June 1, 2004 to shareholders of record at May 1, 2004.

Financing Activities

In April 2001, HCA entered into a $2.5 billion credit agreement (the "2001 Credit Agreement") with a group of banks consisting of the $1.75 billion revolving Credit Facility and a $750 million term loan (the "2001 Term Loan"). The 2001 Credit Agreement has a final maturity in April 2006. Interest under the 2001 Credit Agreement is payable at a spread to LIBOR, a spread to the prime lending rate or a competitive bid rate. The spread is dependent on HCA's credit ratings. The 2001 Credit Agreement contains customary covenants which include (i) limitations on debt levels, (ii) limitations on sales of assets, mergers and changes of ownership, and (iii) maintenance of minimum interest coverage ratios. As of January 31, 2004, HCA was in compliance with all such covenants.

In April 2002, HCA issued $500 million of 6.95% notes due May 1, 2012. Proceeds from the notes were used to repay amounts outstanding under the Credit Facility and for general corporate purposes.

In September 2002, HCA issued $500 million of 6.30% notes due October 1, 2012. Proceeds from the notes were used to repay amounts outstanding under the Credit Facility and for general corporate purposes.

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

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

During November 2003, HCA issued $350 million of 5.25% notes due November 6, 2008 and issued $250 million of 7.5% notes due November 6, 2033. Proceeds from the notes were used to repay a portion of the outstanding amount under the Credit Facility.

Share Repurchase Activities

In April 2003, HCA announced an authorization to repurchase $1.5 billion of its common stock. HCA expects to repurchase its shares through open market purchases or privately negotiated transactions. During 2003, through open market purchases, HCA repurchased under this authorization 25.3 million shares of its common stock for $900 million.

In July 2002, HCA announced an authorization to repurchase up to 12 million shares of its common stock. During 2002, HCA made open market purchases of 6.2 million shares for $282 million. During 2003, HCA purchased 5.8 million shares for $214 million, which completed the repurchases under this authorization. The repurchases were intended to offset the dilutive effect of employee stock benefit plans.

In October 2001, HCA announced an authorization to repurchase up to $250 million of its common stock. During 2001, HCA repurchased 6.4 million shares through open market purchases for $250 million, completing the repurchase authorization.

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

Liquidity and Capital Resources (Continued)

Share Repurchase Activities (Continued)

During 2001, HCA entered into an agreement with a financial institution that resulted in the financial institution investing $400 million (at December 31, 2001) to capitalize an entity that would acquire HCA common stock. This consolidated affiliate acquired 16.8 million shares of HCA common stock in connection with HCA's settlement of certain forward purchase contracts. In June 2002, HCA repaid the financial institution and received the 16.8 million shares of the Company's common stock.

In March 2000, HCA announced an authorization to repurchase up to $1 billion of the Company's common stock. During 2001, HCA settled forward purchase contracts representing 19.6 million shares at a cost of $677 million, purchased 1.1 million shares through open market purchases at a cost of $40 million, and received $17 million in premiums from the sale of put options, completing the repurchase authorization.

In November 1999, HCA announced an authorization to repurchase up to $1 billion of its common stock. During 2001, HCA settled forward purchase contracts associated with its November 1999 authorization representing 15.7 million shares at a cost of $461 million, completing the repurchase authorization.

During 2003, 2002 and 2001, the share repurchase transactions reduced stockholders' equity by $1.114 billion, $282 million and $738 million, respectively.

Systems Development Projects

During 2003, HCA announced plans to discontinue activities associated with the development of a patient accounting software system, resulting in a pretax charge of $130 million. HCA had estimated that the patient accounting project would have required total expenditures of approximately $400 million to develop and install. The Company is now redirecting efforts in this area to the implementation of enhancements to its existing patient accounting system. HCA is also in the process of implementing projects to replace its payroll and human resources information systems. Management estimates that the payroll and human resources system projects will require total expenditures of approximately $332 million to develop and install. At December 31, 2003, project-to-date costs incurred were $212 million ($137 million of the costs incurred have been capitalized and $75 million have been expensed). Management expects that the system development, testing, data conversion and installation activities will continue through 2006. There can be no assurance that the development and implementation of these systems will not be delayed, that the total cost will not be significantly more than currently anticipated, that business processes will not be interrupted during implementation or that HCA will realize the expected benefits and efficiencies from the developed products.

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

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

Contractual Obligations and Off-Balance Sheet Arrangements

As of December 31, 2003, maturities of contractual obligations and other commercial commitments are presented in the table below (dollars in millions):

	Payments Due by Period				
Contractual Obligations	Total	Current	2-3 years	4-5 years	After 5 years
Long-term debt, excluding the Credit Facility	$8,197	$665	$1,459	$ 885	$ 5,188
Loans outstanding under the Credit Facility	510	—	510	—	—
Operating leases(a)	976	182	293	172	329
Purchase obligations(a)	10	5	5	—	—
Total contractual obligations	$9,693	$852	$2,267	$1,057	$ 5,517

	Commitment Expiration by Period				
Other Commercial Commitments Not Recorded on the Consolidated Balance Sheet	Total	Current	2-3 years	4-5 years	After 5 years
Letters of credit(b)	$ 71	$ 16	$ 42	$ 8	$ 5
Surety bonds(c)	98	97	1	—	—
Guarantees(d)	5	3	—	—	2
Total commercial commitments	$174	$116	$ 43	$ 8	$ 7

(a) Future operating lease obligations and purchase obligations are not recorded in the Company's consolidated balance sheet.
(b) Amounts relate primarily to instances in which HCA has letters of credit outstanding with insurance companies that issued workers compensation insurance policies to the Company in prior years. The letters of credit serve as security to the insurance companies for payment obligations retained by the Company.
(c) Amounts relate primarily to instances in which HCA agreed to indemnify various commercial insurers who have provided surety bonds to cover damages for malpractice cases which were awarded to plaintiffs by the courts. These cases are currently under appeal and the bonds will not be released by the courts until the cases are closed.
(d) HCA has entered into guarantee agreements related to certain leases.

Market Risk

HCA is exposed to market risk related to changes in market values of securities. The investments in debt and equity securities of HCA's wholly-owned insurance subsidiary were $1.367 billion and $698 million, respectively, at December 31, 2003. These investments are carried at fair value with changes in unrealized gains and losses being recorded as adjustments to other comprehensive income. The fair value of investments is generally based on quoted market prices. During the third quarter of 2002, management completed its quarterly review and evaluation of the individual investment securities and concluded that certain unrealized losses of HCA's insurance subsidiary's equity investments were considered "other-than-temporary." HCA recorded an impairment charge on the identified investment securities of $168 million. The declines in fair value and the resulting losses incurred on sales of the securities on which the impairment charge was recorded did not present a liquidity concern to the Company. However, if the insurance subsidiary were to experience significant declines in the fair value of its investments, this could require additional investment by the Company to allow the insurance subsidiary to satisfy its minimum capital requirements.

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

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

Market Risk (Continued)

ber 31, 2003, HCA had a net unrealized gain of $208 million on the insurance subsidiary's investment securities.

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

With respect to HCA's interest-bearing liabilities, approximately $2.1 billion of long-term debt at December 31, 2003 is subject to variable rates of interest, while the remaining balance in long-term debt of $6.6 billion at December 31, 2003 is subject to fixed rates of interest. Both the general level of U.S. interest rates and, for the 2001 Credit Agreement, the Company's credit rating affect HCA's variable interest rates. HCA's variable rate debt is comprised of the Company's Credit Facility, on which interest is payable generally at LIBOR plus 0.7% to 1.5% (depending on HCA's credit ratings); a bank term loan, on which interest is payable generally at LIBOR plus 1% to 2%, and fixed rate notes on which interest rate swaps have been employed, on which interest is payable at LIBOR plus 1.6% to 2.4%. Due to decreases in LIBOR the average rate for the Company's Credit Facility decreased from 2.5% for the year ended December 31, 2002 to 1.9% for the year ended December 31, 2003, and the average rate for the Company's term loans decreased from 2.8% for the year ended December 31, 2002 to 2.2% for the year ended December 31, 2003. The estimated fair value of HCA's total long-term debt was $9.3 billion at December 31, 2003. The estimates of fair value are based upon the quoted market prices for the same or similar issues of long-term debt with the same maturities. Based on a hypothetical 1% increase in interest rates, the potential annualized reduction to future pretax earnings would be approximately $21 million. The impact of such a change in interest rates on the fair value of long-term debt would not be significant. The estimated changes to interest expense and the fair value of long-term debt are determined considering the impact of hypothetical interest rates on HCA's borrowing cost and long-term debt balances. To mitigate the impact of fluctuations in interest rates, HCA generally targets a portion of its debt portfolio to be maintained at fixed rates.

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

Effects of Inflation and Changing Prices

Various Federal, state and local laws have been enacted that, in certain cases, limit HCA's ability to increase prices. Revenues for acute care hospital services rendered to Medicare patients are established under the Federal government's prospective payment system. Total Medicare revenues approximated, 28% in 2003, 2002 and in 2001 of HCA's total patient revenues.

Management believes that hospital industry operating margins have been, and may continue to be, under significant pressure because of changes in payer mix and growth in operating expenses in excess of the increase in prospective payments under the Medicare program. In addition, as a result of increasing regulatory and

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

Effects of Inflation and Changing Prices (Continued)

competitive pressures, HCA's ability to maintain operating margins through price increases to non-Medicare patients is limited.

IRS Disputes

HCA is currently contesting before the Appeals Division of the IRS, the United States Tax Court (the "Tax Court"), the United States Court of Federal Claims, and the United State Court of Appeals for the Sixth Circuit (the "Sixth Circuit") certain claimed deficiencies and adjustments proposed by the IRS in conjunction with its examinations of HCA's 1994-2000 Federal income tax returns, Columbia Healthcare Corporation's ("CHC") 1993 and 1994 Federal income tax returns, HCA-Hospital Corporation of America's ("Hospital Corporation of America") 1987 through 1988 and 1991 through 1993 Federal income tax returns and Healthtrust, Inc. — The Hospital Company's ("Healthtrust") 1990 through 1994 Federal income tax returns.

During 2001, HCA filed an appeal with the Sixth Circuit with respect to two Tax Court decisions received in 1996 related to the IRS examination of Hospital Corporation of America's 1987 through 1988 Federal income tax returns, contesting Tax Court decisions related to the method that Hospital Corporation of America used to calculate its tax reserve for doubtful accounts and the timing of deferred income recognition in connection with its sales of certain subsidiaries to Healthtrust. During the third quarter of 2003, a three-judge panel of the Sixth Circuit affirmed these Tax Court decisions. During February 2004, the Sixth Circuit denied HCA's petition for rehearing. HCA is reviewing the Sixth Circuit's decision and considering whether to undertake further appeals. Because of the volume and complexity of calculating the tax allowance for doubtful accounts, the IRS has not determined the amount of additional tax and interest that it may claim for subsequent taxable periods.

Other disputed items include the timing of recognition of certain patient service revenues in 2000, the amount of insurance expense deducted in 1999 and 2000, and the amount of gain or loss recognized on the divestiture of certain non-core business units in 1998. The IRS is claiming an additional $381 million in income taxes and interest with respect to these issues through December 31, 2003.

During 2001, the Company and the IRS filed Stipulated Settlements with the Tax Court regarding the IRS' proposed disallowance of certain financing costs, systems conversion costs and insurance premiums, which were deducted in calculating taxable income, and the allocation of costs among fixed assets and goodwill in connection with certain hospitals acquired by the Company in 1995 and 1996. The settlement resulted in the Company's payment of additional tax and interest of $16 million and had no impact on the Company's results of operations.

During the first quarter of 2004, the IRS began an examination of HCA's 2001 through 2002 Federal income tax returns. HCA is presently unable to estimate the amount of any additional income tax and interest that the IRS may claim upon completion of this examination.

Management believes that adequate provisions have been recorded to satisfy final resolution of the disputed issues. Management believes that HCA, CHC, Hospital Corporation of America and Healthtrust properly reported taxable income and paid taxes in accordance with applicable laws and agreements established with the IRS during previous examinations and that final resolution of these disputes will not have a material adverse effect on the results of operations or financial position.

Item 7A. ***Quantitative and Qualitative Disclosures about Market Risk***

The information called for by this item is provided under the caption "Market Risk" under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Item 8. ***Financial Statements and Supplementary Data***

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

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

Item 9A. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Controls Over Financial Reporting

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

PART III

Item 10. *Directors and Executive Officers of the Registrant*

The information required by this Item is set forth under the heading "Election of Directors" in the definitive proxy materials of HCA to be filed in connection with its 2004 Annual Meeting of Stockholders, except for the information regarding executive officers of HCA, which is contained in Item 1 of Part I of this Annual Report on Form 10-K. The information required by this Item contained in such definitive proxy materials is incorporated herein by reference.

Information on the beneficial ownership reporting for HCA's directors and executive officers is contained under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the definitive proxy materials of HCA to be filed in connection with its 2004 Annual Meeting of Stockholders and is incorporated herein by reference.

Information on HCA's Audit Committee and Audit Committee Financial Experts is contained under the caption "Board Structure and Committee Composition" in the definitive proxy materials of HCA to be filed in connection with its 2004 Annual Meeting of Stockholders and is incorporated herein by reference.

HCA has a Code of Conduct that applies to all directors, officers and employees, including the Company's chief executive officer, principal financial officer, controller and principal accounting officer. HCA's Code of Conduct can be found on the Corporate Governance and Ethics and Compliance pages of HCA's website, www.hcahealthcare.com. HCA will post any amendments to the Code of Conduct, and any waivers that are required to be disclosed by the rules of either the SEC or the NYSE, on HCA's website.

Item 11. *Executive Compensation*

The information required by this Item is set forth under the heading "Executive Compensation" in the definitive proxy materials of HCA to be filed in connection with its 2004 Annual Meeting of Stockholders, which information is incorporated herein by reference.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

Information about security ownership of certain beneficial owners is set forth under the heading "Stock Ownership" in the definitive proxy materials of HCA to be filed in connection with its 2004 Annual Meeting of Stockholders, which information is incorporated herein by reference.

This table provides certain information as of December 31, 2003 with respect to our equity compensation plans (shares in thousands):

EQUITY COMPENSATION PLAN INFORMATION

	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a))
Equity compensation plans approved by security holders	51,681	$ 31.64	34,535
Equity compensation plans not approved by security holders	—	—	—
Total	51,681	$ 31.64	34,535

* For additional information concerning our equity compensation plans, see the discussion in Note 13 — Stock Benefit Plans in the notes to the consolidated financial statements.

Item 13. ***Certain Relationships and Related Transactions***

The information required by this Item is set forth under the heading "Certain Relationships and Related Transactions" in the definitive proxy materials of HCA to be filed in connection with its 2004 Annual Meeting of Stockholders, which information is incorporated herein by reference.

Item 14. ***Principal Accountant Fees and Services***

The information required by this Item is set forth under the heading "Ratification of the Appointment of Ernst & Young LLP as our Independent Auditors" in the definitive proxy materials of HCA to be filed in connection with its 2004 Annual Meeting of Stockholders, which information is incorporated by reference.

PART IV

Item 15. ***Exhibits, Financial Statement Schedules and Reports on Form 8-K***

(a) Documents filed as part of the report:

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

2. *List of Financial Statement Schedules.* All schedules are omitted because the required information is either not present, not present in material amounts or presented within the consolidated financial statements.

3. *List of Exhibits*

3.1	—	Restated Certificate of Incorporation of the Company, as amended (filed as Exhibit 1 to the Company's Form 8-A/A, Amendment No. 2 dated March 11, 2004, and incorporated herein by reference).
3.2	—	Second Amended and Restated Bylaws of the Company (filed as Exhibit 3 to the Company's Form 8-A/A, Amendment No. 1, dated October 19, 2000, and incorporated herein by reference).
4.1	—	Specimen Certificate for shares of Common Stock, par value $0.01 per share, of the Company (filed as Exhibit 3 to the Company's Form 8-A/A, Amendment No. 2, dated March 11, 2004, and incorporated herein by reference).
4.2	—	Registration Rights Agreement, dated as of March 16, 1989, by and among HCA-Hospital Corporation of America and the persons listed on the signature pages thereto (filed as Exhibit (g)(24) to Amendment No. 3 to the Schedule 13E-3 filed by HCA-Hospital Corporation of America, Hospital Corporation of America and The HCA Profit Sharing Plan on March 22, 1989, and incorporated herein by reference).
4.3	—	Assignment and Assumption Agreement, dated as of February 10, 1994, between HCA-Hospital Corporation of America and the Company relating to the Registration Rights Agreement, as amended (filed as Exhibit 4.7 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, and incorporated herein by reference).
4.4(a)	—	Indenture, dated as of December 16, 1993 between the Company and The First National Bank of Chicago, as Trustee (filed as Exhibit 4.11 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, and incorporated herein by reference).
4.4(b)	—	First Supplemental Indenture, dated as of May 25, 2000 between the Company and Bank One Trust Company, N.A., as Trustee (filed as Exhibit 4.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000, and incorporated herein by reference).
4.4(c)	—	Second Supplemental Indenture, dated as of July 1, 2001 between the Company and Bank One Trust Company, N.A., as Trustee (filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001, and incorporated herein by reference).
4.4(d)	—	Third Supplemental Indenture, dated as of December 5, 2001 between the Company and The Bank of New York, as Trustee (filed as Exhibit 4.5(d) to the Company's Annual Report of Form 10-K for the fiscal year ended December 31, 2001, and incorporated herein by reference).
4.5	—	Distribution Agreement dated as of May 11, 1999 by and among the Company, LifePoint Hospitals, Inc. and Triad Hospitals, Inc. (filed as Exhibit 99 to the Company's Current Report on Form 8-K dated May 11, 1999, and incorporated herein by reference).
4.6(a)	—	$2.5 Billion Credit Agreement, dated April 30, 2001, among the Company, The Several Banks and Other Financial Institutions, JP Morgan, a Division of Chase Securities, Inc., as Sole Advisor, Lead Arranger and Bookrunner and The Chase Manhatten Bank, as Administrative Agent (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001, and incorporated herein by reference).
4.6(b)	—	First Amendment to the April 2001 $2.5 Billion Credit Agreement dated as of October 14, 2003 (filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2003, and incorporated herein by reference).

4.7	—	Loan Agreement among the Company, Lenders party to the agreement and Toronto Dominion (Texas), Inc., as Administrative Agent, dated as of June 28, 2001 and amended and restated as of July 31, 2001 (filed as Exhibit 10.1 to the Company's Registration Statement on Form S-3 (File No. 333-67040), and incorporated herein by reference).
4.8	—	Registration Rights Agreement, dated as of June 28, 2001, between the Company and Canadian Investments LLC, a Delaware limited liability Company (filed as Exhibit 10.2 to the Company's Registration Statement on Form S-3 (File No. 333-67040), and incorporated herein by reference).
10.1	—	Columbia Hospital Corporation Stock Option Plan (filed as Exhibit 10.13 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, and incorporated herein by reference).*
10.2(a)	—	Amended and Restated Columbia/HCA Healthcare Corporation 1992 Stock and Incentive Plan (filed as Exhibit 10.7(b) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, and incorporated herein by reference).*
10.2(b)	—	First Amendment to Amended and Restated Columbia/HCA Healthcare Corporation 1992 Stock and Incentive Plan (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999, and incorporated herein by reference).*
10.3	—	Columbia Hospital Corporation Outside Directors Nonqualified Stock Option Plan (filed as Exhibit 28.1 to the Company's Registration Statement on Form S-8 (File No. 33-55272), and incorporated herein by reference).*
10.4	—	HCA-Hospital Corporation of America 1989 Nonqualified Stock Option Plan, as amended through December 16, 1991 (filed as Exhibit 10(g) to HCA-Hospital Corporation of America's Registration Statement on Form S-1 (File No. 33-44906), and incorporated herein by reference).*
10.5	—	HCA-Hospital Corporation of America Nonqualified Initial Option Plan (filed as Exhibit 4.6 to the Company's Registration Statement on Form S-3 (File No. 33-52379), and incorporated herein by reference).*
10.6	—	Form of Indemnity Agreement with certain officers and directors (filed as Exhibit 10(kk) to Galen Health Care, Inc.'s Registration Statement on Form 10, as amended, and incorporated herein by reference).
10.7	—	Form of Galen Health Care, Inc. 1993 Adjustment Plan (filed as Exhibit 4.15 to the Company's Registration Statement on Form S-8 (File No. 33-50147), and incorporated herein by reference).*
10.8	—	HCA-Hospital Corporation of America 1992 Stock Compensation Plan (filed as Exhibit 10(t) to HCA-Hospital Corporation of America's Registration Statement on Form S-1 (File No. 33-44906), and incorporated herein by reference).*
10.9(a)	—	Columbia/HCA Healthcare Corporation Outside Directors Stock and Incentive Compensation Plan, as amended and restated (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999, and incorporated herein by reference).*
10.9(b)	—	First Amendment to the Columbia/HCA Healthcare Corporation Outside Directors Stock and Incentive Compensation Plan, as amended and restated September 23, 1999, dated as of May 25, 2000 (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000, and incorporated herein by reference).*
10.10	—	HCA — The Healthcare Company Amended and Restated 1995 Management Stock Purchase Plan (filed as Exhibit 10.30 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, and incorporated herein by reference).*
10.11	—	Letter Agreement between the Company and Robert Waterman dated October 31, 1997 (filed as Exhibit 10.33 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, and incorporated herein by reference).*
10.12	—	Columbia/HCA Healthcare Corporation 2000 Performance Equity Incentive Plan (filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000, and incorporated herein by reference).*

10.13	—	Letter of Credit Agreement dated February 11, 1999 between the Company and the United States of America (filed as Exhibit 99 to the Company's Current Report on Form 8-K dated February 23, 1999, and incorporated herein by reference).
10.14	—	Columbia/HCA Healthcare Corporation 2000 Equity Incentive Plan (filed as Exhibit A to the Company's Proxy Statement for the Annual Meeting of Stockholders on May 25, 2000, and incorporated herein by reference).*
10.15	—	Civil and Administrative Settlement Agreement, dated December 14, 2000 between the Company, the United States Department of Justice and others (filed as Exhibit 99.2 to the Company's Current Report on Form 8-K dated December 20, 2000, and incorporated herein by reference).
10.16	—	Plea Agreement, dated December 14, 2000 between the Company, Columbia Homecare Group, Inc., Columbia Management Companies, Inc. and the United States Department of Justice (filed as Exhibit 99.3 to the Company's Current Report on Form 8-K dated December 20, 2000, and incorporated herein by reference).
10.17	—	Corporate Integrity Agreement, dated December 14, 2000 between the Company and the Office of Inspector General of the United States Department of Health and Human Services (filed as Exhibit 99.4 to the Company's Current Report on Form 8-K dated December 20, 2000, and incorporated herein by reference).
10.18	—	Limited Liability Company Interest Purchase Agreement, dated as of November 30, 2000, between JV Investor, LLC, Healthtrust, Inc. — The Hospital Company and each of the investors listed therein (filed as Exhibit 10.31 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000, and incorporated herein by reference).
10.19	—	HCA — The Healthcare Company 2001 Performance Equity Incentive Plan (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001, and incorporated herein by reference).*
10.20	—	Retirement Agreement between the Company and Thomas F. Frist, Jr., M.D. dated as of January 1, 2002 (filed as Exhibit 10.30 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, and incorporated herein by reference).*
10.21(a)	—	HCA Supplemental Executive Retirement Plan dated as of July 1, 2001 (filed as Exhibit 10.31 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, and incorporated herein by reference).*
10.21(b)	—	First Amendment to the HCA Supplemental Executive Retirement Plan (which Amendment is filed herewith).*
10.22	—	HCA Restoration Plan dated as of January 1, 2001 (filed as Exhibit 10.32 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001, and incorporated herein by reference).*
10.23	—	HCA Directors' 2003 Compensation/Fees Policy (file as Exhibit 1D to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2003, and incorporated herein by reference).*
10.24	—	HCA Directors' 2004 Compensation/Fees Policy adopted July 24, 2003 (which Policy is filed herewith).
10.25	—	HCA Inc. 2002 Performance Equity Incentive Plan (filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, and incorporated herein by reference).*
10.26	—	Amended and Restated Aircraft Hourly Rental Agreement, dated March 28, 2003, by and between Tomco II, LLC and HCA Management Services, L.P. (filed as Exhibit 10.31 to the Company's Annual Report of form 10-K for the fiscal year ended December 31, 2003 and incorporated herein by reference).
10.27	—	Administrative Settlement Agreement dated June 25, 2003 by and between the United States Department of Health and Human Services, acting through the Centers for Medicare and Medicaid Services, and the Company (filed as Exhibit 10.1 to the Company's Quarterly Report of Form 10-Q for the quarter ended June 30, 2003, and incorporated herein by reference).

10.28	—	Civil Settlement Agreement by and among the United States of America, acting through the United States Department of Justice and on behalf of the Office of Inspector General of the Department of Health and Human Services, the TRICARE Management Activity (filed as Exhibit 10.2 to the Company's Quarterly Report of Form 10-Q for the quarter ended June 30, 2003, and incorporated herein by reference).
12	—	Statement re Computation of Ratio of Earnings to Fixed Charges.
21	—	List of Subsidiaries.
23	—	Consent of Ernst & Young LLP.
31.1	—	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	—	Certification of Principal 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.

* Management compensatory plan or arrangement.

(b) Reports on Form 8-K filed during the quarter ended December 31, 2003:

On October 21, 2003 the Company furnished a report on Form 8-K under Items 9 and Item 12 which announced third quarter operating results.

On October 31, 2003, the Company filed a report on Form 8-K under Item 5 which announced that a tax court decision had been affirmed by the Sixth Circuit.

On November 6, 2003, the Company filed a report on Form 8-K under Item 5 and Item 7 which announced the issuance and sale pursuant to the Securities Act of 1933, as amended, of an aggregate of $350,000,000 principal amount of the Registrant's 5.25% Notes due November 6, 2008 and an aggregate of $250,000,000 principal amount of the Registrant's 7.50% Notes due November 6, 2033.

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HCA INC.

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

Jack O. Bovender, Jr.
Chief Executive Officer

Dated: March 11, 2004

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

Signature	Title	Date
/s/ JACK O. BOVENDER, JR. Jack O. Bovender, Jr.	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 11, 2004
/s/ RICHARD M. BRACKEN Richard M. Bracken	President, Chief Operating Officer and Director	March 11, 2004
/s/ R. MILTON JOHNSON R. Milton Johnson	Senior Vice President and Controller (Principal Financial Officer)	March 11, 2004
/s/ C. MICHAEL ARMSTRONG C. Michael Armstrong	Director	March 11, 2004
/s/ MAGDALENA H. AVERHOFF, M.D. Magdalena H. Averhoff, M.D.	Director	March 11, 2004
/s/ MARTIN FELDSTEIN Martin Feldstein	Director	March 11, 2004
/s/ THOMAS F. FRIST, JR., M.D. Thomas F. Frist, Jr., M.D.	Director	March 11, 2004
/s/ FREDERICK W. GLUCK Frederick W. Gluck	Director	March 11, 2004
/s/ GLENDA A. HATCHETT Glenda A. Hatchett	Director	March 11, 2004
/s/ CHARLES O. HOLLIDAY, JR. Charles O. Holliday, Jr.	Director	March 11, 2004
/s/ T. MICHAEL LONG T. Michael Long	Director	March 11, 2004

Signature	Title	Date
/s/ JOHN H. MCARTHUR John H. McArthur	Director	March 11, 2004
/s/ KENT C. NELSON Kent C. Nelson	Director	March 11, 2004
/s/ FRANK S. ROYAL, M.D. Frank S. Royal, M.D.	Director	March 11, 2004
/s/ HAROLD T. SHAPIRO Harold T. Shapiro	Director	March 11, 2004

HCA INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders

HCA Inc.

We have audited the accompanying consolidated balance sheets of HCA Inc. as of December 31, 2003 and 2002, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of HCA Inc. at December 31, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1 to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," effective January 1, 2002.

ERNST & YOUNG LLP

Nashville, Tennessee

February 3, 2004

HCA INC.

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001
(Dollars in millions, except per share amounts)

	2003	2002	2001
Revenues	**$21,808**	$19,729	$17,953
Salaries and benefits	**8,682**	7,952	7,279
Supplies	**3,522**	3,158	2,860
Other operating expenses	**3,676**	3,341	3,238
Provision for doubtful accounts	**2,207**	1,581	1,376
(Gains) losses on sales of investment securities	**(1)**	2	(63)
Equity in earnings of affiliates	**(199)**	(206)	(158)
Depreciation and amortization	**1,112**	1,010	1,048
Interest expense	**491**	446	536
Settlement with government agencies	**(41)**	603	262
Gains on sales of facilities	**(85)**	(6)	(131)
Impairment of investment securities	**—**	168	—
Impairment of long-lived assets	**130**	19	17
Investigation related costs	**8**	58	65
Loss on retirement of debt	**—**	—	28
	19,502	18,126	16,357
Income before minority interests and income taxes	**2,306**	1,603	1,596
Minority interests in earnings of consolidated entities	**150**	148	119
Income before income taxes	**2,156**	1,455	1,477
Provision for income taxes	**824**	622	591
Reported net income	**1,332**	833	886
Goodwill amortization, net of income taxes	**—**	—	69
Adjusted net income	**$ 1,332**	$ 833	$ 955
Basic earnings per share:			
Reported net income	**$ 2.66**	$ 1.63	$ 1.69
Goodwill amortization, net of income taxes	**—**	—	0.13
Adjusted net income	**$ 2.66**	$ 1.63	$ 1.82
Diluted earnings per share:			
Reported net income	**$ 2.61**	$ 1.59	$ 1.65
Goodwill amortization, net of income taxes	**—**	—	0.13
Adjusted net income	**$ 2.61**	$ 1.59	$ 1.78

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

HCA INC.

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2003 AND 2002
(Dollars in millions)

	2003	2002
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 115**	$ 161
Accounts receivable, less allowance for doubtful accounts of $2,649 and $2,045	**3,095**	2,788
Inventories	**520**	462
Deferred income taxes	**534**	568
Other	**558**	526
	4,822	4,505
Property and equipment, at cost:		
Land	**1,151**	994
Buildings	**7,520**	6,450
Equipment	**9,101**	8,379
Construction in progress	**913**	977
	18,685	16,800
Accumulated depreciation	**(7,620)**	(7,079)
	11,065	9,721
Investments of insurance subsidiary	**1,790**	1,355
Investments in and advances to affiliates	**527**	679
Goodwill	**2,481**	1,994
Deferred loan costs	**75**	67
Other	**303**	420
	$21,063	$18,741
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	**$ 877**	$ 809
Accrued salaries	**510**	438
Other accrued expenses	**1,116**	1,113
Government settlement accrual	**—**	933
Long-term debt due within one year	**665**	446
	3,168	3,739
Long-term debt	**8,042**	6,497
Professional liability risks	**1,314**	1,193
Deferred income taxes and other liabilities	**1,650**	999
Minority interests in equity of consolidated entities	**680**	611
Stockholders' equity:		
Common stock $0.01 par; authorized 1,600,000,000 voting shares and 50,000,000 nonvoting shares; outstanding 469,717,800 voting shares and 21,000,000 nonvoting shares — 2003 and 493,176,000 voting shares and 21,000,000 nonvoting shares — 2002	**5**	5
Capital in excess of par value	**—**	93
Other	**5**	6
Accumulated other comprehensive income	**168**	73
Retained earnings	**6,031**	5,525
	6,209	5,702
	$21,063	$18,741

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

HCA INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001
(Dollars in millions)

	Common Stock		Capital in Excess of Par Value	Other	Accumulated Other Comprehensive Income	Retained Earnings	Total
	Shares (000)	Par Value					
Balances, December 31, 2000	542,992	$ 5	$ —	$ 9	$ 52	$4,339	$ 4,405
Comprehensive income:							
Net income						886	886
Net unrealized losses on investment securities					(34)		(34)
Total comprehensive income					(34)	886	852
Cash dividends						(42)	(42)
Stock repurchases	(42,934)		(291)			(447)	(738)
Stock options exercised	7,631		239				239
Employee benefit plan issuances	1,549		52				52
Other	59			(2)		(4)	(6)
Balances, December 31, 2001	509,297	5	—	7	18	4,732	4,762
Comprehensive income:							
Net income						833	833
Other comprehensive income:							
Net unrealized gains on investment securities					27		27
Foreign currency translation adjustments					36		36
Defined benefit plan					(8)		(8)
Total comprehensive income					55	833	888
Cash dividends						(40)	(40)
Stock repurchases	(6,200)		(282)				(282)
Stock options exercised	9,170		306	(1)			305
Employee benefit plan issuances	1,909		69				69
Balances, December 31, 2002	514,176	5	93	6	73	5,525	5,702
Comprehensive income:							
Net income						1,332	1,332
Other comprehensive income:							
Net unrealized gains on investment securities					92		92
Foreign currency translation adjustments					11		11
Defined benefit plan					(8)		(8)
Total comprehensive income					95	1,332	1,427
Cash dividends						(39)	(39)
Stock repurchases	(31,144)		(327)			(787)	(1,114)
Stock options exercised	4,964		147	(1)			146
Employee benefit plan issuances	2,722		87				87
Balances, December 31, 2003	490,718	$ 5	$ —	$ 5	$ 168	$ 6,031	$ 6,209

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

HCA INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2003, 2002 AND 2001
(Dollars in millions)

	2003	2002	2001
Cash flows from operating activities:			
Net income	**$ 1,332**	$ 833	$ 886
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for doubtful accounts	**2,207**	1,581	1,376
Depreciation and amortization	**1,112**	1,010	1,048
Income taxes	**496**	64	412
Settlement with government agencies	**(971)**	603	(580)
Gains on sales of facilities	**(85)**	(6)	(131)
Impairment of investment securities	**—**	168	—
Impairment of long-lived assets	**130**	19	17
Increase (decrease) in cash from operating assets and liabilities:			
Accounts receivable	**(2,365)**	(1,865)	(1,603)
Inventories and other assets	**32**	(88)	(39)
Accounts payable and accrued expenses	**197**	322	45
Other	**81**	109	(18)
Net cash provided by operating activities	**2,166**	2,750	1,413
Cash flows from investing activities:			
Purchase of property and equipment	**(1,838)**	(1,718)	(1,370)
Acquisition of hospitals and health care entities	**(908)**	(124)	(239)
Disposal of hospitals and health care entities	**163**	135	519
Change in investments	**(298)**	(27)	(167)
Other	**19**	(6)	(43)
Net cash used in investing activities	**(2,862)**	(1,740)	(1,300)
Cash flows from financing activities:			
Issuances of long-term debt	**1,624**	1,005	1,750
Net change in revolving bank credit facility	**410**	(655)	555
Repayment of long-term debt	**(461)**	(816)	(1,697)
Repurchases of common stock	**(1,114)**	(282)	(1,506)
Issuances of common stock	**165**	267	213
Issuance (repayment) of mandatorily redeemable securities of affiliate	**—**	(400)	400
Payment of cash dividends	**(39)**	(40)	(42)
Other	**65**	(13)	(15)
Net cash provided by (used in) financing activities	**650**	(934)	(342)
Change in cash and cash equivalents	**(46)**	76	(229)
Cash and cash equivalents at beginning of period	**161**	85	314
Cash and cash equivalents at end of period	**$ 115**	$ 161	$ 85
Interest payments	**$ 458**	$ 427	$ 558
Income tax payments, net of refunds	**$ 328**	$ 558	$ 179

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

HCA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ACCOUNTING POLICIES

Reporting Entity

HCA Inc. is a holding company whose affiliates own and operate hospitals and related health care entities. The term "affiliates" includes direct and indirect subsidiaries of HCA Inc. and partnerships and joint ventures in which such subsidiaries are partners. At December 31, 2003, these affiliates owned and operated 184 hospitals, 79 freestanding surgery centers and provided extensive outpatient and ancillary services. Affiliates of HCA are also partners in joint ventures that own and operate seven hospitals and four freestanding surgery centers, which are accounted for using the equity method. The Company's facilities are located in 23 states, England and Switzerland. The terms "HCA" or the "Company", as used in this annual report on Form 10-K, refer to HCA Inc. and its affiliates unless otherwise stated or indicated by context.

Basis of Presentation

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. The majority of the Company's expenses are "cost of revenue" items. Costs that could be classified as general and administrative by HCA would include the HCA corporate office costs, which were $156 million, $143 million and $144 million for the years ended December 31, 2003, 2002 and 2001, respectively.

The consolidated financial statements include all subsidiaries and entities controlled by HCA. "Control" is generally defined by HCA as ownership of a majority of the voting interest of an entity. The consolidated financial statements include entities in which HCA absorbs a majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity. Significant intercompany transactions have been eliminated. Investments in entities that HCA does not control, but in which it has a substantial ownership interest and can exercise significant influence, are accounted for using the equity method.

HCA has completed various acquisitions and joint venture transactions. The accounts of these entities have been consolidated with those of HCA for periods subsequent to the acquisition of controlling interests.

Revenues

Revenues consist primarily of net patient service revenues that are recorded based upon established billing rates less allowances for contractual adjustments. 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, including Federal and state agencies (under the Medicare, Medicaid and TRICARE programs), managed care health plans, commercial insurance companies and employers. Estimates of contractual allowances under managed care health plans are based upon the payment terms specified in the related contractual agreements. Managed care agreements' contractual payment terms are generally based upon predetermined rates per diagnosis, per diem rates or discounted fee-for-service rates.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount. The estimated reimbursement amounts are adjusted in subsequent periods as cost reports are prepared and filed and as final settlements are determined (in relation to certain government programs, primarily Medicare, this is generally referred to as the "cost report" filing and settlement process). The adjustments to estimated reimbursement amounts resulted in increases to revenues of $96 million, $76 million and $105 million in 2003, 2002 and 2001, respectively.

HCA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 1 — ACCOUNTING POLICIES (Continued)

Revenues (Continued)

HCA provides care to patients who are financially unable to pay for the health care services they receive, and because HCA does not pursue collection of amounts determined to qualify as charity care, they are not reported in revenues. During 2003, the Company announced that patients treated at an HCA wholly-owned hospital for nonelective care who have income at or below 200% of the Federal poverty level are eligible for charity care, a standard HCA estimates that 70% of its hospitals were previously using. The Federal poverty level is established by the Federal government and is based on income and family size. On October 1, 2003, HCA began implementing a sliding scale of discounts for uninsured patients, treated at HCA wholly-owned hospitals for nonelective care, with income between 200% and 400% of the Federal poverty level.

Cash and Cash Equivalents

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

Accounts Receivable

HCA receives payments for services rendered from Federal and state agencies (under the Medicare, Medicaid and TRICARE programs), managed care health plans, commercial insurance companies, employers and patients. During the years ended December 31, 2003, 2002 and 2001, approximately 28% of HCA's revenues related to patients participating in the Medicare program. HCA recognizes that revenues and receivables from government agencies are significant to its operations, but does not believe that there are significant credit risks associated with these government agencies. HCA does not believe that there are any other significant concentrations of revenues from any particular payer that would subject it to any significant credit risks in the collection of its accounts receivable.

Additions to the allowance for doubtful accounts are made by means of the provision for doubtful accounts. Accounts written off as uncollectible are deducted from the allowance and subsequent recoveries are added.

The amount of the provision for doubtful accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Federal and state governmental and private employer health care coverage and other collection indicators. The provision for doubtful accounts and the allowance for doubtful accounts relate primarily to amounts due directly from patients. Management relies on the results of detailed reviews of historical write-offs and recoveries at facilities that represent a majority of HCA's revenues and accounts receivable (the "hindsight analysis") as a primary source of information to utilize in estimating the collectability of HCA's accounts receivable. The Company had previously performed the hindsight analysis on an annual basis. The results of the hindsight analysis that was completed during the second quarter of 2003 indicated an increasing proportion of accounts receivable being comprised of uninsured accounts and the collectability of this category of accounts had deteriorated. During the third quarter of 2003, the Company began performing a quarterly, rolling twelve-month hindsight analysis to enable it to react more quickly to trends affecting the collectability of the accounts receivable. At December 31, 2003, HCA's allowance for doubtful accounts, represented approximately 88% of the $3.000 billion total patient due accounts receivable balance. Adverse changes in general economic conditions, business office operations, payer mix, or trends in Federal or state governmental health care coverage could affect HCA's collection of accounts receivable, cash flows and results of operations.

HCA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 1 — ACCOUNTING POLICIES (Continued)

Inventories

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

Property and Equipment and Amortizable Intangibles

Depreciation expense, computed using the straight-line method, was $1.108 billion in 2003, $1.007 billion in 2002, and $961 million in 2001. Buildings and improvements are depreciated over estimated useful lives ranging generally from ten to 40 years. Estimated useful lives of equipment vary generally from four to ten years.

Debt issuance costs are amortized based upon the lives of the respective debt obligations. The gross carrying amount of deferred loan costs at December 31, 2003 and 2002 was $107 million and $91 million, respectively, and accumulated amortization was $32 million and $24 million at December 31, 2003 and 2002, respectively. Amortization of deferred loan costs is included in interest expense and was $10 million, $11 million and $12 million for 2003, 2002 and 2001, respectively.

On January 1, 2002, HCA adopted Statement of Financial Accounting Standards No. 144 “Accounting for the Impairment or Disposal of Long-Lived Assets” (“SFAS 144”). Prior to January 1, 2002, HCA recognized impairments of long-lived assets in accordance with Statement of Financial Accounting Standards No. 121 “Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of.” In accordance with SFAS 144, when events, circumstances or operating results indicate that the carrying values of certain long-lived assets and related identifiable intangible assets (excluding goodwill) that are expected to be held and used, might be impaired, HCA prepares projections of the undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the projections indicate that the recorded amounts are not expected to be recoverable, such amounts are reduced to estimated fair value. Fair value may be estimated based upon internal evaluations of each market that include quantitative analyses of revenues and cash flows, reviews of recent sales of similar facilities and independent appraisals.

Long-lived assets to be disposed of are reported at the lower of their carrying amounts or fair value less costs to sell or close. The estimates of fair value are usually based upon recent sales of similar assets and market responses based upon discussions with and offers received from potential buyers.

Goodwill

HCA adopted Statement of Financial Accounting Standards No. 142, “Goodwill and Other Intangible Assets” (“SFAS 142”) on January 1, 2002. Under SFAS 142, beginning in 2002, goodwill is no longer amortized, but is subject to annual impairment tests. The Company compares the fair value of the reporting unit assets to the carrying amount on at least an annual basis to determine if there is potential impairment. If the fair value of the reporting unit assets is less than its carrying value, the Company compares the fair value of the goodwill to its carrying value. If the fair value of the goodwill is less than its carrying value, an impairment loss is recognized. Fair value of goodwill is estimated based upon internal evaluations of the related long-lived assets in each market that include quantitative analyses of revenues and cash flows, reviews of recent sales of similar facilities and market responses based upon discussions with and offers received from potential buyers. The market responses are usually considered to provide the most reliable estimates of fair value. During 2003, goodwill increased by $491 million related to acquisitions, decreased by $13 million related to facilities that were sold and increased by $9 million related to foreign currency translation adjustments. During 2002, goodwill increased by $32 million related to acquisitions, decreased by $30 million related to facilities that were sold and increased by $8 million due to foreign currency translation adjustments. No goodwill impairment losses were recognized during 2003 or 2002.

HCA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 1 — ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

Prior to January 1, 2002, goodwill was amortized using the straight-line method, generally over periods ranging from 30 to 40 years for hospital acquisitions and periods ranging from five to 20 years for physician practice, clinic and other acquisitions.

Professional Liability Insurance Claims

A substantial portion of HCA's professional liability risks is insured through a wholly-owned insurance subsidiary of HCA, which is funded annually. Reserves for professional liability risks were $1.624 billion and $1.551 billion at December 31, 2003 and 2002, respectively. The current portion of this reserve, $310 million and $358 million at December 31, 2003 and 2002, respectively, is included in "Other accrued expenses" in the consolidated balance sheet. Provisions for losses related to professional liability risks were $380 million, $315 million and $252 million for the years ended December 31, 2003, 2002 and 2001, respectively, is classified in "Other operating expenses" in the Company's consolidated income statement. Provisions for losses related to professional liability risks are based upon actuarially determined estimates. Loss and loss expense reserves represent the estimated ultimate net cost of all reported and unreported losses incurred through the respective consolidated balance sheet dates. The reserves for unpaid losses and loss expenses are estimated using individual case-basis valuations and actuarial analyses. Those estimates are subject to the effects of trends in loss severity and frequency. The estimates are continually reviewed and adjustments are recorded as experience develops or new information becomes known. The changes to the estimated reserve amounts are included in current operating results. The reserves for professional liability risks cover approximately 3,900 and 4,000 individual claims at December 31, 2003 and 2002, respectively, and estimates for potential unreported claims. The time period required to resolve these claims can vary depending upon the jurisdiction and whether the claim is settled or litigated. During 2003 and 2002, $264 million and $258 million, respectively, of payments (net of reinsurance recoveries of $32 million and $68 million, respectively) were made for professional and general liability claims. The estimation of the timing of payments beyond a year can vary significantly. Although considerable variability is inherent in professional liability reserve estimates, management believes that the reserves for losses and loss expenses are adequate; however, there can be no assurance that the ultimate liability will not exceed management's estimates.

HCA's facilities are insured by the wholly-owned insurance subsidiary for losses up to $25 million per occurrence. Professional liability risks above a $10 million retention per occurrence for 2002 were reinsured with unrelated commercial carriers. The insurance subsidiary obtained no reinsurance for 2003 and 2004. HCA also maintains professional liability insurance with unrelated commercial carriers for losses in excess of amounts insured by its insurance subsidiary.

The obligations covered by reinsurance contracts remain on the balance sheet, as the subsidiary remains liable to the extent that the reinsurers do not meet their obligations under the reinsurance contracts. The amounts receivable under the reinsurance contracts of $147 million and $265 million at December 31, 2003, and 2002, respectively, are included in other assets. In addition, deferred gains from retroactive reinsurance of $11 million were included in other liabilities at December 31, 2002.

Investments of Insurance Subsidiary

At December 31, 2003 and 2002, the investments of HCA's wholly-owned insurance subsidiary were classified as "available-for-sale" as defined in Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" and are recorded in HCA's consolidated balance sheet at fair value. The investment securities are held for the purpose of providing the funding source

HCA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 1 — ACCOUNTING POLICIES (Continued)

Investments of Insurance Subsidiary (Continued)

to pay professional and general liability claims covered by the insurance subsidiary. Management's assessment of individual investment securities each quarter, as to whether declines in market value are temporary or other-than-temporary involves multiple judgment calls, often involves estimating the outcome of future events, and requires a significant level of professional judgment in determining whether factors exist that indicate an impairment has occurred. HCA evaluates, among other things, the financial position and near term prospects of the issuer, conditions in the issuer's industry, liquidity of the investment, changes in the amount or timing of expected future cash flows from the investment, and recent downgrades of the issuer by a rating agency, to determine if and when a decline in the fair value of an investment below amortized cost is considered other-than-temporary. The length of time and extent to which the fair value of the investment is less than amortized cost and HCA's ability and intent to retain the investment, to allow for any anticipated recovery of the investment's fair value, are important components of management's investment securities evaluation process.

Minority Interests in Consolidated Entities

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

Related Party Transactions

MedCap Properties, LLC, ("MedCap")

In December 2000, HCA transferred 116 medical office buildings ("MOBs") to MedCap. HCA received approximately $250 million and a minority interest (approximately 48%) in MedCap in the transaction. MedCap is a private company that was formed by HCA and other investors to acquire the buildings. HCA did not recognize a gain or loss on the transaction. A relative of a Director and former executive officer of the Company served as the Chief Manager of MedCap.

In October 2003, MedCap sold its 113 MOB's to Health Care Property Investors, Inc. ("HCP"). The sale of MedCap to HCP included HCA's ownership interest in MedCap, and HCA has no ownership interest in HCP. The distribution of the MedCap sale proceeds resulted in HCA recording a deferred gain of $80 million. The transaction is being accounted for as a financing transaction and the potential gain amount is being deferred due to HCA's continuing involvement with the MOBs related to certain contingent, protective put and call rights. If the prohibited continuing involvement provisions were remedied, the deferred gain amount would not be recognized currently, but would be amortized over the applicable lease terms for the MOBs in which HCA leases space from HCP. The former Chief Manager of MedCap, continues to manage the MOB's as an employee of HCP.

HCA leased certain office space from MedCap and, during the years ended December 31, 2003 (through September 2003), 2002 and 2001, paid MedCap $16.1 million, $19.4 million and $17.1 million, respectively, in rents for such leased office space. HCA continues to lease certain office space from HCP. HCA believes its transactions with MedCap were on terms no less favorable to HCA than those which would have been obtained from an unaffiliated party.

HCA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 1 — ACCOUNTING POLICIES (Continued)

Related Party Transactions (Continued)

LifePoint Hospitals, Inc. ("LifePoint") and Triad Hospitals, Inc. ("Triad")

In May 1999, HCA completed the spin-offs of LifePoint and Triad (the "Spin-offs") through the distribution of shares of LifePoint common stock and Triad common stock to HCA stockholders. In connection with the Spin-offs, HCA entered into agreements to provide financial, clinical, patient accounting and network information services to LifePoint and Triad. The agreements have terms expiring in May 2006. In addition, HCA's wholly-owned insurance subsidiary provides insurance and risk management services, negotiated on a year-to-year basis, to LifePoint and Triad. For the years ended December 31, 2003, 2002 and 2001, HCA received $11.9 million, $11.8 million and $11.6 million, respectively, from LifePoint and $43.8 million, $46.5 million and $35.6 million, respectively, from Triad pursuant to these agreements. The fees provided for in the agreements are intended to be market competitive and are based on HCA's costs incurred in providing the services. During 2001, HCA sold a hospital facility to LifePoint for a sales price of $19 million and realized a pretax gain of $3 million. HCA believes the sale of the hospital facility to LifePoint was on terms no less favorable to HCA than those which would have been obtained from an unaffiliated party.

Global Health Exchange, LLC ("GHX")

In 1999, HCA formed empactHealth.com, with the intent of improving its hospitals' efficiencies in the procurement of goods and supplies by utilizing the Internet. In January 2001, empactHealth.com merged with Medibuy, an unrelated competitor of empactHealth.com. As a result of the merger, HCA owned approximately 17% of Medibuy and HCA's directors and certain members of its management owned approximately 2%. During 2001, HCA reduced the carrying value for its investment in Medibuy to fair value, based upon estimates of sales values, resulting in a pretax charge of $17 million ($10 million after-tax). During 2002, HCA paid $2.4 million to Medibuy for annual software license fees, transaction fees and related services and paid and expensed $3 million of additional investment payments to Medibuy. During 2002, HCA's management and directors relinquished their ownership in Medibuy for no consideration. In December 2002, Medibuy merged with GHX. As a result of the merger, HCA owns approximately 7% of GHX and an officer of HCA serves on GHX's board of directors. HCA and GHX entered into a three-year, master user agreement, which commenced on January 1, 2003, pursuant to which GHX provides access to its e-commerce system, a license to certain requisitioning software and other services. During 2003, HCA paid GHX $3 million for software and other related services. The user agreement with GHX provides for annual payments of $2.5 million for 2004 and 2005. Healthtrust Purchasing Group ("HPG"), an affiliate of HCA, also entered into an e-commerce agreement with GHX, which commenced on January 1, 2003, pursuant to which HPG will be able to offer the GHX e-commerce system to HPG members. HCA believes its transactions with Medibuy and GHX are on terms no less favorable to HCA than those which would be obtained from unaffiliated parties.

HealthStream, Inc. ("HealthStream")

In October 2001, HCA entered into an amended agreement with HealthStream to purchase internet-based education and training services. The agreement has a four-year term and provides for minimum fees of $2.5 million per year, with total minimum fees of $12 million over the four-year term. During 2003, 2002 and 2001, the Company paid HealthStream $2.6 million, $2.9 million, and $1.5 million which represented approximately 15%, 18% and 11%, respectively, of HealthStream's net revenues. The Chief Executive Officer, President and Chairman of the Board of Directors of HealthStream is a relative of a Director and former executive officer of HCA. HCA believes its transactions with HealthStream are on terms no less favorable to HCA than those which would be obtained from an unaffiliated party.

HCA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 1 — ACCOUNTING POLICIES (Continued)

Stock-Based Compensation

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

As required by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), HCA has determined pro forma net income and earnings per share, as if compensation cost for HCA's employee stock option and stock purchase plans had been determined based upon fair values at the grant dates. These pro forma amounts are as follows (dollars in millions, except per share amounts):

	2003	2002	2001
Adjusted net income:			
As reported	$1,332	$ 833	$ 955
Stock-based employee compensation expense determined under a fair value method, net of income taxes	89	151(a)	49
Pro forma	$1,243	$ 682	$ 906
Basic earnings per share:			
As reported	$ 2.66	$1.63	$1.82
Pro forma	$ 2.48	$1.33	$1.73
Diluted earnings per share:			
As reported	$ 2.61	$1.59	$1.78
Pro forma	$ 2.43	$1.30	$1.69

(a) HCA determines pro forma stock-based employee compensation expense using an estimated forfeiture assumption. A forfeiture assumption of 50% had been used for periods through December 31, 2001. This 50% forfeiture assumption was reasonable for stock option grants made during the 1995 through 1998 period, but subsequent to the Company completing a major restructuring process that involved significant executive management turnover, the Spin-offs, and the sales of numerous facilities, HCA determined during 2002 that the forfeiture assumption for 1999 and subsequent grants should be lowered significantly. During 2002, HCA revised the expected forfeiture assumption for the 1999 and 2000 stock option grants to 15%, and a 10% forfeiture assumption is being used for 2001 and subsequent stock option grants. The effect of the changes in the estimated forfeiture assumptions for stock option grants made prior to 2002, was an increase to the pro forma stock-based employee compensation expense for the year ended December 31, 2002 of $64 million after-tax ($0.13 per basic share and $0.12 diluted share).

For SFAS 123 purposes, the weighted average fair values of HCA's stock options granted in 2003, 2002 and 2001 were $13.49, $13.30 and $15.93 per share, respectively. The fair values were estimated using the Black-Scholes option valuation model with the following weighted average assumptions:

	2003	2002	2001
Risk-free interest rate	2.62%	2.17%	4.62%
Expected volatility	37%	37%	38%
Expected life, in years	4	4	6
Expected dividend yield	.19%	.18%	.20%

HCA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 1 — ACCOUNTING POLICIES (Continued)

Stock-Based Compensation (Continued)

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

The pro forma compensation cost related to the shares of common stock issued under HCA's amended and restated Employee Stock Purchase Plan was $16 million, $13 million and $6 million for the years 2003, 2002 and 2001, respectively. These pro forma costs were determined based on the estimated fair values at the beginning of each subscription period.

Derivatives

Effective January 1, 2001, HCA adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended ("SFAS 133"). SFAS 133 requires that all derivatives, whether designated in hedging relationships or not, be recognized on the consolidated balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and the hedged item are recognized in earnings. If the derivative is designated as a cash flow hedge, changes in the fair value of the derivative are recorded in other comprehensive income and are recognized in the income statement when the hedged item affects earnings. In accordance with the provisions of SFAS 133, HCA has designated its outstanding interest rate swap agreements as fair value hedges. HCA has determined that the current agreements are highly effective in offsetting the fair value changes in a portion of HCA's debt portfolio. These derivatives and the related hedged debt amounts have been recognized in the consolidated financial statements at their respective fair values.

Recent Pronouncements

In August 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 143, "Accounting for Obligations Associated with the Retirement of Long-Lived Assets" ("SFAS 143"). SFAS 143 establishes accounting standards for the recognition and measurement of an asset retirement obligation and its associated asset retirement cost. It also provides accounting guidance for legal obligations associated with the retirement of tangible long-lived assets. HCA adopted SFAS 143 effective January 1, 2003, and the provisions of SFAS 143 have not had a material impact on the Company's results of operations or financial position.

In April 2002, the FASB issued Statement of Financial Accounting Standards No. 145, "Rescission of FASB Statements No. 4, 44 and 62, Amendment of FASB Statement No. 13, and Technical Corrections" ("SFAS 145"). For most companies, under the provisions of SFAS 145 gains and losses on extinguishments of debt will generally be classified as income or loss from continuing operations, rather than as extraordinary items, as previously required under FASB Statement No. 4. Extraordinary item treatment will be required for certain extinguishments that comply with the provisions of Accounting Principles Board ("APB") Opinion No. 30. Upon adoption, any gain or loss on extinguishment of debt previously classified as an extraordinary item in prior periods, that did not meet the criteria of APB Opinion No. 30 for such classification, must be reclassified to conform to the provisions of SFAS 145. HCA elected to adopt SFAS 145 effective January 1, 2002. During 2001, HCA recognized an extraordinary charge on extinguishment of debt of $28 million ($17 million, after-tax) that has been reclassified in the consolidated income statements.

In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146"). SFAS 146 requires that a liability for a

HCA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 1 — ACCOUNTING POLICIES (Continued)

Recent Pronouncements (Continued)

cost associated with an exit or disposal activity be recognized when the liability is incurred. Under previous accounting standards, a liability for an exit cost was recognized at the date of an entity's commitment to an exit plan. The provisions of SFAS 146 are effective for exit or disposal activities initiated after December 31, 2002. This statement has not had a material impact on the Company's results of operations or financial position.

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

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

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150"). This statement generally requires liability classification for two broad classes of financial instruments. Under SFAS 150, instruments that represent, or are indexed to, an obligation to buy back the issuer's shares, regardless whether the instrument is settled on a net-cash or gross physical basis are required to be classified as liabilities. Obligations that can be settled in shares, but either derive their value predominately from some other underlying, have a fixed value, or have a value to the counterparty that moves in the opposite direction as the issuer's shares, are also required to be classified as liabilities under this statement. SFAS 150 must be applied immediately to instruments entered into or modified after May 31, 2003 and to all other instruments that exist as of the beginning of the first interim financial reporting period beginning after June 15, 2003. In October 2003, the FASB voted to defer for an indefinite period, the application of the SFAS 150 guidance to noncontrolling interests in limited-life subsidiaries. The FASB decided to defer this application of SFAS 150 to allow them the opportunity to consider possible implementation issues that would result from the proposed SFAS 150 guidance regarding measurement and recognition of noncontrolling interests. HCA will assess the impact of the FASB's reconsiderations, if any, on the Company's consolidated financial statements when they are finalized.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2003 presentation.

HCA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 2 — INVESTIGATIONS AND SETTLEMENT OF CERTAIN GOVERNMENT CLAIMS

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

The investigations were concluded through a series of agreements executed in 2000 and 2003. In December 2000, HCA entered into a Plea Agreement with the Criminal Division of the Department of Justice (the "DOJ") and various U.S. Attorneys' offices (the "Plea Agreement") and a Civil and Administrative Settlement Agreement with the Civil Division of the DOJ (the "Civil Agreement"). The agreements resolved all Federal criminal issues outstanding against HCA and certain issues involving Federal civil claims by, or on behalf of, the government against HCA relating to DRG coding, outpatient laboratory billing and home health issues. The civil issues that were not covered by the Civil Agreement included claims related to physician relations, cost reports and wound care issues. The Civil Agreement was approved by the Federal District Court of the District of Columbia in August 2001. HCA paid the government $900 million (including accrued interest of $60 million), as provided by the Civil Agreement and Plea Agreement, during 2001. In January 2001, HCA entered into an eight-year Corporate Integrity Agreement ("CIA") with the Office of Inspector General of the Department of Health and Human Services.

The remaining aspects of the investigations were resolved during 2003. In June 2003, HCA announced that the Company and the Civil Division of the DOJ had signed agreements, documenting the understanding announced in December 2002, whereby the United States would dismiss the various claims it had brought related to physician relations, cost reports and wound care issues (the "DOJ Agreement"). The DOJ Agreement received court approval in July 2003, and HCA paid the DOJ $641 million (including accrued interest of $10 million) during July 2003. The DOJ Agreement does not affect *qui tam* cases in which the government has not intervened. HCA also finalized an agreement with a negotiating team representing states that may have claims against the Company. Under this agreement, HCA paid $17.7 million in July 2003 to state Medicaid agencies to resolve these claims. HCA also paid $33 million for legal fees of the private parties. In connection with the DOJ Agreement, HCA recorded a pretax charge of $603 million ($418 million after-tax) in the fourth quarter of 2002. The consolidated income statement for the year ended December 31, 2003 includes a pretax favorable change in estimate of $41 million ($25 million after-tax) related to Medicaid cost report balances for cost report years ended December 31, 1997 and prior.

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

During September 2003, HCA reached an understanding with attorneys representing shareholder groups to settle class action securities lawsuits originally filed in 1997. Under the understanding, HCA will establish a $49.5 million settlement fund to pay class members based on their individual claims. This settlement is subject to execution of a definitive settlement agreement and approval by the United States District Court for the Middle District of Tennessee. HCA has also reached an understanding with its insurance carriers under which the insurers will pay the majority of the settlement amount.

HCA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

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

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

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

During 2003, 2002 and 2001, HCA recorded the following pretax charges in connection with the governmental investigations (dollars in millions):

	2003	2002	2001
Professional fees related to investigations	$ 8	$ 56	$ 54
Other	—	2	11
	$ 8	$ 58	$ 65

The professional fees related to investigations represent incremental legal and accounting expenses that are recognized on the basis of when the costs are incurred.

NOTE 3 — ACQUISITIONS AND DISPOSITIONS

During 2003 and 2002, HCA acquired various hospitals and health care entities (or controlling interests in such entities). The purchase price for each of these transactions was allocated to the related assets acquired and liabilities assumed based upon their respective fair values. The consolidated financial statements include the accounts and operations of acquired entities for periods subsequent to the respective acquisition dates.

The following is a summary of hospitals and other health care entities acquired during 2003 and 2002 (dollars in millions):

	2003	2002
Number of hospitals	11	1
Number of licensed beds	2,292	164
Purchase price information:		
Hospitals:		
Fair value of assets acquired	$ 1,183	$ 28
Liabilities assumed	(315)	—
Net assets acquired	868	28
Other health care entities acquired	40	96
Net cash paid	$ 908	$124

The purchase price paid in excess of the fair value of identifiable net assets of acquired entities aggregated $491 million in 2003 and $32 million in 2002. During April 2003, HCA completed the acquisition of the Health Midwest hospital system in Kansas City, and the results of operations of the Health Midwest facilities were consolidated with those of HCA beginning April 1, 2003. Pursuant to the transaction, HCA will spend or commit to spend $450 million in capital expenditures over the next five years. The pro forma effect of HCA's acquisitions on its results of operations for the periods prior to the respective acquisition dates was not significant.

HCA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 3 — ACQUISITIONS AND DISPOSITIONS (Continued)

During 2003, HCA recognized a pretax gain of $85 million ($49 million after-tax) on the sales of two leased hospitals and two consolidating hospitals. During 2002, HCA recognized a net pretax gain of $6 million ($4 million after-tax) on the sales of two consolidating hospitals. During 2001, HCA recognized a net pretax gain of $131 million ($76 million after-tax) on the sales of three consolidating hospitals, HCA's interests in two non-consolidating hospitals and a provider of specialty managed care benefit programs. Proceeds from the sales were used to repay bank borrowings.

NOTE 4 — IMPAIRMENTS OF LONG-LIVED ASSETS

During 2003, HCA announced plans to discontinue activities associated with the internal development of a patient accounts receivable management system, resulting in a pretax charge of $130 million ($79 million after-tax). HCA reduced the carrying value for capitalized costs associated with the patient accounts receivable management system components that were discontinued. The impact of the discontinued activities on HCA's operations was not significant.

During 2002, management decided to delay the development and implementation of certain financial and procurement information system components of its enterprise resource planning program to concentrate and direct efforts to the patient accounting and human resources information system components. HCA reduced the carrying value for certain capitalized costs associated with the information system components that were delayed, resulting in a pretax charge of $19 million. The impact of the delayed development activities on HCA's operations was not significant.

During 2001, HCA reduced the carrying value for its investment in a nonhospital, equity method joint venture to fair value, based upon estimates of sales value, resulting in a pretax charge of $17 million ($10 million after-tax). This joint venture's impact on HCA's operations was not significant.

The asset impairment charges did not have a significant impact on the Company's cash flows and are not expected to significantly impact cash flows for future periods. The impairment charges affected HCA's "corporate and other" operating segment and affected HCA's asset and liability categories, as follows (dollars in millions):

	2003	2002	2001
Property and equipment	$105	$ 19	$ —
Investments in and advances to affiliates	—	—	17
Other accrued expenses	25	—	—
	$130	$ 19	$ 17

NOTE 5 — IMPAIRMENT OF INVESTMENT SECURITIES

During 2002, HCA recorded an other-than-temporary impairment charge on investment securities of $168 million. The investment securities on which the impairment charge was recorded were primarily equity securities held by HCA's insurance subsidiary. These investments are classified as "available-for-sale," and are carried at fair value, with changes in temporary unrealized gains and losses recorded as adjustments to other comprehensive income. The fair value of investments is generally based on quoted market prices.

During the third quarter of 2002, HCA's equity investment portfolio experienced an increase in unrealized losses from $135 million at June 30, 2002 to $214 million at September 30, 2002. The portfolio decline during the third quarter of 2002, combined with a perception of the trends developing in the emphasis of amount of decline and time period in the other-than-temporary impairment review process and the consideration of possible alternatives regarding the Company's equity investment strategy, caused management to determine that it had become difficult to overcome the presumption that the identified investment

HCA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 5 — IMPAIRMENT OF INVESTMENT SECURITIES (Continued)

securities would not recover fair value equal to cost prior to implementing any of the investment alternatives being considered and that a $168 million other-than-temporary impairment charge should be recognized in the third quarter of 2002. The investment securities on which the impairment charge was recognized were primarily concentrated in the communications and technology industries. Management's review of the individual investment securities included considerations of the amount of market decline, the length of time the securities had been in a decline position and issuer-specific financial attributes. See Note 8 — Investments of Insurance Subsidiary, for a summary of HCA's insurance subsidiary investment securities. The impairment charge affected the "Investments of insurance subsidiary" asset category and the "corporate and other" operating segment.

NOTE 6 — INCOME TAXES

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

	2003	2002	2001
Current:			
Federal	$193	$462	$290
State	77	92	49
Foreign	18	17	7
Deferred:			
Federal	513	(24)	221
State	50	30	54
Foreign	12	6	13
Change in valuation allowance	(39)	39	(43)
	$824	$622	$591

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

	2003	2002	2001
Federal statutory rate	35.0%	35.0%	35.0%
State income taxes, net of Federal income tax benefit	3.8	5.1	4.2
Non-deductible intangible assets	0.2	0.4	1.6
Valuation allowance	(1.7)	2.5	(2.6)
Other items, net	0.9	(0.3)	1.8
Effective income tax rate	38.2%	42.7%	40.0%

HCA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 6 — INCOME TAXES (Continued)

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

	2003		2002	
	Assets	Liabilities	Assets	Liabilities
Depreciation and fixed asset basis differences	$ —	$ 658	$ —	$ 549
Allowances for professional and general liability and other risks	143	—	164	—
Doubtful accounts	287	—	374	—
Compensation	156	—	134	—
Settlement with government agencies	—	—	318	—
Other	198	420	198	324
	784	1,078	1,188	873
Valuation allowance	—	—	(39)	—
	$784	$1,078	$1,149	$ 873

Deferred income taxes of $534 million and $568 million at December 31, 2003 and 2002, respectively, are included in other current assets. Noncurrent deferred income tax liabilities totaled $828 million and $292 million at December 31, 2003 and 2002, respectively.

The tax benefits associated with nonqualified stock options increased the current tax receivable by $31 million, $82 million, and $60 million in 2003, 2002, and 2001, respectively. Such benefits were recorded as increases to stockholders' equity.

At December 31, 2003, state net operating loss carryforwards (expiring in years 2004 through 2022) available to offset future taxable income approximated $181 million. Utilization of net operating loss carryforwards in any one year may be limited and, in certain cases, result in an adjustment to intangible assets. Net deferred tax assets related to such carryforwards are not significant.

IRS Disputes

HCA is currently contesting before the Appeals Division of the IRS, the United States Tax Court (the "Tax Court"), the United States Court of Federal Claims, and the United States Court of Appeals for the Sixth Circuit (the "Sixth Circuit") certain claimed deficiencies and adjustments proposed by the IRS in conjunction with its examinations of HCA's 1994-2000 Federal income tax returns, Columbia Healthcare Corporation's ("CHC") 1993 and 1994 Federal income tax returns, HCA-Hospital Corporation of America's ("Hospital Corporation of America") 1987 through 1988 and 1991 through 1993 Federal income tax returns and Healthtrust, Inc. — The Hospital Company's ("Healthtrust") 1990 through 1994 Federal income tax returns.

During 2001, HCA filed an appeal with the Sixth Circuit with respect to two Tax Court decisions received in 1996 related to the IRS examination of Hospital Corporation of America's 1987 through 1988 Federal income tax returns, contesting Tax Court decisions related to the method that Hospital Corporation of America used to calculate its tax reserve for doubtful accounts and the timing of deferred income recognition in connection with its sales of certain subsidiaries to Healthtrust. During 2003, a three-judge panel of the Sixth Circuit affirmed these Tax Court decisions. HCA is reviewing the Sixth Circuit's decision and considering whether to undertake further appeals. Because of the volume and complexity of calculating the tax allowance

HCA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 6 — INCOME TAXES (Continued)

for doubtful accounts, the IRS has not determined the amount of additional tax and interest that it may claim for subsequent taxable periods.

Other disputed items include the timing of recognition of certain patient service revenues in 2000, the amount of insurance expense deducted in 1999 and 2000, and the amount of gain or loss recognized on the divestiture of certain non-core business units in 1998. The IRS is claiming an additional $381 million in income taxes and interest with respect to these issues through December 31, 2003.

During 2001, HCA and the IRS filed Stipulated Settlements with the Tax Court regarding the IRS' proposed disallowance of certain financing costs, systems conversion costs and insurance premiums, which were deducted in calculating taxable income, and the allocation of costs among fixed assets and goodwill in connection with certain hospitals acquired by HCA in 1995 and 1996. The settlement resulted in HCA's payment of additional tax and interest of $16 million and had no impact on results of operations.

The IRS has begun an examination of HCA's 2001 through 2002 Federal income tax returns. HCA is presently unable to estimate the amount of any additional income tax and interest that the IRS may claim upon completion of this examination.

Management believes that adequate provisions have been recorded to satisfy final resolution of the disputed issues. Management believes that HCA, CHC, Hospital Corporation of America and Healthtrust properly reported taxable income and paid taxes in accordance with applicable laws and agreements established with the IRS during previous examinations and that final resolution of these disputes will not have a material adverse effect on the results of operations or financial position.

NOTE 7 — EARNINGS PER SHARE

Basic earnings per share is computed on the basis of the weighted average number of common shares outstanding. Diluted earnings per share is computed on the basis of the weighted average number of common shares outstanding, plus the dilutive effect of outstanding stock options and other stock awards, computed using the treasury stock method.

HCA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 7 — EARNINGS PER SHARE (Continued)

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

	2003	2002	2001
Reported net income	$ 1,332	$ 833	$ 886
Goodwill amortization, net of income taxes	—	—	69
Adjusted net income	$ 1,332	$ 833	$ 955
Weighted average common shares outstanding	501,799	511,824	524,112
Effect of dilutive securities:			
Stock options	7,231	11,850	12,446
Other	1,844	1,545	1,619
Shares used for diluted earnings per share	510,874	525,219	538,177
Reported earnings per share:			
Basic earnings per share	$ 2.66	$ 1.63	$ 1.69
Diluted earnings per share	$ 2.61	$ 1.59	$ 1.65
Adjusted earnings per share:			
Basic earnings per share	$ 2.66	$ 1.63	$ 1.82
Diluted earnings per share	$ 2.61	$ 1.59	$ 1.78

NOTE 8 — INVESTMENTS OF INSURANCE SUBSIDIARY

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

	2003			
	Amortized Cost	Unrealized Amounts		Fair Value
		Gains	Losses	
Debt securities:				
United States Government	$ 20	$ —	$ —	$ 20
States and municipalities	982	64	—	1,046
Mortgage-backed securities	64	2	—	66
Corporate and other	61	4	—	65
Money market funds	166	—	—	166
Redeemable preferred stocks	4	—	—	4
	1,297	70	—	1,367
Equity securities:				
Perpetual preferred stocks	6	—	—	6
Common stocks	554	142	(4)	692
	560	142	(4)	698
	$ 1,857	$212	$ (4)	2,065

Amounts classified as current assets	(275)
Investment carrying value	$1,790

HCA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 8 — INVESTMENTS OF INSURANCE SUBSIDIARY (Continued)

	2002			
	Amortized Cost	Unrealized Amounts		Fair Value
		Gains	Losses	
Debt securities:				
United States Government	$ 4	$ 1	$ —	$ 5
States and municipalities	869	65	—	934
Mortgage-backed securities	65	3	(1)	67
Corporate and other	72	4	(1)	75
Money market funds	85	—	—	85
Redeemable preferred stocks	4	—	—	4
	1,099	73	(2)	1,170
Equity securities:				
Perpetual preferred stocks	7	—	—	7
Common stocks	482	10	(14)	478
	489	10	(14)	485
	$ 1,588	$ 83	$(16)	1,655
Amounts classified as current assets				(300)
Investment carrying value				$1,355

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

At December 31, 2003 and 2002, the investments of HCA's insurance subsidiary were classified as "available for sale." The aggregate common stock investment is comprised of 370 equity positions at December 31, 2003, with 348 positions reflecting unrealized gains and 22 positions reflecting unrealized losses (none of the individual unrealized loss positions exceed $2 million). None of the equity positions with unrealized losses at December 31, 2003 represent situations where there is a continuous decline of more than 20% from cost for more than one year. The equity positions (including those with unrealized losses) at December 31, 2003, are not concentrated in a particular industry.

Scheduled maturities of investments in debt securities at December 31, 2003 were as follows (dollars in millions):

	Amortized Cost	Fair Value
Due in one year or less	$ 186	$ 187
Due after one year through five years	361	384
Due after five years through ten years	371	398
Due after ten years	315	332
	1,233	1,301
Mortgage-backed securities	64	66
	$ 1,297	$1,367

The average expected maturity of the investments in debt securities approximated 4.2 years at December 31, 2003. Expected and scheduled maturities may differ because the issuers of certain securities may have the right to call, prepay or otherwise redeem such obligations.

HCA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 8 — INVESTMENTS OF INSURANCE SUBSIDIARY (Continued)

The cost of securities sold is based on the specific identification method. Sales of securities (including the securities on which the 2002 impairment charge was recorded, see Note 5 — Impairment of Investment Securities) for the years ended December 31 are summarized below (dollars in millions):

	2003	2002	2001
Debt securities:			
Cash proceeds	$109	$128	$155
Gross realized gains	3	4	5
Gross realized losses	6	28	2
Equity securities:			
Cash proceeds	$ 36	$609	$412
Gross realized gains	9	95	95
Gross realized losses	7	232	35

NOTE 9 — FINANCIAL INSTRUMENTS

Interest Rate Swap Agreements

HCA has entered into interest rate swap agreements to manage its 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-floating swaps effectively convert fixed rate obligations to LIBOR indexed variable rate instruments. The notional amounts and timing of interest payments in these agreements match the related liabilities. The notional amounts of the swap agreements represent amounts used to calculate the exchange of cash flows and are not assets or liabilities of HCA. Any market risk or opportunity associated with these swap agreements is offset by the opposite market impact on the related debt. HCA's credit risk related to these agreements is considered low because the swap agreements are with creditworthy financial institutions. The interest payments under these agreements are settled on a net basis.

The following table sets forth HCA's interest rate swap agreements at December 31, 2003 (dollars in millions):

	Notional Amount	Termination Date	Fair Value
Pay-floating interest rate swap	$ 350	November 2008	$ 1
Pay-floating interest rate swap	500	June 2006	27
Pay-floating interest rate swap	150	March 2004	1

The fair value of the interest rate swaps at December 31, 2003 represents the estimated amounts HCA would have received upon termination of these agreements.

Fair Value Information

At December 31, 2003 and 2002, the fair values of cash and cash equivalents, accounts receivable and accounts payable approximated carrying values due to the short-term nature of these instruments. The

NOTE 9 — FINANCIAL INSTRUMENTS (Continued)

Fair Value Information (Continued)

estimated fair values of other financial instruments subject to fair value disclosures, determined based on quoted market prices, and the related carrying amounts are as follows (dollars in millions):

	2003		2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Investments	$1,790	$1,790	$ 1,355	$ 1,355
Interest rate swaps	29	29	43	43
Liabilities:				
Long-term debt	8,707	9,253	6,943	7,366

NOTE 10 — LONG-TERM DEBT

A summary of long-term debt at December 31, including related interest rates at December 31, 2003, follows (dollars in millions):

	2003	2002
Senior collateralized debt (rates generally fixed, averaging 7.7%) payable in periodic installments through 2034	$ 329	$ 167
Senior debt (rates fixed, averaging 7.6%) payable in periodic installments through 2095	6,268	5,188
Senior debt (floating rates, averaging 3.2%) due through 2008	1,000	775
Bank term loan (floating rates, averaging 2.1%)	600	713
Bank revolving credit facility (floating rates, averaging 1.9%)	510	100
Total debt, average life of ten years (rates averaging 6.4%)	8,707	6,943
Less amounts due within one year	665	446
	$8,042	$6,497

Bank Revolving Credit Facility

HCA's revolving credit facility (the "Credit Facility") is a $1.75 billion agreement expiring April 2006. As of December 31, 2003, HCA had $510 million outstanding under the Credit Facility.

As of December 2003, interest is payable generally at either LIBOR plus 0.7% to 1.5% (depending on HCA's credit ratings), the prime lending rate or a competitive bid rate. The Credit Facility contains customary covenants which include (i) limitations on debt levels, (ii) limitations on sales of assets, mergers and changes of ownership and (iii) maintenance of minimum interest coverage ratios. As of December 31, 2003, HCA was in compliance with all such covenants.

Significant Financing Activities

2003

In February 2003, HCA issued $500 million of 6.25% notes due February 15, 2013. In July 2003, HCA issued $500 million of 6.75% notes due July 15, 2013. Proceeds from both issuances were used to repay a portion of the amounts outstanding under the Credit Facility and for general corporate purposes.

HCA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 10 — LONG-TERM DEBT (Continued)

Significant Financing Activities (Continued)

During July 2003, HCA filed a shelf registration statement and prospectus with the SEC, which allows the Company to issue up to $2.5 billion in debt securities. Of the $2.5 billion available under the registration statement, $600 million has been issued at December 31, 2003.

During November 2003, HCA issued $350 million of 5.25% notes due November 6, 2008 and issued $250 million of 7.5% notes due November 6, 2033. Proceeds from the notes were used to repay a portion of the amounts outstanding under the Credit Facility.

2002

In April 2002, HCA issued $500 million of 6.95% notes due May 1, 2012. Proceeds from the notes were used to repay amounts outstanding under the Credit Facility and for general corporate purposes.

In September 2002, HCA issued $500 million of 6.3% notes due 2012. Proceeds from the notes were used to repay amounts outstanding under the Credit Facility and for general corporate purposes.

In February 2002, Standard & Poor's upgraded HCA's senior debt rating from BB+ to BBB-.

General Information

Maturities of long-term debt in years 2005 through 2008 (excluding borrowings under the Credit Facility) are $745 million, $714 million, $325 million and $560 million, respectively.

The estimated fair value of the Company's long-term debt was $9.253 billion and $7.366 billion at December 31, 2003 and 2002, respectively, compared to carrying amounts aggregating $8.707 billion and $6.943 billion, respectively. 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.

NOTE 11 — CONTINGENCIES

Significant Legal Proceedings

HCA operates in a highly regulated and litigious industry. As a result, various lawsuits, claims and legal and regulatory proceedings have been and can be expected to be instituted or asserted against the Company (see Note 2 — Investigations and Settlement of Certain Government Claims). The resolution of any such lawsuits, claims or legal and regulatory proceedings could materially, adversely affect HCA's results of operations and financial position in a given period.

General Liability Claims

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

HCA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 12 — CAPITAL STOCK AND STOCK REPURCHASES

Capital Stock

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

Stock Repurchase Programs

In April 2003, HCA announced an authorization to repurchase $1.5 billion of its common stock. HCA expects to repurchase its shares through open market purchases or privately negotiated transactions. During 2003, HCA, through open market purchases, repurchased under this authorization 25.3 million shares of its common stock for $900 million.

In July 2002, HCA announced an authorization to repurchase up to 12 million shares of its common stock. During 2002, HCA made open market purchases of 6.2 million shares for $282 million. During 2003, HCA purchased 5.8 million shares for $214 million, which completed the repurchases under this authorization. The repurchases were intended to offset the dilutive effect of employee stock benefit plans.

In October 2001, HCA announced an authorization to repurchase up to $250 million of its common stock. During 2001, HCA made open market purchases of 6.4 million shares for $250 million, completing the repurchase authorization.

During 2001, HCA entered into an agreement with a financial institution that resulted in the financial institution investing $400 million (at December 31, 2001) to capitalize an entity that would acquire HCA common stock. This consolidated affiliate acquired 16.8 million shares of HCA common stock in connection with HCA's settlement of certain forward purchase contracts. In June 2002, HCA repaid the financial institution and received the 16.8 million shares of the Company's common stock. The financial institution's investment in the consolidated affiliate was reflected in HCA's balance sheet at December 31, 2001, as "Company-obligated mandatorily redeemable securities of affiliate holding solely Company securities." The quarterly return on their investment, based upon a LIBOR plus 125 basis points return rate during 2001 and a LIBOR plus 87.5 basis points return rate during 2002, was recorded as minority interest expense.

In March 2000, HCA announced that its Board of Directors authorized the repurchase of up to $1 billion of its common stock. During 2001, HCA settled forward purchase contracts representing 19.6 million shares at a cost of $677 million, purchased 1.1 million shares through open market purchases at a cost of $40 million and received $17 million in premiums from the sale of put options, completing the repurchase authorization.

In November 1999, HCA announced that its Board of Directors authorized the repurchase of up to $1 billion of its common stock. During 2001, HCA settled the remaining forward purchase contracts associated with its November 1999 authorization, representing 15.7 million shares at a cost of $461 million.

During 2003, 2002 and 2001, the share repurchase transactions reduced stockholders' equity by $1.114 billion, $282 million and $738 million, respectively.

NOTE 13 — STOCK BENEFIT PLANS

In May 2000, the stockholders of HCA approved the HCA 2000 Equity Incentive Plan (the "2000 Plan"). The 2000 Plan is the primary plan under which options to purchase common stock and restricted stock may be granted to officers, employees and directors. The number of options or shares authorized under the 2000 Plan is 50,500,000 (which includes 500,000 shares authorized under a former plan). In addition, options granted under the former plan that are cancelled become available for subsequent grants. Exercise provisions

HCA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 13 — STOCK BENEFIT PLANS (Continued)

vary, but options are generally exercisable, in whole or in part, beginning one to five years after the grant date and ending ten years after the grant date.

Options to purchase common stock have been granted to officers, employees and directors under various predecessor plans. Generally, options have been granted with exercise prices no less than the market price on the date of grant. Exercise provisions vary, but most options are exercisable in whole or in part beginning one to five years after the grant date and ending four to fifteen years after the grant date.

Information regarding these option plans for 2003, 2002 and 2001 is summarized below (share amounts in thousands):

	Stock Options	Option Price Per Share	Weighted Average Exercise Price
Balances, December 31, 2000	51,233	$ 0.14 to $41.13	$ 23.58
Granted	8,384	27.56 to 46.36	36.34
Exercised	(7,631)	0.14 to 37.92	23.29
Cancelled	(1,755)	17.12 to 40.23	25.18
Balances, December 31, 2001	50,231	0.14 to 46.36	25.70
Granted	9,054	40.50 to 49.00	41.88
Exercised	(9,170)	0.38 to 45.12	24.20
Cancelled	(1,144)	7.35 to 45.12	29.07
Balances, December 31, 2002	48,971	0.14 to 49.00	28.90
Granted	9,301	31.95 to 42.36	41.86
Exercised	(4,964)	0.14 to 41.84	22.50
Cancelled	(1,627)	17.11 to 45.12	35.26
Balances, December 31, 2003	51,681	0.14 to 49.00	31.64

	2003	2002	2001
Weighted average fair value per option for options granted during the year	$ 13.49	$ 13.30	$ 15.93
Options exercisable	31,564	26,710	24,757
Options available for grant	26,166	35,035	44,024

HCA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 13 — STOCK BENEFIT PLANS (Continued)

The following table summarizes information regarding the options outstanding at December 31, 2003 (share amounts in thousands):

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 12/31/03	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at 12/31/03	Weighted Average Exercise Price
$0.38	102	Less than 1 year	$ 0.38	102	$ 0.38
24.49 to 30.90	1,496	1 year	25.73	1,496	25.73
29.22 to 41.13	2,542	2 years	34.73	2,542	34.73
26.74 to 37.92	9,125	4 years	29.88	9,125	29.88
21.16 to 30.93	1,843	4 years	24.66	1,843	24.66
17.12 to 24.49	8,226	5 years	17.23	8,226	17.23
20.00 to 29.94	3,780	6 years	20.86	2,236	20.75
27.56 to 39.25	6,125	7 years	35.78	2,814	35.81
40.50 to 49.00	8,855	8 years	42.08	2,477	42.24
31.95 to 42.36	9,027	9 years	41.87	143	40.73
0.14 to 0.38	560	12 years	0.20	560	0.20
	51,681			31,564	

HCA's amended and restated Employee Stock Purchase Plan ("ESPP") provides an opportunity to purchase shares of its common stock at a discount (through payroll deductions over six-month periods) to substantially all employees. In May 2001, HCA stockholders approved an increase to the number of shares that may be issued pursuant to the ESPP by 10,000,000 shares. At December 31, 2003, 8,368,200 shares of common stock were reserved for HCA's employee stock purchase plan.

Under the 2000 Plan and the Management Stock Purchase Plan ("MSPP"), HCA has made grants of restricted shares or units of HCA's common stock to provide incentive compensation to employees. Performance equity plan grants are made annually, based on the achievement of specified performance goals. These shares have a two-year vesting period with half the shares vesting at the end of the first year and the remainder vesting at the end of the second year. The MSPP allows eligible employees to defer an elected percentage (not to exceed 25%) of their base salaries through the purchase of restricted stock at a 25% discount from the average market price. Purchases of restricted shares are made twice a year and the shares vest after three years.

At December 31, 2003, 1,739,400 shares were subject to restrictions, which lapse between 2004 and 2006. During 2003, 2002 and 2001, grants and purchases of 1,039,900, 870,900 and 857,500 shares, respectively, were made at weighted-average grant or purchase date fair values of $42.08, $42.72 and $35.78 per share, respectively, related to the performance equity plan. During 2003, 2002 and 2001, grants and purchases of 148,900, 113,300, 112,000 shares, respectively, were made at weighted-average grant or purchase date discounted (25% discount) fair values of $30.21, $32.77 and $28.62 per share, respectively, related to the MSPP.

NOTE 14 — EMPLOYEE BENEFIT PLANS

HCA maintains noncontributory, defined contribution retirement plans covering substantially all employees. Benefits are determined as a percentage of a participant's salary and vest over specified periods of

HCA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 14 — EMPLOYEE BENEFIT PLANS (Continued)

employee service. Retirement plan expense was $166 million for 2003, $140 million for 2002 and $128 million for 2001. Amounts approximately equal to retirement plan expense are funded annually.

HCA maintains various contributory benefit plans that are available to employees who meet certain minimum requirements. Certain of the plans require that HCA match certain percentages of participants' contributions up to certain maximum levels (generally 50% of the first 3% of compensation deferred by participants). The cost of these plans totaled $48 million for 2003, $47 million for 2002 and $41 million for 2001. HCA's contributions are funded periodically during each year.

During 2001 HCA adopted a Supplemental Executive Retirement Plan ("SERP") for certain executives. The plan is designed to ensure that upon retirement the participant receives a prescribed life annuity from a combination of the SERP and HCA's other benefit plans. Compensation expense under the plan was $7 million for 2003, $9 million for 2002 and $2 million for 2001. Accrued benefits liabilities under this plan totaled $44 million at December 31, 2003, and $30 million at December 31, 2002.

HCA maintains certain defined benefit pension plans that resulted from acquisitions of certain hospitals in prior years. Compensation expense under these plans was $17 million for 2003, $8 million for 2002, and $2 million for 2001. Accrued benefits liabilities under these plans totaled $19 million at December 31, 2003, and $22 million at December 31, 2002.

NOTE 15 — SEGMENT AND GEOGRAPHIC INFORMATION

HCA operates in one line of business, which is operating hospitals and related health care entities. During all three years ended December 31, 2003, 2002 and 2001, approximately 28% of HCA's revenues related to patients participating in the Medicare program.

HCA's operations are structured in two geographically organized groups: the Eastern Group includes 91 consolidating hospitals located in the Eastern United States and the Western Group includes 85 consolidating hospitals located in the Western United States. HCA also operates eight consolidating hospitals in England and Switzerland and these facilities are included in the Corporate and other group.

  Adjusted segment EBITDA is defined as income before depreciation and amortization, interest expense, settlement with government agencies, gains on sales of facilities, impairment of investment securities, impairment of long-lived assets, investigation related costs, loss on retirement of debt, minority interests and income taxes. HCA uses adjusted segment EBITDA as an analytical indicator for purposes of allocating resources to geographic areas and assessing their performance. Adjusted segment EBITDA is commonly used as an analytical indicator within the health care industry, and also serves as a measure of leverage capacity and debt service ability. Adjusted segment EBITDA should not be considered as a measure of financial performance under generally accepted accounting principles, and the items excluded from adjusted segment EBITDA are significant components in understanding and assessing financial performance. Because adjusted segment EBITDA is not a measurement determined in accordance with generally accepted accounting principles and is thus susceptible to varying calculations, adjusted segment EBITDA, as presented, may not be comparable to other similarly titled measures of other companies. The geographic distributions, restated for the transfers of certain facilities to the Corporate and other group from the Eastern and Western Groups, of

HCA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 15 — SEGMENT AND GEOGRAPHIC INFORMATION (Continued)

HCA's revenues, equity in earnings of affiliates, adjusted segment EBITDA, depreciation and amortization, assets and goodwill are summarized in the following table (dollars in millions):

	For the Years Ended December 31,		
	2003	2002	2001
Revenues:			
Eastern Group	$ 10,513	$ 9,896	$ 8,789
Western Group	10,734	9,303	8,380
Corporate and other	561	530	784
	$21,808	$19,729	$17,953
Equity in earnings of affiliates:			
Eastern Group	$ (9)	$ (9)	$ (16)
Western Group	(185)	(196)	(153)
Corporate and other	(5)	(1)	11
	$ (199)	$ (206)	$ (158)
Adjusted Segment EBITDA:			
Eastern Group	$ 2,053	$ 2,132	$ 1,907
Western Group	2,065	2,051	1,704
Corporate and other	(197)	(282)	(190)
	$ 3,921	$ 3,901	$ 3,421
Depreciation and amortization:			
Eastern Group	$ 485	$ 445	$ 450
Western Group	492	432	439
Corporate and other	135	133	159
	$ 1,112	$ 1,010	$ 1,048
Adjusted Segment EBITDA	$ 3,921	$ 3,901	$ 3,421
Depreciation and amortization	1,112	1,010	1,048
Interest expense	491	446	536
Settlement with government agencies	(41)	603	262
Gains on sales of facilities	(85)	(6)	(131)
Impairment of investment securities	—	168	—
Impairment of long-lived assets	130	19	17
Investigation related costs	8	58	65
Loss on retirement of debt	—	—	28
Income before minority interests and income taxes	$ 2,306	$ 1,603	$ 1,596

	As of December 31,	
	2003	2002
Assets:		
Eastern Group	$ 7,533	$ 7,046
Western Group	8,549	6,867
Corporate and other	4,981	4,828

	$21,063	$18,741

HCA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 15 — SEGMENT AND GEOGRAPHIC INFORMATION (Continued)

	Eastern Group	Western Group	Corporate and Other	Total
Goodwill:				
Balance at December 31, 2002	$ 918	$ 841	$ 235	$1,994
Acquisitions	5	486	—	491
Sales of facilities	(3)	—	(10)	(13)
Foreign currency translation	—	—	9	9
Balance at December 31, 2003	$ 920	$1,327	$ 234	$2,481

NOTE 16 — OTHER COMPREHENSIVE INCOME

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

	Unrealized Gains on Available-for-Sale Securities	Currency Translation Adjustments	Defined Benefit Plans	Total
Balance at December 31, 2000	$ 53	$ (1)	$ —	$ 52
Unrealized gains on available-for-sale securities, net of $4 of income taxes	6	—	—	6
Gains reclassified into earnings from other comprehensive income, net of $23 of income taxes	(40)	—	—	(40)
Balance at December 31, 2001	19	(1)	—	18
Unrealized losses on available-for-sale securities, net of $47 income tax benefit	(81)	—	—	(81)
Losses reclassified into earnings from other comprehensive income, net of $62 income tax benefit	108	—	—	108
Currency translation adjustments, net of $8 of income taxes	—	36	—	36
Defined benefit plans, net of $5 income tax benefit	—	—	(8)	(8)
Balance at December 31, 2002	46	35	(8)	73
Unrealized gains on available-for-sale securities, net of $52 of income taxes	92	—	—	92
Currency translation adjustments, net of $20 of income taxes	—	11	—	11
Defined benefit plans, net of $5 income tax benefit	—	—	(8)	(8)
Balance at December 31, 2003	$ 138	$ 46	$ (16)	$168

HCA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

NOTE 17 — ACCRUED EXPENSES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

	2003	2002
Employee benefit plans	$ 174	$ 165
Workers compensation	31	36
Taxes other than income	142	139
Professional liability risks	310	358
Interest	115	92
Other	344	323
	$1,116	$1,113

A summary of activity in HCA's allowance for doubtful accounts follows (dollars in millions):

	Balance at Beginning of Year	Provision for Doubtful Accounts	Accounts Written off, Net of Recoveries	Balance at End of Year
Allowance for doubtful accounts:				
Year-ended December 31, 2001	$ 1,583	$1,376	$ (1,147)	$ 1,812
Year-ended December 31, 2002	1,812	1,581	(1,348)	2,045
Year-ended December 31, 2003	2,045	2,207	(1,603)	2,649

HCA INC.

QUARTERLY CONSOLIDATED FINANCIAL INFORMATION
(UNAUDITED)
(Dollars in millions, except per share amounts)

	2003			
	First	Second	Third	Fourth
Revenues	$5,273	$5,467	$5,471	$5,597
Net income	$ 469(a)	$ 240(b)	$ 306(c)	$ 317(d)
Basic earnings per share	$ 0.92(a)	$ 0.47(b)	$ 0.62(c)	$ 0.64(d)
Diluted earnings per share	$ 0.90(a)	$ 0.47(b)	$ 0.61(c)	$ 0.63(d)
Cash dividends	$ 0.02	$ 0.02	$ 0.02	$ 0.02
Market prices(h):				
High	$44.45	$41.36	$40.05	$43.45
Low	37.00	27.30	31.60	35.11

	2002			
	First	Second	Third	Fourth
Revenues	$4,873	$4,903	$4,929	$5,024
Net income (loss)	$ 385	$ 350(e)	$ 200(f)	$ (102)(g)
Basic earnings (loss) per share	$ 0.76	$ 0.68(e)	$ 0.39(f)	$ (0.20)(g)
Diluted earnings (loss) per share	$ 0.74	$ 0.66(e)	$ 0.38(f)	$ (0.20)(g)
Cash dividends	$ 0.02	$ 0.02	$ 0.02	$ 0.02
Market prices(h):				
High	$44.45	$52.05	$48.61	$51.98
Low	37.35	43.30	39.62	36.21

(a) First quarter results include $42 million ($0.08 per basic and diluted share) of gains on sales of facilities (See NOTE 3 of the notes to consolidated financial statements).

(b) Second quarter results include $79 million ($0.16 per basic and $0.15 per diluted share) of charges related to the impairment of long-lived assets (See NOTE 4 of the notes to consolidated financial statements).

(c) Third quarter results include $7 million ($0.01 per basic and diluted share) of gains on sales of facilities (See NOTE 3 of the notes to consolidated financial statements).

(d) Fourth quarter results include $25 million ($0.05 per basic and diluted share) of benefits related to the settlement with government agencies. (See NOTE 2 of the notes to consolidated financial statements).

(e) Second quarter results include $18 million ($0.03 per basic and diluted share) of charges related to the impairment of long-lived assets (See NOTE 4 of the notes to consolidated financial statements).

(f) Third quarter results include $107 million ($0.21 per basic share and $0.20 per diluted share) of charges related to the impairment of investment securities (See NOTE 5 of the notes to consolidated financial statements).

(g) Fourth quarter results include $418 million ($0.82 per basic and diluted share) of charges related to the settlement with government agencies and $4 million ($0.01 per basic and diluted share) of gains on sales of facilities. (See NOTES 2 and 3 of the notes to consolidated financial statements).

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

EXHIBIT 10.21(b)

FIRST AMENDMENT TO THE
HCA SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

This is the First Amendment to the HCA Supplemental Executive Retirement Plan, as effective July 1, 2001 (the "Plan"). Under Section 8.1 of the Plan, the Board of Directors of HCA Inc. has the right to amend the Plan in the following particulars. Accordingly, the Board of Directors hereby amends the Plan in the following particulars effective as of October 1, 2003.

1.

The following sentence is added to Section 3.1, relating to Benefit Amount, to follow the last sentence thereof:

> Unless the Participant voluntarily pays his share of the FICA tax due and payable with respect to his Benefit, the Participant's Benefit shall be reduced utilizing Actuarial Factors (unless a lump-sum is paid, in which case the lump-sum will be directly offset) by the FICA tax payment made by the Employer on the Participant's behalf.

2.

In order to change the death benefit provisions with respect to individuals who die prior to retirement, Section 5.1 of the Plan is amended to read as follows:

> 5.1 DEATH. In the event of the death of a married Participant prior to Retirement, but after attainment of age 55, an annuity shall be supplied for the benefit of the Participant's surviving spouse with payments beginning as soon a administratively feasible following death which shall provide the surviving spouse with payments for life equal to the 100% survivor portion of a joint and 100% survivor annuity which could have been provided (assuming eligibility conditions met) for the Participant and spouse with the Participant's Benefit as determined on the day immediately preceding the date of the Participant's death. The Early Retirement factors supplied in Section 3.1(b)(1) shall be utilized to calculate the Benefit that would exist if a single life annuity was payable. (Such Benefit amount shall then be utilized to calculate the actual survivor annuity Benefit.) In the event of death of a married Participant prior to age 55, an annuity shall be supplied for the Participant's surviving spouse with payments beginning as soon as administratively feasible following death which shall supply the surviving spouse with payments for life equal to the 100% survivor portion of a joint and 100% survivor annuity which could have been provided (assuming eligibility conditions were met) for the Participant and spouse with the Participant's Benefit as determined on the day immediately preceding the date of the Participant's death. The Early Retirement factors supplied in Section 3.1(b)(1) shall be utilized to calculate the Benefit at age 55, and such age 55 Benefit shall then be reduced by Actuarial Factors to the date of death, to calculate the Benefit that would exist if a single life annuity was payable. (Such Benefit amount shall then be utilized to calculate the actual survivor annuity Benefit.) Should a married Participant die after Retirement, but before his Benefit payments begin and before a benefits election form has been received by the Committee, then an annuity shall be supplied for the benefit of the Participant's surviving spouse with payments beginning as soon as administratively feasible following death which shall supply the surviving spouse with payments for life equal to the survivor portion of a joint and 100% survivor annuity which could

have been provided for the Participant and spouse with the Participant's Benefit as determined on the day immediately preceding the date of the Participant's death. Notwithstanding the preceding provisions of this Section 5.1, at its discretion, the Committee may pay any surviving spouse's foregoing Benefits or the remainder thereof in the form of a lump-sum distribution in cash. In such a case, the Actuarial Factors shall be utilized to calculate the lump-sum amount. No death benefits shall exist whatsoever for a single Participant.

3.

All provisions of the Plan not inconsistent herewith are hereby ratified and confirmed.

EFFECTIVE DATE OF SCHEDULE: NOVEMBER 1, 2003 SCHEDULE A

POSITION	ACCRUAL RATE PERCENTAGE	EMPLOYEE HOLDING TITLE IN 2003	INITIAL PARTICIPATION DATE
CEO	2.4	Jack O. Bovender, Jr.	07/01/01
President & COO	2.4	Richard M. Bracken	07/01/01
Eastern Group President	2.4	Jay Grinney	07/01/01
Eastern Group CFO	2.2	Bill B. Rutherford	07/01/01
Western Group President	2.4	Samuel N. Hazen	07/01/01
WESTERN GROUP CFO	2.2	Richard J. Shallcross	07/01/01
President - Financial Services Group	2.2	Beverly B. Wallace	07/01/01
President - Ambulatory Surgery Division	2.2	Greg Roth	07/01/01
CFO AMBULATORY SURGERY DIVISION	2.2	Don Liedtke	07/01/01
SVP & General Counsel	2.2	Robert A. Waterman	07/01/01
SVP & CIO	2.2	Noel B. Williams	07/01/01
SVP & Controller	2.2	R. Milton Johnson	07/01/01
SVP Finance & Treasurer	2.2	David G. Anderson	07/01/01
SVP, Development	2.2	V. Carl George	07/01/01
SVP, Ethics, Compliance & Corp. Responsibility	2.2	Alan P. Yuspeh	07/01/01
SVP, Government Programs	2.2	Patricia T. Lindler	07/01/01
SVP, Human Resources	2.2	John M. Steele	11/01/03
SVP, Internal Audit & Consulting Services	2.2	Joseph N. Steakley	07/01/01
SVP, Investor Relations & Public Relations	2.2	Victor L. Campbell	07/01/01
SVP, Operations Administration	2.2	A. Bruce Moore, Jr.	07/01/01
SVP, Operations Finance	2.2	Rosalyn S. Elton	07/01/01
SVP, Contracts & Operations Support	2.2	James A. Fitzgerald	07/01/01
Medical Director & SVP Quality	2.2	Frank M. Houser	07/01/01
DIVISION PRESIDENT - FINANCIAL SERVICES	2.2	Eric Ward	04/01/03

Division President - Continental Division	2.2	Jeffrey A. Dorsey	07/01/01
DIVISION CFO - CONTINENTAL	2.2	Gregory J. D'Argonne	07/01/01
Division President - Southeast	2.2	Charles R. Evans	07/01/01
DIVISION CFO - SOUTHEAST	2.2	Jeffrey T. Crudele	07/01/01
Division President - East Florida	2.2	Stephen L. Royal	04/01/03
DIVISION CFO - EAST FLORIDA	2.2	James M. Petkas	07/01/01
Division President - International Operations	2.2	John Kausch	07/01/01
DIVISION CFO - INTERNATIONAL OPERATIONS	2.2	Michael Neeb	07/01/01
Division President - Delta	2.2	Maurice L. Lagarde	07/01/01
DIVISION CFO - DELTA	2.2	Michael A. Reese	07/01/01
Division President - Far West	2.2	Thomas J. May	07/01/01
DIVISION CFO - FAR WEST	2.2	Donald W. Stinnett	07/01/01
Division President - West Florida	2.2	J. Daniel Miller	07/01/01
DIVISION CFO - WEST FLORIDA	2.2	R. Samuel Hankins	07/01/01
Division President - North Texas	2.2	William D. Poteet, III	07/01/01
DIVISION CFO - NORTH TEXAS	2.2	Thomas O. Corley	07/01/01
Division President - Mid America	2.2	William P. Rutledge	07/01/01
DIVISION CFO - MID AMERICA	2.2	Russell K. Harms	07/01/01
DIVISION PRESIDENT - NORTH FLORIDA	2.2	Charles J. Hall	07/01/01
DIVISION CFO - NORTH FLORIDA	2.2	Kim M. Lelli	07/01/01
Division President - Gulf Coast	2.2	Michael D. Snow	07/01/01
DIVISION CFO - GULF COAST	2.2	Jeffry R. Anthony	07/01/01
Division President -Central Atlantic	2.2	Marilyn B. Tavenner	07/01/01
DIVISION CFO - CENTRAL ATLANTIC	2.2	V. Lynn Strader	07/01/01
DIVISION PRESIDENT - MIDWEST	2.2	Bryan Rogers	04/01/03
DIVISION CFO - MIDWEST	2.2	Clifton Mills	04/01/03
INACTIVE PARTICIPANTS			
Division President - North Florida	2.2	James W. Slack, Jr. (retired 5/31/03)	07/01/01
SVP, Human Resources	2.2	Philip R. Patton (deceased 10/23/03) Susan Patton (Spouse)	07/01/01 11/1/03

EXHIBIT 10.24

HCA BOARD OF DIRECTOR COMPENSATION

HCA BOD PAY ELEMENT	RECOMMENDATIONS

Annual Retainer	- $50,000 base value
	- Choice of cash, restricted stock (RS) or restricted stock units (RSUs)
	  - 25% premium for RS or RSUs with 2-year cliff vesting
	  - Pro-rata acceleration upon death or disability
	  - Immediate forfeiture of RS upon voluntary or involuntary termination

Board Meeting Fees	- $1,500 per meeting - Paid in cash
Committee Member Retainer (annual)	- $3,000 per Committee - Same choices as annual retainer
Committee Meeting Fees	- $1,200 per meeting - Paid in cash
Committee Chair Retainer (annual) - Audit - All Other	 - $20,000 - $ 7,500 - Same choices as annual retainer
Committee Chair Meeting Fees	- $1,500 per meeting - Paid in cash

Long-Term Incentives (ongoing)	- $100,000 Black-Scholes value delivered in stock options upon re-election to the Board
	  - 10-year term
	  - Vest 20% per year, with 1st year vesting immediately
	  - Immediate vesting upon termination due to change in control, death, disability, or retirement
	  - Immediate forfeiture of vested and unvested options upon termination due to cause
	  - Immediate forfeiture of unvested options at voluntary or involuntary termination
	  - Ability to exercise options within 1 year of termination due to death or disability and within 3 years of retirement

Long-Term Incentives (initial)	- 5,000 Restricted Shares, upfront grant for new Directors only - 3-year ratable vesting

EXHIBIT 12

HCA INC.
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(UNAUDITED)
(DOLLARS IN MILLIONS)

	YEAR ENDED DECEMBER 31,				
	2003	2002	2001	2000	1999
Earnings:					
Income before minority interests and income taxes	$2,306	$1,603	$1,596	$ 600	$1,284
Fixed charges, exclusive of capitalized interest	611	558	647	663	581
	$2,917	$2,161	$2,243	$1,263	$1,865
Fixed charges:					
Interest charged to expense	$ 491	$ 446	$ 536	$ 559	$ 471
Interest portion of rental expense	120	112	111	104	110
Fixed charges, exclusive of capitalized interest	611	558	647	663	581
Capitalized interest	49	37	15	21	19
	$ 660	$ 595	$ 662	$ 684	$ 600
Ratio of earnings to fixed charges	4.42	3.63	3.39	1.85	3.11

EXHIBIT 21

ALABAMA

Alabama-Tennessee Health Network, Inc.
CareOne Home Health Services, Inc.
Four Rivers Medical Center PHO, Inc.
Selma Medical Center Hospital, Inc.

ALASKA

Chugach PT, Inc.
Columbia Behavioral Healthcare, Inc.
Columbia North Alaska Healthcare, Inc.

ARKANSAS

Central Arkansas Provider Network, Inc.
Columbia Health System of Arkansas, Inc.

BERMUDA

Parthenon Insurance Company, Limited

CALIFORNIA

Birthing Facility of Beverly Hills, Inc.
C.H.L.H., Inc.
CFC Investments, Inc.
CH Systems
Chino Community Hospital Corporation, Inc.
Columbia ASC Management, L.P.
Columbia Fallbrook, Inc.
Columbia Riverside, Inc.
Columbia/HCA San Clemente, Inc.
Community Hospital of Gardena Corporation, Inc.
Encino Hospital Corporation, Inc.
Far West Division, Inc.
Galen-Soch, Inc.
HCA Allied Health Services of San Diego, Inc.
HCA Health Services of California, Inc.
HCA Hospital Services of San Diego, Inc.
Healdsburg General Hospital, Inc.
L E Corporation
Las Encinas Hospital
Los Gatos Surgical Center, a California Limited Partnership
        Los Gatos Surgical Center
Los Robles Regional Medical Center
        Los Robles Regional Medical Center
Los Robles Surgicenter JV
MCA Investment Company
Mission Bay Memorial Hospital, Inc.

Neuro Affiliates Company
Psychiatric Company of California, Inc.
Riverside Healthcare System, L.P.
        Riverside Community Hospital
Riverside Holdings, Inc.

Riverside Surgicenter, L.P.
Riverside Community Surgi-Center
San Joaquin Surgical Center, Inc.
San Jose Healthcare System, Inc.
Southwest Surgical Clinic, Inc.
Surgicare of Beverly Hills, Inc.
Surgicare of Los Gatos, Inc.
Surgicare of Montebello, Inc.
Surgicare of Riverside, LLC
Surgicare of West Hills, Inc.
Ukiah Hospital Corporation
Visalia Community Hospital, Inc.
VMC Management, Inc.
VMC-GP, Inc.
West Hills Hospital
West Hills Hospital & Medical Center
West Hills Surgical Center, Ltd.
West Hills Surgical Center
West Los Angeles Physicians' Hospital, Inc.
Westminster Community Hospital
Westside Hospital Limited Partnership
Windsor Health Group Medical Building Partnership
Windsor Health Group Medical Building, LLC

COLORADO

Bethesda Psychealth Ventures, Inc.
Breckenridge Medical Center, LLC
Centrum Surgery Center, Ltd.
Centrum Surgical Center
Colorado Health Systems, Inc.
Colorado Healthcare Management, LLC
Columbine Psychiatric Center, Inc.
Conifer MOB, LLC
Continental Division I, Inc.
Denver Mid-Town Surgery Center, Ltd.
Midtown Surgical Center
Diagnostic Mammography Services, G.P.
Galen of Aurora, Inc.
HCA-HealthONE, LLC
Advanced Center for Spinal Microsurgery
Air Life
Arapahoe Medical Plaza
Aurora Trauma Service
Belmar Multispecialty
Bethesda Employee Assistance Program
Bethesda Employee Assistance Services
Beyond Your Expectations
CallONE
Cardiology Imaging Group

Centennial Athletic Club
Centennial Medical Center
Centennial Medical Plaza
Centennial Medical Plaza TravelCare
Centennial Medical Plaza TravelCare Immunization Clinic
Center for Eating Management
Colorado Care Manor
Common Sensitivities
Denver Wound Healing Center
Esophogeal and Pelvic Floor Center
HealthONE Emergency Services
HealthONE for Children

HealthONE Progressive Care Center
HealthONE Senior Health Care Center
HealthONE Sports Injury Screening
HeartONE for Children Institute
High Street Primary Care Center
KidZ Care
Lifelong Choices
Lung Cancer Clinic of the Rockies
Medical Business Access
Mountain View Nurse Midwives
North Suburban Medical Center
One Call Does it All
P/SL Blood Donor Center
P/SL Bone Marrow Transplant Program
P/SL Cardiac Emergency Network
P/SL Community Health Network
P/SL Community Health Services
P/SL Heart-Lung Transplant Program
P/SL Hyperbaric Oxygen Medicine
P/SL Kidney-Pancreas Transplant Program
P/SL Magnetic Resonance Imaging
P/SL Medical Center for Children
P/SL Mile High Medical Arts Building
P/SL Women's and Children's Hospital
Patient Care 2000
Peak Performance in the Workplace
Positive Lifestyles
Presbyterian/St. Luke's Medical Center
Presbyterian/St. Luke's Mother and Child Hospital
PresExpress
PREStaurant
RapidCare
Rocky Mountain Blood and Marrow Transplant Program
Rocky Mountain Children's Cancer Center
Rocky Mountain Colon & Rectal Surgery
Rocky Mountain Gastrointestinal Motility Clinic
Rocky Mountain Healthcare Support Services
Rocky Mountain KidsCare
Rocky Mountain Neurology Center
Rocky Mountain Pediatric Care
Rose Family Medicine Center
Rose Institute for Joint Replacement
Rose Institute for Sports Medicine
Rose Medical Center

Rose Medical Center Cherry Creek Eye Center
Rose Midwifery Clinic
Rose Sleep Disorders Center
Rose Sports Medicine
Senior Health Access
Sky Ridge Cancer Center
Sky Ridge Medical Center
Sky Ridge Sports Medicine & Rehabilitation Center
Spine Care Clinic
Support Line
Swedish Hospital
Swedish Medical Center
The Center for Breast Health
The Center for Ear, Nose and Throat - Head and Neck Surgery
The Denver Spine Institute
The Lactation Program
The Medical Center of Aurora
The Medical Center of Aurora Sleep Disorders Center

The Medical Center of Centennial
The Parent Line
The Rose Center for Study of Gastroesophageal Diseases
The Senior Care Center at the Medical Center of Aurora
United SeniorCare
United Services Medical Clinic
Health Care Indemnity, Inc.
HealthONE Clear Creek, Inc.
HealthONE Clinic Services, LLC
Broncos Sports Medicine
Denver Broncos Sports Medicine
HealthONE Clinic Services
HealthONE Occupational Health Center
HealthONE of Denver, Inc.
HealthONE Trauma Services, LLC
Hospital-Based CRNA Services, Inc.
Lakewood Outpatient Surgical Center, Ltd.
Lakewood Surgicare, Inc.
Medical Imaging of Colorado, LLC
MOVCO, Inc.
New Rose Holding Company, Inc.
North Suburban Surgery Center, L.P.
Outpatient Surgery Center of Lakewood, L.P.
Lakewood Surgical Center
Rose Ambulatory Surgery Center, L.P.
Rose Surgical Center
Rose Health Partners, LLC
Rose POB, Inc.
Sky Ridge Surgery Center, L.P.
Sky Ridge Surgical Center
Southwest MedPro, Ltd.
Surgicare of Denver Mid-Town, Inc.
Surgicare of North Suburban, Inc.
Surgicare of Rose, Inc.
Surgicare of Sky Ridge, Inc.
Surgicare of Southeast Denver, Inc.
Surgicare of Swedish, Inc.
Swedish Medpro, Inc.

Swedish MOB II, Inc.
Swedish MOB II, LLC
Swedish MOB III
Swedish MOB III, Inc.
Swedish MOB IV
Swedish MOB IV, Inc.
Swedish MOB, LLC

DELAWARE

AC Med, LLC
Aligned Business Consortium Group, L.P.
Alternaco, LLC
American Medicorp Development Co.
Ami-Point GA, LLC
AOGN, LLC
Arkansas Medical Park, LLC
Atlanta Healthcare Management, L.P.
Atlanta Market GP, Inc.
Atlanta Orthopaedic Surgical Center, Inc.
Bayshore Partner, LLC
Belton Family Practice Clinic, LLC
Blue Ridge Clinic, LLC
BNA Associates, Inc.

Brunswick Hospital, LLC
C/HCA Capital, Inc.
C/HCA, Inc.
Capital Medical Center Partner, LLC
Central Health Holding Company, Inc.
Central Health Services Hospice, Inc.
Chattanooga ASC, LLC
CHC Finance Co.
CHC Payroll Agent, Inc.
CHCA Bayshore, L.P.
    Bayshore Medical Center
CHCA Clear Lake L.P.
    Clear Lake Heart Institute
    Clear Lake Regional Medical Center
    Clear Lake Regional Medical Center - Alvin Diagnostic and Urgent Care Center
CHCA Conroe, L.P.
    Conroe Regional Medical Center
CHCA East Houston, L.P.
    East Houston Regional Medical Center
CHCA Hospital LP, Inc.
CHCA Mainland, L.P.
    Mainland Medical Center
CHCA Palmyra Partner, Inc.
CHCA West Houston, L.P.
    Sugar Land Cancer Center
    Sugar Land Medical Center
    West Houston Medical Center
CHCA Woman's Hospital, L.P.
    Woman's Hospital of Texas
Cheray and Samuels, LLC

Clear Lake Merger, LLC
Clear Lake Regional Partner, LLC
Clearwater GP, LLC
ClinicServ, LLC
CMS GP, LLC
Coastal Bend Hospital, Inc.
Coastal Healthcare Services, Inc.
Coliseum Health Group, LLC
Coliseum Medical Center, LLC
    Coliseum Medical Centers
Coliseum Psychiatric Center, LLC
    Coliseum Psychiatric Center
Coliseum Surgery Center, L.L.C.
Columbia Behavioral Health, LLC
Columbia Homecare Group, Inc.
Columbia Hospital (Palm Beaches) Limited Partnership
    Columbia Hospital
    Poinciana at Palm Beach
Columbia Hospital Corporation of Fort Worth
Columbia Hospital Corporation of Houston
Columbia Hospital Corporation - Delaware
Columbia Management Companies, Inc.
Columbia Mesquite Health System, L.P.
Columbia Olympia Management, Inc.
Columbia Palm Beach GP, LLC
Columbia Palms West Hospital Limited Partnership
    Palms West Hospital
    Palms West Outpatient Rehabilitation & Aquatic Center
Columbia Rio Grande Healthcare, L.P.
    Rio Grande Regional Hospital
Columbia Valley Healthcare System, L.P.

Valley Regional Medical Center
Columbia Westbank Healthcare, L.P.
Columbia/HCA Middle East Management Company
Columbia/JFK Medical Center Limited Partnership
JFK Medical Center
Columbia-SDH Holdings, Inc.
Conroe Partner, LLC
CoralStone Management, Inc.
COSCORP, LLC
CPS TN Processor 1, Inc.
CRMC-M, LLC
Dallas/Ft. Worth Physicians, LLC
Danforth Hospital, Inc.
Delta Division, Inc.
DeSoto Family Practice, LLC
Doctors Hospital of Augusta, LLC
Doctors Hospital
Drake Development Company
Drake Development Company II
Drake Development Company III
Drake Development Company IV
Drake Development Company V
Drake Development Company VI
Drake Management Company
EarthStone HomeHealth Company

East Houston Partner, LLC
Edmond Regional Medical Center, LLC
Edmond Medical Center
Electa Health Network, LLC
EMMC, LLC
EP Health, LLC
EP Holdco, LLC
EPIC Development, Inc.
EPIC Diagnostic Centers, Inc.
EPIC Healthcare Management Company
EPIC Surgery Centers, Inc.
Extendicare Properties, Inc.
Fairview Park GP, LLC
Fairview Partner, LLC
Family Care of E. Jackson County, LLC
FHAL, LLC
Forest Park Surgery Pavilion, Inc.
Forest Park Surgery Pavilion, L.P.
Fort Bend Hospital, Inc.
Galen (Kansas) Merger, LLC
Galen BH, Inc.
Galen Finance, Inc.
Galen GOK, LLC
Galen Holdco, LLC
Galen Hospital Alaska, Inc.
Alaska Regional Hospital
Galen International Capital, Inc.
Galen International Holdings, Inc.
Galen KY, LLC
Galen LA, LLC
Galen MCS, LLC
Galen Medical Corporation
Galen MRMC, LLC
Galen NMC, LLC
Galen NSH, LLC
Galen SOM, LLC
Galen SSH, LLC
Galendeco, Inc.

GalTex, LLC
Garden Park Community Hospital Limited Partnership
Coastal Imaging Center of Gulfport
Gary Berger, DO, LLC
General Healthserv, LLC
Georgia Health Holdings, Inc.
Georgia, L.P.
GHC - Galen Health Care, LLC
GKI Lawrence, LLC
Glendale Surgical, LLC
Good Samaritan Hospital, L.P.
Good Samaritan Hospital
Good Samaritan Hospital, LLC
Goppert Family Care, LLC
GPCH-GP, Inc.
Garden Park Medical Center

Grand Strand Regional Medical Center, LLC
Grand Strand Regional Medical Center
South Strand Senior Health Center
Grandview Health Care Clinic, LLC
H.H.U.K., Inc.
HCA Health Services of Midwest, Inc.
HCA Holdco, LLC
HCA Imaging Services of North Florida, Inc.
HCA Management Services, L.P.
HCA Property GP, LLC
HCA Psychiatric Company
HCA Squared, LLC
HCA Wesley Rehabilitation Hospital, Inc.
Health Services (Delaware), Inc.
Health Services Merger, Inc.
Healthcare Technology Assessment Corporation
Healthco, LLC
Healthnet of Kentucky, LLC
Healthserv Acquisition, LLC
Healthtrust MOB Tennessee, LLC
Healthtrust MOB, LLC
Healthtrust Purchasing Group, L.P.
Healthtrust, Inc. - The Hospital Company
Hearthstone Home Health, Inc.
Heloma Operations, LLC
Hendersonville ODC, LLC
HHNC, LLC
HM EHS, LLC
HM NKCH, LLC
HM OMCOS, LLC
Holden Family Health Care, LLC
Hospital Corp., LLC
Hospital Development Properties, Inc.
Edmond Regional Medical Building
Hospital of South Valley, LLC
Hospital Partners Merger, LLC
Houston Healthcare Holdings, Inc.
Houston Woman's Hospital Partner, LLC
HSS Holdco, LLC
HSS Systems VA, LLC
HSS Systems, LLC
Continental Supply Chain Services
Delta Division Supply Chain Services
East Florida Supply Chain Services
Far West Las Vegas Consolidated Distribution Center
Far West Supply Chain Services
Gulf Coast Supply Chain Services

HealthONE Denver Patient Account Services
HealthOne Supply Chain Services
Midwest Supply Chain Services
North Florida Supply Chain Services
North Texas Supply Chain Operations
Patient Acount Services - Atlanta
Patient Acount Services - Dallas
Patient Acount Services - Denver
Patient Acount Services - Houston

Patient Acount Services - Las Vegas
Patient Acount Services - Orange Park
Patient Acount Services - San Antonio
Patient Acount Services - Tampa Bay
Southeast Supply Chain Services
West Florida Supply Chain Services
HTI Hospital Holdings, Inc.
Indian Path, LLC
Indianapolis Hospital Partner, LLC
Integrated Regional Laboratories
Internal Medicine Associates of Lee's Summit, LLC
Jackson County Medical Group, LLC
JCSH, LLC
JCSHLP, LLC
JV Investor, LLC
Kansas Healthserv, LLC
Katy Medical Center, Inc.
Kendall Regional Medical Center, LLC
Lake City Health Centers, Inc.
Lakeland Medical Center, LLC
Lakeside Radiology, LLC
Lakeview Medical Center, LLC
Lakeview Regional Medical Center
Laredo Medco, LLC
Lawrence Amdeco, LLC
Lawrence Medical, LLC
Lee's Summit Family Care, LLC
Lewis-Gale Medical Center, LLC
Lewis-Gale Advantage EAP
Lewis-Gale Medical Center
Lewis-Gale Psychiatric Center
Louisiana Hospital Holdings, Inc.
Low Country Health Services, Inc. of the Southeast
Macon Healthcare, LLC
Macon Northside Health Group, LLC
Coliseum Senior Health Center
Middle Georgia Family Health Urgent Care Center West
Macon Northside Hospital, LLC
Macon Northside Hospital
Mainland Partner, LLC
Management Services Holdings, Inc.
Management Services LP, LLC
McKinley & Associates, LLC
Medical Arts Hospital of Texarkana, Inc.
Medical Care America, LLC
Medical Care Financial Services Corp.
Medical Care Real Estate Finance, Inc.
Medical Center of Plano Partner, LLC
Medical Centers of Oklahoma, LLC
Medical City Dallas Partner, LLC
Medical Corporation of America
Medical Specialties, Inc.
Medistone Healthcare Ventures, Inc.

MediVision of Mecklenburg County, Inc.
MediVision of Tampa, Inc.
MediVision, Inc.

Menorah Family Physicians, LLC
Metropolitan Multispecialty Physicians Group, LLC
Mid-Continent Health Services, Inc.
Middle Georgia Hospital, LLC
Midtown ID Clinic, LLC
Midwest Division - ACH, LLC
Midwest Division - BLMC, LLC
Baptist Lutheran Medical Center
Midwest Division - CMC, LLC
Midwest Division - IRHC, LLC
Independence Regional Health Center
Midwest Division - LRHC, LLC
Lafayette Regional Health Center
Midwest Division - LSH, LLC
Lee's Summit Hospital
Midwest Division - MCI, LLC
Medical Center of Independence
Midwest Division - MII, LLC
Midwest Division - MMC, LLC
Menorah Medical Center
Midwest Division - OPRMC, LLC
Overland Park Regional Medical Center
Midwest Division - PFC, LLC
Midwest Division - RMC, LLC
Research Belton Hospital
Research Medical Center
Midwest Division - RPC, LLC
Research Psychiatric Center
Midwest Division - TLM, LLC
Midwest Holdings, Inc.
Midwest Medicine Associates, LLC
Midwest Physician Services Lab, LLC
Mobile Corps., Inc.
MRT&C, Inc.
Nashville Shared Services General Partnership
MidAmerica Supply Chain Operations
Patient Account Services - Nashville
North Miami Beach Surgery Center Limited Partnership
North Miami Beach Surgical Center
North Miami Beach Surgical Center, LLC
North Texas Medical Center, Inc.
Northwest Fla. Home Health Agency, Inc.
Notami Hospitals, LLC
Notami Louisiana Holdings, Inc.
Notami, LLC
Notco, LLC
NTGP, Inc.
NTMC Ambulatory Surgery Center, L.P.
Westpark Surgery Center
NTMC Management Company
NTMC Venture, Inc.
OneSource Med Acquisition Company
Orlando Outpatient Surgical Center, Inc.
Outpatient GP, LLC
Outpatient LP, LLC
Outpatient Services Holdings, Inc.

Palmyra Park GP, Inc.
Paragon SDS, Inc.
Paragon WSC, Inc.
Parkway Hospital, Inc.
Pinellas Medical, LLC
Pioneer Medical, LLC
Plantation General Hospital Limited Partnership
    Plantation General Hospital
PMM, Inc.
POH Holdings, LLC
Portsmouth Regional Ambulatory Surgical Center, LLC
    Portsmouth Regional Ambulatory Surgery Center
Preferred Works WC, LLC
Primary Care Acquisition, Inc.
Primary Medical Management, Inc.
RCH, LLC
Reston Hospital Center, LLC
    Reston Hospital Center
RHA MSO, LLC
Riverside Hospital, Inc.
    Northwest Regional Hospital
RMC HBP, LLC
Rockhill General Surgery, LLC
Round Rock Hospital, Inc.
Samaritan, LLC
San Jose Healthcare System, L.P.
    Regional Home Health of San Jose
    Regional Medical Center of San Jose
    Regional Medical Center of San Jose Inpatient Pharmacy
    Regional Medical Management of Santa Clara County
    Regional Medical Satellite Radiology
    Regional Medical Senior Health Center
    SurgiCare - Jackson Avenue Campus
San Jose Hospital, L.P.
    San Jose Medical Center
San Jose Medical Center, LLC
San Jose, LLC
San Pablo ASC, LLC
SJMC, LLC
SMCH, LLC
South Dade GP, LLC
South Valley Hospital, L.P.
Southtown Women's Clinic, LLC
Southwestern Medical Center, LLC
    Southwestern Medical Center
Spalding Rehabilitation, L.L.C.
    Spalding Rehabilitation Hospital
Spring Branch GP, LLC
Spring Branch LP, LLC
Springview KY, LLC
SR Medical Center, LLC
State Line Medical Group, LLC
State Line Urgent Care, LLC
Stones River Hospital, LLC
Suburban Medical Center at Hoffman Estates, Inc.
Summit General Partner, Inc.

Summit Medical Assoc., LLC
Sun Bay Medical Office Building, Inc.
Suncoast Physician Practice, LLC
Sunrise Hospital and Medical Center, LLC
    Sunrise Hospital and Medical Center
Sun-Med, LLC

Surgicare of Denton, Inc.
Surgicare of Plano, Inc.
Surgico, LLC
SVH, LLC
Swedish MOB Acquisition, Inc.
Terre Haute Hospital GP, Inc.
Terre Haute Hospital Holdings, Inc.
Terre Haute Regional Hospital, L.P.
        Terre Haute Regional Hospital
The Medical Group of Kansas City, LLC
Town Plaza Family Practice, LLC
Trident Medical Center, LLC
        HealthFinders
        Trident Health Improvement Center
        Trident Health System
        Trident Medical Center
        Trident Senior Health Center
Trinity Family Practice, LLC
Tuckahoe Surgery Center, LP
        Tuckahoe Surgery Center
Utah Medco, LLC
Value Health Management, Inc.
VHSC Plantation, LLC
VHSC Pompano Beach, LLC
Vicksburg Diagnostic Services, L.P.
Washington Holdco, LLC
Wesley Medical Center, LLC
        Wesley Medical Center
West Houston, LLC
Westbury Hospital, Inc.
WHG Medical, LLC
WJHC, LLC
Woman's Hospital Merger, LLC
Women's Hospital Indianapolis GP, Inc.
Women's Hospital Indianapolis, L.P.
WPC Holdco, LLC
WPPC, LLC
Yates Center Family Health, LLC

FLORIDA

All About Staffing, Inc.
Ambulatory Laser Associates, GP
Ambulatory Surgery Center Group, Ltd.
        Ambulatory Surgery Center
Bay Hospital, Inc.
        Gulf Coast Medical Center
Bayonet Point Surgery Center, Ltd.

Belleair Surgery Center, Ltd.
        Belleair Surgery Center
Big Cypress Medical Center, Inc.
Blake Imaging, LLC
Bonita Bay Surgery Center, Inc.
Bonita Bay Surgery Center, Ltd.
        Surgery Center Bonita Bay
Brandon Imaging, LLC
Brandon Surgi-Center Joint Venture
        Brandon Surgery Center
Broward Healthcare System, Inc.
Broward Neurosurgeons, LLC
Broward Physician Practices, Ltd.

Cape Coral Surgery Center, Inc.
Cape Coral Surgery Center, Ltd.
CCH-GP, Inc.
Cedarcare, Inc.
Cedars BTW Program, Inc.
Cedars Healthcare Group, Ltd.
    Cedars Medical Center
Central Florida Cardiology Interpretations, LLC
Central Florida Division Practice, Inc.
Central Florida Regional Hospital, Inc.
    Central Florida Regional Hospital
Clearwater Community Hospital Limited Partnership
Coastal Cardiac Diagnostics, Ltd.
Collier County Home Health Agency, Inc.
Columbia Behavioral Health, Ltd.
Columbia Behavioral Healthcare of South Florida, Inc.
Columbia Cancer Research Network of Florida, Inc.
Columbia Central Florida Division, Inc.
Columbia Development of Florida, Inc.
Columbia Eye and Specialty Surgery Center, Ltd.
    Tampa Eye & Specialty Surgery Center
Columbia Florida Group, Inc.
Columbia Homecare - Central Florida, Inc.
Columbia Homecare - North Florida Division, Inc.
Columbia Hospital Corporation of Central Miami
Columbia Hospital Corporation of Kendall
Columbia Hospital Corporation of Miami
Columbia Hospital Corporation of Miami Beach
Columbia Hospital Corporation of North Miami Beach
Columbia Hospital Corporation of South Broward
    Westside Regional Medical Center
Columbia Hospital Corporation of South Dade
Columbia Hospital Corporation of South Florida
Columbia Hospital Corporation of South Miami
Columbia Hospital Corporation of Tamarac
Columbia Hospital Corporation - SMM
Columbia Jacksonville Healthcare System, Inc.
Columbia Lake Worth Surgical Center Limited Partnership
Columbia Midtown Joint Venture
Columbia North Central Florida Health System Limited Partnership
Columbia North Florida Regional Medical Center Limited Partnership
Columbia Ocala Regional Medical Center Physician Group, Inc.
    CORMC Physician Group

Columbia Palm Beach Healthcare System Limited Partnership
Columbia Park Healthcare System, Inc.
Columbia Park Medical Center, Inc.
Columbia Physician Services - Florida Group, Inc.
    HCA Physician Services
Columbia Resource Network, Inc.
Columbia South Florida Division, Inc.
Columbia Tampa Bay Division, Inc.
Columbia-Osceola Imaging Center, Inc.
Community Orthopedics and Hand Surgery, LLC
Coral Springs Surgi-Center, Ltd.
    Surgery Center at Coral Springs
Countryside Surgery Center, Ltd.
    Countryside Surgery Center
Dade Physician Practices, Ltd.
Daytona Medical Center, Inc.
Diagnostic Breast Center, Inc.
    Diagnostic Breast Center
Doctors Imaging, LLC
Doctors Osteopathic Medical Center, Inc.

Gulf Coast Hospital
Doctors Same Day Surgery Center, Inc.
Doctors Same Day Surgery Center, Ltd.
Doctors Same Day Surgery Center
Doctors' Special Surgery Center of Jacksonville, Ltd.
East Florida Division, Inc.
East Pointe Hospital, Inc.
Edward White Hospital, Inc.
Edward White Hospital
Englewood Community Hospital, Inc.
Englewood Community Hospital
Fawcett Memorial Hospital, Inc.
Fawcett Memorial Hospital
Fawcett Memorial Hospital Sports & Rehab Services
Spine & Arthritis Center at Fawcett Memorial Hospital
The Memory Center
Florida Home Health Services - Private Care, Inc.
Florida Outpatient Surgery Center, Ltd.
Florida Surgery Center
Florida Primary Physicians, Inc.
Florida Primary Physicians
Fort Pierce Immediate Care Center, Inc.
Fort Pierce Walk-In Medical Clinic
Fort Pierce Surgery Center, Ltd.
Fort Walton Beach Medical Center, Inc.
Fort Walton Beach Medical Center
Galen Diagnostic Multicenter, Ltd.
Galen Hospital - Pembroke Pines, Inc.
Galen of Florida, Inc.
St. Petersburg General Hospital
Galencare, Inc.
Brandon Regional Hospital
Brandon Regional Hospital Convenient Care
Community Cancer Center of Brandon Regional Hospital
Diagnostic & Rehab Center of Brandon Regional Hospital
Northside Hospital

Tampa Bay Vascular Institute
West Central Florida - Shared Services
Greater Ft. Myers Physician Practices, Ltd.
Gulf Coast Health Technologies, Inc.
Gulf Coast Physicians, Inc.
Hamilton Memorial Hospital, Inc.
HCA Family Care Center, Inc.
HCA Health Services of Florida, Inc.
Blake Medical Center
Oak Hill Hospital
Regional Medical Center Bayonet Point
St. Lucie Medical Center
HD&S Corp. Successor, Inc.
Homecare North, Inc.
Hospital Corporation of Lake Worth
Imaging and Surgery Centers of Florida, Inc.
Imaging Corp. of the Palm Beaches, Inc.
Jacksonville Physician Practices, Ltd.
Jacksonville Surgery Center, Ltd.
Jacksonville Surgery Center
JFK Real Properties, Ltd.
Kendall Healthcare Group, Ltd.
Kendall Outpatient Rehabilitation Facility
Kendall Regional Medical Center
The Atrium at Kendall Regional Medical Center
Kendall Therapy Center, Ltd.
Kendall Therapy Center

Kissimmee Surgicare, Ltd.
Kissimmee Surgery Center
Lakewood Park Walk-In Clinic, LLC
Largo Medical Center, Inc.
Largo Medical Center
Lawnwood Medical Center, Inc.
Lawnwood Regional Medical Center & Heart Institute
Lehigh Physician Practice, Ltd.
M & M of Ocala, Inc.
Manatee Surgicare, Ltd.
Gulf Coast Surgery Center
Marion Community Hospital, Inc.
Ocala Regional Medical Center
Medical Center of Port St. Lucie, Inc.
Medical Center of Santa Rosa, Inc.
Medical Imaging Center of Ocala
Memorial Diagnostic Services, Inc.
Memorial Healthcare Group, Inc.
Memorial Hospital Jacksonville
Specialty Hospital Jacksonville
Memorial Surgicare, Ltd.
Plaza Surgery Center
MHS Partnership Holdings JSC, Inc.
MHS Partnership Holdings SDS, Inc.
Miami Beach Healthcare Group, Ltd.
Aventura Breast Diagnostic Center
Aventura Cardiovascular Center
Aventura Hospital and Medical Center
Aventura Wound Healing Center

Naples Physician Practices, Ltd.
Network MS of Florida, Inc.
New Port Richey Hospital, Inc.
Community Hospital
New Port Richey Surgery Center, Ltd.
New Port Richey Surgery Center
North Central Florida Health System, Inc.
North Central Florida Physician Practices, Ltd.
Pediatric Associates of Gainesville
North Florida Division I, Inc.
North Florida Division Practice, Inc.
North Florida GI Center GP, Inc.
North Florida GI Center, Ltd.
North Florida Endoscopy Center
North Florida Immediate Care Center, Inc.
North Florida Infusion Corporation
North Florida Outpatient Imaging Center, Ltd.
North Florida Physician Services, Inc.
North Florida Practice Management, Inc.
North Florida Regional Imaging Center, Ltd.
North Florida Regional Investments, Inc.
North Florida Regional Medical Center, Inc.
North Florida Regional Medical Center
North Palm Beach County Surgery Center, Ltd.
North County Surgicenter
North Tampa Physician Practices, Ltd.
Northside MRI, Inc.
Northwest Florida Healthcare Systems, Inc.
Northwest Medical Center, Inc.
Northwest Medical Center
Notami Hospitals of Florida, Inc.
Lake City Medical Center
Oak Hill Acquisition, Inc.
Ocala Regional Outpatient Services, Inc.

Okaloosa Hospital, Inc.
Twin Cities Hospital
Okeechobee Hospital, Inc.
Raulerson Hospital
OneSource Health Network of South Florida, Inc.
Orange Park Medical Center, Inc.
Orange Park Medical Center
Orlando Physician Practices, Ltd.
Orlando Surgicare, Ltd.
Same Day Surgicenter of Orlando
Osceola Regional Hospital, Inc.
Osceola Regional Medical Center
The Heart Institute of Osceola Regional Medical Center
Outpatient Surgical Services, Ltd.
Outpatient Surgical Services
P&L Associates
Palm Beach Healthcare System, Inc.
Palm Beach Neurosurgery, LLC
Palm Beach Physician Practices, Ltd.
Palms West Pediatric Neurosurgery, Inc.
Palms West Pediatric Neurosurgery
Panhandle Physician Practices, Ltd.

Park South Imaging Center, Ltd.
PCMC Physician Group, Inc.
Pensacola Primary Care, Inc.
West Florida Primary Care
Pinellas Surgery Center, Ltd.
Center for Special Surgery
Plantation Ortho, LLC
Plantation Orthopedics
Port St. Lucie Surgery Center, Ltd.
St. Lucie Surgery Center
Premier Medical Management, Ltd.
Primary Care Medical Associates, Inc.
Pulmonary Specialists of Lake City, LLC
Putnam Hospital, Inc.
San Pablo Surgery Center, Ltd.
Sarasota Doctors Hospital, Inc.
Doctors Hospital of Sarasota
Sarasota Rehabilitation Center
Sarasota Vascular Lab
The Center for Breast Care
South Bay Imaging, LLC
South Bay Physician Clinics, Inc.
South Broward Medical Practice Partners, Ltd.
South Broward Practices, Inc.
South Dade Healthcare Group, Ltd.
South Florida Division Practice, Inc.
South Tampa Physician Practices, Ltd.
Southwest Florida Division Practice, Inc.
Physician Services at Belmont Woods
Southwest Florida Health System, Inc.
Consult-A-Nurse
Southwest Florida Regional Medical Center, Inc.
Southwest Florida Regional Medical Center
Space Coast Surgical Center, Ltd.
Merritt Island Surgery Center
Spinal Disorder and Pain Treatment Institute, LLC
St. Pete Imaging, LLC
Sun City Hospital, Inc.
South Bay Hospital
South Bay Rehab Center
Surgical Park Center, Ltd.

Surgical Park Center
Surgicare America - Winter Park, Inc,
Surgicare of Altamonte Springs, Inc.
Surgicare of Bayonet Point, Inc.
Surgicare of Brandon, Inc.
Surgicare of Central Florida, Inc.
Surgicare of Central Florida, Ltd.
Central Florida Surgicenter
Surgicare of Countryside, Inc.
Surgicare of Florida, Inc.
Surgicare of Ft. Pierce, Inc.
Surgicare of Kissimmee, Inc.
Surgicare of Manatee, Inc.
Surgicare of Merritt Island, Inc.
Surgicare of New Port Richey, Inc.

Surgicare of Orange Park, Inc.
Surgicare of Orange Park, Ltd.
Orange Park Surgery Center
Surgicare of Orlando, Inc.
Surgicare of Pinellas, Inc.
Surgicare of Plantation, Inc.
Surgicare of Port St. Lucie, Inc.
Surgicare of St. Andrews, Inc.
Surgicare of St. Andrews, Ltd.
Surgery Center at St. Andrews
Surgicare of Stuart, Inc.
Surgicare of Tallahassee, Inc.
Surgicare of West Palm Beach, Ltd.
Tallahassee Community Network, Inc.
Tallahassee Medical Center, Inc.
Capital Regional Medical Center
Tallahassee Orthopaedic Surgery Partners, Ltd.
Tallahassee Outpatient Surgery Center
Tallahassee Physician Practices, Ltd.
Tampa Bay Division Practice, Inc.
Tampa Bay Health System, Inc.
Tampa Surgi-Centre, Inc.
TCH Physician Group, Inc.
Thoracic & Cardiovascular Surgeons, LLC
Travel Medicine and Infections, Inc.
Treasure Coast Physician Practices, Ltd.
University Hospital, Ltd.
University Hospital & Medical Center
Volusia Healthcare Network, Inc.
West Broward Hand & Ortho, LLC
West Florida Behavioral Health, Inc.
West Florida Division, Inc.
West Florida HealthWorks, LLC
West Florida Imaging, LLC
West Florida Regional Medical Center, Inc.
West Florida Regional Medical Center
Westside Surgery Center, Ltd.
Parkside Surgery Center
Winter Park Healthcare Group, Ltd.

GEORGIA

AOSC Sports Medicine, Inc.
Atlanta Home Care, L.P.
Atlanta Outpatient Surgery Center, Inc.
Atlanta Surgery Center, Ltd.
Atlanta Outpatient Peachtree Dunwoody Center

Pediatric Outpatient Surgery Center of Atlanta
Augusta Physician Practice Company
Augusta Primary Care
Buckhead Surgical Services, L.P.
Buckhead Ambulatory Surgery Center
Byron Family Practice, LLC
Cartersville Medical Center, LLC
Cartersville Medical Center

Cartersville Occupational Medicine Center, LLC
Cartersville Physician Practice Network, Inc.
Central Health Services, Inc.
Chatsworth Hospital Corp.
CHHC of Chattanooga, Inc.
Church Street Partners, G.P.
Coliseum Health Group, Inc.
Coliseum Park Hospital, Inc.
Coliseum Primary Healthcare - Macon, LLC
Coliseum Primary Healthcare - Riverside, LLC
Coliseum Same Day Surgery Center, L.P.
Coliseum Same Day Surgery Center
Coliseum-Houston ASC, L.P.
Coliseum-Houston GP, LLC
Columbia Coliseum Same Day Surgery Center, Inc.
Columbia Physicians Services, Inc.
Columbia Polk General Hospital, Inc.
Polk Medical Center
Columbia Redmond Occupational Health, Inc.
Columbia Surgicare of Augusta, Ltd.
Columbia-Georgia PT, Inc.
Columbus Cardiology, Inc.
Columbus Doctors Hospital, Inc.
Doctors Hospital
Community Home Nursing Care, Inc.
Dekalb Home Health Services, Inc.
Diagnostic Services, G.P.
Doctors Hospital Center for Occupational Medicine, LLC
Doctors Hospital Surgery Center, L.P.
Doctors Hospital Surgery Center
Doctors-I, Inc.
Doctors-II, Inc.
Doctors-III, Inc.
Doctors-IV, Inc.
Doctors-IX, Inc.
Doctors-V, Inc.
Doctors-VI, Inc.
Doctors-VII, Inc.
Doctors-VIII, Inc.
Doctors-X, Inc.
Dublin Community Hospital, LLC
Dunwoody Physician Practice Network, Inc.
EHCA Dunwoody, LLC
Emory Dunwoody Medical Center
EHCA Eastside, LLC
Emory Eastside Medical Center
EHCA Eastside Occupational Medicine Center, LLC
EHCA Metropolitan, LLC
EHCA Parkway, LLC
EHCA Peachtree, LLC
EHCA West Paces, LLC
EHCA, LLC
Fairview Park, Limited Partnership
Fairview Park Hospital
Fairview Physician Practice Company

Gainesville Cardiology, Inc.

Georgia Psychiatric Company, Inc.
Grace Family Practice, LLC
Greater Gwinnett Physician Corporation
Grovetown Family Practice, LLC
Gwinnett Community Hospital, Inc.
HCA Health Services of Georgia, Inc.
    Hughston Sports Medicine Hospital
HCOL, Inc.
Health Care Management Corporation
LPOM, LLC
LPPN, Inc.
LPS, Inc.
Marietta Outpatient Medical Building, Inc.
Marietta Outpatient Surgery, Ltd.
    Marietta Surgical Center
Marietta Surgical Center, Inc.
Med Corp., Inc.
MedFirst, Inc.
Medical Center-West, Inc.
MGIM, LLC
MOSC Sports Medicine, Inc.
Newnan Hospitals, L.L.C.
North Cobb Physical Therapy, Inc.
Northlake Medical Center, LLC
    Northlake Medical Center
Northlake Physician Practice Network, Inc.
Northlake Surgical Center, L.P.
    Northlake Surgical Center
Northlake Surgicare, Inc.
Orthopaedic Specialty Associates, L.P.
Orthopaedic Sports Specialty Associates, Inc.
Palmyra Park Hospital, Inc.
    Palmyra Medical Centers
Palmyra Park, Limited Partnership
Palmyra Professional Fees, LLC
Parkway Physician Practice Company
Parkway Surgery Center, L.P.
Peachtree Corners Surgery Center, Ltd.
Peachtree Occupational Medicine Center, LLC
Peachtree Physician Practice Network, Inc.
Polk Physician Practice Network, Inc.
Redmond ER Services, Inc.
Redmond P.D.N., Inc.
Redmond Park Health Services, Inc.
Redmond Park Hospital, Inc.
    Redmond Regional Medical Center
Redmond Physician Practice Company
    Redmond Family Care Center at East Rome
    Redmond Family Care Center at Shannon
    Redmond Family Care Center at Trion
    Redmond Family Care Center at West Rome
Redmond Physician Practice Company II
    Redmond Family Care Center at Armuchee
Redmond Physician Practice Company III
Redmond Physician Practice Company IV

Redmond Physician Practice Company V

Redmond Family Care Center at Lindale
Redmond Physician Practice Company VI
Redmond Physician Practice VII, LLC
Redmond Physician Practice VIII, LLC
Redmond Physician Practice IX, LLC
Redmond Physician Practice X, LLC
Redmond Physician Practice XI, LLC
Rockbridge Primary Care, LLC
South Gwinnett Family Medicine
Rome Imaging Center Limited Partnership
S.O.R., Inc.
SCNG, LLC
Southeast Division, Inc.
Surgery Center of Rome, L.P.
The Surgery Center of Rome
Surgicare of Augusta, Inc.
Augusta Surgical Center
Surgicare of Buckhead, LLC
Surgicare of Evans, Inc.
Surgicare of Rome, Inc.
Urology Center of North Georgia, LLC
West Paces Ferry Hospital, Inc.
West Paces Services, Inc.

IDAHO

Eastern Idaho Health Services, Inc.
Eastern Idaho Regional Medical Center
Eastern Idaho Regional Medical Center Physician Services, LLC
West Valley Medical Center, Inc.
West Valley Medical Center
West Valley Professional Fee Billing, LLC

ILLINOIS

Chicago Grant Hospital, Inc.
Columbia Chicago Division, Inc.
Columbia Chicago Homecare, Inc.
Columbia Chicago Northside Hospital, Inc.
Columbia LaGrange Hospital, Inc.
Columbia Surgicare - North Michigan Ave., L.P.
Galen Hospital Illinois, Inc.
Galen of Illinois, Inc.
Illinois Psychiatric Hospital Company, Inc.
Smith Laboratories, Inc.

INDIANA

All About Staffing, Inc.
BAMI-COL, INC.
Basic American Medical, Inc.
Columbia PhysicianCare Outpatient Surgery Center, Ltd.

Jeffersonville MediVision, Inc.
Physician Practices of Terre Haute, Inc.
Surgicare of Indianapolis, Inc.
Terre Haute Regional Physician Hospital Organization, Inc.
Women's Management Services, Inc.

KANSAS

Galichia Laboratories, Inc.
HealthPlus Physical Therapy, LLC
Johnson County Surgicenter, L.L.C.
Surgicenter of Johnson County
Kansas Trauma and Critical Care Specialists, LLC
Midwest Division, Inc.
OB-GYN Diagnostics, Inc.
Olathe Medical Center Occupational Medicine Services, L.L.C.
Surgicare of Wichita, Inc.
Surgicare of Wichita, Ltd.
Surgicare of Wichita
Trauma Institute at Overland Park Regional Medical Center, LLC
Wesley Physician Services, LLC

KENTUCKY

CHCK, Inc.
Columbia Behavioral Health Network, Inc.
Columbia Kentucky Division, Inc.
Columbia Medical Group - Frankfort, Inc.
Columbia Medical Group - Greenview, Inc.
Frankfort Hospital, Inc.
Bluegrass Regional Primary Care Centre
Frankfort Regional Medical Center
Galen of Kentucky, Inc.
GALENCO, Inc.
Greenview Hospital, Inc.
Greenview Regional Hospital
Physicians Medical Management, L.L.C.
South Central Kentucky Corp.
Spring View Health Alliance, Inc.
Subco of Kentucky, Inc.
Tri-County Community Hospital, Inc.

LOUISIANA

Acadiana Care Center, Inc.
Acadiana Practice Management, Inc.
Acadiana Regional Pharmacy, Inc.
BRASS East Surgery Center Partnership in Commendam
Columbia Healthcare System of Louisiana, Inc.
Columbia Lakeview Surgery Center, L.P.
Columbia West Bank Hospital, Inc.
Columbia/HCA Healthcare Corporation of Central Louisiana, Inc.
Columbia/HCA of Baton Rouge, Inc.

Columbia/HCA of New Orleans, Inc.
Columbia/Lakeview, Inc.
Dauterive Hospital Corporation
Dauterive Hospital
Dauterive Professionals Management, L.L.C.
Doctors Hospital of Opelousas Limited Partnership
Hamilton Medical Center, Inc.
Medical Center of Southwest Louisiana
HCA Health Services of Louisiana, Inc.
North Monroe Medical Center
HCA Highland Hospital, Inc.
Lafayette Surgery Center Limited Partnership
Lafayette Surgicare, Inc.
Lake Charles Surgery Center, Inc.

Lakeview Radiation Oncology, L.L.C.
Louisiana Psychiatric Company, Inc.
Medical Center of Baton Rouge, Inc.
        Lakeside Hospital
Medical Center of Southwest Louisiana Professionals Management, L.L.C.
North Monroe Professionals Management, L.L.C.
Notami (Opelousas), Inc.
Notami Hospitals of Louisiana, Inc.
Rapides Healthcare System, L.L.C.
        Avoyelles Hospital
        Oakdale Community Hospital
        Rapides Regional Medical Center
        Rapides Women's and Children's Hospital
        Savoy Medical Center
        Winn Parish Medical Center
Surgicare Merger Company of Louisiana
Surgicare of Lakeview, Inc.
Surgicare Outpatient Center of Baton Rouge, Inc.
Surgicenter of East Jefferson, Inc.
Tulane Professionals Management, L.L.C.
University Healthcare System, L.C.
        DePaul-Tulane Behavioral Health Center of Tulane University
        Tulane University Hospital and Clinic
WGH, Inc.
Women's and Children's Hospital, Inc.
        Women's and Children's Hospital
Women's and Children's Professionals Management, L.L.C.

MASSACHUSETTS

Columbia Hospital Corporation of Massachusetts, Inc.
Orlando Outpatient Surgical Center, Ltd.

MISSISSIPPI

Brookwood Medical Center of Gulfport, Inc.
Coastal Imaging Center of Gulfport, Inc.
Coastal Imaging Center, L.P.
Galen of Mississippi, Inc.
Garden Park Investments, L.P.

Garden Park Physician Services Corporation
Garden Park Professionals Management,LLC
GOSC, L.P.
        Gulfport Outpatient Surgical Center
GOSC-GP, Inc.
Gulf Coast Medical Ventures, Inc.
HTI Health Services, Inc.
VIP, Inc.

MISSOURI

Belton HBP, LLC
Clinishare, Inc.
Columbia/HCA Kansas City Medical Management, Inc.
Employer Health Services, Inc.
Eye Surgicare of Independence, L.L.C.
Family Health Specialists of Lee's Summit, LLC
Galen Sale Corporation
Health Midwest Comprehensive Care, Inc.
Health Midwest Medical Group, Inc.

Health Midwest Office Facilities Corporation
Health Midwest Ventures Group, Inc.
HEI Missouri, Inc.
HM Acquisition, LLC
Independence Neurosurgery Services, LLC
Independence Surgicare, Inc.
Kansas City Perfusion Services, Inc.
Lee's Summit Medical Imaging, Inc.
Medical Center Imaging, Inc.
Metropolitan Multispeciality Physicians Group, Inc.
Metropolitan OB-GYN Associates, LLC
Metropolitan Providers Alliance, Inc.
Mid-States Financial Services, Inc.
Missouri Healthcare System, L.P.
Notami Hospitals of Missouri, Inc.
Nuclear Diagnosis, Inc.
Ozarks Medical Services, Inc.
Panorama Park Occupational Medicine, LLC
Precise Imaging, Inc.
Research Psychiatric - 1500, LLC
RMC Transplant Physicians, LLC
Surgery Center of Independence, L.P.
Surgicare of Antioch Hills, Inc.
Surgicenter of Kansas City, L.L.C.

NEVADA

CHC Holdings, Inc.
CHC Venture Co.
CIS Holdings, Inc.
Columbia Hospital Corporation of West Houston
Columbia Southwest Division, Inc.
Consolidated Las Vegas Medical Centers, a Nevada Limited Partnership
Desert Physical Therapy, Inc.

Green Valley Surgery Center, L.P.
Health Service Partners, Inc.
Las Vegas Physical Therapy, Inc.
Las Vegas Surgicare, Inc.
Las Vegas Surgicare, Ltd., a Nevada Limited Partnership
Las Vegas Surgery Center
Nevada Psychiatric Company, Inc.
Sahara Outpatient Surgery Center, Ltd., a Nevada Limited Partnership
Sahara Surgery Center
Southern Hills Medical Center, LLC
Southern Hills Hospital & Medical Center
Sunrise Clinical Research Institute, Inc.
Sunrise Flamingo Surgery Center, Limited Partnership
Flamingo Surgery Center
Sunrise Mountainview Hospital, Inc.
MountainView Hospital
Sunrise Outpatient Services, Inc.
Sunrise Physician Services, LLC
Surgicare of Henderson, Inc.
Surgicare of Las Vegas, Inc.
Value Health Holdings, Inc.
VH Holdco, Inc.
VH Holdings, Inc.
Western Plains Capital, Inc.

NEW HAMPSHIRE

Appledore Medical Group, Inc.
Appledore Medical Group II, Inc.
Coastline Cancer Center, LLC
Derry ASC, Inc.
Derry Surgery Center, Limited Partnership
Fieldstone Health Network, Inc.
HCA Health Services of New Hampshire, Inc.
    Londonderry Physical Therapy Center
    Parkland Medical Center
    Portsmouth Regional Hospital
Med-Point of New Hampshire, Inc.
Parkland Oncology, LLC
Parkland Physician Services, Inc.
    Salem Surgery Center
Seacoast Oncology, LLC

NEW MEXICO

New Mexico Psychiatric Company, Inc.

NORTH CAROLINA

Brunswick Anesthesia, LLC
Brunswick Surgical Associates I, LLC
CareOne Home Health Services, Inc.
Columbia Cape Fear Healthcare System, Limited Partnership

Columbia North Carolina Division, Inc.
Columbia-CFMH, Inc.
Cumberland Medical Center, Inc.
HCA - Raleigh Community Hospital, Inc.
Heritage Hospital, Inc.
Hospital Corporation of North Carolina
    Brunswick Community Hospital
HTI Health Services of North Carolina, Inc.
Mecklenburg Surgical Land Development, Ltd.
North Carolina Physician Network, Inc.
Raleigh Community Medical Office Building Ltd.
Southeastern Eye Center, Inc.
Summerlin Family Practice, LLC
Wake Psychiatric Hospital, Inc.

OHIO

AHN Holdings, Inc.
Columbia Beachwood Surgery Center, Ltd.
Columbia Dayton Surgery Center, Ltd.
Columbia Ohio Division, Inc.
Columbia/HCA Healthcare Corporation of Northern Ohio
Columbia-CSA/HS Greater Canton Area Healthcare System, L.P.
Columbia-CSA/HS Greater Cleveland Area Healthcare System, L.P.
E.N.T. Services, Inc.
Lorain County Surgery Center, Ltd.
Surgicare of Lorain County, Inc.
Surgicare of North Cincinnati, Inc.
Surgicare of Westlake, Inc.
Westlake Surgicare, L.P.

OKLAHOMA

Bethany PHO, Inc.
Columbia Doctors Hospital of Tulsa, Inc.
Columbia Oklahoma Division, Inc.
Columbia/Edge Mobile Medical, L.L.C.
Edmond Physician Hospital Organization, Inc.
Green Country Anesthesiology Group, Inc.
HCA Health Services of Oklahoma, Inc.
    OU Medical Center
    University Health Partners
    University of Oklahoma Medical Center
Health Partners of Oklahoma, Inc.
Healthcare Oklahoma, Inc.
Integrated Management Services of Oklahoma, Inc.
Lake Region Health Alliance Corporation
Medi Flight of Oklahoma, LLC
Medical Imaging, Inc.
Millennium Healthcare of Oklahoma, Inc.
Oklahoma Outpatient Surgery Limited Partnership
    Oklahoma Surgicare
Oklahoma Surgicare, Inc.
Plains Healthcare System, Inc.

Presbyterian Office Building, Ltd.
Southwestern Emergency Department Physician Services, LLC
Southwestern Physician Services, LLC
Surgicare of Northwest Oklahoma, Limited Partnership
Surgicare of Oklahoma City-Midtown, L.P.
    Surgicare Midtown
Surgicare of Tulsa, Inc.
SWMC, Inc.
Wagoner Medical Group, Inc.

PENNSYLVANIA

Basic American Medical Equipment Company, Inc.
Surgicare of Philadelphia, Inc.

SOUTH CAROLINA

C/HCA Development, Inc.
Carolina Regional Surgery Center, Inc.
Carolina Regional Surgery Center, Ltd.
    Grande Dunes Surgery Center
Coastal Carolina Home Care, Inc.
Colleton Ambulatory Care, LLC
Colleton Diagnostic Center, LLC
Colleton Medical Anesthesia, LLC
Colleton Medical Hospitalists, LLC
Columbia Carolinas Division, Inc.
Columbia-CSA/HS Greater Columbia Area Healthcare System, L.P.
Columbia/HCA Healthcare Corporation of South Carolina
Community Medical Centers, LLC
DMH Spartanburg, Inc.
Doctor's Memorial Hospital of Spartanburg, L.P.
Edisto Multispecialty Associates, Inc.
Grand Strand Senior Health Center, LLC
Trident Behavioral Health Services, LLC
Trident Eye Surgery Center, L.P.
Trident Medical Services, Inc.
    Lakeshore Family Medicine
Trident Neonatology Services, LLC
Walterboro Community Hospital, Inc.

Colleton Medical Center
Colleton Regional Non-Emergent Clinic

SWITZERLAND

CDRC Centre de Diagnostic Radiologique de Carouge SA
Clinique de Carouge CMCC SA
Clinique de Carouge
Glemm SA
La Tour Healthcare Holding SARL
La Tour S.A.
Hopital de la Tour
Permanence de la Clinique de Carouge SA

Permanence La Tour S.A.
Physiotherapie S. Pidancet Sport Multitherapies La Tour SA

TENNESSEE

America's Group, Inc.
Appalachian OB/GYN Associates, Inc.
Arthritis Specialists of Nashville, Inc.
Athens Community Hospital, Inc.
Atrium Memorial Surgery Center Joint Venture
Atrium Memorial Surgery Center
Atrium Memorial Surgical Center, Ltd.
Centennial Surgery Center, L.P.
Centennial Surgery Center
Central Tennessee Hospital Corporation
Horizon Medical Center
Chattanooga Healthcare Network Partner, Inc.
Chattanooga Healthcare Network, L.P.
Columbia Eastern Group, Inc.
Columbia Health Management, Inc.
Columbia Healthcare Network of Tri-Cities, Inc.
Columbia Healthcare Network of West Tennessee, Inc.
Columbia Integrated Health Systems, Inc.
Columbia Medical Group - Athens, Inc.
Columbia Medical Group - Centennial, Inc.
Columbia Medical Group - Daystar, Inc.
Columbia Medical Group - Eastridge, Inc.
Columbia Medical Group - Franklin Medical Clinic, Inc.
Columbia Medical Group - Hendersonville, Inc.
Columbia Medical Group - Nashville Memorial, Inc.
Columbia Medical Group - Parkridge, Inc.
Signal Mountain Medical Center
Columbia Medical Group - River Park, Inc.
Columbia Medical Group - South Pittsburg, Inc.
Grandview Psychiatry
Columbia Medical Group - Southern Hills, Inc.
Columbia Medical Group - Southern Medical Group, Inc.
Columbia Medical Group - The Frist Clinic, Inc.
The Frist Clinic
Columbia Mid-Atlantic Division, Inc.
Columbia Nashville Division, Inc.
Columbia Northeast Division, Inc.
Columbia Volunteer Division, Inc.
Cool Springs Surgery Center, LLC
Cumberland Division, Inc.
Eastern Idaho Regional, LLC
Eastern Tennessee Medical Services, Inc.
Florida Primary Physicians, L.P.

HCA - Information Technology & Services, Inc.
HCA Development Company, Inc.
HCA Health Services of Tennessee, Inc.
- Centennial Medical Center
- Centennial Medical Center at Ashland City
- Centennial Medical Center/Parthenon Pavilion
- Sarah Cannon Cancer Center

- Southern Hills Medical Center
- StoneCrest Medical Center
- Summit Medical Center
- Women's Hospital at Centennial Medical Center

HCA Home and Clinical Services, Inc.
HCA Medical Services, Inc.
HCA Physician Services, Inc.
HCA Psychiatric Company
HCA Realty, Inc.
Healthtrust, Inc. - The Hospital Company
Hendersonville Hospital Corporation
- Hendersonville Medical Center

Hendersonville Hospitalist Services, Inc.
Hendersonville OB-GYN, LLC
Holly Hill/Charter Behavioral Health System, L.L.C.
Hometrust Management Services, Inc.
Hospital Corporation of Tennessee
Hospital Realty Corporation
HTI Memorial Hospital Corporation
- Skyline Medical Center

HTI Tri-Cities Rehabilitation, Inc.
Indian Path Hospital, Inc.
Judy's Foods, Inc.
Medical Group - Dickson, Inc.
Medical Group - Stonecrest, Inc.
Medical Group - Summit, Inc.
Medical Plaza Ambulatory Surgery Center Associates, L.P.
- Plaza Day Surgery

Medical Resource Group, Inc.
MidAmerica Division, Inc.
Middle Tennessee Medical Services Corporation
Mid-State Physicians, LLC
Nashville Psychiatric Company, Inc.
Network Management Services, Inc.
North Florida Regional Freestanding Surgery Center, L.P.
- North Florida Surgical Pavilion

OneSourceMed, Inc.
Parkridge Hospitalists, Inc.
Parkridge Medical Center, Inc.
- Parkridge East Hospital
- Parkridge Medical Center
- Parkridge Valley Hospital

Parkridge Professionals, Inc.
Parkside Surgery Center, Inc.
Plano Ambulatory Surgery Associates, L.P.
- Surgery Center of Plano

Quantum Innovations, Inc.
Rio Grande Surgery Center Associates, L.P.
- Rio Grande Surgery Center

River Park Hospital, Inc.
- River Park Hospital

Southern Hills Surgicare, Inc.
SP Acquisition Corp.
- Grandview Medical Center

St. Mark's Ambulatory Surgery Associates, L.P.
St. Mark's Outpatient Surgery Center
Sullins Surgical Center, Inc.
Summit Surgery Center, L.P.
Surgicare of Madison, Inc.
Surgicare of Southern Hills, Inc.
Surgicare Outpatient Center of Jackson, Inc.
Sycamore Shoals Hospital, Inc.
Tennessee Healthcare Management, Inc.
The Charter Cypress Behavioral Health System, L.L.C.
Trident Ambulatory Surgery Center, L.P.
TriStar Cath Management, LLC
TriStar Outpatient Cardiac Catheterization Center, LLC
Troop and Jacobs, Inc.

TEXAS

All About Staffing of Texas, Inc.
Ambulatory Endoscopy Clinic of Dallas, Ltd.
Ambulatory Endoscopy Clinic of Dallas
Arlington Diagnostic South, Inc.
Austin Medical Center, Inc.
Bailey Square Ambulatory Surgical Center, Ltd.
Bailey Square Surgery Center
Bailey Square Outpatient Surgical Center, Inc.
Barrow Medical Center CT Services, Ltd.
Bay Area Healthcare Group, Ltd.
Corpus Christi Medical Center
Bay Area Surgical Center Investors, Ltd.
Bay Area Surgicare Center, Inc.
Bayshore Surgery Center, Ltd.
Bayshore Surgery Center
Beaumont Healthcare System, Inc.
Bedford-Northeast Community Hospital, Inc.
Bellaire Imaging, Inc.
Brownsville-Valley Regional Medical Center, Inc.
Central San Antonio Surgery Center, Ltd.
Surgicare of Central San Antonio
Central San Antonio Surgical Center Investors, Ltd.
CHC Management, Ltd.
CHC Payroll Company
CHC Realty Company
CHC-El Paso Corp.
CHC-Miami Corp.
Clear Lake Regional Medical Center, Inc.
Clear Lake Surgicare, Ltd.
Bay Area Surgicare Center
Coastal Bend Hospital CT Services, Ltd.
COL-NAMC Holdings, Inc.
Columbia Ambulatory Surgery Division, Inc.
Columbia Bay Area Realty, Ltd.
Columbia Call Center, Inc.
Columbia Central Group, Inc.
Columbia Central Verification Services, Inc.
Columbia Champions Treatment Center, Inc.

Columbia GP of Mesquite, Inc.
Columbia Greater Houston Division Healthcare Network, Inc.
Columbia Hospital at Medical City Dallas Subsidiary, L.P.
Medical City Dallas Hospital

Columbia Hospital Corporation at the Medical Center
Columbia Hospital Corporation of Arlington
Columbia Hospital Corporation of Bay Area
Columbia Hospital Corporation of Corpus Christi
Columbia Hospital Securities Corporation
Columbia Hospital - Arlington (WC), Ltd.
Columbia Hospital - El Paso, Ltd.
Columbia Lone Star/Arkansas Division, Inc.
Columbia Medical Arts Hospital Subsidiary, L.P.
Columbia Medical Center at Lancaster Subsidiary, L.P.
Columbia Medical Center Dallas Southwest Subsidiary, L.P.
Columbia Medical Center of Arlington Subsidiary, L.P.
         Medical Center of Arlington
Columbia Medical Center of Denton Subsidiary, L.P.
         Denton Regional Medical Center
Columbia Medical Center of Las Colinas, Inc.
         Las Colinas Medical Center
Columbia Medical Center of Lewisville Subsidiary, L.P.
         Medical Center of Lewisville
Columbia Medical Center of McKinney Subsidiary, L.P.
         North Central Medical Center
Columbia Medical Center of Plano Subsidiary, L.P.
         Medical Center of Plano
Columbia North Hills Hospital Subsidiary, L.P.
         North Hills Hospital
Columbia North Texas Healthcare System, L.P.
Columbia North Texas Subsidiary GP, LLC
Columbia North Texas Surgery Center Subsidiary, L.P.
Columbia Northwest Medical Center Partners, Ltd.
Columbia Northwest Medical Center, Inc.
Columbia Plaza Medical Center of Fort Worth Subsidiary, L.P.
         Plaza Medical Center of Fort Worth
Columbia Psychiatric Management Co.
Columbia South Texas Division, Inc.
Columbia Specialty Hospital of Dallas Subsidiary, L.P.
Columbia Specialty Hospitals, Inc.
Columbia Surgery Group, Inc.
Columbia/Green Oaks Behavioral Healthcare System, L.P.
Columbia/HCA Healthcare Corporation of Central Texas
Columbia/HCA Heartcare of Corpus Christi, Inc.
Columbia/HCA International Group, Inc.
Columbia/HCA of Houston, Inc.
Columbia/HCA of North Texas, Inc.
Columbia/HCA Western Group, Inc.
Columbia/Pasadena Healthcare System, L.P.

Columbia/St. David's Healthcare System, L.P.
         Central Texas Imaging Center
         Round Rock Medical Center
         South Austin Hospital
         St. David's Healthcare Partnership
         St. David's Medical Center
         St. David's Pavilion
         St. David's Rehabilitation Center
Columbia-Quantum, Inc.
Conroe Hospital Corporation
Corpus Christi Healthcare Group, Ltd.
Corpus Christi Surgery, Ltd.
         Surgicare of Corpus Christi
Corpus Surgicare, Inc.
Denton Regional Ambulatory Surgery Center, L.P.
Doctors Hospital (Conroe), Inc.
E.P. Physical Therapy Centers, Inc.
El Paso Healthcare System, Ltd.

Del Sol Diagnostic Center
Del Sol LifeCare Center
Del Sol Medical Center
Del Sol Rehabilitation Hospital
Del Sol Sports Medicine Center
Las Palmas Medical Center
Las Palmas & Del Sol Regional Healthcare System
Wound Management Center of Las Palmas
El Paso Nurses Unlimited, Inc.
El Paso Physical Therapy Centers, Ltd.
Las Palmas Physical Therapy Center
El Paso Surgery Centers, L.P.
East El Paso Surgery Center
Surgical Center of El Paso
El Paso Surgicenter, Inc.
Endoscopy Clinic of Dallas, Inc.
EPIC Properties, Inc.
EPSC, L.P.
Flower Mound Surgery Center, Ltd.
Fort Worth Investments, Inc.
Frisco Warren Parkway 91, Inc.
Galen Hospital of Baytown, Inc.
Gramercy Surgery Center, Ltd.
Gramercy Outpatient Surgery Center
Greater Houston Preferred Provider Option, Inc.
Green Oaks Hospital Subsidiary, L.P.
Green Oaks Hospital
Gulf Coast Division, Inc.
Gulf Coast Physician Administrators, Inc.
Gulf Coast Provider Network, Inc.
HCA Health Services of Texas, Inc.
HCA Plano Imaging, Inc.
Heartcare of Texas, Ltd.
HEI Sealy, Inc.
Houston Northwest Surgical Partners, Inc.
HPG Energy, L.P.
HPG GP, LLC
HTI Gulf Coast, Inc.

HTI/ADC Venture
North Austin Medical Center
Kingwood Surgery Center, Ltd.
KPH-Consolidation, Inc.
Kingwood Medical Center
Las Colinas Surgery Center, Ltd.
Las Colinas Surgery Center
Longview Regional Physician Hospital Organization, Inc.
Med Plus of El Paso, Inc.
Med-Center Hosp./Houston, Inc.
Medical Care Surgery Center, Inc.
Medical City Dallas Hospital, Inc.
MediPurchase, Inc.
Methodist Healthcare System of San Antonio, Ltd.
Metropolitan Hospital
Methodist Specialty & Transplant Hospital
Northeast Methodist Hospital
Metroplex Surgicenters, Inc.
MGH Medical, Inc.
MHS SC Partner, L.L.C.
MHS Surgery Centers, L.P.
Mid-Cities Surgi-Center, Inc.
National Patient Account Services, Inc.
NPAS
NPAS - Kentucky

NPAS - Texas
Navarro Memorial Hospital, Inc.
North Austin Surgery Center, L.P.
North Central Methodist ASC, L.P.
Methodist Ambulatory Surgery Center - North Central
North Hills Surgicare, LP
Texas Pediatric Surgery Center
North Texas Division, Inc.
North Texas General, L.P.
North Texas Technologies, Ltd.
Northeast Methodist Surgicare, Ltd.
Methodist Ambulatory Surgery Center - Northeast
Northeast PHO, Inc.
Oakwood Surgery Center, Ltd.
Orthopedic Hospital, Ltd.
Outpatient Services - River Oaks Imaging, L.P.
Outpatient Women's and Children's Surgery Center, Ltd.
Paragon of Texas Health Properties, Inc.
Paragon Surgery Centers of Texas, Inc,
Park Central Surgical Center, Ltd.
Park Central Surgical Center
Parkway Cardiac Center, Ltd.
Parkway Surgery Services, Ltd.
Pasadena Bayshore Hospital, Inc.
Pediatric Surgicare, Inc.
Qualitycare Network of Greater Houston, Inc.
Quantum/Bellaire Imaging, Ltd.
Rim Building Partners, L.P.
Rio Grande NP, Inc.
Rio Grande Regional Hospital, Inc.
Rio Grande Regional Investments, Inc.

Rosewood Medical Center, Inc.
Rosewood Professional Office Building, Ltd.
S.A. Medical Center, Inc.
San Antonio Division, Inc.
San Antonio Regional Hospital, Inc.
South Austin Surgery Center, Ltd.
Surgicare of South Austin
South Texas Ambulatory Surgery Hospital, Ltd.
Methodist Ambulatory Surgery Hospital - Northwest
South Texas Surgicare, Inc.
Southwest Houston Surgicare, Inc.
Spring Branch Medical Center, Inc.
Spring Branch Medical Center
Sugar Land Surgery Center, Ltd.
Sun Towers/Vista Hills Holding Co.
Sunbelt Regional Medical Center, Inc.
Surgical Center of Irving, Inc.
Surgical Facility of West Houston, L.P.
Surgicare of Central San Antonio, Inc.
Surgicare of Flower Mound, Inc.
Surgicare of Fort Worth Co-GP, LLC
Surgicare of Fort Worth, Inc.
Surgicare of Gramercy, Inc.
Surgicare of Houston Women's, Inc.
Surgicare of Kingwood, Inc.
Surgicare of McKinney, Inc.
Surgicare of North Austin, Inc.
Surgicare of North San Antonio, Inc.
Surgicare of Northeast San Antonio, Inc.
Surgicare of Pasadena, Inc.
Surgicare of Round Rock, Inc.
Surgicare of South Austin, Inc.

Surgicare of Sugar Land, Inc.
Surgicare of Travis Center, Inc.
Texas Medical Technologies, Inc.
Texas Psychiatric Company, Inc.
The Family Birth Center, Ltd.
The West Texas Division of Columbia, Inc.
Travis Surgery Center, L.P.
Village Oaks Medical Center, Inc.
W & C Hospital, Inc.
West Houston ASC, Inc.
West Houston Healthcare Group, Ltd.
West Houston Outpatient Medical Facility, Inc.
West Houston Surgicare, Inc.
West Park Surgery Center, L.P.
    McKinney Surgery Center
WHMC, Inc.
Willow Creek Hospital, Ltd.
Woman's Hospital of Texas, Incorporated

UNITED KINGDOM

Columbia U.K. Finance Limited
HCA Finance, LP

HCA International Holdings Limited
HCA International Limited
    Princess Grace Hospital
    The Harley Street Clinic
    The Portland Hospital for Women and Children
    The Wellington Hospital
HCA Staffing Limited
HCA UK Capital Limited
HCA UK Holdings Limited
HCA UK Investments Limited
HCA UK Services, Ltd.
HCA United Kingdom Limited
La Tour Finance Limited Partnership
London Radiography & Radiotherapy Services Limited
St. Martins Healthcare Limited
    Lister Hospital
    London Bridge Hospital
St. Martins Ltd.
The Harley Street Cancer Clinic Limited

UTAH

Brigham City Community Hospital Physician Services, LLC
Brigham City Community Hospital, Inc.
    Brigham City Community Hospital
Brigham City Health Plan, Inc.
Columbia Mountain Division, Inc.
Columbia Ogden Medical Center, Inc.
    MountainStar Blood Services
    MountainStar Healthcare
    Ogden Regional Medical Center
Columbia Utah Division, Inc.
General Hospitals of Galen, Inc.
Healthtrust Utah Management Services, Inc.
Hospital Corporation of Utah
    Lakeview Hospital
HTI Physician Services of Utah, Inc.
Lakeview Hospital Physician Services, LLC

Mountain View Hospital, Inc.
Mountain View Hospital
Mountain View Medical Office Building, Ltd.
Northern Utah Healthcare Corporation
St. Mark's Hospital
Ogden Regional Health Plan, Inc.
Ogden Regional Medical Center Professional Billing, LLC
Ogden Senior Center, LLC
Salt Lake City Surgicare, Inc.
St. Mark's Investments, Inc.
St. Mark's Physicians, Inc.
St. Mark's Professional Services, Inc.
The Wasatch Endoscopy Center, Ltd.
Timpanogos Regional Medical Services, Inc.
Timpanogos Regional Hospital
West Jordan Hospital Corporation

VIRGINIA

Alleghany General and Bariatric Services, LLC
Alleghany Primary Care, Inc.
Ambulatory Services Management Corp. of Chesterfield County, Inc.
Behavioral Health of Virginia Corporation
Buford Road Imaging, L.L.C.
Central Atlantic Division I, Inc.
Chippenham & Johnston-Willis Hospitals, Inc.
CJW Medical Center
Clinch Valley Pulmonology, LLC
Clinch Valley Urology, LLC
Columbia Arlington Healthcare System, L.L.C.
Columbia Healthcare of Central Virginia, Inc.
Columbia Medical Group - Southwest Virginia, Inc.
Children's Choice of the New River Valley
Heart Specialists of Southwest Virginia
Salem ENT Clinic
Columbia Pentagon City Hospital, L.L.C.
Columbia Physicians Services, Inc.
Columbia Primary Care Associates, Ltd.
Columbia Richmond Division, Inc.
Columbia/Alleghany Regional Hospital, Incorporated
Alleghany Healthcare Services
Alleghany Regional Hospital
Columbia/HCA John Randolph, Inc.
John Randolph Medical Center
Columbia/HCA Retreat Hospital, Inc.
The Retreat Hospital
Fairfax Surgical Center, L.P.
Fairfax Surgical Center
Galen of Virginia, Inc.
Galen Virginia Hospital Corporation
Galen-Med, Inc.
Clinch Valley Medical Center
Generations Family Practice, Inc.
GYN-Oncology of Southwest Virginia, LLC
Hanover Outpatient Surgery Center, L.P.
Hanover Outpatient Surgery Center
HCA Health Services of Virginia, Inc.
Henrico Doctors' Hospital
Hopewell Nursing Home, LLC
HSS Virginia, L.P.
Central Atlantic Supply Chain Services
Patient Account Services - Richmond
Lewis-Gale Hospital, Incorporated

Management Services of the Virginias, Inc.
Montgomery Regional Hospital, Inc.
Montgomery Regional Hospital
MOS Temps, Inc.
New River Healthcare Plan, Inc.
NOCO, Inc.
Northern Virginia Community Hospital, LLC
Northern Virginia Community Hospital
Northern Virginia Hospital Corporation

Orthopedics Specialists, LLC
Preferred Hospitals, Inc.
Primary Health Group, Inc.
Pulaski Community Hospital, Inc.
Pulaski Community Hospital
Reston Surgery Center, L.P.
Richmond Pediatric Surgeon's, LLC
Roanoke Neurosurgery, LLC
Robious Wellness Associates, L.P.
Southwest Virginia Fertility Center, LLC
Surgicare of Fairfax, Inc.
Surgicare of Hanover, Inc.
Surgicare of Reston, Inc.
Surgicare of Tuckahoe, Inc.
The Retreat Doctors' Office Building Associates, L.P.
Virginia Hematology & Oncology Associates, Inc.
Virginia Hospitalists, Inc.
Virginia Psychiatric Company, Inc.
Dominion Hospital

WASHINGTON

ACH, Inc.
Capital Network Services, Inc.
Columbia Capital Medical Center Limited Partnership
Capital Medical Center

WEST VIRGINIA

Charleston Hospital, Inc.
Hospitalists of Saint Francis
Mountain State Multi-Specialty Group
Saint Francis Hospital
Saint Francis Professional Building
Columbia Parkersburg Healthcare System, Inc.
Columbia/HCA WVMS Member, Inc.
Columbia-S.J. Ventures Properties, Limited Partnership
Columbia-St. Joseph's Healthcare System, Limited Partnership
Inpatient Specialists of Saint Joseph's Hospital
Loma Prieta Obstetrics and Gynecology
St. Joseph's Hospital
Galen of West Virginia, Inc.
HCA Health Services of West Virginia, Inc.
Hospital Corporation of America
Parkersburg SJ Holdings, Inc.
Raleigh General Hospital
Raleigh General Hospital
St. Francis Surgery Center, L.P.
Surgicare of Charleston, Inc.
Teays Valley Health Services, Inc.
Putnam General Hospital
Tri Cities Health Services Corp.

West Virginia Management Services Organization, Inc.
Zone, Incorporated

EXHIBIT 23

Consent of Independent Auditors

We consent to the incorporation by reference in the Registration Statements on Forms S-3 (File Nos. 333-107536, 333-87588, 333-67040, 333-51540, 333-82219, 333-05005, 333-01337, 33-64105, 33-53661, 33-53409, 33-52379 and 33-50985) and Forms S-8 (File Nos. 333-61930, 333-51112, 333-48254, 333-48246, 333-82207, 333-64479, 333-33881, 333-18169, 33-62309, 33-62303, 33-55511, 33-55509, 33-55272, 33-55270, 33-52253, 33-51114, 33-53788, 33-51052, 33-50151, 33-50147, 33-49783 and 33-36571) of our report dated February 3, 2004 with respect to the consolidated financial statements of HCA Inc. included in this Annual Report (Form 10-K) for the year ended December 31, 2003.

Nashville, Tennessee
March 11, 2004

/s/ Ernst & Young LLP

EXHIBIT 31.1

CERTIFICATION

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

1. I have reviewed this annual report on Form 10-K of HCA Inc.;

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

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

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

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

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

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

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

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

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

Date: March 11, 2004

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

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

EXHIBIT 31.2

CERTIFICATION

I, R. Milton Johnson, certify that:

1. I have reviewed this annual report of Form 10-K of HCA Inc.;

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

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

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

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

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

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

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

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

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

Date: March 11, 2004

By: /s/ R. MILTON JOHNSON

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

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 Annual Report of HCA Inc. (the "Company") on Form 10-K for the year ended December 31, 2003, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

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

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

March 11, 2004

By: /s/ R. MILTON JOHNSON

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

March 11, 2004