HCA Holdings, Inc.
Form 10-Q
May 11, 2011

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

Form 10-Q

(Mark One)

þ	**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	For the quarterly period ended March 31, 2011

or

o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	For the transition period from to

Commission file number 1-11239

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

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

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

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer o   Accelerated filer o   Non-accelerated filer þ   Smaller reporting company o
(Do not check if a smaller reporting company)

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

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

Class of Common Stock	**Outstanding at April 30, 2011**
Voting common stock, $.01 par value	515,646,400 shares

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Form 10-Q
March 31, 2011

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HCA HOLDINGS, INC.
CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE QUARTERS ENDED MARCH 31, 2011 AND 2010
Unaudited
(Dollars in millions, except per share amounts)

	2011	2010
Revenues	**$ 8,055**	$ 7,544
Salaries and benefits	**3,295**	3,072
Supplies	**1,275**	1,200
Other operating expenses	**1,322**	1,202
Provision for doubtful accounts	**649**	564
Equity in earnings of affiliates	**(76)**	(68)
Depreciation and amortization	**358**	355
Interest expense	**533**	516
Losses on sales of facilities	**1**	
Impairments of long-lived assets		18
Termination of management agreement	**181**	
	7,538	6,859
Income before income taxes	**517**	685
Provision for income taxes	**183**	209
Net income	**334**	476
Net income attributable to noncontrolling interests	**94**	88
Net income attributable to HCA Holdings, Inc.	**$ 240**	$ 388
Per share data:		
Basic earnings per share	**$ 0.54**	$ 0.91
Diluted earnings per share	**$ 0.52**	$ 0.89
Shares used in earnings per share calculations (in thousands):		
Basic	**444,202**	426,350
Diluted	**461,969**	435,680

See accompanying notes.

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

	March 31, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 553**	$ 411
Accounts receivable, less allowance for doubtful accounts of $3,870 and $3,939	**4,060**	3,832
Inventories	**881**	897
Deferred income taxes	**916**	931
Other	**576**	848
	6,986	6,919
Property and equipment, at cost	**25,855**	25,641
Accumulated depreciation	**(14,508)**	(14,289)
	11,347	11,352
Investments of insurance subsidiary	**590**	642
Investments in and advances to affiliates	**852**	869
Goodwill	**2,705**	2,693
Deferred loan costs	**354**	374
Other	**975**	1,003
	$ 23,809	$ 23,852
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities:		
Accounts payable	**$ 1,348**	$ 1,537
Accrued salaries	**975**	895
Other accrued expenses	**1,398**	1,245
Long-term debt due within one year	**546**	592
	4,267	4,269
Long-term debt	**24,820**	27,633
Professional liability risks	**1,003**	995
Income taxes and other liabilities	**1,507**	1,608
Equity securities with contingent redemption rights		141
Stockholders deficit:		

Common stock $0.01 par; authorized 1,800,000,000 shares; outstanding 515,614,300 shares in 2011 and 427,458,800 shares in 2010	**5**	4
Capital in excess of par value	**3,057**	386
Accumulated other comprehensive loss	**(344)**	(428)
Retained deficit	**(11,648)**	(11,888)
Stockholders deficit attributable to HCA Holdings, Inc.	**(8,930)**	(11,926)
Noncontrolling interests	**1,142**	1,132
	(7,788)	(10,794)
	$ 23,809	$ 23,852

See accompanying notes.

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HCA HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE QUARTERS ENDED MARCH 31, 2011 AND 2010
Unaudited
(Dollars in millions)

	2011	2010
Cash flows from operating activities:		
Net income	$ 334	$ 476
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in operating assets and liabilities	(774)	(838)
Provision for doubtful accounts	649	564
Depreciation and amortization	358	355
Income taxes	321	238
Losses on sales of facilities	1	
Impairments of long-lived assets		18
Amortization of deferred loan costs	20	20
Share-based compensation	8	8
Other	1	18
Net cash provided by operating activities	918	859
Cash flows from investing activities:		
Purchase of property and equipment	(329)	(214)
Acquisition of hospitals and health care entities	(22)	(21)
Disposition of hospitals and health care entities	55	24
Change in investments	20	29
Other	3	1
Net cash used in investing activities	(273)	(181)
Cash flows from financing activities:		
Issuance of long-term debt		1,387
Net change in revolving credit facilities	(2,604)	1,339
Repayment of long-term debt	(296)	(1,510)
Distributions to noncontrolling interests	(95)	(83)
Distributions to stockholders	(30)	(1,751)
Payment of debt issuance costs		(25)
Issuance of common stock	2,506	
Income tax benefits	22	42
Other	(6)	(1)
Net cash used in financing activities	(503)	(602)
Change in cash and cash equivalents	142	76
Cash and cash equivalents at beginning of period	411	312

Cash and cash equivalents at end of period	**$**	**553**	$	388
Interest payments	**$**	**401**	$	374
Income tax refunds, net	**$**	**(160)**	$	(71)

See accompanying notes.

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HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Reporting Entity

On November 17, 2006, HCA Inc. completed its merger with Hercules Acquisition Corporation, pursuant to which the Company was acquired by Hercules Holding II, LLC, a Delaware limited liability company owned by a private investor group comprised of affiliates of Bain Capital Partners, Kohlberg Kravis Roberts & Co., BAML Capital Partners (formerly Merrill Lynch Global Private Equity) (each a Sponsor), affiliates of Citigroup Inc. and Bank of America Corporation (the Sponsor Assignees) and affiliates of HCA founder, Dr. Thomas F. Frist Jr., (the Frist Entities, and together with the Sponsors and the Sponsor Assignees, the Investors) and by members of management and certain other investors.

On November 22, 2010, HCA Inc. reorganized by creating a new holding company structure (the Corporate Reorganization). HCA Holdings, Inc. became the new parent company, and HCA Inc. is a wholly-owned direct subsidiary of HCA Holdings, Inc. As part of the Corporate Reorganization, HCA Inc. s outstanding shares of capital stock were automatically converted, on a share for share basis, into identical shares of our common stock. Immediately following the Corporate Reorganization, our amended and restated certificate of incorporation, amended and restated bylaws, executive officers and board of directors were the same as HCA Inc. s in effect immediately prior to the Corporate Reorganization, and the rights, privileges and interests of HCA Inc. s stockholders remained the same with respect to us as the new holding company.

During February 2011, our Board of Directors approved an increase in the number of our authorized shares to 1,800,000,000 shares of common stock and a 4.505-to-one split of our issued and outstanding common shares. All common share and per common share amounts in these condensed consolidated financial statements and notes to condensed consolidated financial statements reflect the 4.505-to-one split. During March 2011, we completed the initial public offering of 87,719,300 shares of our common stock at a price of $30.00 per share (before deducting underwriter discounts, commissions and other related offering expenses). Certain of our stockholders also sold 57,410,700 shares of our common stock in this offering. We did not receive any proceeds from the shares sold by the selling stockholders. Our common stock is now traded on the New York Stock Exchange (symbol HCA).

The Investors have provided management and advisory services to the Company pursuant to a management agreement among HCA Inc. and the Investors executed in connection with the Investors acquisition of HCA Inc. in November 2006. The management agreement was terminated pursuant to its terms upon completion of the initial public offering of our common stock, and the Company paid the Investors a final fee of $181 million. The management agreement also provided that the Company pay a 1% fee in connection with certain financing, acquisition, divestiture and change of control transactions. The Company paid the Investors a fee of $26 million related to the initial public offering of our common stock, and this fee was recorded as a cost of the stock offering.

HCA Holdings, 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 Holdings, Inc. and partnerships and joint ventures in which such subsidiaries are partners. At March 31, 2011, these affiliates owned and operated 156 hospitals, 98 freestanding surgery centers and facilities which provided extensive outpatient and ancillary services. Affiliates of HCA Holdings, Inc. are also partners in joint ventures that own and operate seven hospitals and nine freestanding surgery centers, which are accounted for using the equity method. HCA Holdings, Inc. s facilities are located in

20 states and England. The terms Company, HCA, we, our or us, as used herein and unless otherwise stated or indicated by context, refer to HCA Inc. and its affiliates prior to the Corporate Reorganization and to HCA Holdings, Inc. and its affiliates after the Corporate Reorganization. The terms facilities or hospitals refer to entities owned and operated by affiliates of HCA and the term employees refers to employees of affiliates of HCA.

HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal and recurring nature.

The majority of our expenses are cost of revenue items. Costs that could be classified as general and administrative would include our corporate office costs, which were $54 million and $40 million for the quarters ended March 31, 2011 and 2010, respectively. Operating results for the quarter ended March 31, 2011 are not necessarily indicative of the results that may be expected for the year ending December 31, 2011. For further information, refer to the consolidated financial statements and footnotes thereto included in our annual report on Form 10-K for the year ended December 31, 2010.

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

NOTE 2 INCOME TAXES

At March 31, 2011, we were contesting, before the Internal Revenue Service (IRS) Appeals Division, certain claimed deficiencies and adjustments proposed by the IRS Examination Division in connection with its audit of HCA Inc. s 2005 and 2006 federal income tax returns. The disputed items include the timing of recognition of certain patient service revenues, the deductibility of certain debt retirement costs and our method for calculating the tax allowance for doubtful accounts. In addition, eight taxable periods of HCA Inc. and its predecessors ended in 1997 through 2004, for which the primary remaining issue is the computation of the tax allowance for doubtful accounts, were pending before the IRS Examination Division as of March 31, 2011. The IRS Examination Division began an audit of HCA Inc. s 2007, 2008 and 2009 federal income tax returns in 2010.

Our liability for unrecognized tax benefits was $402 million, including accrued interest of $92 million, as of March 31, 2011 ($413 million and $115 million, respectively, as of December 31, 2010). Unrecognized tax benefits of $197 million ($190 million as of December 31, 2010) would affect the effective rate, if recognized. The liability for unrecognized tax benefits does not reflect deferred tax assets of $54 million ($63 million as of December 31, 2010) related to deductible interest and state income taxes or a refundable deposit of $82 million ($82 million as of December 31, 2010), which is recorded in noncurrent assets. The provision for income taxes reflects $24 million and $15 million ($15 million and $9 million, net of tax) in reductions in interest expense related to taxing authority examinations for the quarters ended March 31, 2011 and 2010, respectively.

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

NOTE 3 EARNINGS PER SHARE

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

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HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 3 EARNINGS PER SHARE (continued)

The following table sets forth the computation of basic and diluted earnings per share for the quarters ended March 31, 2011 and 2010 (dollars in millions, except per share amounts, and shares in thousands):

	Quarter	
	2011	**2010**
Net income attributable to HCA Holdings, Inc.	**$ 240**	$ 388
Weighted average common shares outstanding	**444,202**	426,350
Effect of dilutive securities	**17,767**	9,330
Shares used for diluted earnings per share	**461,969**	435,680
Earnings per share:		
Basic earnings per share	**$ 0.54**	$ 0.91
Diluted earnings per share	**$ 0.52**	$ 0.89

NOTE 4 INVESTMENTS OF INSURANCE SUBSIDIARY

A summary of our insurance subsidiary s investments at March 31, 2011 and December 31, 2010 follows (dollars in millions):

	March 31, 2011			
		Unrealized Amounts		
	Amortized Cost	**Gains**	**Losses**	**Fair Value**
Debt securities:				
States and municipalities	**$ 296**	**$ 11**	**$ (2)**	**$ 305**
Auction rate securities	**170**		**(1)**	**169**
Asset-backed securities	**24**			**24**
Money market funds	**200**			**200**
	690	**11**	**(3)**	**698**
Equity securities	**8**	**1**	**(1)**	**8**
	$ 698	**$ 12**	**$ (4)**	**706**
Amounts classified as current assets				**(116)**
Investment carrying value				**$ 590**

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HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4 INVESTMENTS OF INSURANCE SUBSIDIARY (continued)

	December 31, 2010			
	Amortized Cost	Unrealized Amounts Gains	Unrealized Amounts Losses	Fair Value
Debt securities:				
States and municipalities	$ 312	$ 12	$ (1)	$ 323
Auction rate securities	251		(1)	250
Asset-backed securities	26	1	(1)	26
Money market funds	135			135
	724	13	(3)	734
Equity securities	8	1	(1)	8
	$ 732	$ 14	$ (4)	742
Amounts classified as current assets				(100)
Investment carrying value				$ 642

At March 31, 2011 and December 31, 2010, the investments of our insurance subsidiary were classified as available-for-sale. Changes in temporary unrealized gains and losses are recorded as adjustments to other comprehensive income. At March 31, 2011 and December 31, 2010, $84 million and $92 million, respectively, of our investments were subject to restrictions included in insurance bond collateralization and assumed reinsurance contracts.

Scheduled maturities of investments in debt securities at March 31, 2011 were as follows (dollars in millions):

	Amortized Cost	Fair Value
Due in one year or less	$ 225	$ 225
Due after one year through five years	147	153
Due after five years through ten years	108	110
Due after ten years	16	17
	496	505
Auction rate securities	170	169
Asset-backed securities	24	24

	$ 690	$ 698

The average expected maturity of the investments in debt securities at March 31, 2011 was 2.3 years, compared to the average scheduled maturity of 9.4 years. Expected and scheduled maturities may differ because the issuers of certain securities have the right to call, prepay or otherwise redeem such obligations prior to the scheduled maturity date. The average expected maturities for our auction rate and asset-backed securities were derived from valuation models of expected cash flows and involved management s judgment. At March 31, 2011, the average expected maturities for our auction rate and asset-backed securities were 3.9 years and 5.3 years, respectively, compared to average scheduled maturities of 25.5 years and 25.3 years, respectively.

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HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 5 LONG-TERM DEBT

A summary of long-term debt at March 31, 2011 and December 31, 2010, including related interest rates at March 31, 2011, follows (dollars in millions):

	March 31, 2011	December 31, 2010
Senior secured asset-based revolving credit facility	$	$ 1,875
Senior secured revolving credit facility		729
Senior secured term loan facilities (effective interest rate of 6.9%)	**7,554**	7,530
Senior secured first lien notes (effective interest rate of 8.4%)	**4,076**	4,075
Other senior secured debt (effective interest rate of 7.1%)	**314**	322
First lien debt	**11,944**	14,531
Senior secured cash-pay notes (effective interest rate of 9.7%)	**4,502**	4,501
Senior secured toggle notes (effective interest rate of 10.0%)	**1,578**	1,578
Second lien debt	**6,080**	6,079
Senior unsecured notes (effective interest rate of 7.1%)	**7,342**	7,615
Total debt (average life of 6.3 years, rates averaging 7.9%)	**25,366**	28,225
Less amounts due within one year	**546**	592
	$ 24,820	$ 27,633

During March 2011, pending permanent application, we used the net proceeds of $2.506 billion from the initial public offering of our common stock to reduce amounts outstanding under our revolving credit facilities.

On November 8, 2010, an amended and restated joinder agreement was entered into with respect to the cash flow credit facility to establish a new replacement revolving credit series, which will mature on November 17, 2015. Under the amended and restated joinder agreement, these replacement revolving credit commitments became effective upon the completion of our initial public offering of our common stock in March 2011.

NOTE 6 FINANCIAL INSTRUMENTS

Interest Rate Swap Agreements

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

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HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 6 FINANCIAL INSTRUMENTS (continued)

Interest Rate Swap Agreements (continued)

The following table sets forth our interest rate swap agreements, which have been designated as cash flow hedges, at March 31, 2011 (dollars in millions):

	Notional Amount	Maturity Date	Fair Value
Pay-fixed interest rate swaps	$ 7,100	November 2011	$ (202)
Pay-fixed interest rate swaps (starting November 2011)	3,000	December 2016	(99)

Certain of our interest rate swaps are not designated as hedges, and changes in fair value are recognized in results of operations. The following table sets forth our interest rate swap agreements, which were not designated as hedges, at March 31, 2011 (dollars in millions):

	Notional Amount	Maturity Date	Fair Value
Pay-fixed interest rate swap	$ 900	November 2011	$ (25)
Pay-variable interest rate swap	900	November 2011	3

During the next 12 months, we estimate $259 million will be reclassified from other comprehensive income (OCI) to interest expense.

Cross Currency Swaps

The Company and certain subsidiaries have incurred obligations and entered into various intercompany transactions where such obligations are denominated in currencies, other than the functional currencies of the parties executing the trade. In order to mitigate the currency exposure risks and better match the cash flows of our obligations and intercompany transactions with cash flows from operations, we entered into various cross currency swaps. Our credit risk related to these agreements is considered low because the swap agreements are with creditworthy financial institutions.

Certain of our cross currency swaps are not designated as hedges, and changes in fair value are recognized in results of operations. The following table sets forth our cross currency swap agreement, which was not designated as a hedge, at March 31, 2011 (amounts in millions):

	Notional Amount	Maturity Date	Fair Value

Euro United States Dollar currency swap	351 Euro	December 2011	$ 67

Derivatives Results of Operations

The following tables present the effect on our results of operations of our interest rate and cross currency swaps for the quarter ended March 31, 2011 (dollars in millions):

Derivatives in Cash Flow Hedging Relationships	Amount of Gain Recognized in OCI on Derivatives, Net of Tax	Location of Loss Reclassified from Accumulated OCI into Operations	Amount of Loss Reclassified from Accumulated OCI into Operations
Interest rate swaps	$ 6	Interest expense	$ 95

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HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 6 FINANCIAL INSTRUMENTS (continued)

Derivatives Results of Operations (continued)

Derivatives Not Designated as Hedging Instruments	Location of Gain Recognized in Operations on Derivatives	Amount of Gain Recognized in Operations on Derivatives
Cross currency swap	Other operating expenses	$ 28

Credit-risk-related Contingent Features

We have agreements with each of our derivative counterparties that contain a provision where we could be declared in default on our derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to our default on the indebtedness. As of March 31, 2011, we have not been required to post any collateral related to these agreements. If we had breached these provisions at March 31, 2011, we would have been required to settle our obligations under the agreements at their aggregate, estimated termination value of $274 million.

NOTE 7 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures* (ASC 820) defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements.

ASC 820 emphasizes fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs classified within Levels 1 and 2 of the hierarchy) and the reporting entity s own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

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

Cash Traded Investments

Our cash traded investments are generally classified within Level 1 or Level 2 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Certain types of cash traded instruments are classified within Level 3 of the fair value hierarchy because they trade infrequently and therefore have little or no price transparency. Such instruments include auction rate securities (ARS) and limited partnership investments. The transaction price is initially used as the best estimate of fair value.

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HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 7 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (continued)

Cash Traded Investments (continued)

Our wholly-owned insurance subsidiary had investments in tax-exempt ARS, which are backed by student loans substantially guaranteed by the federal government, of $169 million ($170 million par value) at March 31, 2011. We do not currently intend to attempt to sell the ARS as the liquidity needs of our insurance subsidiary are expected to be met by other investments in its investment portfolio. During 2010 and the first quarter of 2011, certain issuers and their broker/dealers redeemed or repurchased $150 million and $81 million, respectively, of our ARS at par value. The valuation of these securities involved management s judgment, after consideration of market factors and the absence of market transparency, market liquidity and observable inputs. Our valuation models derived a fair market value compared to tax-equivalent yields of other student loan backed variable rate securities of similar credit worthiness and similar effective maturities.

Derivative Financial Instruments

We have entered into interest rate and cross currency swap agreements to manage our exposure to fluctuations in interest rates and foreign currency risks. The valuation of these instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves, foreign exchange rates and implied volatilities. To comply with the provisions of ASC 820, we incorporate credit valuation adjustments to reflect both our own nonperformance risk and the respective counterparty s nonperformance risk in the fair value measurements.

Although we determined the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by us and our counterparties. We assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and at March 31, 2011 and December 31, 2010, we determined the credit valuation adjustments were not significant to the overall valuation of our derivatives.

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HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 7 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (continued)

Fair Value Summary

The following table summarizes our assets and liabilities measured at fair value on a recurring basis as of March 31, 2011 and December 31, 2010, aggregated by the level in the fair value hierarchy within which those measurements fall (dollars in millions):

		March 31, 2011 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments of insurance subsidiary:				
Debt securities:				
States and municipalities	$ 305	$	$ 305	$
Auction rate securities	169			169
Asset-backed securities	24		24	
Money market funds	200	200		
	698	200	329	169
Equity securities	8	2	5	1
Investments of insurance subsidiary	706	202	334	170
Less amounts classified as current assets	(116)	(116)		
	$ 590	$ 86	$ 334	$ 170
Cross currency swap (Other assets)	$ 67	$	$ 67	$
Liabilities:				
Interest rate swaps (Income taxes and other liabilities)	$ 323	$	$ 323	$

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HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 7 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (continued)

Fair Value Summary (continued)

		December 31, 2010 Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments of insurance subsidiary:				
Debt securities:				
States and municipalities	$ 323	$	$ 323	$
Auction rate securities	250			250
Asset-backed securities	26		26	
Money market funds	135	135		
	734	135	349	250
Equity securities	8	2	5	1
Investments of insurance subsidiary	742	137	354	251
Less amounts classified as current assets	(100)	(100)		
	$ 642	$ 37	$ 354	$ 251
Cross currency swap (Other assets)	$ 39	$	$ 39	$
Liabilities:				
Interest rate swaps (Income taxes and other liabilities)	$ 426	$	$ 426	$

The following table summarizes the activity related to the auction rate and equity securities investments of our insurance subsidiary, which have fair value measurements based on significant unobservable inputs (Level 3), during the quarter ended March 31, 2011 (dollars in millions):

Asset balances at December 31, 2010	$	251
Settlements		(81)
Asset balances at March 31, 2011	$	170

The estimated fair value of our long-term debt was $26.395 billion and $28.738 billion at March 31, 2011 and December 31, 2010, respectively, compared to carrying amounts aggregating $25.366 billion and $28.225 billion, respectively. The estimates of fair value are generally based upon the quoted market prices or quoted market prices for similar issues of long-term debt with the same maturities.

NOTE 8 CONTINGENCIES

We operate in a highly regulated and litigious industry. As a result, various lawsuits, claims and legal and regulatory proceedings have been and can be expected to be instituted or asserted against us. The resolution of any such lawsuits, claims or legal and regulatory proceedings could have a material, adverse effect on our results of operations or financial position in a given period.

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HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 8 CONTINGENCIES (continued)

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

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

The Civil Division of the Department of Justice (DOJ) has contacted the Company in connection with its nationwide review of whether, in certain cases, hospital charges to the federal government relating to implantable cardio-defibrillators (ICDs) met the Centers for Medicare & Medicaid Services criteria. In connection with this nationwide review, the DOJ has indicated that it will be reviewing certain ICD billing and medical records at 87 HCA hospitals; the review covers the period from October 2003 to the present. The review could potentially give rise to claims against the Company under the federal False Claims Act or other statutes, regulations or laws. At this time, we cannot predict what effect, if any, this review or any resulting claims could have on the Company.

NOTE 9 COMPREHENSIVE INCOME AND CAPITAL STRUCTURE

The components of comprehensive income, net of related taxes, for the quarters ended March 31, 2011 and 2010 are only attributable to HCA Holdings, Inc. and are as follows (dollars in millions):

	2011	2010
Net income attributable to HCA Holdings, Inc.	**$ 240**	$ 388
Change in fair value of derivative instruments	**67**	(12)
Change in fair value of available-for-sale securities	**(1)**	1
Foreign currency translation adjustments	**14**	(21)
Defined benefit plans	**4**	3
Comprehensive income	**$ 324**	$ 359

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

	March 31,	**December 31,**

	2011	2010
Change in fair value of derivative instruments	**$ (205)**	$ (272)
Change in fair value of available-for-sale securities	**5**	6
Foreign currency translation adjustments	**(5)**	(19)
Defined benefit plans	**(139)**	(143)
Accumulated other comprehensive loss	**$ (344)**	$ (428)

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HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 9 COMPREHENSIVE INCOME AND CAPITAL STRUCTURE (continued)

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

	Equity (Deficit) Attributable to HCA Holdings, Inc.						
	Common Stock Shares (000)	Common Stock Par Value	Capital in Excess of Par Value	Accumulated Other Comprehensive Loss	Retained Deficit	Equity Attributable to Noncontrolling Interests	Total
Balances, December 31, 2010	427,459	$ 4	$ 386	$ (428)	$ (11,888)	$ 1,132	$ (10,794)
Net income					240	94	334
Other comprehensive income				84			84
Issuance of common stock	87,719	1	2,505				2,506
Distributions						(95)	(95)
Share-based benefit plans	436		9				9
Reclassification of certain equity securities with contingent redemption rights			141				141
Other			16			11	27
Balances, March 31, 2011	515,614	$ 5	$ 3,057	$ (344)	$ (11,648)	$ 1,142	$ (7,788)

During February 2011, our Board of Directors approved an increase in the number of our authorized shares to 1,800,000,000 shares of common stock and a 4.505-to-one split of our issued and outstanding commons shares. During March 2011, we completed the initial public offering of 87,719,300 shares of our common stock at a price of $30.00 per share and realized net proceeds (after costs of the offering) of $2.506 billion.

Prior to the consummation of the initial public offering of our common stock, certain employees could elect to have the Company redeem their common stock and vested options in the event of death or permanent disability, pursuant to the terms of their management stockholder agreements. The consummation of the initial public offering of our common stock effectively terminated the contingent redemption rights and the applicable amounts have been reclassified to stockholders equity.

NOTE 10 SEGMENT AND GEOGRAPHIC INFORMATION

We operate in one line of business, which is operating hospitals and related health care entities. During the quarters ended March 31, 2011 and 2010, 24.8% and 24.5%, respectively, of our revenues related to patients participating in the fee-for-service Medicare program.

Our operations are structured into three geographically organized groups: the National, Southwest and Central Groups. During February 2011, we reorganized our operational groups and have restated the prior period amounts to reflect this reorganization. The National Group includes 64 consolidating hospitals located in Florida, South Carolina, southern Georgia, Alaska, California, Nevada, Utah and Idaho, The Southwest Group includes 39 consolidating hospitals located in Texas, Oklahoma and the Wichita, Kansas market, and the Central Group includes 47 consolidating hospitals located in Louisiana, Indiana, Kentucky, Tennessee, Virginia, New Hampshire, northern Georgia and the Kansas City market. We also operate six consolidating hospitals in England, and these facilities are included in the Corporate and other group.

Adjusted segment EBITDA is defined as income before depreciation and amortization, interest expense, losses on sales of facilities, impairments of long-lived assets, termination of management agreement, income taxes and net income attributable to noncontrolling interests. We use adjusted segment EBITDA as an analytical indicator for purposes of allocating resources to geographic areas and assessing their performance. Adjusted segment EBITDA is commonly used as an analytical indicator within the health care industry, and also serves as a measure of leverage

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HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 10 SEGMENT AND GEOGRAPHIC INFORMATION (continued)

capacity and debt service ability. Adjusted segment EBITDA should not be considered as a measure of financial performance under generally accepted accounting principles, and the items excluded from adjusted segment EBITDA are significant components in understanding and assessing financial performance. Because adjusted segment EBITDA is not a measurement determined in accordance with generally accepted accounting principles and is thus susceptible to varying calculations, adjusted segment EBITDA, as presented, may not be comparable to other similarly titled measures of other companies. The geographic distributions of our revenues, equity in earnings of affiliates, adjusted segment EBITDA, depreciation and amortization and assets are summarized in the following table (dollars in millions):

	Quarters Ended March 31, 2011	Quarters Ended March 31, 2010
Revenues:		
National Group	**$ 3,455**	$ 3,203
Southwest Group	**2,435**	2,338
Central Group	**1,879**	1,764
Corporate and other	**286**	239
	$ 8,055	$ 7,544
Equity in earnings of affiliates:		
National Group	**$ (1)**	$ (1)
Southwest Group	**(75)**	(66)
Central Group		(1)
Corporate and other		
	$ (76)	$ (68)
Adjusted segment EBITDA:		
National Group	**$ 672**	$ 662
Southwest Group	**595**	567
Central Group	**333**	343
Corporate and other	**(10)**	2
	$ 1,590	$ 1,574
Depreciation and amortization:		
National Group	**$ 125**	$ 128

Southwest Group	**111**	107
Central Group	**89**	88
Corporate and other	**33**	32
	$ 358	$ 355
Adjusted segment EBITDA	**$ 1,590**	$ 1,574
Depreciation and amortization	**358**	355
Interest expense	**533**	516
Losses on sales of facilities	**1**	
Impairments of long-lived assets		18
Termination of management agreement	**181**	
Income before income taxes	**$ 517**	$ 685

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HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 10 SEGMENT AND GEOGRAPHIC INFORMATION (continued)

	March 31, 2011	December 31, 2010
Assets:		
National Group	**$ 7,396**	$ 7,345
Southwest Group	**6,791**	6,747
Central Group	**5,283**	5,271
Corporate and other	**4,339**	4,489
	$ 23,809	$ 23,852

NOTE 11 ACQUISITIONS, DISPOSITIONS AND IMPAIRMENTS OF LONG-LIVED ASSETS

During the quarters ended March 31, 2011 and 2010, we paid $22 million and $21 million, respectively, to acquire nonhospital health care entities.

During the quarter ended March 31, 2011, we received proceeds of $55 million and recognized a net pretax loss of $1 million related to the sales of a hospital facility and our investment in a hospital joint venture. During the quarter ended March 31, 2010, we received proceeds of $24 million related to sales of real estate investments and the proceeds were equal to the carrying amounts.

During the quarter ended March 31, 2010, we recorded impairments of long-lived assets of $18 million to adjust the values of real estate and other investments in our National, Southwest and Corporate and Other Groups to estimated fair value. There were no impairments of long-lived assets for the quarter ended March 31, 2011.

NOTE 12 SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION

On November 22, 2010, HCA Inc. reorganized by creating a new holding company structure. HCA Holdings, Inc. became the new parent company, and HCA Inc. is now HCA Holdings, Inc. s wholly-owned direct subsidiary. On November 23, 2010, HCA Holdings, Inc. issued $1.525 billion aggregate principal amount of 73/4% senior unsecured notes due 2021. These notes are senior unsecured obligations and are not guaranteed by any of our subsidiaries.

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

Our summarized condensed consolidating balance sheets at March 31, 2011 and December 31, 2010 and condensed consolidating statements of income and cash flows for the quarters ended March 31, 2011 and 2010, segregating HCA Holdings, Inc. issuer, HCA Inc. issuer, the subsidiary guarantors, the subsidiary non-guarantors and eliminations, follow:

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HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12 SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (continued)

HCA HOLDINGS, INC.
CONDENSED CONSOLIDATING INCOME STATEMENT
FOR THE QUARTER ENDED MARCH 31, 2011
(Dollars in millions)

	HCA Holdings, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Condensed Consolidated
Revenues	$	$	$ 4,578	$ 3,477	$	$ 8,055
Salaries and benefits			1,896	1,399		3,295
Supplies			711	564		1,275
Other operating expenses		2	681	639		1,322
Provision for doubtful accounts			417	232		649
Equity in earnings of affiliates	(258)		(30)	(46)	258	(76)
Depreciation and amortization			195	163		358
Interest expense	30	691	(163)	(25)		533
Losses (gains) on sales of facilities			16	(15)		1
Termination of management agreement		181				181
Management fees			(124)	124		
	(228)	874	3,599	3,035	258	7,538
Income (loss) before income taxes	228	(874)	979	442	(258)	517
Provision for income taxes	(12)	(375)	415	155		183
Net income (loss)	240	(499)	564	287	(258)	334
Net income attributable to noncontrolling interests			13	81		94
Net income (loss) attributable to HCA Holdings, Inc.	$ 240	$ (499)	$ 551	$ 206	$ (258)	$ 240

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HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12 SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (continued)

HCA HOLDINGS, INC.
CONDENSED CONSOLIDATING INCOME STATEMENT
FOR THE QUARTER ENDED MARCH 31, 2010
(Dollars in millions)

	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Condensed Consolidated
Revenues	$	$ 4,374	$ 3,170	$	$ 7,544
Salaries and benefits		1,826	1,246		3,072
Supplies		690	510		1,200
Other operating expenses	2	638	562		1,202
Provision for doubtful accounts		358	206		564
Equity in earnings of affiliates	(811)	(27)	(41)	811	(68)
Depreciation and amortization		195	160		355
Interest expense	648	(115)	(17)		516
Impairments of long-lived assets		15	3		18
Management fees		(118)	118		
	(161)	3,462	2,747	811	6,859
Income before income taxes	161	912	423	(811)	685
Provision for income taxes	(227)	313	123		209
Net income	388	599	300	(811)	476
Net income attributable to noncontrolling interests		15	73		88
Net income attributable to HCA Holdings, Inc.	$ 388	$ 584	$ 227	$ (811)	$ 388

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HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12 SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (continued)

HCA HOLDINGS, INC.
CONDENSED CONSOLIDATING BALANCE SHEET
MARCH 31, 2011
(Dollars in millions)

	HCA Holdings, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Condensed Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	$	$	$ 270	$ 283	$	$ 553
Accounts receivable, net			2,288	1,772		4,060
Inventories			539	342		881
Deferred income taxes	916					916
Other			170	406		576
	916		3,267	2,803		6,986
Property and equipment, net			6,786	4,561		11,347
Investments of insurance subsidiary				590		590
Investments in and advances to affiliates			223	629		852
Goodwill			1,631	1,074		2,705
Deferred loan costs	23	331				354
Investments in and advances to subsidiaries	14,540				(14,540)	
Other	678	90	24	183		975
	$ 16,157	$ 421	$ 11,931	$ 9,840	$ (14,540)	$ 23,809
LIABILITIES AND STOCKHOLDERS (DEFICIT) EQUITY						
Current liabilities:						
Accounts payable	$ 4	$	$ 780	$ 564	$	$ 1,348
Accrued salaries			596	379		975
Other accrued expenses	108	380	277	633		1,398
Long-term debt due within one year		508	13	25		546

	112	888	1,666	1,601		4,267
Long-term debt	1,525	22,946	100	249		24,820
Intercompany balances	23,053	(12,792)	(13,180)	2,919		
Professional liability risks				1,003		1,003
Income taxes and other liabilities	397	391	522	197		1,507
	25,087	11,433	(10,892)	5,969		31,597
Stockholders (deficit) equity attributable to HCA Holdings, Inc.	(8,930)	(11,012)	22,718	2,834	(14,540)	(8,930)
Noncontrolling interests			105	1,037		1,142
	(8,930)	(11,012)	22,823	3,871	(14,540)	(7,788)
	$ 16,157	$ 421	$ 11,931	$ 9,840	$ (14,540)	$ 23,809

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HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12 SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (continued)

HCA HOLDINGS, INC.
CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2010
(Dollars in millions)

	HCA Holdings, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Condensed Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	$ 6	$	$ 156	$ 249	$	$ 411
Accounts receivable, net			2,214	1,618		3,832
Inventories			547	350		897
Deferred income taxes	931					931
Other	202		223	423		848
	1,139		3,140	2,640		6,919
Property and equipment, net			6,817	4,535		11,352
Investments of insurance subsidiary				642		642
Investments in and advances to affiliates			248	621		869
Goodwill			1,635	1,058		2,693
Deferred loan costs	23	351				374
Investments in and advances to subsidiaries	14,282				(14,282)	
Other	776	39	21	167		1,003
	$ 16,220	$ 390	$ 11,861	$ 9,663	$ (14,282)	$ 23,852
LIABILITIES AND STOCKHOLDERS (DEFICIT) EQUITY						
Current liabilities:						
Accounts payable	$	$	$ 919	$ 618	$	$ 1,537
Accrued salaries			556	339		895
Other accrued expenses	12	296	328	609		1,245
Long-term debt due within one year		554	12	26		592

	12	850	1,815	1,592		4,269
Long-term debt	1,525	25,758	95	255		27,633
Intercompany balances	25,985	(16,130)	(12,833)	2,978		
Professional liability risks				995		995
Income taxes and other liabilities	483	425	505	195		1,608
	28,005	10,903	(10,418)	6,015		34,505
Equity securities with contingent redemption rights	141					141
Stockholders (deficit) equity attributable to HCA Holdings, Inc.	(11,926)	(10,513)	22,167	2,628	(14,282)	(11,926)
Noncontrolling interests			112	1,020		1,132
	(11,926)	(10,513)	22,279	3,648	(14,282)	(10,794)
	$ 16,220	$ 390	$ 11,861	$ 9,663	$ (14,282)	$ 23,852

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HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12 SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (continued)

HCA HOLDINGS, INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED MARCH 31, 2011
(Dollars in millions)

	HCA Holdings, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Condensed Consolidated
Cash flows from operating activities:						
Net income	$ 240	$ (499)	$ 564	$ 287	$ (258)	$ 334
Adjustments to reconcile net income to net cash provided by (used in) operating activities:						
Changes in operating assets and liabilities	34	85	(559)	(334)		(774)
Provision for doubtful accounts			417	232		649
Depreciation and amortization			195	163		358
Income taxes	321					321
Losses (gains) on sales of facilities			15	(14)		1
Amortization of deferred loan costs		20				20
Share-based compensation	8					8
Equity in earnings of affiliates	(258)				258	
Other		1				1
Net cash provided by (used in) operating activities	345	(393)	632	334		918
Cash flows from investing activities:						
Purchase of property and equipment			(168)	(161)		(329)
Acquisition of hospitals and health care entities				(22)		(22)
Disposition of hospitals and health care entities			1	54		55
Change in investments			28	(8)		20
Other			(4)	7		3
Net cash used in investing activities			(143)	(130)		(273)

Cash flows from financing activities:						
Net change in revolving bank credit facilities		(2,604)				(2,604)
Repayment of long-term debt		(284)		(12)		(296)
Distributions to noncontrolling interests			(20)	(75)		(95)
Distributions to stockholders	(30)					(30)
Changes in intercompany balances with affiliates, net	(2,843)	3,281	(355)	(83)		
Issuances of common stock	2,506					2,506
Income tax benefits	22					22
Other	(6)					(6)
Net cash provided by (used in) financing activities	(351)	393	(375)	(170)		(503)
Change in cash and cash equivalents	(6)		114	34		142
Cash and cash equivalents at beginning of period	6		156	249		411
Cash and cash equivalents at end of period	$	$	$ 270	$ 283	$	$ 553

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HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12 SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (continued)

HCA HOLDINGS, INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED MARCH 31, 2010
(Dollars in millions)

	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Condensed Consolidated
Cash flows from operating activities:					
Net income	$ 388	$ 599	$ 300	$ (811)	$ 476
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Changes in operating assets and liabilities	116	(670)	(284)		(838)
Provision for doubtful accounts		358	206		564
Depreciation and amortization		195	160		355
Income taxes	238				238
Impairments of long-lived assets		15	3		18
Amortization of deferred loan costs	20				20
Share-based compensation	8				8
Equity in earnings of affiliates	(811)			811	
Other	18				18
Net cash provided by (used in) operating activities	(23)	497	385		859
Cash flows from investing activities:					
Purchase of property and equipment		(53)	(161)		(214)
Acquisition of hospitals and health care entities		(21)			(21)
Disposition of hospitals and health care entities		23	1		24
Change in investments		7	22		29
Other		(3)	4		1
Net cash used in investing activities		(47)	(134)		(181)
Cash flows from financing activities:					
Issuance of long-term debt	1,387				1,387
Net change in revolving credit facilities	1,339				1,339
Repayment of long-term debt	(1,496)	(11)	(3)		(1,510)

Distributions to noncontrolling interests		(33)	(50)		(83)
Distributions to stockholders	(1,751)				(1,751)
Changes in intercompany balances with affiliates, net	532	(421)	(111)		
Payment of debt issuance costs	(25)				(25)
Income tax benefits	42				42
Other	(5)		4		(1)
Net cash provided by (used in) financing activities	23	(465)	(160)		(602)
Change in cash and cash equivalents		(15)	91		76
Cash and cash equivalents at beginning of period		95	217		312
Cash and cash equivalents at end of period	$	$ 80	$ 308	$	$ 388