

UNIVERSAL HEALTH SERVICES INC

Form 10-Q

August 08, 2013

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(MARK ONE)

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

For the quarterly period ended June 30, 2013

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 1-10765

UNIVERSAL HEALTH SERVICES, INC.

(Exact name of registrant as specified in its charter)

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DELAWARE
(State or other jurisdiction of
incorporation or organization)

23-2077891
(I.R.S. Employer
Identification No.)

UNIVERSAL CORPORATE CENTER
367 SOUTH GULPH ROAD
KING OF PRUSSIA, PENNSYLVANIA 19406
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (610) 768-3300

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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.

Large accelerated filer Accelerated filer
Non-accelerated filer 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 No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Common shares outstanding, as of July 31, 2013:

Class A	6,595,708
Class B	90,905,041
Class C	664,000
Class D	30,053

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In this Report on Form 10-Q for the quarterly period ended June 30, 2013, we, us, our and the Company refer to Universal Health Services, Inc. and its subsidiaries. UHS is a registered trademark of UHS of Delaware, Inc., the management company for, and a wholly-owned subsidiary of Universal Health Services, Inc. Universal Health Services, Inc. is a holding company and operates through its subsidiaries including its management company, UHS of Delaware, Inc. All healthcare and management operations are conducted by subsidiaries of Universal Health Services, Inc. To the extent any reference to UHS or UHS facilities in this report including letters, narratives or other forms contained herein relates to our healthcare or management operations it is referring to Universal Health Services, Inc.'s subsidiaries including UHS of Delaware, Inc. Further, the terms we, us, our or the Company in such context similarly refer to the operations of Universal Health Services Inc.'s subsidiaries including UHS of Delaware, Inc. Any reference to employees or employment contained herein refers to employment with or employees of the subsidiaries of Universal Health Services, Inc. including UHS of Delaware, Inc.

Table of Contents**PART I. FINANCIAL INFORMATION****UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(amounts in thousands, except per share amounts)

(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Net revenues before provision for doubtful accounts	\$ 2,081,662	\$ 1,907,789	\$ 4,160,010	\$ 3,849,412
Less: Provision for doubtful accounts	246,687	184,706	493,403	333,293
Net revenues	1,834,975	1,723,083	3,666,607	3,516,119
Operating charges:				
Salaries, wages and benefits	897,334	854,863	1,799,630	1,726,977
Other operating expenses	325,562	345,061	706,569	696,361
Supplies expense	202,344	197,816	406,986	403,176
Depreciation and amortization	81,682	72,983	161,494	144,775
Lease and rental expense	24,082	23,983	48,747	47,425
Electronic health records incentive income	(83)	(1,955)	(4,795)	(1,955)
	1,530,921	1,492,751	3,118,631	3,016,759
Income from operations	304,054	230,332	547,976	499,360
Interest expense, net	38,236	45,888	78,174	92,598
Income before income taxes	265,818	184,444	469,802	406,762
Provision for income taxes	98,015	67,000	172,064	146,748
Net income	167,803	117,444	297,738	260,014
Less: Income attributable to noncontrolling interests	15,962	9,883	26,113	23,846
Net income attributable to UHS	\$ 151,841	\$ 107,561	\$ 271,625	\$ 236,168
Basic earnings per share attributable to UHS	\$ 1.55	\$ 1.11	\$ 2.77	\$ 2.44
Diluted earnings per share attributable to UHS	\$ 1.53	\$ 1.10	\$ 2.75	\$ 2.41
Weighted average number of common shares basic	98,033	96,691	97,872	96,642
Add: Other share equivalents	1,178	1,038	1,019	1,118
Weighted average number of common shares and equivalents diluted	99,211	97,729	98,891	97,760

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

Table of Contents**UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(amounts in thousands, unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Net income	\$ 167,803	\$ 117,444	\$ 297,738	\$ 260,014
Other comprehensive income (loss):				
Unrealized derivative gains on cash flow hedges	5,282	212	9,817	1,827
Amortization of terminated hedge	(84)	(84)	(168)	(168)
Other comprehensive income before tax	5,198	128	9,649	1,659
Income tax expense related to items of other comprehensive income	1,960	50	3,638	632
Total other comprehensive income, net of tax	3,238	78	6,011	1,027
Comprehensive income	171,041	117,522	303,749	261,041
Less: Comprehensive income attributable to noncontrolling interests	15,962	9,883	26,113	23,846
Comprehensive income attributable to UHS	\$ 155,079	\$ 107,639	\$ 277,636	\$ 237,195

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

Table of Contents**UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(amounts in thousands, unaudited)

	June 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,558	\$ 23,471
Accounts receivable, net	1,149,477	1,067,197
Supplies	100,324	99,000
Other current assets	86,733	87,936
Deferred income taxes	134,888	104,461
Assets of facilities held for sale	0	25,431
Total current assets	1,483,980	1,407,496
Property and equipment	5,519,819	5,368,345
Less: accumulated depreciation	(2,116,414)	(1,986,110)
	3,403,405	3,382,235
Other assets:		
Goodwill	3,041,346	3,036,765
Deferred charges	66,910	75,888
Other	321,612	298,459
	\$ 8,317,253	\$ 8,200,843
Liabilities and Stockholders' Equity		
Current liabilities:		
Current maturities of long-term debt	\$ 73,579	\$ 2,589
Accounts payable and accrued liabilities	958,952	889,557
Liabilities of facilities held for sale	0	850
Federal and state taxes	16,619	1,062
Total current liabilities	1,049,150	894,058
Other noncurrent liabilities	310,948	395,355
Long-term debt	3,473,106	3,727,431
Deferred income taxes	206,818	183,747
Redeemable noncontrolling interests	233,417	234,303
Equity:		
UHS common stockholders' equity	2,991,457	2,713,345
Noncontrolling interest	52,357	52,604
Total equity	&nbsp;	&nbsp;