HCA Holdings, Inc.
Form 10-Q
November 06, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended September 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 1-11239

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x 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	x	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	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 x

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

Class of Common Stock	**Outstanding at October 31, 2013**
Voting common stock, $.01 par value	447,838,000 shares

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HCA HOLDINGS, INC.

Form 10-Q

September 30, 2013

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HCA HOLDINGS, INC.

CONDENSED CONSOLIDATED INCOME STATEMENTS

FOR THE QUARTERS AND NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012

Unaudited

(Dollars in millions, except per share amounts)

	Quarter		Nine Months	
	2013	2012	2013	2012
Revenues before provision for doubtful accounts	**$ 9,411**	$ 8,893	**$ 28,078**	$ 27,245
Provision for doubtful accounts	**955**	831	**2,732**	2,666
Revenues	**8,456**	8,062	**25,346**	24,579
Salaries and benefits	**3,916**	3,781	**11,681**	11,224
Supplies	**1,457**	1,375	**4,406**	4,216
Other operating expenses	**1,564**	1,510	**4,594**	4,496
Electronic health record incentive income	**(75)**	(131)	**(166)**	(256)
Equity in earnings of affiliates	**(9)**	(6)	**(29)**	(26)
Depreciation and amortization	**443**	417	**1,292**	1,254
Interest expense	**458**	446	**1,392**	1,336
Losses (gains) on sales of facilities	**1**	(7)	**13**	(4)
Loss on retirement of debt			**17**	
	7,755	7,385	**23,200**	22,240
Income before income taxes	**701**	677	**2,146**	2,339
Provision for income taxes	**234**	222	**704**	760
Net income	**467**	455	**1,442**	1,579
Net income attributable to noncontrolling interests	**102**	95	**310**	288
Net income attributable to HCA Holdings, Inc.	**$ 365**	$ 360	**$ 1,132**	$ 1,291
Per share data:				
Basic earnings per share	**$ 0.82**	$ 0.82	**$ 2.54**	$ 2.94
Diluted earnings per share	**$ 0.79**	$ 0.78	**$ 2.44**	$ 2.81
Cash dividends declared per share	**$**	$	**$**	$ 2.00
Shares used in earnings per share calculations (in thousands):				
Basic	**447,329**	440,899	**446,125**	439,441
Diluted	**463,569**	459,515	**463,051**	458,822

See accompanying notes.

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HCA HOLDINGS, INC.

CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS

FOR THE QUARTERS AND NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012

Unaudited

(Dollars in millions)

	Quarter		Nine Months	
	2013	2012	2013	2012
Net income	**$ 467**	$ 455	**$ 1,442**	$ 1,579
Other comprehensive income (loss) before taxes:				
Foreign currency translation	**60**	30		37
Unrealized (losses) gains on available-for-sale securities	**1**	3	**(7)**	8
Defined benefit plans	**8**		**8**	
Pension costs included in salaries and benefits	**9**	7	**24**	21
	17	7	**32**	21
Change in fair value of derivative financial instruments	**(31)**	(56)	**9**	(158)
Interest costs included in interest expense	**33**	30	**97**	90
	2	(26)	**106**	(68)
Other comprehensive income (loss) before taxes	**80**	14	**131**	(2)
Income taxes (benefits) related to other comprehensive income items	**28**	5	**48**	(2)
Other comprehensive income	**52**	9	**83**	
Comprehensive income	**519**	464	**1,525**	1,579
Comprehensive income attributable to noncontrolling interests	**102**	95	**310**	288
Comprehensive income attributable to HCA Holdings, Inc.	**$ 417**	$ 369	**$ 1,215**	$ 1,291

See accompanying notes.

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HCA HOLDINGS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

Unaudited

(Dollars in millions)

	September 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 484**	$ 705
Accounts receivable, less allowance for doubtful accounts of $5,105 and $4,846	**4,924**	4,672
Inventories	**1,135**	1,086
Deferred income taxes	**400**	385
Other	**828**	915
	7,771	7,763
Property and equipment, at cost	**30,472**	29,527
Accumulated depreciation	**(17,150)**	(16,342)
	13,322	13,185
Investments of insurance subsidiaries	**402**	515
Investments in and advances to affiliates	**125**	104
Goodwill and other intangible assets	**5,832**	5,539
Deferred loan costs	**250**	290
Other	**691**	679
	$ 28,393	$ 28,075
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities:		
Accounts payable	**$ 1,582**	$ 1,768
Accrued salaries	**1,085**	1,120
Other accrued expenses	**1,764**	1,849
Long-term debt due within one year	**988**	1,435
	5,419	6,172
Long-term debt	**27,389**	27,495
Professional liability risks	**959**	973
Income taxes and other liabilities	**1,670**	1,776
Stockholders deficit:		
Common stock $0.01 par; authorized 1,800,000,000 shares; outstanding 447,573,400 shares in 2013 and 443,200,200 shares in 2012	**4**	4
Capital in excess of par value	**1,821**	1,753
Accumulated other comprehensive loss	**(374)**	(457)
Retained deficit	**(9,827)**	(10,960)
Stockholders deficit attributable to HCA Holdings, Inc.	**(8,376)**	(9,660)
Noncontrolling interests	**1,332**	1,319

	(7,044)	(8,341)
	$ 28,393	$ 28,075

See accompanying notes.

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HCA HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013 AND 2012

Unaudited

(Dollars in millions)

	2013	2012
Cash flows from operating activities:		
Net income	**$ 1,442**	$ 1,579
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in operating assets and liabilities	**(3,319)**	(2,923)
Provision for doubtful accounts	**2,732**	2,666
Depreciation and amortization	**1,292**	1,254
Income taxes	**158**	250
Losses (gains) on sales of facilities	**13**	(4)
Loss on retirement of debt	**17**	
Amortization of deferred loan costs	**41**	44
Share-based compensation	**81**	39
Other	**(3)**	7
Net cash provided by operating activities	**2,454**	2,912
Cash flows from investing activities:		
Purchase of property and equipment	**(1,347)**	(1,268)
Acquisition of hospitals and health care entities	**(463)**	(167)
Disposition of hospitals and health care entities	**31**	17
Change in investments	**97**	73
Other	**8**	5
Net cash used in investing activities	**(1,674)**	(1,340)
Cash flows from financing activities:		
Issuance of long-term debt		1,350
Net change in revolving credit facilities	**630**	(875)
Repayment of long-term debt	**(1,300)**	(689)
Distributions to noncontrolling interests	**(308)**	(303)
Payment of debt issuance costs	**(5)**	(20)
Distributions to stockholders	**(13)**	(983)
Income tax benefits	**70**	82
Other	**(75)**	(35)
Net cash used in financing activities	**(1,001)**	(1,473)
Change in cash and cash equivalents	**(221)**	99
Cash and cash equivalents at beginning of period	**705**	373
Cash and cash equivalents at end of period	**$ 484**	$ 472
Interest payments	**$ 1,464**	$ 1,404

Income tax payments, net	**$ 476**	$ 428

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. was acquired by a private investor group, including affiliates of or funds sponsored by Bain Capital Partners, LLC, Kohlberg Kravis Roberts & Co., BAML Capital Partners and HCA founder, Dr. Thomas F. Frist Jr. and by members of management and certain other investors. The transaction was accounted for as a recapitalization in our financial statements, with no adjustments to the historical basis of our assets and liabilities.

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. became HCA Holdings, Inc. s 100% owned direct subsidiary. As part of the Corporate Reorganization, HCA Inc. s outstanding shares of common stock were automatically converted, on a share for share basis, into identical shares of HCA Holdings, Inc. s common stock. As a result of the Corporate Reorganization, HCA Holdings, Inc. was deemed the successor registrant to HCA Inc. under the Securities Exchange Act of 1934.

During March 2011, we completed the initial public offering of 87,719,300 shares of our common stock. Upon the completion of a secondary offering in February 2013, we no longer qualify as a controlled company under the applicable New York Stock Exchange (NYSE) listing standards and will be required to appoint a board of directors comprised of a majority of independent members within one year of such date. Our common stock is traded on the NYSE (symbol HCA).

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 September 30, 2013, these affiliates owned and operated 162 hospitals, 114 freestanding surgery centers and provided extensive outpatient and ancillary services. HCA Holdings, Inc. s facilities are located in 20 states and England. The terms Company, HCA, we, our or us, as used h 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.

Basis of Presentation

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

The majority of our expenses are costs of revenues items. Costs that could be classified as general and administrative would include our corporate office costs, which were $76 million and $62 million for the quarters ended September 30, 2013 and 2012, respectively, and $207 million and $174 million for the nine months ended September 30, 2013 and 2012, respectively. Operating results for the quarter and the nine months ended September 30, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013. 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, 2012.

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HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Basis of Presentation (continued)

Revenues are recorded during the period the health care services are provided, based upon the estimated amounts due from the patients and third-party payers. Third-party payers include federal and state agencies (under Medicare, Medicaid and other 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. Revenues related to uninsured patients and copayment and deductible amounts for patients who have health care coverage may have discounts applied (uninsured discounts and contractual discounts). We also record a provision for doubtful accounts related to uninsured accounts to record the net self pay revenues at the estimated amounts we expect to collect. Our revenues from third-party payers and the uninsured for the quarters and nine months ended September 30, 2013 and 2012 are summarized in the following table (dollars in millions):

	Quarter			
	2013	**Ratio**	**2012**	**Ratio**
Medicare	**$ 1,847**	**21.8%**	$ 1,949	24.2%
Managed Medicare	**794**	**9.4**	720	8.9
Medicaid	**401**	**4.7**	378	4.7
Managed Medicaid	**386**	**4.6**	380	4.7
Managed care and other insurers	**4,636**	**54.8**	4,422	54.8
International (managed care and other insurers)	**287**	**3.4**	253	3.1
	8,351	**98.7**	8,102	100.4
Uninsured	**717**	**8.5**	576	7.1
Other	**343**	**4.1**	215	2.7
Revenues before provision for doubtful accounts	**9,411**	**111.3**	8,893	110.2
Provision for doubtful accounts	**(955)**	**(11.3)**	(831)	(10.2)
Revenues	**$ 8,456**	**100.0%**	$ 8,062	100.0%

	Nine Months			
	2013	**Ratio**	**2012**	**Ratio**
Medicare	**$ 5,961**	**23.5%**	$ 6,251	25.4%
Managed Medicare	**2,441**	**9.6**	2,199	8.9
Medicaid	**1,098**	**4.3**	1,188	4.8
Managed Medicaid	**1,165**	**4.6**	1,080	4.4
Managed care and other insurers	**13,777**	**54.4**	13,340	54.3
International (managed care and other insurers)	**868**	**3.4**	779	3.2
	25,310	**99.8**	24,837	101.0

Uninsured	**1,809**	**7.1**	1,757	7.1
Other	**959**	**3.8**	651	2.7
Revenues before provision for doubtful accounts	**28,078**	**110.7**	27,245	110.8
Provision for doubtful accounts	**(2,732)**	**(10.7)**	(2,666)	(10.8)
Revenues	**$ 25,346**	**100.0%**	$ 24,579	100.0%

Medicare revenues for the nine months ended September 30, 2012 were impacted by two adjustments to Medicare revenues (the Rural Floor Provision Settlement which increased revenues by approximately $271

HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Basis of Presentation (continued)

million and the implementation of revised Supplemental Security Income ratios which reduced revenues by approximately $83 million). The net effect of these Medicare adjustments was an increase of $188 million to revenues. The net effect of these adjustments (and related expenses) added $170 million to income before income taxes, or $0.22 per diluted share, for the nine months ended September 30, 2012.

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

NOTE 2 ACQUISITIONS AND DISPOSITIONS

During the nine months ended September 30, 2013, we paid $278 million and recorded goodwill and identifiable intangible assets of $180 million and $113 million, respectively, related to the acquisition of The Outsource Group, which was acquired by our Parallon Business Solutions affiliate and is included in the Corporate and other Group. During the nine months ended September 30, 2013, we also paid $39 million to acquire nonhospital health care entities and $146 million related to the acquisition of three hospitals which became effective October 1, 2013. During the nine months ended September 30, 2012, we paid $58 million, assumed liabilities of $33 million and recorded goodwill of $53 million related to the acquisition of a hospital facility in the American Group, and we paid $109 million to acquire nonhospital health care entities.

During the nine months ended September 30, 2013, we received proceeds of $31 million and recognized a net pretax loss of $13 million related to the sale of a hospital facility and other real estate investments. During the nine months ended September 30, 2012, we received proceeds of $17 million and recognized a net pretax gain of $4 million related to sales of real estate investments.

NOTE 3 INCOME TAXES

During the nine months ended September 30, 2013, we finalized settlements with the IRS resolving all outstanding issues for HCA Inc. s 2007, 2008 and 2009 tax years. We expect the IRS Examination Division will begin an audit of HCA Holdings, Inc. s 2011 federal income tax return in 2014.

Our liability for unrecognized tax benefits was $417 million, including accrued interest of $26 million, as of September 30, 2013 ($426 million and $14 million, respectively, as of December 31, 2012). Unrecognized tax benefits of $151 million ($125 million as of December 31, 2012) would affect the effective rate, if recognized. The provision for income taxes reflects $7 million and $1 million ($4 million and none, respectively, net of tax) of interest expense related to taxing authority examinations for the quarters ended September 30, 2013 and 2012, respectively, and $8 million and $20 million ($5 million and $13 million, respectively, net of tax) of reductions in interest expense related to taxing authority examinations for the nine months ended September 30, 2013 and 2012, respectively.

Depending on the completion of examinations by federal, state or international taxing authorities, the resolution of any tax disputes, 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.

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HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4 EARNINGS PER SHARE

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

The following table sets forth the computation of basic and diluted earnings per share for the quarters and nine months ended September 30, 2013 and 2012 (dollars in millions, except per share amounts, and shares in thousands):

	Quarter		Nine Months	
	2013	2012	2013	2012
Net income attributable to HCA Holdings, Inc.	$ 365	$ 360	$ 1,132	$ 1,291
Weighted average common shares outstanding	447,329	440,899	446,125	439,441
Effect of dilutive incremental shares	16,240	18,616	16,926	19,381
Shares used for diluted earnings per share	463,569	459,515	463,051	458,822
Earnings per share:				
Basic earnings per share	$ 0.82	$ 0.82	$ 2.54	$ 2.94
Diluted earnings per share	$ 0.79	$ 0.78	$ 2.44	$ 2.81

NOTE 5 INVESTMENTS OF INSURANCE SUBSIDIARIES

A summary of our insurance subsidiaries investments at September 30, 2013 and December 31, 2012 follows (dollars in millions):

	September 30, 2013			
	Amortized	Unrealized Amounts		Fair
	Cost	Gains	Losses	Value
Debt securities:				
States and municipalities	$ 383	$ 12	$ (2)	$ 393
Auction rate securities	32			32
Asset-backed securities	13			13
Money market funds	24			24
	452	12	(2)	462
Equity securities	2	1		3
	$ 454	$ 13	$ (2)	465
Amounts classified as current assets				(63)
Investment carrying value				$ 402

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HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 5 INVESTMENTS OF INSURANCE SUBSIDIARIES (continued)

	December 31, 2012			
	Amortized Cost	Unrealized Amounts Gains	Unrealized Amounts Losses	Fair Value
Debt securities:				
States and municipalities	$ 395	$ 23	$	$ 418
Auction rate securities	74		(6)	68
Asset-backed securities	14			14
Money market funds	67			67
	550	23	(6)	567
Equity securities	2	1		3
	$ 552	$ 24	$ (6)	570
Amounts classified as current assets				(55)
Investment carrying value				$ 515

At September 30, 2013 and December 31, 2012, the investments of our insurance subsidiaries were classified as available-for-sale. Changes in temporary unrealized gains and losses are recorded as adjustments to other comprehensive income. At September 30, 2013 and December 31, 2012, $1 million and $9 million, respectively, of our money market fund investments were subject to restrictions included in insurance bond collateralization and assumed reinsurance contracts.

Scheduled maturities of investments in debt securities at September 30, 2013 were as follows (dollars in millions):

	Amortized Cost	Fair Value
Due in one year or less	$ 41	$ 41
Due after one year through five years	176	182
Due after five years through ten years	108	111
Due after ten years	82	83
	407	417
Auction rate securities	32	32
Asset-backed securities	13	13
	$ 452	$ 462

The average expected maturity of the investments in debt securities at September 30, 2013 was 4.0 years, compared to the average scheduled maturity of 7.1 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 September 30, 2013, the average expected maturities for our auction rate and asset-backed securities were 1.4 years and 3.9 years, respectively, compared to average scheduled maturities of 22.1 years and 22.7 years, respectively.

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HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 6 FINANCIAL INSTRUMENTS

Interest Rate Swap Agreements

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

The following table sets forth our interest rate swap agreements, which have been designated as cash flow hedges, at September 30, 2013 (dollars in millions):

	Notional Amount	Maturity Date	Fair Value
Pay-fixed interest rate swaps	$ 500	December 2014	$ (6)
Pay-fixed interest rate swaps	3,000	December 2016	(269)
Pay-fixed interest rate swaps	1,000	December 2017	(48)

During the next 12 months, we estimate $127 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 enter into cross currency swaps. Our credit risk related to these agreements is considered low because the swap agreements are with creditworthy financial institutions. Our cross currency swap is not designated as a hedge, and changes in fair value are recognized in results of operations. The following table sets forth our cross currency swap agreement at September 30, 2013 (amounts in millions):

	Notional Amount	Maturity Date	Fair Value
Euro United States dollar currency swap	241 Euro	November 2013	$ (4)

Derivatives Results of Operations

The following tables present the effect of our interest rate and cross currency swaps on our results of operations for the nine months ended September 30, 2013 (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	$	97

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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	$ 9

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 September 30, 2013, we have not been required to post any collateral related to these agreements. If we had breached these provisions at September 30, 2013, we would have been required to settle our obligations under the agreements at their aggregate, estimated termination value of $341 million.

NOTE 7 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Accounting Standards Codification 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

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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)

Level 3 of the fair value hierarchy because they trade infrequently and therefore have little or no price transparency. The valuation of these securities involves management s judgment, after consideration of market factors and the absence of market transparency, market liquidity and observable inputs. Our valuation models derived fair market values compared to tax-equivalent yields of other 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. 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 September 30, 2013 and December 31, 2012, 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)

Derivative Financial Instruments (continued)

The following table summarizes our assets and liabilities measured at fair value on a recurring basis as of September 30, 2013 and December 31, 2012, aggregated by the level in the fair value hierarchy within which those measurements fall (dollars in millions):

	September 30, 2013			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments of insurance subsidiaries:				
Debt securities:				
States and municipalities	$ 393	$	$ 393	$
Auction rate securities	32			32
Asset-backed securities	13		13	
Money market funds	24	24		
	462	24	406	32
Equity securities	3	2		1
Investments of insurance subsidiaries	465	26	406	33
Less amounts classified as current assets	(63)	(24)	(39)	
	$ 402	$ 2	$ 367	$ 33
Liabilities:				
Cross currency swap (Income taxes and other liabilities)	$ 4	$	$ 4	$
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)

Derivative Financial Instruments (continued)

	December 31, 2012			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments of insurance subsidiaries:				
Debt securities:				
States and municipalities	$ 418	$	$ 418	$
Auction rate securities	68			68
Asset-backed securities	14		14	
Money market funds	67	67		
	567	67	432	68
Equity securities	3	1		2
Investments of insurance subsidiaries	570	68	432	70
Less amounts classified as current assets	(55)	(55)		
	$ 515	$ 13	$ 432	$ 70
Liabilities:				
Cross currency swap (Income taxes and other liabilities)	$ 13	$	$ 13	$
Interest rate swaps (Income taxes and other liabilities)	429		429	

The following table summarizes the activity related to the auction rate and equity securities investments of our insurance subsidiaries which have fair value measurements based on significant unobservable inputs (Level 3) during the nine months ended September 30, 2013 (dollars in millions):

Asset balances at December 31, 2012	$70
Unrealized gains included in other comprehensive income	6
Settlements	(43)

Asset balances at September 30, 2013	$ 33

The estimated fair value of our long-term debt was $29.492 billion and $30.781 billion at September 30, 2013 and December 31, 2012, respectively, compared to carrying amounts aggregating $28.377 billion and $28.930 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.

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HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 8 LONG-TERM DEBT

A summary of long-term debt at September 30, 2013 and December 31, 2012, including related interest rates at September 30, 2013, follows (dollars in millions):

	September 30, 2013	December 31, 2012
Senior secured asset-based revolving credit facility (effective interest rate of 1.7%)	**$ 2,100**	$ 1,470
Senior secured revolving credit facility		
Senior secured term loan facilities (effective interest rate of 5.1%)	**5,944**	5,958
Senior secured first lien notes (effective interest rate of 7.1%)	**9,693**	9,688
Other senior secured debt (effective interest rate of 6.8%)	**446**	423
First lien debt	**18,183**	17,539
Senior secured second lien notes		197
Senior unsecured notes (effective interest rate of 7.2%)	**10,194**	11,194
Total debt (average life of 6.5 years, rates averaging 6.3%)	**28,377**	28,930
Less amounts due within one year	**988**	1,435
	$ 27,389	$ 27,495

2013 Activity

During March 2013, we redeemed all $201 million aggregate principal amount of our 9 $^{7}/_{8}$% senior secured second lien notes due 2017, at a redemption price of 104.938% of the principal amount. The pretax loss on retirement of debt related to this redemption was $17 million.

NOTE 9 CONTINGENCIES AND LEGAL CLAIM COSTS

We operate in a highly regulated and litigious industry. As a result, various lawsuits, claims and legal and regulatory proceedings have been and can be expected to be instituted or asserted against us. We are also subject to claims and suits arising in the ordinary course of business, including claims for personal injuries or wrongful restriction of, or interference with, physicians staff privileges. In certain of these actions the claimants may seek punitive damages against us which may not be covered by insurance. 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.

Government Investigations, Claims and Litigation

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

As initially disclosed in 2010, 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

HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 9 CONTINGENCIES AND LEGAL CLAIM COSTS (continued)

Government Investigations, Claims and Litigation (continued)

government relating to implantable cardio-defibrillators (ICDs) met the CMS criteria. In connection with this nationwide review, the DOJ has indicated that it will be reviewing certain ICD billing and medical records at 95 HCA hospitals; the review covers the period from October 2003 to the present. In August 2012, HCA, along with non-HCA hospitals across the country subject to the DOJ s review, received from the DOJ a proposed framework for resolving the DOJ s review of ICDs. The Company is cooperating in the review. The review could potentially give rise to claims against the Company under the federal FCA 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.

In July 2012, the Civil Division of the U.S. Attorney s Office in Miami requested information on reviews assessing the medical necessity of interventional cardiology services provided at any Company facility (other than peer reviews). The Company is cooperating with the government s request and is currently producing medical records associated with particular reviews at eight hospitals, located primarily in Florida. At this time, we cannot predict what effect, if any, the request or any resulting claims, including any potential claims under the federal FCA, other statutes, regulations or laws, could have on the Company.

Securities Class Action Litigation

On October 28, 2011, a shareholder action, Schuh v. HCA Holdings, Inc. et al., was filed in the United States District Court for the Middle District of Tennessee seeking monetary relief. The case sought to include as a class all persons who acquired the Company s stock pursuant or traceable to the Company s Registration Statement issued in connection with the March 9, 2011 initial public offering. The lawsuit asserted a claim under Section 11 of the Securities Act of 1933 against the Company, certain members of the board of directors, and certain underwriters in the offering. It further asserted a claim under Section 15 of the Securities Act of 1933 against the same members of the board of directors. The action alleged various deficiencies in the Company s disclosures in the Registration Statement. Subsequently, two additional class action complaints, Kishtah v. HCA Holdings, Inc. et al. and Daniels v. HCA Holdings, Inc. et al., setting forth substantially similar claims against substantially the same defendants were filed in the same federal court on November 16, 2011 and December 12, 2011, respectively. All three of the cases were consolidated. On May 3, 2012, the court appointed New England Teamsters & Trucking Industry Pension Fund as Lead Plaintiff for the consolidated action. On July 13, 2012, the lead plaintiff filed an amended complaint asserting claims under Sections 11 and 12(a)(2) of the Securities Act of 1933 against the Company, certain members of the board of directors, and certain underwriters in the offering. It further asserts a claim under Section 15 of the Securities Act of 1933 against the same members of the board of directors and Hercules Holdings II, LLC, a majority shareholder of the Company at the time of the initial public offering. The consolidated complaint alleges deficiencies in the Company s disclosures in the Registration Statement and Prospectus relating to: (1) the accounting for the Company s 2006 recapitalization and 2010 reorganization; (2) the Company s failure to maintain effective internal controls relating to its accounting for such transactions; and (3) the Company s Medicare and Medicaid revenue growth rates. The Company and other defendants moved to dismiss the amended complaint on September 11, 2012. The Court granted the motion in part on May 28, 2013. The action is proceeding to discovery on the remaining claims.

In addition to the above described shareholder class actions, on December 8, 2011, a federal shareholder derivative action, Sutton v. Bracken, et al., putatively initiated in the name of the Company, was filed in the United States District Court for the Middle District of Tennessee against certain officers and present and former directors of the Company seeking monetary relief. The action alleges breaches of fiduciary duties by the named officers and directors in connection with the accounting and earnings claims set forth in the shareholder class

HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 9 CONTINGENCIES AND LEGAL CLAIM COSTS (continued)

Securities Class Action Litigation (continued)

actions. Setting forth substantially similar claims against substantially the same defendants, an additional federal derivative action, Schroeder v. Bracken, et al., was filed in the United States District Court for the Middle District of Tennessee on December 16, 2011, and a state derivative action, Bagot v. Bracken, et al., was filed in Tennessee state court in the Davidson County Circuit Court on December 20, 2011. The federal derivative actions were consolidated in the Middle District of Tennessee and stayed pending developments in the shareholder class actions. The state derivative action had also been stayed pending developments in the shareholder class actions, but that stay has expired. The plaintiff in the state derivative action subsequently filed an amended complaint on September 9, 2013 that added additional allegations made in the shareholder class actions. The Company has filed a motion to again stay the state derivative action pending developments in the class action, but the Court has not yet acted on that motion. On September 24, 2013, an additional state derivative action, Steinberg v. Bracken, et al., was filed in Tennessee state court in the Davidson County Circuit Court. This action against our board of directors is substantially similar to the earlier filed state derivative action and the Company is attempting to consolidate the two state actions.

Health Midwest Litigation

In October 2009, the Health Care Foundation of Greater Kansas City, a nonprofit health foundation, filed suit against HCA Inc. in the Circuit Court of Jackson County, Missouri and alleged that HCA did not fund the level of capital expenditures and uncompensated care agreed to in connection with HCA s purchase of hospitals from Health Midwest in 2003. The central issue in the case was whether HCA s construction of new hospitals counted towards its $450 million five-year capital commitments. In addition, the plaintiff alleged that HCA did not make its required capital expenditures in a timely fashion. On January 24, 2013, the Court ruled in favor of the plaintiff and awarded at least $162 million. The Court also ordered a court-supervised accounting of HCA s capital expenditures, as well as of expenditures on charity and uncompensated care during the ten years following the purchase. Should the accounting fail to satisfy the Court concerning HCA s compliance with its capital and charity care commitments, the amount of the judgment award could substantially increase. The Court also indicated it would award plaintiff attorneys fees, which the parties have stipulated are about $12 million. HCA recorded $175 million of legal claim costs in the fourth quarter of 2012 related to this ruling. The accounting for HCA s capital expenditures and charity and uncompensated care is ongoing and will likely not be concluded before the end of 2013. HCA plans to appeal the trial court s ruling on the breach of contract claim and order for the accounting once the trial court rules on the accounting and enters final judgment.

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HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 10 CAPITAL STRUCTURE

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.					Equity Attributable to Noncontrolling Interests	Total
	Common Stock		Capital in Excess of Par Value	Accumulated Other Comprehensive Loss	Retained Deficit		
	Shares (000)	Par Value					
Balances at December 31, 2012	443,200	$ 4	$ 1,753	$ (457)	$ (10,960)	$ 1,319	$ (8,341)
Net income					1,132	310	1,442
Other comprehensive income				83			83
Distributions						(308)	(308)
Share-based benefit plans	4,373		71				71
Other			(3)		1	11	9
Balances at September 30, 2013	447,573	$ 4	$ 1,821	$ (374)	$ (9,827)	$ 1,332	$ (7,044)

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

	Unrealized Gains on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Benefit Plans	Change in Fair Value of Derivative Instruments	Total
Balances at December 31, 2012	$ 11	$ (1)	$ (196)	$ (271)	$ (457)
Unrealized losses on available-for-sale securities, net of $3 income tax benefit	(4)				(4)
Defined benefit plans, net of $3 of income taxes			5		5
Change in fair value of derivative instruments, net of $3 of income taxes				6	6
Expense reclassified into operations from other comprehensive income, net of $9 and $36, respectively, income tax benefits			15	61	76
Balances at September 30, 2013	$ 7	$ (1)	$ (176)	$ (204)	$ (374)

NOTE 11 SEGMENT AND GEOGRAPHIC INFORMATION

We operate in one line of business, which is operating hospitals and related health care entities. Effective January 1, 2013, we reorganized our operational groups into two geographically organized groups: the National and American Groups. The National Group includes 77 hospitals located in Alaska, California, Florida, southern Georgia, Idaho, Indiana, northern Kentucky, Nevada, New Hampshire, South Carolina, Utah and Virginia, and the American Group includes 79 hospitals located in Colorado, northern Georgia, Kansas, southern Kentucky, Louisiana, Mississippi, Missouri, Oklahoma, Tennessee and Texas. We also operate six hospitals in England, and these facilities are included in the Corporate and other group.

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HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 11 SEGMENT AND GEOGRAPHIC INFORMATION (continued)

Adjusted segment EBITDA is defined as income before depreciation and amortization, interest expense, losses (gains) on sales of facilities, loss on retirement of debt, income taxes and net income attributable to noncontrolling interests. We use adjusted segment EBITDA as an analytical indicator for purposes of allocating resources to geographic areas and assessing their performance. Adjusted segment EBITDA is commonly used as an analytical indicator within the health care industry, and also serves as a measure of leverage capacity and debt service ability. Adjusted segment EBITDA should not be considered as a measure of financial performance under generally accepted accounting principles, and the items excluded from adjusted segment EBITDA are significant components in understanding and assessing financial performance. Because adjusted segment EBITDA is not a measurement determined in accordance with generally accepted accounting principles and is thus susceptible to varying calculations, adjusted segment EBITDA, as presented, may not be comparable to other similarly titled measures of other companies. The geographic distributions of our revenues, equity in earnings of affiliates, adjusted segment EBITDA and depreciation and amortization for the quarters and nine months ended September 30, 2013 and 2012 are summarized in the following table (dollars in millions):

	Quarter		Nine Months	
	2013	**2012**	**2013**	**2012**
Revenues:				
National Group	**$ 3,930**	$ 3,755	**$ 11,875**	$ 11,553
American Group	**4,082**	3,982	**12,181**	12,033
Corporate and other	**444**	325	**1,290**	993
	$ 8,456	$ 8,062	**$ 25,346**	$ 24,579
Equity in earnings of affiliates:				
National Group	**$ (3)**	$	**$ (8)**	$ (7)
American Group	**(6)**	(6)	**(19)**	(20)
Corporate and other			**(2)**	1
	$ (9)	$ (6)	**$ (29)**	$ (26)
Adjusted segment EBITDA:				
National Group	**$ 805**	$ 768	**$ 2,440**	$ 2,478
American Group	**910**	843	**2,654**	2,657
Corporate and other	**(112)**	(78)	**(234)**	(210)
	$ 1,603	$ 1,533	**$ 4,860**	$ 4,925
Depreciation and amortization:				
National Group	**$ 181**	$ 171	**$ 532**	$ 520
American Group	**206**	207	**610**	612
Corporate and other	**56**	39	**150**	122
	$ 443	$ 417	**$ 1,292**	$ 1,254
Adjusted segment EBITDA	**$ 1,603**	$ 1,533	**$ 4,860**	$ 4,925
Depreciation and amortization	**443**	417	**1,292**	1,254

Interest expense	**458**	446	**1,392**	1,336
Losses (gains) on sales of facilities	**1**	(7)	**13**	(4)
Loss on retirement of debt			**17**	
Income before income taxes	**$ 701**	$ 677	**$ 2,146**	$ 2,339

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HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 parent company, and HCA Inc. became HCA Holdings, Inc. s 100% owned direct subsidiary. On November 23, 2010, HCA Holdings, Inc. issued $1.525 billion aggregate principal amount of 7 $^{3}/_{4}$% senior unsecured notes due 2021. On December 6, 2012, HCA Holdings, Inc. issued $1.000 billion aggregate principal amount of 6.25% senior unsecured notes due 2021. These notes are senior unsecured obligations and are not guaranteed by any of our subsidiaries.

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

Our summarized condensed consolidating comprehensive income statements for the quarters and nine months ended September 30, 2013 and 2012, condensed consolidating balance sheets at September 30, 2013 and December 31, 2012 and condensed consolidating statements of cash flows for the nine months ended September 30, 2013 and 2012, segregating HCA Holdings, Inc. issuer, HCA Inc. issuer, the subsidiary guarantors, the subsidiary non-guarantors and eliminations, follow:

HCA HOLDINGS, INC.

CONDENSED CONSOLIDATING COMPREHENSIVE INCOME STATEMENT

FOR THE QUARTER ENDED SEPTEMBER 30, 2013

(Dollars in millions)

	HCA Holdings, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Condensed Consolidated
Revenues before provision for doubtful accounts	$	$	$ 4,945	$ 4,466	$	$ 9,411
Provision for doubtful accounts			560	395		955
Revenues			4,385	4,071		8,456
Salaries and benefits			2,090	1,826		3,916
Supplies			773	684		1,457
Other operating expenses	2	(1)	771	792		1,564
Electronic health record incentive income			(53)	(22)		(75)
Equity in earnings of affiliates	(443)			(9)	443	(9)
Depreciation and amortization			216	227		443
Interest expense	41	549	(104)	(28)		458
Losses on sales of facilities			1			1
Management fees			(183)	183		
	(400)	548	3,511	3,653	443	7,755
Income (loss) before income taxes	400	(548)	874	418	(443)	701
Provision (benefit) for income taxes	(17)	(214)	334	131		234

Net income (loss)	417	(334)	540	287	(443)	467
Net income attributable to noncontrolling interests			19	83		102
Net income (loss) attributable to HCA Holdings, Inc.	$ 417	$ (334)	$ 521	$ 204	$ (443)	$ 365
Comprehensive income (loss) attributable to HCA Holdings, Inc.	$ 417	$ (331)	$ 532	$ 242	$ (443)	$ 417

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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 COMPREHENSIVE INCOME STATEMENT

FOR THE QUARTER ENDED SEPTEMBER 30, 2012

(Dollars in millions)

	HCA Holdings, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Condensed Consolidated
Revenues before provision for doubtful accounts	$	$	$ 4,672	$ 4,221	$	$ 8,893
Provision for doubtful accounts			484	347		831
Revenues			4,188	3,874		8,062
Salaries and benefits			1,995	1,786		3,781
Supplies			711	664		1,375
Other operating expenses		3	761	746		1,510
Electronic health record incentive income			(85)	(46)		(131)
Equity in earnings of affiliates	(379)		(1)	(5)	379	(6)
Depreciation and amortization			205	212		417
Interest expense	30	545	(98)	(31)		446
Gains on sales of facilities				(7)		(7)
Management fees			(170)	170		
	(349)	548	3,318	3,489	379	7,385
Income (loss) before income taxes	349	(548)	870	385	(379)	677
Provision (benefit) for income taxes	(11)	(208)	325	116		222
Net income (loss)	360	(340)	545	269	(379)	455
Net income attributable to noncontrolling interests			18	77		95
Net income (loss) attributable to HCA Holdings, Inc.	$ 360	$ (340)	$ 527	$ 192	$ (379)	$ 360
Comprehensive income (loss) attributable to HCA Holdings, Inc.	$ 360	$ (357)	$ 531	$ 214	$ (379)	$ 369

HCA HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12 SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION (continued)

HCA HOLDINGS, INC.

CONDENSED CONSOLIDATING COMPREHENSIVE INCOME STATEMENT

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2013

(Dollars in millions)

	HCA Holdings, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors