

UNIVERSAL HEALTH SERVICES INC

Form 10-Q

August 09, 2010

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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, 2010

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, 2010:

Class A	6,656,808
Class B	89,853,975
Class C	665,400
Class D	35,298

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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,	
	2010	2009	2010	2009
Net revenues	\$ 1,338,315	\$ 1,303,640	\$ 2,685,468	\$ 2,616,059
Operating charges:				
Salaries, wages and benefits	563,552	541,950	1,142,478	1,083,247
Other operating expenses	249,114	232,894	496,142	506,115
Supplies expense	179,926	176,411	363,742	350,378
Provision for doubtful accounts	143,764	120,670	269,154	239,648
Depreciation and amortization	54,025	51,085	107,536	102,219
Lease and rental expense	18,185	17,587	36,119	34,659
	1,208,566	1,140,597	2,415,171	2,316,266
Income from operations	129,749	163,043	270,297	299,793
Interest expense, net	12,277	11,879	24,654	24,517
Income before income taxes	117,472	151,164	245,643	275,276
Provision for income taxes	41,057	57,187	86,466	99,265
Net income	76,415	93,977	159,177	176,011
Less: Income attributable to noncontrolling interests	10,843	13,084	21,786	27,577
Net income attributable to UHS	\$ 65,572	\$ 80,893	\$ 137,391	\$ 148,434
Basic earnings per share attributable to UHS	\$ 0.68	\$ 0.82	\$ 1.42	\$ 1.51
Diluted earnings per share attributable to UHS	\$ 0.67	\$ 0.82	\$ 1.40	\$ 1.50
Weighted average number of common shares basic	96,703	97,700	96,621	98,056
Add: Other share equivalents	1,351	404	1,131	202
Weighted average number of common shares and equivalents diluted	98,054	98,104	97,752	98,258

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, 2010	(Note 15) December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,337	\$ 9,180
Accounts receivable, net	618,855	602,559
Supplies	84,683	84,272
Other current assets	38,985	27,270
Deferred income taxes	51,109	51,336
Current assets held for sale	16,250	21,580
Total current assets	822,219	796,197
Property and equipment	3,818,209	3,738,818
Less: accumulated depreciation	(1,510,592)	(1,423,580)
	2,307,617	2,315,238
Other assets:		
Goodwill	732,754	732,685
Deferred charges	8,864	8,643
Other	118,303	111,700
	\$ 3,989,757	\$ 3,964,463
Liabilities and Stockholders' Equity		
Current liabilities:		
Current maturities of long-term debt	\$ 2,032	\$ 2,573
Accounts payable and accrued liabilities	552,794	578,617
Federal and state taxes	3,298	1,627
Total current liabilities	558,124	582,817
Other noncurrent liabilities	346,310	375,580
Long-term debt	881,344	956,429
Deferred income taxes	68,386	60,091
Redeemable noncontrolling interests	205,463	197,152
UHS common stockholders' equity	1,887,365	1,751,071
Noncontrolling interests	42,765	41,323
Total equity	1,930,130	1,792,394

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 CASH FLOWS**

(amounts in thousands, unaudited)

	Six months ended June 30,	
	2010	2009
Cash Flows from Operating Activities:		
Net income	\$ 159,177	\$ 176,011
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
Depreciation & amortization	107,536	102,219
Net gain on sale of assets	(1,993)	0
Stock-based compensation expense	8,327	6,602
<i>Changes in assets & liabilities, net of effects from acquisitions and dispositions:</i>		
Accounts receivable	(16,523)	4,392
Construction management and other receivable	0	21,003
Accrued interest	(1,757)	106
Accrued and deferred income taxes	3,946	7,934
Other working capital accounts	(15,753)	(1,499)
Other assets and deferred charges	(6,870)	3,844
Other	(4,513)	(3,273)
Accrued insurance expense, net of commercial premiums paid	15,491	13,323
Payments made in settlement of self-insurance claims	(27,698)	(29,823)
Net cash provided by operating activities	219,370	300,839
Cash Flows from Investing Activities:		
Property and equipment additions, net of disposals	(121,640)	(183,248)
Proceeds received from sale of assets	5,000	0
Acquisition of property and business	0	(9,006)
Net cash used in investing activities	(116,640)	(192,254)
Cash Flows from Financing Activities:		
Reduction of long-term debt	(77,974)	(77,356)
Additional borrowings	0	170
Repurchase of common shares	(3,703)	(15,437)
Dividends paid	(9,693)	(7,890)
Issuance of common stock	3,833	1,350
Profit distributions to noncontrolling interests	(12,336)	(4,259)
Proceeds from sale of noncontrolling interest in majority owned business	300	0
Net cash used in financing activities	(99,573)	(103,422)
Increase in cash and cash equivalents	3,157	5,163
Cash and cash equivalents, beginning of period	9,180	5,460
Cash and cash equivalents, end of period	\$ 12,337	\$ 10,623

Supplemental Disclosures of Cash Flow Information:

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Interest paid	\$ 29,783	\$ 28,723
Income taxes paid, net of refunds	\$ 79,943	\$ 90,942

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

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UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) General

This Report on Form 10-Q is for the quarterly period ended June 30, 2010. In this Quarterly Report, we, us, our, UHS and the Company refer to Universal Health Services, Inc. and its subsidiaries.

You should carefully review the information contained in this Quarterly Report, and should particularly consider any risk factors that we set forth in this Quarterly Report and in other reports or documents that we file from time to time with the Securities and Exchange Commission (the SEC). In this Quarterly Report, we state our beliefs of future events and of our future financial performance. In some cases, you can identify those so-called forward-looking statements by words such as may, will, should, expects, plans, anticipates, believes, estimates, potential, or continue or the negative of those words and other comparable words. You should be aware that those statements are only our predictions. Actual events or results may differ materially. In evaluating those statements, you should specifically consider various factors, including the risks related to healthcare industry trends and those detailed in our filings with the SEC including those set forth in our Annual Report on Form 10-K for the year ended December 31, 2009 in *Item 1A Risk Factors* and in *Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations - Forward Looking Statements and Risk Factors*. Those factors may cause our act