

UNIVERSAL HEALTH SERVICES INC

Form 10-Q

August 07, 2009

[Table of Contents](#)

**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, 2009

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)

Edgar Filing: UNIVERSAL HEALTH SERVICES INC - Form 10-Q

**DELAWARE**  
(State or other jurisdiction of

**23-2077891**  
(I.R.S. Employer

incorporation or organization)

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, 2009:

Class A	3,328,404
Class B	45,408,461
Class C	335,800
Class D	21,361

**Table of Contents**

UNIVERSAL HEALTH SERVICES, INC.

**INDEX**

	<b>PAGE NO.</b>
<b><u>PART I. FINANCIAL INFORMATION</u></b>	
Item 1. Financial Statements	
<u>Condensed Consolidated Statements of Income Three and Six Months Ended June 30, 2009 and 2008</u>	3
<u>Condensed Consolidated Balance Sheets June 30, 2009 and December 31, 2008</u>	4
<u>Condensed Consolidated Statements of Cash Flows Three and Six Months Ended June 30, 2009 and 2008</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	18
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	36
<u>Item 4. Controls and Procedures</u>	36
<b><u>PART II. Other Information</u></b>	36
<u>Item 1. Legal Proceedings</u>	36
<u>Item 1A. Risk Factors</u>	37
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	37
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	38
<u>Item 6. Exhibits</u>	38
<u>Signatures</u>	39
<b><u>EXHIBIT INDEX</u></b>	40

**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)

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
Net revenues	\$ 1,303,640	\$ 1,262,577	\$ 2,616,059	\$ 2,540,553
Operating charges:				
Salaries, wages and benefits	541,950	528,081	1,083,247	1,069,656
Other operating expenses	232,894	259,313	506,115	507,958
Supplies expense	176,411	174,264	350,378	353,503
Provision for doubtful accounts	120,670	120,646	239,648	240,443
Depreciation and amortization	51,085	47,336	102,219	94,079
Lease and rental expense	17,587	17,866	34,659	35,421
	1,140,597	1,147,506	2,316,266	2,301,060
Income from continuing operations before interest expense and income taxes	163,043	115,071	299,793	239,493
Interest expense, net	11,879	13,249	24,517	26,728
Income from continuing operations before income taxes	151,164	101,822	275,276	212,765
Provision for income taxes	57,187	35,205	99,265	72,816
Income from continuing operations	93,977	66,617	176,011	139,949
Income from continuing operations attributable to minority interests	13,084	11,427	27,577	24,706
Income from continuing operations attributable to UHS	80,893	55,190	148,434	115,243
Income from discontinued operations, net of income tax expense		(950)		660
Net income attributable to UHS	\$ 80,893	\$ 54,240	\$ 148,434	\$ 115,903
Basic earnings per share attributable to UHS:				
From continuing operations	\$ 1.65	\$ 1.09	\$ 3.01	\$ 2.25
From discontinued operations		(0.02)		0.02
Total basic earnings per share	\$ 1.65	\$ 1.07	\$ 3.01	\$ 2.27
Diluted earnings per share attributable to UHS:				
From continuing operations	\$ 1.64	\$ 1.08	\$ 3.01	\$ 2.25
From discontinued operations		(0.02)		0.01
Total diluted earnings per share	\$ 1.64	\$ 1.06	\$ 3.01	\$ 2.26

# Edgar Filing: UNIVERSAL HEALTH SERVICES INC - Form 10-Q

Weighted average number of common shares - basic	48,850	50,629	49,028	50,946
Other share equivalents	202	113	101	65
Weighted average number of common shares and equivalents - diluted	49,052	50,742	49,129	51,011
Net income attributable to UHS and minority interest:				
Net income attributable to UHS	\$ 80,893	\$ 54,240	\$ 148,434	\$ 115,903
Net income attributable to minority interest	13,084	11,427	27,577	24,706
Net income	\$ 93,977	\$ 65,667	\$ 176,011	\$ 140,609

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, 2009	December 31, 2008
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 10,623	\$ 5,460
Accounts receivable, net	605,870	625,437
Supplies	78,885	76,043
Other current assets	31,182	26,375
Deferred income taxes	38,933	34,522
Current assets held for sale	21,580	21,580
<b>Total current assets</b>	<b>787,073</b>	<b>789,417</b>
 Property and equipment	 3,549,211	 3,355,974
Less: accumulated depreciation	(1,345,692)	(1,255,682)
	2,203,519	2,100,292
 Other assets:		
Goodwill	733,887	732,937
Deferred charges	10,318	10,428
Other	102,079	109,388
	<b>\$ 3,836,876</b>	<b>\$ 3,742,462</b>
 <b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 8,730	\$ 8,708
Accounts payable and accrued liabilities	561,471	542,008
Federal and state taxes	16,098	10,409
<b>Total current liabilities</b>	<b>586,299</b>	<b>561,125</b>
 Other noncurrent liabilities	 389,572	 407,652
Long-term debt	913,148	990,661
Deferred income taxes	19,806	12,439
UHS common stockholders' equity	1,677,996	1,543,850
Minority interest	250,055	226,735
<b>Total equity</b>	<b>1,928,051</b>	<b>1,770,585</b>
	<b>\$ 3,836,876</b>	<b>\$ 3,742,462</b>

See accompanying notes to these condensed consolidated financial statements.



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

(amounts in thousands, unaudited)

	<b>Six months ended June 30,</b>	
	<b>2009</b>	<b>2008</b>
<b>Cash Flows from Operating Activities:</b>		
Net income attributable to UHS	\$ 148,434	\$ 115,903
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
Depreciation & amortization	102,219	95,379
<i>Changes in assets &amp; liabilities, net of effects from acquisitions and dispositions:</i>		
Accounts receivable	4,392	(74,863)
Construction management and other receivable	21,003	(8,016)
Accrued interest	106	811
Accrued and deferred income taxes	7,934	3,288
Other working capital accounts	(1,499)	18,331
Other assets and deferred charges	3,844	15,821
Other	3,327	5,410
Minority interest in earnings of consolidated entities	23,320	13,307
Accrued insurance expense, net of commercial premiums paid	13,323	38,743
Payments made in settlement of self-insurance claims	(29,823)	(25,648)
 Net cash provided by operating activities	 296,580	 198,466
 <b>Cash Flows from Investing Activities:</b>		
Property and equipment additions, net of disposals	(183,248)	(156,062)
Acquisition of property and business	(9,006)	
Proceeds received from sale of assets		2,235
Settlement proceeds received related to prior year acquisitions, net of expenses		1,539
Investment in joint-venture		(2,095)
 Net cash used in investing activities	 (192,254)	 (154,383)
 <b>Cash Flows from Financing Activities:</b>		
Reduction of long-term debt	(77,356)	(109,727)
Additional borrowings	170	150,155
Repurchase of common shares	(15,437)	(89,816)
Dividends paid	(7,890)	(8,096)
Issuance of common stock	1,350	1,151
Capital contributions from minority member		2,107
 Net cash used in financing activities	 (99,163)	 (54,226)
 Increase (decrease) in cash and cash equivalents	 5,163	 (10,143)
Cash and cash equivalents, beginning of period		