

HCA Holdings, Inc.
Form 10-Q
May 06, 2014
[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 March 31, 2014

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)

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Delaware
(State or other jurisdiction of

27-3865930
(I.R.S. Employer

incorporation or organization)

Identification No.)

One Park Plaza

Nashville, Tennessee
(Address of principal executive offices)

37203
(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 ☒ 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 ☒ 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 ☐ (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 ☒

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
Voting common stock, \$.01 par value

Outstanding at April 30, 2014
444,613,700 shares

Table of Contents

HCA HOLDINGS, INC.

Form 10-Q

March 31, 2014

	Page of Form 10-Q
Part I. Financial Information	
Item 1. Financial Statements (Unaudited):	
<u>Condensed Consolidated Income Statements for the quarters ended March 31, 2014 and 2013</u>	2
<u>Condensed Consolidated Comprehensive Income Statements for the quarters ended March 31, 2014 and 2013</u>	3
<u>Condensed Consolidated Balance Sheets March 31, 2014 and December 31, 2013</u>	4
<u>Condensed Consolidated Statements of Cash Flows for the quarters ended March 31, 2014 and 2013</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	24
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	40
Item 4. <u>Controls and Procedures</u>	40
Part II. Other Information	
Item 1. <u>Legal Proceedings</u>	40
Item 1A. <u>Risk Factors</u>	42
Item 6. <u>Exhibits</u>	43
<u>Signatures</u>	44

Table of Contents

HCA HOLDINGS, INC.
CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE QUARTERS ENDED MARCH 31, 2014 AND 2013

Unaudited

(Dollars in millions, except per share amounts)

	2014	2013
Revenues before provision for doubtful accounts	\$ 9,683	\$ 9,194
Provision for doubtful accounts	851	754
Revenues	8,832	8,440
Salaries and benefits	4,050	3,917
Supplies	1,532	1,479
Other operating expenses	1,645	1,523
Electronic health record incentive income	(30)	(39)
Equity in earnings of affiliates	(9)	(8)
Depreciation and amortization	447	424
Interest expense	460	472
Losses (gains) on sales of facilities	(21)	16
Loss on retirement of debt		17
Legal claim costs	78	
	8,152	7,801
Income before income taxes	680	639
Provision for income taxes	226	201
Net income	454	438
Net income attributable to noncontrolling interests	107	94
Net income attributable to HCA Holdings, Inc.	\$ 347	\$ 344
Per share data:		
Basic earnings per share	\$ 0.78	\$ 0.77
Diluted earnings per share	\$ 0.76	\$ 0.74
Shares used in earnings per share calculations (in thousands):		
Basic	442,150	444,401
Diluted	457,449	462,368

See accompanying notes.

Table of Contents**HCA HOLDINGS, INC.****CONDENSED CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS****FOR THE QUARTERS ENDED MARCH 31, 2014 AND 2013****Unaudited****(Dollars in millions)**

	2014	2013
Net income	\$ 454	\$ 438
Other comprehensive income (loss) before taxes:		
Foreign currency translation	10	(60)
Unrealized gains on available-for-sale securities	4	1
Defined benefit plans		
Pension costs included in salaries and benefits	4	7
	4	7
Change in fair value of derivative financial instruments	(10)	(7)
Interest costs included in interest expense	33	32
	23	25
Other comprehensive income (loss) before taxes	41	(27)
Income taxes (benefits) related to other comprehensive income items	16	(9)
Other comprehensive income (loss)	25	(18)
Comprehensive income	479	420
Comprehensive income attributable to noncontrolling interests	107	94
Comprehensive income attributable to HCA Holdings, Inc.	\$ 372	\$ 326

See accompanying notes.

Table of Contents**HCA HOLDINGS, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****Unaudited****(Dollars in millions)**

	March 31, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 850	\$ 414
Accounts receivable, less allowance for doubtful accounts of \$5,432 and \$5,488	5,489	5,208
Inventories	1,187	1,179
Deferred income taxes	492	489
Other	859	747
	8,877	8,037
Property and equipment, at cost	31,369	31,073
Accumulated depreciation	(17,757)	(17,454)
	13,612	13,619
Investments of insurance subsidiaries	453	448
Investments in and advances to affiliates	142	121
Goodwill and other intangible assets	5,910	5,903
Deferred loan costs	271	237
Other	544	466
	\$ 29,809	\$ 28,831
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities:		
Accounts payable	\$ 1,735	\$ 1,803
Accrued salaries	1,052	1,193
Other accrued expenses	2,063	1,913
Long-term debt due within one year	1,041	786
	5,891	5,695
Long-term debt	27,883	27,590
Professional liability risks	978	949
Income taxes and other liabilities	1,524	1,525
Stockholders' deficit:		
Common stock \$0.01 par; authorized 1,800,000,000 shares; outstanding 444,201,100 shares in 2014 and 439,604,000 shares in 2013	4	4
Capital in excess of par value	1,455	1,386
Accumulated other comprehensive loss	(232)	(257)
Retained deficit	(9,055)	(9,403)
Stockholders' deficit attributable to HCA Holdings, Inc.	(7,828)	(8,270)
Noncontrolling interests	1,361	1,342

(6,467)	(6,928)
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\$ 29,809	\$ 28,831
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See accompanying notes.

Table of Contents**HCA HOLDINGS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****FOR THE QUARTERS ENDED MARCH 31, 2014 AND 2013****Unaudited****(Dollars in millions)**

	2014	2013
Cash flows from operating activities:		
Net income	\$ 454	\$ 438
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in operating assets and liabilities	(1,561)	(1,294)
Provision for doubtful accounts	851	754
Depreciation and amortization	447	424
Income taxes	144	350
Losses (gains) on sales of facilities	(21)	16
Loss on retirement of debt		17
Legal claim costs	78	
Amortization of deferred loan costs	14	13
Share-based compensation	37	23
Other		(1)
Net cash provided by operating activities	443	740
Cash flows from investing activities:		
Purchase of property and equipment	(400)	(404)
Acquisition of hospitals and health care entities	(19)	(22)
Disposition of hospitals and health care entities	23	1
Change in investments	(13)	51
Other		1
Net cash used in investing activities	(409)	