FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

For the quarterly period ended June 30, 1999

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)

DELAWARE	23-2077891
(State or other jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

UNIVERSAL CORPORATE CENTER
367 SOUTH GULPH ROAD
KING OF PRUSSIA, PENNSYLVANIA 19406
(Address of principal executive office) (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 X 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, 1999:

Class A	2,056,929
Class B	29,377,242
Class C	207,230
Class D	25,404

UNIVERSAL HEALTH SERVICES, INC.

I N D E X

PART I. FINANCIAL INFORMATION

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(000s omitted except per share amounts)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
Net revenues	$ 513,067	$ 474,558	$1,033,162	$ 937,675
Operating charges:				
Operating expenses	204,743	195,125	407,850	376,076
Salaries and wages	182,507	165,721	361,141	326,846
Provision for doubtful accounts	40,145	32,990	81,071	70,256
Depreciation and amortization	27,197	26,272	54,175	50,708
Lease and rental expense	12,273	12,172	24,552	23,577
Interest expense, net	6,566	7,083	13,048	13,390
	473,431	439,363	941,837	860,853
Income before minority interests and income taxes	39,636	35,195	91,325	76,822
Minority interests in earnings of consolidated entities	2,757	3,526	6,751	5,274
Income before income taxes	36,879	31,669	84,574	71,548
Provision for income taxes	13,849	11,208	31,522	25,437
Net income	$ 23,030	$ 20,461	$ 53,052	$ 46,111
Earnings per common share - basic	$ 0.73	$ 0.63	$ 1.67	$ 1.42
Earnings per common share - diluted	$ 0.71	$ 0.61	$ 1.63	$ 1.38
Weighted average number of common shares - basic	31,659	32,626	31,833	32,571
Weighted average number of common share equivalents	703	874	692	834
Weighted average number of common shares and equiv. - diluted	32,362	33,500	32,525	33,405

See accompanying notes to these condensed consolidated financial statements.

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(000s omitted)

	June 30, 1999 (Unaudited)	December 31, 1998
Assets		
Current assets:		
Cash and cash equivalents	$ 8,155	$ 1,260
Accounts receivable, net	299,413	256,354
Supplies	38,481	38,842
Deferred income taxes	17,165	10,838
Other current assets	14,195	12,321
Total current assets	377,409	319,615
Property and equipment	1,149,257	1,161,939
Less: accumulated depreciation	(403,309)	(396,530)
	745,948	765,409
Funds restricted for construction	41,924	43,413
	787,872	808,822
Other assets:		
Excess of cost over fair value of net assets acquired	292,791	279,141
Deferred charges	12,482	13,533
Other	29,128	26,984
	334,401	319,658
	$ 1,499,682	$ 1,448,095
Liabilities and Stockholders' Equity		
Current liabilities:		
Current maturities of long-term debt	$ 4,287	$ 4,082
Accounts payable and accrued liabilities	186,374	165,718
Federal and state taxes	--	253
Total current liabilities	190,661	170,053
Other noncurrent liabilities	91,968	80,172
Minority interest	129,208	129,423
Long-term debt, net of current maturities	406,096	418,188
Deferred income taxes	25,137	23,252
Common stockholders' equity:		
Class A Common Stock, 2,056,929 shares outstanding in 1999, 2,057,929 in 1998	21	21
Class B Common Stock, 29,448,342 shares outstanding in 1999, 29,901,218 in 1998	294	299
Class C Common Stock, 207,230 shares outstanding in 1999, 207,230 in 1998	2	2
Class D Common Stock, 25,504 shares outstanding in 1999, 28,788 in 1998	--	--
Capital in excess of par, net of deferred compensation of $241,000 in 1999 and $185,000 in 1998	198,058	221,500
Retained earnings	458,237	405,185
	656,612	627,007
	$ 1,499,682	$ 1,448,095

See accompanying notes to these condensed consolidated financial statements.

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(000s omitted - unaudited)

	Six Months Ended June 30, 1999	Six Months Ended June 30, 1998
Cash Flows from Operating Activities:		
Net income	$ 53,052	$ 46,111
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation & amortization	54,175	50,708
Earnings of minority partners, net of losses	6,751	5,274
Changes in assets & liabilities, net of effects from acquisitions and dispositions:		
Accounts receivable	(30,077)	(16,692)
Accrued interest	(74)	811
Accrued and deferred income taxes	(1,990)	(3,208)
Other working capital accounts	17,840	9,590
Other assets and deferred charges	(3,062)	(4,605)
Other	2,081	(1,250)
Accrued insurance expense, net of commercial premiums paid	4,711	4,201
Payments made in settlement of self-insurance claims	(5,719)	(12,551)
Net cash provided by operating activities	97,688	78,389
Cash Flows from Investing Activities:		
Property and equipment additions, net	(30,296)	(44,447)
Proceeds received from merger, sale or disposition of assets	15,080	11,185
Acquisition of businesses	(31,588)	(186,080)
Net cash used in investing activities	(46,804)	(219,342)
Cash Flows from Financing Activities:		
Reduction of long-term debt	(12,787)	--
Additional borrowings	--	142,209
Distributions to minority partners	(5,015)	(158)
Issuance of common stock	1,500	1,274
Repurchase of common shares	(27,687)	--
Net cash (used in) provided by financing activities	(43,989)	143,325
Increase in cash and cash equivalents	6,895	2,372
Cash and cash equivalents, Beginning of Period	1,260	332
Cash and cash equivalents, End of Period	$ 8,155	$ 2,704
Supplemental Disclosures of Cash Flow Information:		
Interest paid	$ 13,121	$ 12,579
Income taxes paid, net of refunds	$ 33,603	$ 29,083

See accompanying notes to these condensed consolidated financial statements.

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) GENERAL

The consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission and reflect all adjustments which, in the opinion of the Company, are necessary to fairly present results for the interim periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the accompanying disclosures are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with the financial statements, accounting policies and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1998.

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

(2) OTHER NONCURRENT AND MINORITY INTEREST LIABILITIES

Other noncurrent liabilities include the long-term portion of the Company's professional and general liability, compensation reserves, and pension liability.

The minority interest liability consists primarily of a 27.5% outside ownership interest in three acute care facilities located in Las Vegas, Nevada and a 20% outside ownership in an acute care facility located in Washington D.C.

(3) COMMITMENT AND CONTINGENCIES

Under certain agreements, the Company has committed or guaranteed an aggregate of $54 million related principally to the Company's self-insurance programs and as support for various debt instruments and loan guarantees, including a $40 million letter of credit related to the Company's 1997 acquisition of an 80% interest in The George Washington University Hospital.

(4) ACQUISITIONS

During the second quarter of 1999, the Company acquired three behavioral health facilities located in Illinois, Indiana and New Jersey, for a combined purchase price of $26.6 million in cash plus additional contingent consideration of up to $2.5 million.

During the second quarter of 1999, the Company acquired the assets and operations of Doctor's Hospital of Laredo from in exchange for the assets and operations of its Victoria Regional Medical Center. In connection with this transaction, the Company also spent approximately $5 million to purchase additional land in Laredo, Texas on which it expects to construct a replacement hospital scheduled to be completed in 2001.

(5) NEW ACCOUNTING PRONOUNCEMENT

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". The Statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133," which delayed the effective date of SFAS No. 133 for one year until January 1, 2001. The Registrant does not expect the adoption of this statement to have a material impact on its financial position or results of operations.

The Company expects to adopt Statement 133 in January 2001 and has not yet quantified the impact on its financial statements. However, the Statement could increase the volatility in earnings and other comprehensive income.

(6) SEGMENT REPORTING (UNAUDITED)

The Company adopted SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information", in 1998. SFAS No. 131 established standards for reporting information about operating segments in annual financial statements and requires selected information about operating segments in interim financial reports issued to stockholders. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance.

The Company's reportable operating segments consist of acute care services and behavioral health care services. The "Other" segment column below includes centralized services including information services, purchasing, reimbursement, accounting, taxation, legal, advertising, design and construction, and patient accounting. Also included are the operating results of the Company's other operating entities including the outpatient surgery and radiation therapy centers and specialized women's health centers. The chief operating decision making group for the Company's acute care services and behavioral health care services is comprised of the Company's President and Chief Executive Officer, and the lead executives of each of the Company's two primary operating segments. The lead executive for each operating segment also manages the profitability of each respective segment's various hospitals. The operating segments are managed separately because each operating segment represents a business unit that offers different types of healthcare services. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

	THREE MONTHS ENDED JUNE 30, 1999			
	ACUTE CARE SERVICES	BEHAVIORAL HEALTH SERVICES	OTHER	TOTAL CONSOLIDATED
	(Dollar amount s in thousands)			
Gross inpatient revenues	$ 668,809	$ 107,676	$ 6,428	$ 782,913
Gross outpatient revenues	$ 235,755	$ 26,970	$ 26,554	$ 289,279
Total net revenues	$ 422,303	$ 70,899	$ 19,865	$ 513,067
EBITDAR (A)	$ 79,787	$ 14,166	($ 8,281)	$ 85,672
Total assets as of 6/30/99	$1,221,940	$ 161,029	$ 116,713	$1,499,682
Licensed beds	4,814	1,976	--------	6,790
Available beds	4,104	1,961	--------	6,065
Patient days	233,550	116,251	--------	349,801
Admissions	48,979	9,885	--------	58,864
Average length of stay	4.8	11.8	--------	5.9

THREE MONTHS ENDED JUNE 30, 1998

	ACUTE CARE SERVICES	BEHAVIORAL HEALTH SERVICES	OTHER	TOTAL CONSOLIDATED
	(Dollar amount in thousands)			
Gross inpatient revenues	$600,153	$88,830	$5,246	$694,229
Gross outpatient revenues	$213,033	$24,551	$17,848	$255,432
Total net revenues	$396,075	$61,565	$16,918	$474,558
EBITDAR (A)	$79,141	$11,226	($9,645)	$80,722
Total assets as of 6/30/98	$1,212,285	$132,449	$114,786	$1,459,520
Licensed beds	4,764	1,779	--------	6,543
Available beds	4,030	1,764	--------	5,794
Patient days	220,169	94,166	--------	314,335
Admissions	46,562	8,214	--------	54,776
Average length of stay	4.7	11.5	--------	5.7

SIX MONTHS ENDED JUNE 30, 1999

	ACUTE CARE SERVICES	BEHAVIORAL HEALTH SERVICES	OTHER	TOTAL CONSOLIDATED
	(Dollar amounts in thousands)			
Gross inpatient revenues	$1,388,946	$196,366	$12,536	$1,597,848
Gross outpatient revenues	$473,360	$50,571	$51,614	$575,545
Total net revenues	$863,576	$130,537	$39,049	$1,033,162
EBITDAR (A)	$176,937	$24,663	($18,500)	$183,100
Total assets as of 6/30/99	$1,221,940	$161,029	$116,713	$1,499,682
Licensed beds	4,820	1,887	--------	6,707
Available beds	4,107	1,872	--------	5,979
Patient days	487,880	211,995	--------	699,875
Admissions	102,166	18,533	--------	120,699
Average length of stay	4.8	11.4	--------	5.8

SIX MONTHS ENDED JUNE 30, 1998

	ACUTE CARE SERVICES	BEHAVIORAL HEALTH SERVICES	OTHER	TOTAL CONSOLIDATED
	(Dollar amount in thousands)			
Gross inpatient revenues	$1,208,863	$173,103	$10,211	$1,392,177
Gross outpatient revenues	$410,896	$46,765	$33,880	$491,541
Total net revenues	$789,016	$118,360	$30,299	$937,675
EBITDAR (A)	$165,945	$21,032	($22,480)	$164,497
Total assets as of 6/30/98	$1,212,285	$132,449	$114,786	$1,459,520
Licensed beds	4,567	1,779	--------	6,346
Available beds	3,892	1,764	--------	5,656
Patient days	438,795	183,594	--------	622,389
Admissions	91,432	16,307	--------	107,739
Average length of stay	4.8	11.3	--------	5.8

(A) EBITDAR - Earnings before interest, income taxes, depreciation, amortization, lease & rental and minority interest expense.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL CONDITION

FORWARD-LOOKING STATEMENTS

The matters discussed in this report as well as the news releases issued from time to time by the Company include certain statements containing the words "believes", "anticipates", "intends", "expects" and words of similar import, which constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance achievements of the Company or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the following: that the majority of the Company's revenues are produced by a small number of its total facilities; possible changes in the levels and terms of reimbursement for the Company's charges by government programs, including Medicare or Medicaid or other third party payers; industry capacity; demographic changes; existing laws and government regulations and changes in or failure to comply with laws and governmental regulations; the ability to enter into managed care provider agreements on acceptable terms; liability and other claims asserted against the Company; competition; the loss of significant customers; technological and pharmaceutical improvements that increase the cost of providing, or reduce the demand for healthcare; the ability to attract and retain qualified personnel, including physicians, the ability of the Company to successfully integrate its recent acquisitions; the Company's ability to finance growth on favorable terms; the impact of Year 2000 issues; and, other factors referenced in the Company's 1998 Form 10-K or herein. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

RESULTS OF OPERATIONS

Net revenues increased 8% or $39 million for the three months ended June 30, 1999 and 10% or $95 million for the six months ended June 30, 1999 over the comparable prior year periods. The $39 million increase during the second quarter of 1999 over the comparable prior year quarter consists primarily of the following: (i) a 4.5% or $21 million increase in net revenues at the Company's acute care and behavioral health care facilities owned during both periods (excluding the favorable $3.1 million prior year net revenue adjustment mentioned below), and; (ii) $10 million of net revenues generated at three behavioral health care facilities located in Illinois, Indiana and New Jersey and an acute care facility located in Laredo, Texas (net of revenues generated at exchanged facility) all of which were acquired during the second quarter of 1999. Operating results for the second quarter of 1999 also included an increase in net revenues of $3.1 million resulting from an adjustment to contractual allowances recorded in the prior year.

The $95 million increase in net revenues during the six months ended June 30, 1999 over the comparable prior year period was primarily attributable to: (i) a 5.2% or $47 million increase in net revenues at the Company's acute care and behavioral health care facilities owned during both periods (excluding the favorable $3.1 million net revenue adjustment mentioned above); (ii) $10 million of net revenues generated at three behavioral health care facilities located in Illinois, Indiana and New Jersey and an acute care facility located in Laredo, Texas (net of revenues generated at exchange facility) all of which were acquired during the second quarter of 1999, and; (iii) the acquisition of four acute care facilities located in Puerto Rico and Las Vegas which were acquired during the first quarter of 1998 ($25 million).

Earnings before interest, income taxes, depreciation, amortization and lease and rental expense (before deducting minority interests in earnings of consolidated entities) ("EBITDAR") increased to $86 million for the three months ended June 30, 1999 from $81 million in the comparable prior year quarter and $183 million for the six months ended June 30, 1999 as compared to $164 million during the prior year six month period. Overall operating margins were 16.7% and 17.0% during the three month periods ended June 30, 1999 and 1998, respectively, and 17.7% and 17.5% during the six month periods ended June 30, 1999 and 1998, respectively. The decrease in the overall operating margin during the second quarter of 1999 as compared to the comparable prior year quarter was primarily due to an decrease in the operating margins at the Company's acute care facilities, as discussed below.

ACUTE CARE SERVICES

Net revenues from the Company's acute care hospitals, ambulatory treatment centers and specialized women's health centers accounted for 85% and 86% of consolidated net revenues for the three month periods ended June 30, 1999 and 1998, respectively, and 87% of consolidated net revenues in each of the six month periods ended June 30, 1999 and 1998. Net revenues at the Company's acute care facilities owned in both periods increased 4.9% and 5.5% during the three and six month periods ended June 30, 1999 as compared to the comparable prior year periods, respectively, (excluding the favorable $3.1 million net revenue adjustment mentioned above). The 4.9% increase in same facility net revenue during the second quarter of 1999, as compared to the comparable prior year quarter, was due primarily to a 4.2% increase in admissions and a 5.0% increase in patient days at these facilities. During the second quarter of 1999, the average length of stay at the acute care facilities owned during both periods increased slightly to 4.8 days as compared to 4.7 days in the comparable prior year quarter. The 5.5% increase in same facility net revenue during the six month period ended June 30, 1999 as compared to the comparable prior year six month period was due primarily to a 5.8% increase in admissions and a 5.1% increase in patient days at these facilities. During the six month period of 1999, the average length of stay at the acute care facilities owned during both periods remained unchanged from the comparable prior year period at 4.8 days.

The increase in net revenues at the Company's acute care facilities was caused primarily by an increase in inpatient admissions and an increase in outpatient activity. Outpatient activity continues to increase as gross outpatient revenues at the Company's acute care facilities owned in both three month periods ended June 30, 1999 and 1998 increased 9% during the three month period ended June 30, 1999 as compared to the comparable prior year quarter and comprised 26% of the Company's acute care gross patient revenue in each of the quarters ended June 30, 1999 and 1998. Gross outpatient revenues at the Company's acute care facilities owned in both six month periods ended June 30, 1999 and 1998 increased 11% during the six month period ended June 30, 1999 as compared to the comparable prior year six month period and comprised 25% of the Company's acute care gross patient revenue in each of the six month periods ended June 30, 1999 and 1998.

The increase in outpatient revenues is primarily the result of advances in medical technologies and pharmaceutical improvements, which allow more services to be provided on an outpatient basis, and increased pressure from Medicare, Medicaid, managed care companies and other insurers to reduce hospital stays and provide services, where possible, on a less expensive outpatient basis. The hospital industry in the United States as well as the Company's acute care facilities continue to have significant unused capacity which has created substantial competition for patients. Inpatient utilization continues to be negatively affected by payor-required, pre-admission authorization and by payor pressure to maximize outpatient and alternative healthcare delivery services for less acutely ill patients. The Company expects the increased competition, admission constraints and payor pressures to continue. The Company's ability to maintain its historical rate of net revenue growth and operating margins is dependent upon its ability to successfully respond to these trends as well as reductions in spending on governmental health care programs.

Earnings before interest, income taxes, depreciation, amortization and lease and rental expense (before deducting minority interests in earnings of consolidated entities) ("EBITDAR") at the Company's acute care facilities increased to $80 million for the three months ended June 30, 1999 from $79 million in the comparable prior year quarter and $177 million for the six months ended June 30, 1999 as compared to $166 million during the prior year six month period. Operating margins at the Company's acute care facilities were 18.9% and 20.0% during the three month periods ended June 30, 1999 and 1998, respectively, and 20.5% and 21.0% during the six month periods ended June 30, 1999 and 1998, respectively. The decrease in the operating margins of the Company's acute care facilities during the three and six month periods of 1999, as compared to the comparable prior year periods, was primarily due to an increase in the provision for doubtful accounts. As a percentage of acute care net revenues, the provision for doubtful accounts for the Company's acute care facilities was 9.0% and 7.4% for the three months ended June 30, 1999 and 1998, respectively, and 8.7% and 8.0% for the six months ended June 30, 1999 and 1998, respectively. The increase in bad debt expense as a percentage of net revenues was due to: (i) a reduction in the reimbursement for Medicare bad debts as mandated by The Balanced Budget Act of 1997; (ii) continued delays in payments from health maintenance organizations, and; (iii) an increase in the number of uninsured patients seeking treatment at the Company's facilities.

BEHAVIORAL HEALTH SERVICES

Net revenues from the Company's behavioral health services facilities accounted for 14% and 13% of consolidated net revenues for the three month periods ended June 30, 1999 and 1998, respectively, and 13% of consolidated net revenues in each of the six month periods ended June 30, 1999 and 1998. Net revenues at the Company's behavioral health services facilities owned in both periods increased 1.8% and 3.3% for the three and six month periods ended June 30, 1999 as compared to the comparable prior year periods, respectively. The 1.8% increase in same facility net revenue during the second quarter of 1999, as compared to the comparable prior year quarter, was due primarily to a 5.9% increase in admissions and a 6.6% increase in patient days at these facilities. During the second quarter of 1999, the average length of stay at the behavioral health care facilities owned during both periods remained unchanged from the comparable prior year period at 11.5 days. The 3.3% increase in same facility net revenue during the six month period ended June 30, 1999, as compared to the comparable prior year six month period, was due primarily to a 6.4% increase in admissions and a 6.8% increase in patient days at these facilities. During the 1999 six month period, the average length of stay at the behavioral health care facilities owned during both periods remained unchanged from the comparable prior year period at 11.3 days.

Although the length of stay at the Company's behavioral health care facilities remained unchanged in the 1999 period as compared to the comparable 1998 periods, the Company's behavioral health care facilities have generally experienced decreases in length of stay during the past few years as a result of continued practice changes in the delivery of behavioral health services and continued cost containment pressures from payors, including managed care companies, which includes a greater emphasis on the utilization of outpatient services. Providers participating in managed care programs agree to provide services to patients for a discount from established rates which generally results in pricing concessions by the providers and lower margins. Additionally, managed care companies generally encourage alternatives to inpatient treatment. Management of the Company has responded to these trends by continuing to develop and market new outpatient treatment programs. Gross outpatient revenues at the Company's behavioral health care facilities owned in both three month periods ended June 30, 1999 and 1998 increased 6% during the three month period ended June 30, 1999 as compared to the comparable prior year quarter and comprised 20% of the Company's behavioral health care gross patient revenue during the 1999 second quarter and 22% during the 1998 second quarter. Gross outpatient revenues at the Company's behavioral health care facilities owned in both six month periods ended June 30, 1999 and 1998 increased 6% during the six month period ended June 30, 1999 as compared to the comparable prior year six month period and comprised 21% of the Company's behavioral health care gross patient revenue in each of the six month periods ended June 30, 1999 and 1998.

Earnings before interest, income taxes, depreciation, amortization and lease and rental expense (before deducting minority interests in earnings of consolidated entities) ("EBITDAR") at the Company's behavioral health care facilities increased to $14 million for the three months ended June 30, 1999 from $11 million in the comparable prior year quarter and $25 million for the six months ended June 30, 1999 as compared to $21 million during the prior year six month period. Operating margins at the Company's behavioral health care facilities were 20.0% and 18.2% during the three month periods ended June 30, 1999 and 1998, respectively, and 18.9% and 17.8% during the six month periods ended June 30, 1999 and 1998, respectively. The increase in the operating margins at the Company's behavioral health care facilities was due to a reduction in operating expenses as a percentage of behavioral health care net revenues due to continued operating costs efficiencies and a reduction in the provision for doubtful accounts.

OTHER OPERATING RESULTS

The Company recorded minority interest expense in the earnings of consolidated entities amounting to $2.8 million and $3.5 million for the three months ended June 30, 1999 and 1998, respectively, and $6.8 million and $5.3 million for the six months ended June 30, 1999 and 1998, respectively. The minority interest expense recorded during both periods consists primarily of the minority ownership's share of the net income of four acute care facilities, three of which are located in Las Vegas, Nevada and one located in Washington, DC.

Depreciation and amortization expense increased 4% or $900,000 for the three months ended June 30, 1999 as compared to the comparable prior year quarter and 7% or $3.5 million for the six months ended June 30, 1999 as compared to the comparable prior year six month period. The increases were due primarily to the four acute care hospitals acquired during the first quarter of 1998 (three in Puerto Rico and one in Las Vegas) and three behavioral health care facilities acquired during the second quarter of 1999.

Interest expense decreased 7% or $500,000 and 3% or $300,000 during the three and six month periods ended June 30, 1999 as compared to the comparable prior year periods.

The effective tax rate was 37.6% and 35.4% for the three months ended June 30, 1999 and 1998, respectively, and 37.3% and 35.6% for the six months ended June 30, 1999 and 1998, respectively. The increase in the effective tax rate during the 1999 periods as compared to the comparable prior year periods was due to a reduction in the tax benefits related to the financing of employee benefit programs.

GENERAL TRENDS

A significant portion of the Company's revenue is derived from fixed payment services, including Medicare and Medicaid which accounted for 46% and 46% of the Company's net patient revenues during the three month periods ended June 30, 1999 and 1998, respectively, and 45% and 47% of the Company's net patient revenues during the six month periods ended June 30, 1999 and 1998, respectively. The Medicare program reimburses the Company's hospitals primarily based on established rates by a diagnosis related group for acute care hospitals and by cost based formula for behavioral health facilities. Historically, rates paid under Medicare's prospective payment system ("PPS") for inpatient services have increased, however, these increases have been less than cost increases. Pursuant to the terms of The Balanced Budget Act of 1997 (the "1997 Act"), there were no increases in the rates paid to hospitals for inpatient care through September 30, 1998. The Company expects the modest rate increases that became effective on October 1, 1998 will be more than offset by the negative impact of converting reimbursement on skilled nursing facility patients from a cost based reimbursement to a prospective payment system and from lower DRG payments on certain patient transfers mandated by the 1997 Act. Reimbursement for bad debt expense and capital costs as well as other items have been reduced. Outpatient reimbursement for Medicare patients is scheduled to convert to a PPS during the second quarter of 2000. Since final provisions of the outpatient Medicare PPS are not yet available, the Company can not completely estimate the resulting impact on its future results of operations.

During the first quarter of 1999, the President submitted a proposal which included additional reductions in Medicare payments to hospitals, nursing homes and other providers amounting to $9.5 billion over a five year period. Approximately $4.5 billion of the proposed Medicare reductions would cut the growth of Medicare payments to hospitals over a five year period.
While the Company is unable to predict

whether this most recent proposal, or any other future health reform legislation, will ultimately be enacted at the federal or state level, the Company expects continuing pressure to limit expenditures by governmental healthcare programs. Further changes in the Medicare or Medicaid programs and other proposals to limit healthcare spending could have a material adverse impact upon the Company's results of operations and the healthcare industry.

The healthcare industry is subject to numerous laws and regulations which include, among other things, matters such as government healthcare participation requirements, various licensure and accreditations, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government action has increased with respect to investigations and/or allegations concerning possible violations of fraud and abuse and false claims statutes and/or regulations by healthcare providers. Providers that are found to have violated these laws and regulations may be excluded from participating in government healthcare programs, subjected to fines or penalties or required to repay amounts received from government for previously billed patient services. While management of the Company believes its policies, procedures and practices comply with governmental regulations, no assurance can be given that the Company will not be subjected to governmental inquiries or actions.

In Texas, a law has been passed which mandates that the state senate apply for a waiver from current Medicaid regulations to allow the state to require that certain Medicaid participants be serviced through managed care providers. The Company is unable to predict whether Texas will be granted such a waiver or the effect on the Company's business of such a waiver. Upon meeting certain conditions, and serving a disproportionately high share of Texas' and South Carolina's low income patients, three of the Company's facilities located in Texas and one facility located in South Carolina became eligible and received additional reimbursement from each state's disproportionate share hospital fund. Included in the Company's financial results was an aggregate of $10.1 million and $8.6 million for the three month periods ended June 30, 1999 and 1998, respectively, and $20.2 million and $17.2 million for the six months ended June 30, 1999 and 1998, respectively. These programs are scheduled to terminate in the third quarter of 1999 and although the Company believes these programs will be renewed, the Company can not completely estimate future reimbursements since final provisions of the programs are not yet available. However, the Company expects its future reimbursements pursuant to the terms of these programs to be reduced by at least $5 million annually. Failure to renew these programs or further reductions in reimbursements could have additional material adverse effects on the Company's future results of operations.

In addition to the Medicare and Medicaid programs, other payors, including managed care companies, continue to actively negotiate the amounts they will pay for services performed. In general, the Company expects the percentage of its business from managed care programs, including health maintenance organizations and preferred provider organizations to grow. The consequent growth in managed care networks and the resulting impact of these networks on the operating results of the Company's facilities vary among the markets in which the Company operates.

YEAR 2000 ISSUE

The Year 2000 issue is the result of computer programs being written using two digits rather than four to define the applicable year. The Company's computer programs, certain building infrastructure components (including elevators, alarm systems and certain HVAC systems) and certain computer aided medical equipment that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in system failures or miscalculations causing disruption of operations or medical equipment malfunctions that could affect patient diagnosis and treatment.

The Company has undertaken steps to inventory and assess applications and equipment at risk to be affected by Year 2000 issues and to convert, remediate or replace such applications and equipment. The Company has completed its assessment of its major financial, clinical and peripheral software and believes that such software is substantially Year 2000 compliant. The Company also believes its biomedical equipment is substantially Year 2000 compliant and it intends to replace equipment that is not

Year 2000 compliant before the year end . The Company believes that Year 2000 related remediation costs incurred through June 30, 1999 have not had a material impact on its results of operations. Some replacement or upgrade of systems and equipment would take place in the normal course of business. Several systems, key to the Company's operations, have been scheduled to be replaced through vendor supplied systems before Year 2000. The costs of repairing existing systems is expensed as incurred. The Company has allocated a portion of its 1999 capital budget as Year 2000 contingency funds and expects that all of the capital costs can be accommodate within that budget. The Company presently believes that with modifications to existing software and conversions to new software, the Year 2000 issue will not pose material operational problems for its computer systems. However, if such modifications and conversions are not made, or are not completed timely, the Year 2000 issue could have a material impact on the operations of the Company.

The majority of the software used by the Company is purchased from third parties. The Company is relying on software (including the Company's major outsourcing vendor which provides the financial and clinical applications for the majority of the Company's acute care facilities), hardware and other equipment vendors to verify Year 2000 compliance of their products. The Company also depends on: fiscal intermediaries which process claims and make payments for the Medicare program; health maintenance organizations, insurance companies and other private payors; vendors of medical supplies and pharmaceuticals used in patient care; and, providers of utilities such as electricity, water, natural gas and telephone services. As part of its Year 2000 strategy, the Company intends to seek assurances from these parties that their services and products will not be interrupted or malfunction due to the Year 2000 problem. Failure of third parties to resolve their Year 2000 issues could have a material adverse effect on the Company's results of operations and its ability to provide health care services.

Each of the Company's hospitals has a disaster plan which will be reviewed as part of the Company's Year 2000 contingency planning process. However, no assurance can be given that the Company will be able to develop contingency plans which will enable each of its facilities to continue to operate in all circumstances.

This Year 2000 assessment is based on information currently available to the Company and the Company will revise its assessment at it implements its Year 2000 strategy. The Company can provide no assurance that applications and equipment the Company believes to be Year 2000 compliant will not experience difficulties or that the Company will not experience difficulties obtaining resources needed to make modifications to or replace the Company's affected systems and equipment. Failure by the Company or third parties on which it relies to resolve Year 2000 issues could have a material adverse effect on the Company's results of operations and its ability to provide health care services. Consequently, the Company can give no assurances that issues related to Year 2000 will not have a material adverse effect on the Company's financial condition or results of operations.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $98 million for the six months ended June 30, 1999 as compared to $78 million for the six month period ended June 30, 1998. The $20 million net increase during the 1999 six month period as compared to the comparable prior year period was primarily attributable to: (i) a $10 million favorable increase in net income plus the addback of depreciation and amortization expense; (ii) a $7 million favorable decrease in payments made in settlement of self-insurance claims; (iii) $16 million of other net favorable working capital changes, and; (iv) a $13 million unfavorable increase in accounts receivable.

During the first six months of 1999, the Company spent approximately $30 million to finance capital expenditures at its existing hospitals as compared to $44 million in the prior year six month period. During the second quarter of 1999, the Company acquired three behavioral health care facilities located in Illinois, Indiana and New Jersey for a combined purchase price of approximately $27 million. Also during the second quarter of 1999, the Company exchanged the operations and assets of 147-bed acute care facility located in Victoria, Texas for the assets and operations of a 117-bed acute care facility located in Laredo, Texas. In connection with this transaction, the Company also spent $5 million to purchase additional land in Laredo, Texas on which it expects to construct a replacement hospital scheduled to be completed in 2001. During the six month period ended June 30, 1999, the Company received total proceeds of $15 million for the sale of: (i) the real property of a medical office building; (ii) a minority ownership interest in one of its radiation therapy centers, and; (iii) the operations of two outpatient surgery centers. The net gain/loss resulting from these transactions did not have a material impact on the results of operations for the three or six month periods ended June 30, 1999.

During the first quarter of 1998, the Company completed its acquisition of three acute care hospitals located in Puerto Rico for a combined purchase price of $186 million. These acquisitions were financed with funds borrowed under the Company's revolving credit facility. Also during the first quarter of 1998, the Company contributed substantially all of the assets, liabilities and operations of Valley Hospital Medical Center, a 417-bed acute care facility, and Summerlin Hospital Medical Center, a 148-bed acute care facility in exchange for a 72.5% interest in a series of newly-formed limited liability companies ("LLCs"). Quorum Health Group, Inc. ("Quorum") holds the remaining 27.5% interest in the LLCs. Quorum obtained its interest by contributing substantially all of the assets, liabilities and operations of Desert Springs Hospital, a 241-bed acute care facility and $11 million of net cash.

During the third quarter of 1998, the Company's Board of Directors approved a stock repurchase program under which the Company is authorized to purchase up to two million shares or approximately 6% of its outstanding Class B Common Stock. Pursuant to the terms of this program, the Company repurchased 675,679 shares at an average repurchase price of approximately $41 per share ($27.7 million in the aggregate) during the six months ended June 30, 1999. Since inception of this program through June 30, 1999, the Company repurchased 1,256,179 shares at an average repurchase price of $41.87 per share ($52.6 million in the aggregate).

As of June 30, 1999, the Company had $210 million of unused borrowing capacity under the terms of its $400 million revolving credit agreement which matures in July 2002 and provides for interest at the Company's option at the prime rate, certificate of deposit plus 3/8% to 5/8%, Euro-dollar plus 1/4% to 1/2% or money market. As of June 30, 1999, the Company had no unused borrowing capacity under the terms of its $100 million, annually renewable, commercial paper program. The Company's total debt as a percentage of total capitalization was 38% at June 30, 1999 and 40% at December 31, 1998.

The Company expects to finance all capital expenditures and acquisitions with internally generated funds and borrowed funds. Additional borrowed funds may be obtained either through refinancing the existing revolving credit agreement, the commercial paper facility or the issuance of long-term securities.

PART II. OTHER INFORMATION

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in the quantitative and qualitative disclosures in 1999. Reference is made to Item 7 in the Annual Report on Form 10-K for the year ended December 31, 1998.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) The following information relates to matters submitted to the election of the stockholders of Universal Health Services, Inc. (the "Company") at the Annual Meeting of Stockholders held on May 19, 1999.

(b) Not applicable.

(c) At the meeting the following proposals, as described in the proxy statement delivered to all the Company's stockholders were approved by the votes indicated:

Election by Class A and Class C stockholders of two class III directors

	ALAN B. MILLER	SIDNEY MILLER
Votes cast in favor	2,260,229	2,260,229
Votes withheld	0	0

Election by Class B and Class D stockholders of one Class II director

	DR. JOHN F. WILLIAMS
Votes cast in favor	23,626,965
Votes withheld	0

Adoption of the 1992 Corporate Ownership Program, as Amended

Votes cast in favor	25,143,876
Votes cast against	11,812
Votes abstained	36,893
Broker non-votes	0

(d) Not applicable

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

27. Financial Data Schedule

(b) Reports on Form 8-K

None

All other items of this Report are inapplicable.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Universal Health Services, Inc.
(Registrant)

Date: August 12, 1999

/s/ Kirk E. Gorman

Kirk E. Gorman, Senior Vice President and Chief Financial Officer

(Principal Financial Officer and Duly Authorized Officer).

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UNIVERSAL HEALTH SERVICES, INC.
1,000
U.S. DOLLARS

6-MOS
DEC-31-1999
JAN-01-1999
JUN-30-1999
1
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