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 March 31, 1994

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 0-10454

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 April 30, 1994.

Class A	1,139,123
Class B	13,027,917
Class C	114,482
Class D	23,440

UNIVERSAL HEALTH SERVICES, INC.

I N D E X

PART I. FINANCIAL INFORMATION

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(000's omitted except per share amounts)

(unaudited)

	THREE MONTHS ENDED MARCH 31, 1994	1993
Net revenues	$194,432	$195,305
Operating charges:		
Operating expenses	157,405	162,073
Depreciation and amortization	9,920	9,131
Lease and rental expense	8,491	8,346
Interest expense	1,822	2,635
	177,638	182,185
Income before income taxes	16,794	13,120
Provision for income taxes	6,507	4,509
NET INCOME	$10,287	$ 8,611
Earnings per common and common equivalent share:	$ 0.72	$ 0.60
Weighted average number of common shares and equivalents:	14,761	14,888

See accompanying notes to condensed consolidated financial statements.

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

	MARCH 31, 1994 (Unaudited)	DECEMBER 31, 1993
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,799	$ 569
Accounts receivable, net	84,551	78,605
Supplies	12,939	12,617
Deferred income taxes	10,059	7,733
Other current assets	3,675	2,475
Total current assets	114,023	101,999
Property and equipment	547,974	533,941
Less: accumulated depreciation	(240,058)	(231,509)
	307,916	302,432
OTHER ASSETS:		
Excess of cost over fair value of net assets acquired	37,026	38,089
Deferred charges	1,600	1,697
Other	15,937	16,205
	54,563	55,991
	$ 476,502	$ 460,422
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 4,820	$ 4,313
Accounts payable and accrued liabilities	74,387	79,639
Federal and state taxes	8,331	2,547
Total current liabilities	87,538	86,499
Deferred income taxes	3,863	3,863
Other noncurrent liabilities	70,956	70,491
Long-term debt, net of current maturities	78,844	75,081
COMMON STOCKHOLDERS' EQUITY:		
Class A Common Stock, 1,139,123 shares outstanding in 1994, 1,139,123 in 1993	11	11
Class B Common Stock, 12,208,499 shares outstanding in 1994, 12,171,454 in 1993	123	122
Class C Common Stock, 114,482 shares outstanding in 1994, 114,482 in 1993	1	1
Class D Common Stock, 24,260 shares outstanding in 1994, 26,223 in 1993	0	0
Capital in excess of par, net of deferred compensation of $369,000 in 1994 and $291,000 in 1993	81,403	80,878
Retained Earnings	153,763	143,476
	235,301	224,488
	$ 476,502	$ 460,422

See accompanying notes to consolidated financial statements.

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	THREE MONTHS ENDED MARCH 31, (000's unaudited) 1994	1993
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$10,287	$8,611
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation & amortization	9,920	9,131
Provision for self-insurance reserves	3,354	4,425
Reserve for loss on disposition of businesses	0	2,929
Changes in assets & liabilities, net of effects from acquisitions and dispositions:		
Accounts receivable	(5,946)	(6,599)
Accrued interest	(1,601)	(965)
Accrued and deferred income taxes	3,458	3,274
Other working capital accounts	(3,840)	(3,476)
Other assets and deferred charges	(171)	(2,072)
Other	171	413
Payments made in settlement of self-insurance claims	(4,343)	(1,963)
NET CASH PROVIDED BY OPERATING ACTIVITIES	11,289	13,708
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment additions	(11,871)	(10,792)
Acquisition of property previously leased	0	(3,218)
Disposition of assets	250	1,750
NET CASH USED IN INVESTING ACTIVITIES	(11,621)	(12,260)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Additional borrowings	2,284	0
Reduction of long-term debt	0	(7,416)
Issuance of common stock	278	17
Repurchase of common shares	0	(586)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	2,562	(7,985)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,230	(6,537)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	569	6,686
CASH AND CASH EQUIVALENTS, END OF PERIOD	$2,799	$149
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	$3,423	$3,600
Income taxes paid, net of refunds	$3,049	$1,235

See accompanying notes to consolidated financial statements.

UNIVERSAL HEALTH SERVICES, INC.

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, 1993.

(2) EARNINGS PER SHARE

Earnings per share are based on the weighted average number of common shares outstanding during the year adjusted to give effect to common stock equivalents. Earnings per share have been adjusted for the three months ended March 31, 1994 and 1993 to reflect the assumed conversion of the Company's convertible debentures.

Subsequent to March 31, 1994, the Company called for the redemption of the $29.9 million, 7 1/2% convertible bonds, of which $10.6 million were redeemed at par for cash and $19.3 million were converted to 820,103 newly issued shares of the Company's Class B Common Stock. The bond redemption reduced the Company's fully diluted number of shares outstanding by 451,233.

(3) 1994 AND 1993 UNUSUAL ITEMS

Included in net revenues for the three months ended March 31, 1994 is $3.0 million of additional revenues received from special Medicaid reimbursement programs. Additionally, included in operating expenses for the three months ended March 31, 1994 is approximately $2.5 million of expenses related to the disposition of businesses.

Included in net revenues for the three months ended March 31, 1993 is $4.6 million of additional revenues received from special Medicaid reimbursement programs. Additionally, included in operating expenses for the three months ended March 31, 1993 is approximately $4.1 million of expenses related to the disposition of ancillary businesses.

(4) OTHER LIABILITIES

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

(5) COMMITMENT AND CONTINGENCIES

Under certain agreements, the Company has committed or guaranteed an aggregate of $24,000,000 related principally to the Company's self- insurance programs and as support for various debt instruments and loan guarantees.

(6) SUBSEQUENT EVENT

Subsequent to March 31, 1994, the Company acquired and entered into contractual arrangements to acquire majority interests in four radiation therapy centers located in Kentucky and Indiana for $5.9 million in cash. Two of these centers are currently operating and the remaining two are scheduled to commence operations in the second and third quarter of 1994.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Net revenues for the three months ended March 31, 1994 increased 7% over the comparable 1993 period at hospitals owned during both years after excluding the effects of additional revenues received from special Medicaid reimbursement programs. Despite the continued shift in the delivery of healthcare services to outpatient care, the Company's acute care hospitals owned during both periods experienced a 9% increase in net revenues resulting from a 10% increase in admissions and a 9% increase in patient days during the first quarter of 1994 as compared to the 1993 period due to the expansion of service lines at many of its hospitals. Outpatient activity at the Company's acute care hospitals also increased in the 1994 quarter as compared to the 1993 period as gross outpatient revenues at the Company's acute care facilities now comprise 23% of the Company's gross acute care division outpatient revenues as compared to 22% in the 1993 quarter. The increase is primarily the result of advances in medical technologies, which allow more services to be provided on an outpatient basis, and increased pressure from Medicare, Medicaid, health maintenance organizations (HMOs), preferred provider organizations (PPOs) and insurers to reduce hospital stays and provide services, when possible, on a less expensive outpatient basis.

To take advantage of the trend toward increased outpatient services, the Company has continued to invest in the acquisition and development of ambulatory treatment centers. The Company currently operates twelve ambulatory treatment centers, which have contributed to the increase in the Company's outpatient revenue. The Company expects the growth in outpatient services to continue, although the rate of growth may be moderated in the future.

Net revenues at the Company's psychiatric hospitals decreased approximately 9% for the three months ended March 31, 1994 as compared to the comparable 1993 period due to an 8% decrease in patient days. Although admissions at the Company's psychiatric facilities increased 7% in the 1994 first quarter as compared to the 1993 quarter, the average length of stay at these facilities decreased 14% due to increased emphasis on outpatient treatment programs. The shift to outpatient care was reflected in higher revenues from outpatient services, which now comprise 13% of gross revenues in the psychiatric division during the 1994 first quarter as compared to 12% in the prior year period. The trend in outpatient treatment for psychiatric patients is expected to continue as a result of advances in patient care and continued cost containment pressures from payors.

The Company received $3.0 million and $4.6 million during the first quarter of 1994 and 1993, respectively, from the special Medicaid reimbursement programs mentioned above. These programs are scheduled to terminate in August 1994 and the Company cannot predict whether these programs will continue beyond the scheduled termination date.

An increased proportion of the Company's revenue is derived from fixed payment services, including Medicare and Medicaid which accounted for 41% and 40% of the Company's net patient revenues for the three months ended March 31, 1994 and 1993, respectively, excluding the additional revenues received from special Medicaid reimbursement programs. The Company expects Medicare and Medicaid revenues to continue to increase due to the general aging of the population and expansion of state Medicaid programs. In addition to the Medicare and Medicaid programs, other payors 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 HMOs and PPOs, to continue 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.

Excluding the additional revenues received from special Medicaid reimbursement programs mentioned above, operating expenses as a percentage of net revenue decreased to 82% for the three months ended March 31, 1994 as compared to 85% in the prior year quarter. This decrease is partially due to the sale of two low margin hospitals during 1993. Although the rate of inflation has not had a significant impact on the results of operations, pressure on operating margins is expected to continue because, while Medicare fixed payment rates are indexed for inflation annually, the increases have historically lagged behind actual inflation.

In addition to the trends described above that continue to have an impact on operating results, there are a number of other, more general factors affecting the Company's business. The Company and the healthcare industry as a whole face increased uncertainty with respect to the level of payor payments because of national and state efforts to reform healthcare. These efforts include proposals at all levels of government to contain healthcare costs while making quality, affordable health services available to more Americans. The Company is unable to predict which proposals will be adopted or the resulting implications for providers at this time. However, the Company believes that the delivery of primary care, emergency care, obstetrical and psychiatric services will be an integral component of any strategy for controlling healthcare costs and it also believes it is well positioned to provide these services.

Interest expense decreased 31% for the three months ended March 31, 1994 as compared to the 1993 first quarter due to lower average outstanding borrowings.

The effective tax rate was 38.7% during the first quarter of 1994 as compared to 34.4% during the comparable 1993 quarter. The increase in the effective rate during the 1994 period as compared to the 1993 period was due primarily to the 1993 period including a reduction in the state tax provision.

LIQUIDITY AND CAPITAL RESOURCES

During the first three months of 1994, net cash provided by operating activities was $11.3 million as compared to $13.7 million in the 1993 first quarter. The decrease was due primarily to a $1.6 million decrease in the special Medicaid reimbursement during the 1994 first quarter as compared to the 1993 comparable period. Cash flows generated from operations and financing activities were used primarily to finance capital expenditures. At March 31, 1994, the Company had approximately $94.9 million of unused borrowing capacity under its commercial paper program and revolving credit facility.

PART II. OTHER INFORMATION

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

(b) Reports on Form 8-K

11. Statement re computation of per share earnings is set forth on Page six in Note 2 of the Notes to Condensed Consolidated Financial Statements.

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: May 11, 1994

/s/ Kirk E. Gorman

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

(Principal Financial Officer and
Duly Authorized Officer).