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, 1998

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, 1998:

Class A	2,059,927
Class B	30,376,281
Class C	207,230
Class D	31,286

UNIVERSAL HEALTH SERVICES, INC.

INDEX

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

	THREE MONTHS ENDED MARCH 31,	
	1998	1997
Net revenues	$ 463,117	$ 340,170
Operating charges:		
Operating expenses	180,951	130,056
Salaries and wages	161,125	119,747
Provision for doubtful accounts	37,266	23,663
Depreciation and amortization	24,436	19,028
Lease and rental expense	11,405	9,121
Interest expense, net	6,307	4,956
	421,490	306,571
Income before minority interests and income taxes	41,627	33,599
Minority interests in earnings of consolidated entities	1,748	(382)
Income before income taxes	39,879	33,981
Provision for income taxes	14,229	12,451
NET INCOME	$ 25,650	$ 21,530
Earnings per common share - basic	$ 0.79	$ 0.67
Earnings per common share - diluted	$ 0.77	$ 0.65
Weighted average number of common shares - basic	32,516	32,218
Weighted average number of common share equivalents	794	749
Weighted average number of common shares and equivalents - diluted	33,310	32,967

See accompanying notes to these condensed consolidated financial statements.

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

	MARCH 31, 1998 (UNAUDITED)	DECEMBER 31, 1997
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 8,379	$ 332
Accounts receivable, net	259,679	180,252
Supplies	36,397	28,214
Deferred income taxes	9,760	11,105
Other current assets	14,063	10,119
Total current assets	328,278	230,022
Property and equipment	1,129,810	950,961
Less: accumulated depreciation	(346,908)	(328,881)
	782,902	622,080
Funds restricted for construction	41,600	41,031
	824,502	663,111
OTHER ASSETS:		
Excess of cost over fair value of net assets acquired	268,313	149,814
Deferred charges	12,588	10,852
Other	31,023	31,550
	311,924	192,216
	$ 1,464,704	$ 1,085,349
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 5,853	$ 5,655
Accounts payable and accrued liabilities	192,487	153,094
Federal and state taxes	5,330	1,707
Total current liabilities	203,670	160,456
Other noncurrent liabilities	222,186	125,286
Long-term debt, net of current maturities	419,458	272,466
Deferred Income taxes	22,981	534
COMMON STOCKHOLDERS' EQUITY:		
Class A Common Stock, 2,059,929 shares outstanding in 1998, 2,059,929 in 1997	21	21
Class B Common Stock, 30,366,960 shares outstanding in 1998, 30,122,479 in 1997	304	301
Class C Common Stock, 207,230 shares outstanding in 1998, 207,230 in 1997	2	2
Class D Common Stock, 31,559 shares outstanding in 1998, 32,063 in 1997	--	--
Capital in excess of par, net of deferred compensation of $401,000 in 1998 and $295,000 in 1997	210,635	200,656
Retained earnings	385,447	325,627
	596,409	526,607
	$ 1,464,704	$ 1,085,349

See accompanying notes to these condensed consolidated financial statements.

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

	THREE MONTHS ENDED MARCH 31, 1998	THREE MONTHS ENDED MARCH 31, 1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 25,650	$ 21,530
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation & amortization	24,436	19,028
Provision for self-insurance reserves	1,324	4,516
Changes in assets & liabilities, net of effects from acquisitions and dispositions:		
Accounts receivable	(23,430)	(9,588)
Accrued interest	(1,683)	(3,159)
Accrued and deferred income taxes	10,144	12,070
Other working capital accounts	16,295	7,916
Other assets and deferred charges	(3,114)	(1,929)
Other	(1,633)	983
Payments made in settlement of self-insurance claims	(2,243)	(2,354)
NET CASH PROVIDED BY OPERATING ACTIVITIES	45,746	49,013
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment additions, net	(19,974)	(30,558)
Proceeds received from partial sale transaction	23,084	--
Acquisition of business	(186,080)	--
NET CASH USED IN INVESTING ACTIVITIES	(182,970)	(30,558)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Reduction of long-term debt	--	(17,488)
Additional borrowings	144,144	--
Issuance of common stock	1,127	1,026
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	145,271	(16,462)
INCREASE IN CASH AND CASH EQUIVALENTS	8,047	1,993
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	332	288
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 8,379	$ 2,281
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	$ 7,990	$ 8,115
Income taxes paid, net of refunds	$ 4,085	$ 381

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, 1997.

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

(2) EARNINGS PER SHARE

In February 1997, the Financial Accounting Standards Board issued Statement No. 128, "Earnings per Share" (SFAS 128). SFAS 128 establishes standards for computing and presenting earnings per share (EPS). Basic earnings per share are based on the weighted average number of common shares outstanding during the year. Diluted 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. The per share amounts for the three months ended March 31, 1997 have been restated to conform to SFAS 128.

(3) OTHER LIABILITIES

Other noncurrent liabilities include the long-term portion of the Company's professional and general liability and workers' compensation reserves. Effective January 1, 1998, the Company is covered under commercial insurance policies which provide for a self-insured retention limit for professional and general liability claims for most of its subsidiaries up to $1 million per occurrence, with an average annual aggregate for covered subsidiaries of $4 million through 2001. These subsidiaries maintain excess coverage up to $100 million with major insurance carriers. The Company's remaining facilities are fully insured under commercial policies with excess coverage up to $100 million maintained with major insurance carriers. During 1996 and 1997, most of the Company's subsidiaries were self-insured for professional and general liability claims up to $5 million per occurrence, with excess coverage maintained up to $100 million with major insurance carriers.

(4) COMMITMENT AND CONTINGENCIES

Under certain agreements, the Company has committed or guaranteed an aggregate of $53 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.

(5) ACQUISITIONS

During the first quarter of 1998, the Company acquired three hospitals located in Puerto Rico for an aggregate purchase price of $186 million. The hospitals acquired are located in Bayamon (430-beds), Rio Piedras (160-beds) and Fajardo (180-beds).

In addition, the Company contributed substantially all of the assets, liabilities and operations of Valley Hospital Medical Center, a 417-bed acute care facility, and its newly-constructed Summerlin Hospital, a 148-bed acute care facility for a 72.5% interest in a series of newly-formed limited liability companies ("LLCs"). Quorum Health Group, Inc. ("Quorum") holds the remaining interest in the LLCs. Quorum obtained its 27.5% interest by contributing substantially all of the assets, liabilities and operations of Desert Springs Hospital, a 241-bed acute care facility, and $23 million in cash to the LLCs. As a result of this partial sale transaction, the Company recorded a pre-tax gain of approximately $55 million ($34 million after-tax) that was recorded as a capital contribution to the Company in accordance with the Securities and Exchange Commission's Staff Accounting Bulletin No. 51. The Company does not expect this transaction to have a material impact on its 1998 results of operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS

Net revenues increased 36% to $463 million for the three months ended March 31, 1998 as compared to $340 million for the three months ended March 31, 1997. The $123 million increase in net revenues during the 1998 first quarter as compared to the comparable 1997 quarter was due primarily to: (i) the acquisition of an 80% interest in a 501-bed acute care facility during the third quarter of 1997, the opening of a newly constructed 148-bed acute care facility which opened during the fourth quarter of 1997 and four acute care facilities acquired during the first quarter of 1998 (see Note 5) ($88 million), and; (ii) revenue growth at acute care and behavioral health care facilities owned during both periods ($25 million).

Earnings before interest, income taxes, depreciation, amortization, lease and rental expense and minority interests in earnings of consolidated entities (EBITDAR) increased 26% or $17 million to $84 million for the three months ended March 31, 1998 as compared to $67 million during the three months ended March 31, 1997. Overall operating margins were 18.1% during the 1998 first quarter as compared to 19.6% during the 1997 comparable quarter. The decrease in the Company's overall operating margin in 1998 first quarter as compared to 1997 first quarter was due primarily to lower operating margins at the acute care facilities acquired within the last twelve months and the opening of a newly constructed 129-bed acute care facility located in Edinburg, Texas during the third quarter of 1997 and the opening of a newly constructed 148-bed acute care facility in Summerlin, Nevada which opened during the fourth quarter of 1997.

ACUTE CARE SERVICES

Net revenues from the Company's acute care hospitals, ambulatory treatment centers and specialized women's health centers accounted for 88% and 85% of consolidated net revenues for the three months ended March 31, 1998 and 1997, respectively. Net revenues at the Company's acute care facilities owned in both periods increased 8% in the 1998 first quarter as compared to the 1997 first quarter due primarily to an increase in admissions and patient days at these facilities. Inpatient admissions and patient days at these facilities increased 6% and 2%, respectively, during the first quarter of 1998 over the comparable prior year period while the average length of stay decreased 4% to 4.8 days during the three months ended March 31, 1998 as compared to 5.0 days during the three months ended March 31, 1997.

The decrease in the average length of stay at the Company's facilities during the past three years was due primarily to improvement in case management of Medicare and Medicaid patients and an increasing shift of patients into managed care plans which generally have lower lengths of stay. In addition to an increase in inpatient admissions and patient days, the Company's outpatient activity continues to increase as gross outpatient revenues at acute care facilities owned during both periods increased 12% for the three months ended March 31, 1998 as compared to the comparable 1997 period and comprised 25% of the Company's acute care gross patient revenues in both periods.

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, health maintenance organizations (HMOs), preferred provider organizations (PPOs) and 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.

BEHAVIORAL HEALTH SERVICES

Net revenues from the Company's behavioral health facilities accounted for 12% of consolidated net revenues for the three months ended March 31, 1998 and 14% of consolidated net revenues for the three months ended March 31, 1997. Net revenues at the Company's behavioral health facilities owned in both periods increased 8% in the 1998 first quarter as compared to the 1997 first quarter. Admissions at these facilities increased 11% during the three month period ended March 31, 1998 as compared to the comparable prior year period. Patient days at the Company's behavioral health facilities owned during both periods increased 6% in the 1998 first quarter as compared to the 1997 first quarter and the average length of stay decreased 5% to 11.0 days in the 1998 quarter as compared to 11.6 days in the 1997 quarter.

The continued reduction in the average length of stay is a result of changing practices in the delivery of behavioral health services and continued cost containment pressures from payors which includes a greater emphasis on the utilization of outpatient services. Management of the Company has responded to these trends by continuing to develop and market new outpatient treatment programs. The shift to outpatient care is reflected in higher revenues from outpatient services, as gross outpatient revenues at the Company's behavioral health services facilities owned in both periods increased 10% in the 1998 first quarter as compared to the comparable 1997 quarter and comprised 18% of behavioral health gross patient revenues in both periods.

OTHER OPERATING RESULTS

The Company recorded minority interest expense/(income) in earnings/losses of consolidated entities amounting to $1.7 million for the three months ended March 31, 1998 and ($400,000) for the three months ended March 31, 1997. The minority interest expense recorded during the 1998 quarter includes the minority ownership share of three acute care facilities located in Las Vegas, Nevada, The George Washington University Hospital in Washington, DC and various outpatient surgery and radiation therapy centers and specialized women's health centers. The minority interest income recorded during the 1997 quarter includes the minority interest share of various outpatient surgery and radiation therapy centers and specialized women's health centers.

Depreciation and amortization expense increased 28% or $5 million for the three months ended March 31, 1998 as compared to the comparable prior year period due primarily to the 1997 and 1998 acquisitions mentioned above and the opening of the newly constructed acute care facilities during the third and fourth quarters of 1997.

Interest expense increased 27% or $1 million during the 1998 first quarter as compared to the comparable 1997 period due to the increased borrowings used to partially finance the 1997 and 1998 acquisitions mentioned above.

The effective tax rate was 36% and 37% for the three months ended March 31, 1998 and 1997. respectively.

GENERAL TRENDS

An increased proportion of the Company's revenue is derived from fixed payment services, including Medicare and Medicaid which accounted for 48% and 51% of the Company's net patient revenues for the three months ended March 31, 1998 and 1997, 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 will be no increases in the rates paid to hospitals for inpatient care through September 30, 1998. Reimbursement for bad debt expense and capital costs as well as other items have been reduced. The Company does not expect the changes mandated by the 1997 Act to result in a material adverse effect on its operating results. While the Company is unable to predict what, if any, future health reform legislation may 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 and the healthcare industry.

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 reimbursements from each state's disproportionate share hospital fund. Included in the Company's financial results was an aggregate of $8.6 million for the three months ended March 31, 1998 and $8.1 million for the three months ended March 31, 1997 received pursuant to the terms of these programs. These programs are scheduled to terminate in the third quarter of 1998 and the Company cannot predict whether these programs will continue beyond their scheduled termination date. 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 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.

The Company recognizes the need to ensure its operations will not be adversely impacted by year 2000 software failures. In 1997, the Company began establishing processes for evaluating and managing the risks and costs associated with this problem. These processes include arrangements with the Company's major outsourcing vendor to modify its computer system programming to allow for year 2000 processing capability. Such modifications are expected to be completed by the end of 1998. Spending for these modifications has been and will be expensed as incurred and is not expected to have a significant impact on the Company's ongoing results of operations. The Company also expects that certain medical and related equipment that cannot be made year 2000 compliant will need to be replaced, but does not expect the cost of such replacement to be material.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $46 million for the three months ended March 31, 1998 and $49 million for the three months ended March 31, 1997. The $3 million decrease during the 1998 three month period as compared to the comparable prior year period was primarily attributable to a $13 million increase in accounts receivable partially offset by a $6 million increase in the net income plus the addback of the non-cash charges (depreciation, amortization, provision for self-insurance reserves and other non-cash charges) and $4 million of other favorable net working capital changes.

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. The hospitals acquired are located in Bayamon (430-beds), Rio Piedras (160-beds) and Fajardo (180-beds). 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 its newly-constructed 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 $23 million of cash to the LLCs. As a result of this partial sale transaction, the Company recorded a pre-tax gain of approximately $55 million (approximately $34 million after-tax) that was recorded as a capital contribution to the Company in accordance with the Securities and Exchange Commission's Staff Accounting Bulletin No. 51. The Company does not expect this transaction to have a material impact on its 1998 results of operations. Also during the first quarter of 1998, the Company spent approximately $20 million to finance capital expenditures at its existing hospitals.

As of March 31, 1998 the Company had approximately $79 million of unused borrowing capacity under the terms of its $300 million revolving credit facility which matures in July 2002 and no unused borrowing capacity under the terms of its $75 million commercial paper credit facility.

The Company expects to finance all capital expenditures and acquisitions with a combination of internally generated funds and funds raised from outside sources. Additional funds may be obtained either through refinancing the existing revolving credit agreement, the commercial paper facility or the issuance of securities.

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, the ability to attract and retain qualified personnel, including physicians, the ability of the Company to successfully integrate its recent acquisitions and the Company's ability to finance growth on favorable terms. 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.

PART II. OTHER INFORMATION

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

10.1 Supplemental Indenture Dated as of January 1, 1998 to Indenture Dated as of July 15, 1995 between Universal Health Services, Inc. and PNC BANK, National Association, Trustee.

27. Financial Data Schedule

(b) Reports on Form 8-K

None

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 13, 1998

/s/ Kirk E. Gorman

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

(Principal Financial Officer and
Duly Authorized Officer).

EXHIBIT 10.1

UNIVERSAL HEALTH SERVICES, INC.

and

PNC BANK, National Association, Trustee

SUPPLEMENTAL INDENTURE

Dated as of January 1, 1998

to

INDENTURE

Dated as of July 15, 1995

Debt Securities

SUPPLEMENTAL INDENTURE, dated as of January 1, 1998 between Universal Health Services, Inc., a Delaware corporation (the "Company"), and PNC Bank, National Association, a national banking association incorporated and existing under the laws of the United States of America, as Trustee (the "Trustee"). Capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Indenture, dated as of July 15, 1995, between the Company and the Trustee (the "Indenture").

RECITALS

WHEREAS, the Company and the Trustee previously duly executed, and the Company duly delivered to the Trustee, the Indenture, relating to $135,000,000 principal amount at maturity of the Company's 8 3/4% Senior Notes due 2005 (the "Securities");

WHEREAS, pursuant to Section 9.02 of the Indenture, the Company and the Trustee have obtained the consent of the Holders of at least a majority in principal amount of the outstanding Securities to the amendment made hereby;

WHEREAS, the Board of Directors of the Company has authorized the execution of this Supplemental Indenture and its delivery to the Trustee;

WHEREAS, the Company has delivered an Officers' Certificate and Opinion of Counsel to the Trustee pursuant to Section 10.04 of the Indenture; and

WHEREAS, all other actions necessary to make this Supplemental Indenture a legal, valid and binding obligation of the parties hereto in accordance with its terms and the terms of the Indenture have been performed;

NOW, THEREFORE, in consideration of the promises contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and the Trustee hereby mutually covenant and agree for the equal and proportionate benefit of all Holders of the Securities as follows:

ARTICLE I

AMENDMENT

SECTION 1.01. Section 2(b)(vii) of the Authorizing Resolution adopted by the Pricing Committee of the Board of Directors of the Company on August 1, 1995 (the "Authorizing Resolution") is hereby amended by deleting the words "(excluding guarantees of obligations (as defined in paragraph 3(bb) below) under the Credit Agreement by Subsidiaries of UHS)."

SECTION 1.02. Section 2(b)(viii) of the Authorizing Resolution is hereby deleted in its entirety and replaced with the following:

"(viii) the incurrence by any Subsidiary of UHS of:

"(a) any existing Indebtedness of any Person at the time such Person becomes a Subsidiary and not created in contemplation of such event;

"(b) any Indebtedness incurred or assumed for the purpose of financing all or any part of the cost of acquiring or developing any asset; provided that such Indebtedness is incurred concurrently with or within 90 days after the acquisition thereof;

"(c) any Indebtedness of any Person existing at the time such Person is merged with or into or consolidated with or into the Subsidiary and not created in contemplation of such event; or

"(d) any Indebtedness secured by the Lien existing on any asset prior to the acquisition thereof by the Borrower or a Subsidiary and not created in contemplation of such acquisition;

"provided in each such case that the fair market value of the assets of such Person or such asset acquired or developed exceeds the amount of Indebtedness incurred or assumed;".

SECTION 1.03. Section 3(k) of the Authorizing Resolution is hereby deleted in its entirety and replaced by "3(k) Intentionally omitted."

ARTICLE II

MISCELLANEOUS

SECTION 2.01. For all purposes of this Supplemental Indenture, except as otherwise herein expressly provided or unless the context otherwise requires: (A) the terms and expressions used herein shall have the same meanings as corresponding terms and expressions used in the Indenture and (B) the words "herein," "hereof" and "hereby" and other words of similar import used in this Supplemental Indenture refer to this Supplemental Indenture as a whole and not any particular Article, Section or other subdivision.

SECTION 2.02. Upon execution of this Supplemental Indenture, the Indenture shall be modified in accordance therewith, but except as expressly amended hereby, the Indenture is in all respects ratified and confirmed and all the terms, conditions and provisions thereof shall remain in full force and effect.

SECTION 2.03. Upon execution, this Supplemental Indenture shall form a part of the Indenture and the Supplemental Indenture and the Indenture shall be read, taken and construed as one and the same instrument for all purposes, and every holder of Securities heretofore or hereafter authenticated and delivered under the Indenture shall be bound hereby.

SECTION 2.04. This Supplemental Indenture shall become effective as of the date first above written.

SECTION 2.05. The Trustee accepts the amendment to the Indenture effected by this Supplemental Indenture and agrees to execute the trust created by the Indenture, as hereby amended, but only upon the terms and conditions set forth in the Indenture, as hereby amended, including the terms and provisions defining and limiting the liabilities and responsibilities of the Trustee, which terms and provisions shall in like manner define and limit the Trustee's liabilities in the performance of the trust created by the Indenture, as hereby amended. Without limiting the generality of the foregoing, the Trustee has no responsibility for the correctness of the recitals of fact herein contained which shall be taken as the statements of the Company and makes no representations as to the validity or sufficiency of this Supplemental Indenture, except as to the due and valid execution hereof by the Trustee, and shall incur no liability or responsibility in respect of the validity thereof. The Trustee's execution of this Supplemental Indenture should not be construed to be an approval or disapproval of the advisability of the amendments to the Indenture provided herein.

SECTION 2.06. THE LAWS OF THE STATE OF NEW YORK SHALL GOVERN THIS SUPPLEMENTAL INDENTURE AND THE SECURITIES WITHOUT REGARDED TO THE PRINCIPLES OF CONFLICTS OF LAW.

SECTION 2.07. This Supplemental Indenture may be executed in any number of counterparts, each of which when so executed shall be deemed to be an original, and all such counterparts shall together constitute one and the same instrument.

SECTION 2.08. The Company shall compensate and indemnify the Trustee in respect of this Supplemental Indenture to the same extent as set forth in Section 7.07 of the Indenture.

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, and their respective corporate seals to be hereunto affixed and attested, all as of the date first written above.

[SEAL] UNIVERSAL HEALTH SERVICES, INC.

By: /s/ Kirk E. Gorman

Name: Kirk E. Gorman
Title: Sr. Vice President & CFO

Attest:

/s/ Cheryl K. Ramagano
- ------------------------

[SEAL] PNC BANK, National Association

By: /s/ C. Hromych

Name: C. Hromych
Title: Vice President

Attest:

/s/
- ------------------------

5

1,000
U.S DOLLARS

3-MOS
DEC-31-1998
JAN-01-1998
MAR-31-1998
1
8,379
0
259,679
0
36,397
328,278
1,171,410
346,908
1,464,704
203,670
419,458
0
0
327
596,082
1,464,704
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463,117
0
342,076
37,589
37,266
6,307
39,879
14,229
25,650
0
0
0
25,650
0.79
0.77