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, 1996

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 July 31, 1996:

Class A	2,065,019
Class B	29,770,566
Class C	207,640
Class D	39,278

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,	
	1996	1995	1996	1995
Net revenues	$286,994	$214,165	$558,610	$434,880
Operating charges:				
Operating expenses	109,615	84,092	211,950	168,561
Salaries and wages	101,331	77,617	195,831	155,638
Provision for doubtful accounts	24,631	16,057	46,398	33,242
Depreciation and amortization	16,721	11,748	31,504	23,058
Lease and rental expense	9,573	8,776	18,978	17,548
Interest expense, net	5,972	1,427	10,620	3,041
	267,843	199,717	515,281	401,088
Income before income taxes	19,151	14,448	43,329	33,792
Provision for income taxes	6,935	4,893	15,612	12,396
Net income	$ 12,216	$ 9,555	$ 27,717	$ 21,396
Earnings per common and common share equivalents:	$ 0.42	$ 0.34	$ 0.96	$ 0.77
Weighted average number of common shares and equivalents:	28,958	28,024	28,835	27,954

See accompanying notes to these condensed consolidated financial statements.

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

	JUNE 30, 1996 (Unaudited)	DECEMBER 31, 1995
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 338	$ 34
Accounts receivable, net	134,861	114,163
Supplies	20,895	18,207
Deferred income taxes	15,304	18,989
Other current assets	7,008	5,529
Total current assets	178,406	156,922
Property and equipment	798,801	641,528
Less: accumulated depreciation	(256,819)	(248,540)
	541,982	392,988
OTHER ASSETS:		
Excess of cost over fair value of net assets acquired	155,764	136,206
Deferred income taxes	18,718	17,283
Deferred charges	13,445	11,466
Other	47,192	33,186
	235,119	198,141
	$ 955,507	$ 748,051
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 7,646	$ 7,125
Accounts payable and accrued liabilities	148,495	126,018
Federal and state taxes	643	1,874
Total current liabilities	156,784	135,017
Other noncurrent liabilities	83,688	78,248
Long-term debt, net of current maturities	285,509	237,086
COMMON STOCKHOLDERS' EQUITY:		
Class A Common Stock, 2,155,928 shares outstanding in 1996, 1,092,527 in 1995	22	11
Class B Common Stock, 29,670,318 shares outstanding in 1996, 12,658,818 in 1995	297	127
Class C Common Stock, 216,731 shares outstanding in 1996, 109,622 in 1995	2	1
Class D Common Stock, 39,526 shares outstanding in 1996, 20,503 in 1995	--	--
Capital in excess of par, net of deferred compensation of $527,000 in 1996 and $941,000 in 1995	193,808	89,881
Retained earnings	235,397	207,680
	429,526	297,700
	$ 955,507	$ 748,051

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, 1996	SIX MONTHS ENDED JUNE 30, 1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$27,717	$21,396
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation & amortization	31,504	23,058
Provision for self-insurance reserves	7,401	6,666
Changes in assets & liabilities, net of effects from acquisitions and dispositions:		
Accounts receivable	7,466	15,006
Accrued interest	(491)	(1,923)
Accrued and deferred income taxes	4,220	(13,078)
Other working capital accounts	13,384	12,347
Other assets and deferred charges	(7,141)	(4,041)
Other	327	940
Payments made in settlement of self-insurance claims	(5,639)	(3,203)
NET CASH PROVIDED BY OPERATING ACTIVITIES	78,748	57,168
CASH FLOWS FROM INVESTING ACTIVITIES:		
PROPERTY and equipment additions, net	(50,432)	(31,233)
Acquisition of businesses	(165,142)	(4,696)
Notes receivable related to acquisitions	(10,545)	--
NET CASH USED IN INVESTING ACTIVITIES	(226,119)	(35,929)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Additional borrowings	47,330	--
Reduction of long-term debt	--	(18,711)
Issuance of common stock	100,345	501
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	147,675	(18,210)
INCREASE IN CASH AND CASH EQUIVALENTS	304	3,029
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	34	780
CASH AND CASH EQUIVALENTS, END OF PERIOD	$338	$3,809
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	$11,111	$4,964
Income taxes paid, net of refunds	$11,614	$25,474

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, 1995.

(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.

In April 1996, the Company declared a two for one stock split in the form of a 100% stock dividend which was paid on May 17, 1996 to shareholders of record as of May 6, 1996. All classes of common stock participated on a pro rata basis. The weighted average number of common shares and equivalents and earnings per common and common equivalent share for the three and six months ended June 30, 1996 and 1995 have been adjusted to reflect the two for one stock split.

(3) UNUSUAL ITEMS

Included in operating expenses for the three and six month periods ended June 30, 1995 was a $2.7 million pre-tax charge related to the Company's divestiture of two acute care hospitals in connection with the acquisition of a 225-bed acute care facility located in Aiken, South Carolina. Operating expenses during the second quarter and six months of 1995 were favorably impacted by reductions in certain reserve balances totaling $1.9 million.

(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 $20 million related principally to the Company's self-insurance programs and as support for various debt instruments and loan guarantees.

(6) ACQUISITIONS AND EQUITY ISSUANCE

In May 1996, the Company acquired substantially all of the assets and operations of Northwest Texas Healthcare Systems, a 360-bed medical complex located in Amarillo, Texas for $126 million in cash. The assets acquired include the real and personal property, working capital and tangible assets. The Company also will be required to pay additional amounts to the seller equal to 15% of any amount of the hospital's earnings before depreciation, interest and taxes in excess of $24 million in each year of the seven year period commencing April 1, 1996 and ending March 31, 2003. In addition, under terms of the agreement, the seller will pay the Company $8 million per year for the first four years and $6 million per year (subject to certain adjustments for inflation) for up to an additional 36 years to help support the cost of medical services to indigent patients.

Also during the 1996 second quarter, the Company completed the purchase of (i) substantially all of the assets and operations of four behavioral health centers located in Pennsylvania; (ii) management contracts for seven other behavioral health centers, subject to the facilities' approval; and (iii) 33 acres of land adjacent to the Company's Wellington Regional Medical Center, for $39.5 million and up to an additional $5 million which is contingent upon the future operating performance of the acquired assets. In connection with this transaction, the Company made a $7 million loan to the seller, which is secured by the stock of a subsidiary of the seller. The $7 million note is scheduled to mature September 18, 1997.

In June 1996, the Company advanced approximately $3.5 million pursuant to a loan sale agreement in connection with the purchase of a 164-bed behavioral health facility located in Texas. The Company expects the closing of this transaction to occur during the third quarter of 1996.

In June 1996, the Company issued four million shares of its Class B Common Stock at a price of $26 per share. The total net proceeds of approximately $99.1 million generated from this offering were used to partially finance the purchase transactions mentioned above.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL CONDITION

GENERAL

The matters discussed in this report as well as the news releases issued from time to time by the Company contain certain forward-looking statements that involve risks and uncertainties, including, among other things, that the majority of the Company's revenues are produced by a small number of its total facilities, possible changes in levels and terms of reimbursement for the Company's charges by government programs or other third party payors, the ability of the Company to successfully integrate its recent and proposed acquisitions and the ability to continue to finance its growth on favorable terms.

RESULTS OF OPERATIONS

Net revenues increased 34% or $73 million for the three months ended June 30, 1996 and 29% or $124 million for the six months ended June 30, 1996 over the comparable prior year periods due primarily to the acquisitions of: (i) a 360-bed medical complex located in Amarillo, Texas acquired during the second quarter of 1996; (ii) four behavioral health centers located in Pennsylvania acquired during the second quarter of 1996, and; (iii) a 225-bed acute care facility and a 512-bed acute care facility, both of which were acquired during the third quarter of 1995. Also contributing to the increase in net revenues was an increase in net revenues at hospital facilities owned during both periods as revenues at these facilities increased 3% or $5 million for the three months ended June 30, 1996 and 3% or $11 million for the six months ended June 30, 1996 over the comparable prior year periods.

Earnings before interest, income taxes, depreciation, amortization and lease and rental expense (EBITDAR) increased 41% or $15 million to $51 million for the three months ended June 30, 1996 as compared to $36 million in the comparable prior year period and 35% or $27 million to $104 million for the six months ended June 30, 1996 as compared to $77 million in the comparable prior year period. Overall operating margins were 17.9% and 17.0% for the three months ended June 30, 1996 and 1995 and 18.7% and 17.8% for the six months ended June 30, 1996 and 1995, respectively.

ACUTE CARE SERVICES

Net revenues from the Company's acute care hospitals and ambulatory treatment centers as a percentage of consolidated net revenues accounted for 85% in each of the three month periods ended June 30, 1996 and 1995 and 86% and 85% for the six month periods ended June 30, 1996 and 1995, respectively. Net revenues at the Company's acute care hospitals owned during both periods increased 2% for the three month period ended June 30, 1996 and 4% for the six month period ended June 30, 1996 over the comparable prior year periods. Inpatient admissions at the Company's acute care hospitals owned during both periods increased 1% and 4% for the three and six month periods ended June 30, 1996 as compared to the comparable prior year periods as patient days at these facilities decreased 3% in the 1996 second quarter as compared to the 1995 second quarter due to a 4% decrease in length of stay. Patient days for the six months ended June 30, 1996 remained unchanged while the length of stay decreased 3% during the 1996 six month period as compared to the comparable 1995 period. Outpatient activity at the Company's acute care hospitals continues to increase as a 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, where possible, on a less expensive outpatient basis. To accommodate the increased utilization of outpatient services, the Company has expanded or redesigned several of its outpatient facilities and services.

BEHAVIORAL HEALTH SERVICES

Net revenues from the Company's behavioral health services facilities as a percentage of consolidated net revenues accounted for 15% and 14% for the three month periods ended June 30, 1996 and 1995 and 13% and 14% for the six month periods ended June 30, 1996 and 1995. Net revenues at the Company's behavioral health centers owned during both periods increased 4% during the 1996 second quarter over the comparable prior year quarter due to a 14% increase in inpatient admissions and a 4% increase in patient days while the length of stay at these facilities decreased 9% during the three month period ended June 30, 1996 as compared to the comparable prior year period. For the six month period of 1996, net revenues at these facilities decreased 1% as inpatient admissions increased 7% and patient days increased 3% while the average length of stay decreased 4% as compared to the comparable prior year periods. The 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 developing and marketing new outpatient treatment programs.

OTHER OPERATING RESULTS

Depreciation and amortization expense increased 42% or $5.0 million for the three months ended June 30, 1996 and 37% or $8.4 million for the six months ended June 30, 1996 as compared to the comparable prior year periods due primarily to the Company's acquisition of one acute care hospital and four behavioral health centers during the second quarter of 1996 and two acute care hospitals acquired during the third quarter of 1995. Partially offsetting these increases was the effect of three acute care facilities divested in July and October of 1995.

Interest expense increased $4.5 million and $7.6 million for the three and six month periods ended June 30, 1996 over the comparable 1995 periods due primarily to increased borrowings used to finance the purchase of the acute care hospital and four behavioral health centers during the second quarter of 1996 and the acquisition of two acute care hospitals during the third quarter of 1995. In June 1996, the Company issued four million shares of its Class B Common Stock at a price of $26 per share. The total net proceeds of $99.1 million generated from this stock issuance were used to partially finance the purchase transactions mentioned above

The effective tax rate was 36.2% and 33.9% for the three month periods ended June 30, 1996 and 1995 and 36.0% and 36.7% for the six month periods ended June 30, 1996 and 1995, respectively. The decrease in the effective rate for the six month period ended June 30, 1996 as compared to the comparable prior year period was due primarily to the financing of employee benefit programs.

GENERAL TRENDS

An increased proportion of the Company's revenue is derived from fixed payment services, including Medicare and Medicaid which accounted for 52% and 47% of the Company's net patient revenues for the three months ended June 30, 1996 and 1995 and 50% and 46% of the Company's net patient revenues for the six months ended June 30, 1996 and 1995, respectively. The Company expects the Medicare and Medicaid revenues to continue to increase as a larger portion of the general population qualifies for coverage as a result of the aging of the population and expansion of state Medicaid programs. 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 psychiatric hospitals.

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.

In recent years, an increasing number of legislative initiatives have been introduced or proposed in Congress and in state legislatures that would effect major changes in the healthcare system, either nationally or at the state level. Among the proposals that have been introduced are price controls on hospitals, insurance market reforms to increase the availability of group health insurance to small businesses, requirements that all businesses offer health coverage to their employees and the creation of a government health insurance plan or plans that would cover all citizens and increase payments by beneficiaries. The Company cannot predict whether any of the above proposals or any other proposals will be adopted, and if adopted, no assurance can be given that the implementation of such reforms will not have a material adverse effect on the Company's business. 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 waiver. Upon meeting certain conditions, and serving a disproportionately high share of Texas' low income patients, three of the Company's acute care facilities located in Texas (including Northwest Texas Health Systems which was acquired by the Company in May, 1996) became eligible and received additional reimbursement from the state's disproportionate share hospital fund. Included in the Company's financials was an aggregate of $3.6 million and $3.8 million for the three months ended June 30, 1996 and 1995 and $5.4 million and $7.5 million for the six months ended June 30, 1996 and 1995, respectively, received pursuant to the terms of this program. The program is scheduled to terminate in August, 1996 and the Company cannot predict whether this program will continue beyond the scheduled termination date.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $78.7 million for the six months ended June 30, 1996 and $57.2 million for the six months ended June 30, 1995. The $21.5 million increase during the 1996 six month period as compared to the 1995 comparable period was due primarily to a $15.5 million increase in the net income plus the addback of the non-cash charges (depreciation, amortization and provision for self-insurance reserves) and a $13.9 million decrease in the payment of income taxes due to the 1995 period including the payment of previously deferred taxes related to the sale of two hospitals. Partially offsetting these favorable changes was a $15.0 million decrease in accounts receivable during the first six months of 1995 (as compared to $7.5 million during the 1996 six month period) resulting from a temporary decline in cash collections at the end of 1994 and first quarter of 1995 due to information system conversions at the Company's hospitals. The net cash provided by operating activities substantially exceeded the scheduled maturities of long-term debt.

During the six months of 1996, the Company acquired an acute care hospital located in Amarillo, Texas for $126 million in cash and four behavioral health centers located in Pennsylvania for $39.5 million in cash and up to $5 million which is contingent upon future operating performance of the facilities. Also in connection with the acquisition of the four behavioral health centers, the Company advanced $7 million pursuant to the terms of a loan agreement which is scheduled to mature in September of 1997. During the six month period of 1996, the Company spent $50 million to finance capital expenditures, including $13 million spent on the construction of a new medical complex in Summerlin, Nevada.

The above mentioned acquisitions and capital expenditures were financed through the Company's operating cash flow ($78.7 million), additional borrowings under the Company's revolving credit facility ($47.3 million) and the net proceeds generated from the issuance of four million shares of the Company's Class B Common Stock issued at $26 per share (generating net proceeds of $99.1 million). The Company expects to finance all capital expenditures and acquisitions with internally generated funds and borrowed funds. As of June 30, 1996, the Company had $157.1 million of unused borrowing capacity under its commercial paper and revolving credit facilities.

PART II. OTHER INFORMATION

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES

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

(a) The following information relates to matters submitted to the stockholders of Universal Health Services, Inc. (the "Company") at the Annual Meeting of Stockholders held on May 15, 1996.

(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:

Adoption of the Amendment to the Company's 1992 Stock Option Plan

Votes cast in favor	12,482,688
Votes cast against	351,183
Votes abstained	7,620
Broker non-votes	0

Adoption of the Company's Stock Purchase Plan

Votes cast in favor	12,798,372
Votes cast against	35,627
Votes abstained	7,312
Broker non-votes	0

Election by Class A & Class C stockholders of Class III Directors, Alan B. Miller and Sidney Miller:

	Alan B. Miller	Sidney Miller
Votes cast in favor	1,195,644	1,195,644
Votes withheld	0	0

Election by Class B & Class D stockholders of a Class III Director, Paul R. Verkuil:

Votes cast in favor	9,409,083
Votes withheld	606,711

(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

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.

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES

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 9, 1996

/s/ Kirk E. Gorman

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

(Principal Financial Officer and
Duly Authorized Officer).

5
1,000

6-MOS
DEC-31-1996
JAN-01-1996
JUN-30-1996
338
0
134,861
0
20,895
178,406
798,801
256,819
955,507
156,784
285,509
0
0
321
429,205
955,507
0
558,610
0
407,781
50,482
46,398
10,620
43,329
15,612
27,717
0
0
0
27,717
.96
.96