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 September 30, 1997

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 October 31, 1997:

Class A	2,060,929
Class B	30,100,075
Class C	207,230
Class D	32,361

UNIVERSAL HEALTH SERVICES, INC.

I N D E X

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1996	1997	1996
Net revenues	$ 362,377	$ 299,994	$1,046,373	$ 848,589
Operating charges:				
Operating expenses	147,267	118,127	413,206	330,077
Salaries and wages	129,489	107,568	368,374	303,399
Provision for doubtful accounts	29,080	22,926	80,193	59,309
Depreciation and amortization	20,055	19,210	58,898	50,714
Lease and rental expense	10,041	9,441	28,469	28,419
Interest expense, net	4,566	5,223	14,906	15,843
	340,498	282,495	964,046	787,761
Income before income taxes	21,879	17,499	82,327	60,828
Provision for income taxes	8,060	6,214	30,071	21,826
Net income	$ 13,819	$ 11,285	$ 52,256	$ 39,002
Earnings per common and common share equivalents:	$ 0.42	$ 0.34	$ 1.58	$ 1.29
Weighted average number of common shares and equivalents:	33,134	32,849	33,078	30,173

See accompanying notes to these condensed consolidated financial statements.

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

	SEPTEMBER 30, 1997 (UNAUDITED)	DECEMBER 31, 1996
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 7,919	$ 288
Accounts receivable, net	166,750	145,364
Supplies	27,468	22,019
Deferred income taxes	5,907	12,313
Other current assets	7,885	13,969
Total current assets	215,929	193,953
Property and equipment	936,497	839,564
Less: accumulated depreciation	(313,947)	(271,936)
	622,550	567,628
Funds restricted for construction	40,440	-----
	662,990	567,628
OTHER ASSETS:		
Excess of cost over fair value of net assets acquired	148,229	150,336
Deferred income taxes	11,284	9,993
Deferred charges	11,606	11,237
Other	32,439	32,648
	203,558	204,214
	$ 1,082,477	$ 965,795
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current maturities of long-term debt	$ 5,239	$ 6,866
Accounts payable and accrued liabilities	173,909	132,441
Federal and state taxes	-----	772
Total current liabilities	179,148	140,079
Other noncurrent liabilities	120,305	97,102
Long-term debt, net of current maturities	272,245	275,634
COMMON STOCKHOLDERS' EQUITY:		
Class A Common Stock, 2,060,929 shares outstanding in 1997, 2,060,929 in 1996	21	21
Class B Common Stock, 30,080,995 shares outstanding in 1997, 29,816,153 in 1996	301	298
Class C Common Stock, 207,230 shares outstanding in 1997, 207,230 in 1996	2	2
Class D Common Stock, 32,009 shares outstanding in 1997, 36,805 in 1996	-----	-----
Capital in excess of par, net of deferred compensation of $365,000 in 1997 and $377,000 in 1996	199,848	194,308
Retained earnings	310,607	258,351
	510,779	452,980
	$ 1,082,477	$ 965,795

See accompanying notes to these condensed consolidated financial statements.

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

	NINE MONTHS ENDED SEPTEMBER 30, 1997	NINE MONTHS ENDED SEPTEMBER 30, 1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 52,256	$ 39,002
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation & amortization	58,898	50,714
Provision for self-insurance reserves	14,515	11,608
Changes in assets & liabilities, net of effects from acquisitions and dispositions:		
Accounts receivable	(1,148)	9,282
Accrued interest	(3,179)	(3,504)
Accrued and deferred income taxes	7,363	9,592
Other working capital accounts	34,506	18,287
Other assets and deferred charges	(464)	(7,015)
Other	5,088	(2,050)
Payments made in settlement of self-insurance claims	(13,652)	(6,157)
NET CASH PROVIDED BY OPERATING ACTIVITIES	154,183	119,759
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment additions, net	(103,703)	(79,187)
Funds restricted for construction related to acquisition	(40,000)	----
Proceeds received from sale of minority interest	4,000	----
Acquisition of business	(3,218)	(168,429)
Notes receivable related to acquisitions	----	(7,000)
NET CASH USED IN INVESTING ACTIVITIES	(142,921)	(254,616)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Reduction of long-term debt	(5,016)	----
Additional borrowings	----	34,655
Issuance of common stock	1,385	100,273
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(3,631)	134,928
INCREASE IN CASH AND CASH EQUIVALENTS	7,631	71
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	288	34
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 7,919	$ 105
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	$ 18,085	$ 19,347
Income taxes paid, net of refunds	$ 22,708	$ 12,456

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, 1996.

Prior to 1997, the Company included charity care services as a component of its provision for doubtful accounts. Effective January 1, 1997, in accordance with health care industry practice, the Company began excluding charity care from net revenues, and has reclassified the 1996 amounts to conform with this presentation. The change in presentation has no effect on reported net income.

(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 in May, 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 nine months ended September 30, 1996 have been adjusted to reflect the two-for-one stock split.

The Financial Accounting Standards Board issued Statement 128, Earnings per Share, which is effective for financial statements for periods ending after December 15, 1997. Pursuant to the provisions of Statement 128, the Company's basic earnings per share would have been $.43 and $.35 for the three month periods ended September 30, 1997 and 1996 and $1.62 and $1.33 for the nine months ended September 30, 1997 and 1996, respectively. The diluted earnings per share would have been $.42 and $.34 for the three month periods ended September 30, 1997 and 1996 and $1.58 and $1.29 for the nine months ended September 30, 1997 and 1996, respectively.

(3) OTHER LIABILITIES

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

(4) COMMITMENT AND CONTINGENCIES

Under certain agreements, the Company has committed or guaranteed an aggregate of $13 million related principally to the Company's self-insurance programs and as support for various debt instruments and loan guarantees.

(5) SUBSEQUENT EVENTS

Subsequent to September 30, 1997 the Company agreed in principle to form a limited liability company ("LLC") in Las Vegas, Nevada with Quorum Health Group, Inc. ("Quorum"). Pursuant to the preliminary terms of this newly created entity, the Company would contribute Valley Hospital Medical Center (a 417-bed acute care facility) and the newly constructed Summerlin Hospital (a 148-bed acute care facility) while Quorum would contribute cash and Desert Springs Hospital (a 241-bed acute care facility). The Company expects to own a 64% interest in the LLC and Quorum will own a 36% interest. Completion of this transaction, which is not expected to have a material effect on operating income, is subject to execution of a definitive agreement which is currently being negotiated. Pending satisfactory completion of an agreement, the Company will record this transaction using the purchase method of accounting and expects to record a significant gain which will be credited to equity in accordance with SEC Staff Accounting Bulletin Number 51. The Company expects this transaction to be completed during the fourth quarter of 1997.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 21% or $62 million for the three months ended September 30, 1997 and 23% or $198 million for the nine months ended September 30, 1997, over the comparable prior year periods. Net revenues at hospital facilities owned during both periods increased $33 million or 11% and $80 million or 10% for the three and nine months ended September 30, 1997, respectively, over the comparable prior year periods. Also contributing to the increase in net revenues for the three and nine month periods was the acquisition of a 80% interest in a partnership which owns the operations of a 501-bed acute care facility located in Washington, DC (acquired during the third quarter of 1997) and contributing to the increase in net revenues for the nine month period were the acquisitions of a 357-bed medical complex located in Amarillo, Texas and four behavioral health centers located in Pennsylvania (all of which were acquired during the second quarter of 1996).

Earnings before interest, income taxes, depreciation, amortization and lease and rental expense (EBITDAR) increased 10% or $5 million for the three months ended September 30, 1997 and 19% or $29 million for the nine months ended September 30, 1997 as compared to the comparable prior year periods. Overall operating margins were 16% and 17% for the three months ended September 30, 1997 and 1996, respectively, and 18% for the nine months ended September 30, 1997 and 1996. The decrease in the overall operating margins during the 1997 third quarter as compared to the 1996 comparable quarter was due primarily to: (i) lower operating margins generated at the operating entities of the medical complex in Summerlin, Nevada which opened during the fourth quarter of 1996 (outpatient surgery center, medical office building and radiation therapy center), and; (ii) lower operating margin generated at the 501-bed acute care facility located in Washington, DC in which the Company acquired an 80% interest in during the third quarter of 1997.

ACUTE CARE SERVICES

Net revenues from the Company's acute care hospitals, ambulatory treatment centers and women's center accounted for 85% of consolidated net revenues for the three month periods ended September 30, 1997 and 1996, and 85% and 86% of consolidated net revenues for the nine month periods ended September 30, 1997 and 1996, respectively. Net revenues at the Company's acute care hospitals owned during both periods increased 12% for the three months ended September 30, 1997 and 11% for the nine month period ended September 30, 1997, over the comparable prior year periods. Inpatient admissions at these facilities increased 8% and 5% for the three and nine month periods ended September 30, 1997 as compared to the comparable prior year periods, respectively. Patient days at the Company's acute care facilities owned during both periods increased 5% and 4% for the three and nine months ended September 30, 1997 over the comparable prior year periods, respectively. Outpatient activity at the Company's acute care hospitals continues to increase as gross outpatient revenues at the acute care facilities owned during both periods increased 12% for each of the three and nine month periods ended September 30, 1997 over the comparable prior year periods. Gross outpatient revenues comprised 27% of the Company's acute care gross patient revenues during the third quarters of 1997 and 1996 and 26% for the nine months ended September 30, 1997 as compared to 25% for the prior year nine month period. 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, 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 accounted for 14% and 15% of the Company's consolidated net revenues for the three month periods ended September 30, 1997 and 1996, respectively, and 15% and 14% of consolidated net revenues for the nine month periods ended September 30, 1997 and 1996, respectively. Net revenues at the Company's behavioral health centers owned during both periods increased 5% and 1% for the three and nine month periods ended September 30, 1997 over the comparable prior year periods, respectively. Inpatient admissions at these facilities increased 12% and 8% during the three and nine month periods ended September 30, 1997 over the comparable prior year periods, respectively. Patient days at the Company's behavioral health services facilities increased 10% and 5% for the three and nine month periods ended September 30, 1997 over the comparable prior year periods, respectively. The average length of stay at these facilities were 12.0 days and 12.2 days for the quarters ended September 30, 1997 and 1996, respectively, and 11.9 days and 12.3 days for the nine month periods ended September 30, 1997 and 1996. The Company's behavioral health services facilities continue to experience pressure from payors to reduce the average length of stay as a large portion of the Company's behavioral health services' revenues are reimbursed on a per diem basis. 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.

OTHER OPERATING RESULTS

Depreciation and amortization expense increased 4% or $800,000 for the three months ended September 30, 1997 and 16% or $8 million for the nine months ended September 30, 1997, over the comparable prior year periods due primarily to the acquisitions mentioned above.

Interest expense decreased $700,000 or 13% for the three month period ended September 30, 1997 and $1 million or 6% for the nine month period ended September 30, 1997 over the comparable prior year periods due primarily to lower average outstanding borrowings and the interest income generated on the $40 million project fund restricted for the construction of a replacement acute care facility in Washington, DC. 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 1996 acquisitions of a 357-bed medical complex in Amarillo, Texas and four behavioral health centers located in Pennsylvania.

The effective tax rate was 37% for each of the three and nine month periods ended September 30, 1997 and 36% for each of the three and nine month periods ended September 30, 1996.

GENERAL TRENDS

An increased proportion of the Company's revenue is derived from fixed payment services, including Medicare and Medicaid which accounted for 49% of the Company's net patient revenues for each of the three month periods ended September 30, 1997 and 1996 and 50% for each of the nine month periods ended September 30, 1997 and 1996, respectively. The Company expects the Medicare and Medicaid revenues 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 behavioral health facilities.

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 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. In August 1997, a five year budget plan was approved which calls for a $115 billion reduction in the rate of increase in Medicare spending over the next five years. Included in this proposal is a $39 billion reduction in the future rate of increases to payments made to hospitals. No assurance can be given that the implementation of this plan 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' and South Carolina's low income patients, three of the Company's facilities located in Texas and one in South Carolina became eligible and received additional reimbursement from each state's disproportionate share hospital fund. Included in the Company's financials was an aggregate of $8.3 million and $4.7 million for the three month periods ended September 30, 1997 and 1996 and $24.7 million and $10.1 million for the nine months ended September 30, 1997 and 1996, respectively, received pursuant to the terms of these programs. These programs have been renewed and are scheduled to terminate in the third quarter of 1998. The Company cannot predict whether these programs will continue beyond the scheduled termination dates.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $154 million for the nine months ended September 30, 1997 and $120 million for the nine months ended September 30, 1996. The $34 million net increase during the 1997 nine month period as compared to the 1996 comparable period was due primarily to a $24 million increase in the net income plus the addback of the non-cash charges (depreciation, amortization and provision for self-insurance reserves) and a $27 million increase in other net working capital changes partially offset by a $10 million increase in income tax payments and a $7 million increase in payments made in settlement of self-insurance reserves.

During the first nine months of 1997, the Company spent $104 million to finance capital expenditures including a total of $56 million on the construction of a new medical complex in Summerlin, Nevada (including a 148-bed acute care facility which opened in the fourth quarter of 1997) and a new 129-bed replacement facility in Edinburg, Texas which opened during the third quarter of 1997. The Company also reduced outstanding debt by $5 million.

During the nine months of 1997, Company entered into a new revolving credit agreement. The new agreement, which matures in July 2002, provides for up to $300 million of borrowing capacity. During the term of this agreement, the Company has the option to petition the banks to increase the borrowing capacity to $400 million. The agreement 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. A facility fee ranging from 1/8% to 3/8% is required on the total commitment. As of September 30, 1997, the Company had $265 million of unused borrowing capacity available under the terms of its new revolving credit and existing commercial paper facilities.

Subsequent to September 30, 1997, the Company entered into interest rate protection to fix the rate of interest on a notional principal amount of $50 million for a period of three years. The average fixed rate obtained through these interest rate swaps is 6.125% including the Company's current borrowing spread of .35%. The counterparty of these interest rate swaps has the right to terminate the swap after the second year. The Company also entered into $75 million of forward starting interest rate swaps starting in August, 2000 locking in a fixed rate of 7.09% through August, 2010.

PART II. OTHER INFORMATION

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

10.1 Deferred Compensation Plan for Universal Health Services Board of Directors.

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: November 11, 1997

/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.

DEFERRED COMPENSATION PLAN
FOR UHS BOARD OF DIRECTORS

ARTICLE 1
PURPOSE

This Deferred Compensation Plan for UHS Board of Directors (the "Plan") is established and maintained in order to enable Universal Health Services, Inc. (the "Company") to attract and retain qualified persons to serve as Directors, to provide Directors with an opportunity to defer some or all of their Retainer as a means of saving for retirement or other purposes, and to align the interests of the Directors with those of the Company's shareholders by providing such Directors with an opportunity to have the investment performance of all or some portion of their Retainer deferred under the Plan measured by the Company's stock performance and financial progress.

ARTICLE 2
EFFECTIVE DATE

The Plan is subject to the approval of the Company's Board at its next regular meeting or, to the extent permitted by law, by unanimous consent action without a meeting. Subject to the receipt of such approval, the Plan shall be effective as of July 1, 1997.

ARTICLE 3
DEFINITIONS

Whenever used in the Plan, the following terms shall have the respective meanings set forth below:

3.1 "Account" means, with respect to each Participant, the Participant's separate individual account established and maintained for the exclusive purpose of accounting for the Participant's deferred Retainer and the investment performance thereon determined in accordance with Article 5. A Participant's Account will be comprised of Stock Units, dollar credits or a combination of both.

3.2 "Beneficiary" means, with respect to each Participant, the recipient or recipients designated by the Participant in writing in accordance with Article 7.

3.3 "Board" means the Board of Directors of the Company.

3.4 "Common Stock" means the Class B common stock of the Company listed and traded on the New York Stock Exchange.

3.5 "Company" means Universal Health Services, Inc., a Delaware corporation, and any successor thereto. Any provisions of this Plan which authorize the Company to make a determination or to take other steps shall require action by the appropriate members of the Board or, if the Board specifically so delegates, by officers, employees or other Company personnel.

3.6 "Director" means an individual who is a member of the Board, but excluding those who are employees of the Company or any Subsidiary.

3.7 "Market Value" means the closing price of the Common Stock, as published in The Wall Street Journal report of the New York Stock Exchange-Composite Transactions on the date in question or, if the Common Stock shall not have been traded on such date or if the New York Stock Exchange is closed on such date, then the first day prior thereto on which the Common Stock was so traded. If the Common Stock ceases to be traded on the New York Stock Exchange, Market Value shall be determined by the Company on the basis of quotes of other publicly traded ask prices or, if none, such reasonable method as the Company may determine.

3.8 "Participant" means any Director who has made an election to defer payment of all or a portion of such person's Retainer.

3.9 "Retainer" means the designated annual cash retainer, currently paid coincident with the date of each Board meeting for Directors as established from time to time as annual compensation for services rendered, but exclusive of reimbursements for expenses incurred in performance of services as a Director.

3.10 "Stock Unit" means a unit of investment measure, derived by reference to the Market Value of a share of Common Stock and credited to a Participant's Account under this Plan. No certificates shall be issued with respect to such Stock Units, but the Company shall maintain only a bookkeeping Account in the name of the Participant with respect to the Stock Units.

3.11 "Subsidiary" means any corporation in which the Company owns directly or indirectly through its Subsidiaries, at least 50 percent of the total combined voting power of all classes of stock, or any other entity (including, but not limited to, partnerships and joint ventures) in which the Company owns at least 50 percent of the combined equity thereof.

3.12 "Termination" means retirement from the Board or termination of services as a Director for disability, resignation or any reason (other than death).

ARTICLE 4
ELECTION TO DEFER RETAINER

4.1 ELECTION TO DEFER

For calendar years after 1997, a Director may elect to defer receipt of all or a specified portion of the Director's Retainer for a year by filing with the Company, on or before December 31st of the preceding year, a written election to defer. Subject to the terms and conditions of the Plan, the written election to defer shall specify: (i) the amount or percentage of the Retainer to be deferred, (ii) the future date or time when deferred amounts should be paid, (iii) the method of distribution to be used when deferred amounts are paid, (iv) the investment measure to be used for crediting earnings on deferred amounts during the period while held pursuant to the Plan, and (v) such other information as the Company may consider necessary or appropriate. If a Director elects to defer less than all of his or her Retainer for the year, the deferred portion will be pro-rated against each periodic payment of the Retainer made during the year.

Notwithstanding the foregoing:

(a) a Director may choose to participate in the Plan beginning with the Retainer payable on or after July 1, 1997, by filing an election to defer on or before July 15, 1997; and

(b) a Director (i) who fills a vacancy on the Company's Board in mid-year and who was not a Director on the preceding December 31st, or (ii) whose term of office otherwise does not begin until mid-year, may choose to participate in the Plan beginning with the Retainer payable for such year and after the date he or she assumes the position of Director by filing an election to defer within 30 days after the date he or she first assumes the position of Director.

4.2 PERIOD OF DEFERRAL

A Participant shall specify a period of deferral at the time of his or her election to defer under Section 4.1. A period of deferral represents the time upon which deferred amounts will first begin to be paid and shall be the earlier of: (i) the Participant's Termination or (ii) a fixed and determinable date specified by the Participant, which shall be no later than the date the Participant attains age 70 and which shall be no sooner than two years from the date of the election to defer. A Participant's choice of a period of deferral for deferred amounts for one year may be different than the period of deferral specified for deferred amounts in earlier years, but once a period of deferral has been specified by a Participant for a deferred amount, the Participant may not change or modify the period of deferral for such deferred amount.

4.3 REVOCATION OF ELECTION

An election to defer pursuant to Section 4.1 may not be revoked or modified (except as otherwise state herein) with respect to the Retainer payable for a calendar year or portion of a calendar year for which such election is effective. An election to defer filed with the Company shall remain in effect for the Retainer payable in all subsequent calendar years until such election is timely terminated or modified by a Participant.

An effective election to defer may be terminated or modified for any subsequent calendar year by the filing of another written election to defer (or a written revocation of elections), on or before December 31st of the calendar year preceding the calendar year for which such modifications or termination is to be effective. Any termination or modification of an election to defer with respect to the Retainer payable in subsequent calendar years shall not alter or change the election for deferred amounts under the Plan made prior to the effective date of such termination or modification.

ARTICLE 5
INVESTMENT MEASURES ON DEFERRED AMOUNTS

5.1 CHOICE OF INVESTMENT MEASURES

When a Participant elects to defer under Section 4.1 for a calendar year, the Participant shall specify the investment measure to be used for purposes of crediting investments performance on deferred amounts during the entire period of deferral. Participants may choose between only two methods of investment measures consisting of: (i) a fixed rate of return credited on an annual basis in accordance with Section 5.2, or (ii) the investment performance of Company Common Stock in accordance with Section 5.3.

A Participant may not divide or split the deferred amount for a year between the two available methods of investment measure. A Participant's choice of a method of investment measure for deferred amounts for one year may be different than the method of investment measure specified for deferred amounts in earlier years, but once a Participant has selected a method of investment measure for the deferred amounts for a year, the method of investment measure used for such amounts will remain in effect for the entire period of deferral and may not be changed by the Participant for such deferred amounts.

5.2 FIXED RATE OF RETURN

If a Participant specifies a fixed rate of return as the measure of investment performance for deferred amounts, compound interest shall be credited on an annual basis as of December 31st of each year or, as applicable, on a pro-rated basis as of the last day preceding the date of payment of deferred amounts. For the first year when deferred amounts are made, interest shall be credited only from the date the Retainer would have been paid, but for the election to defer, through the end of the year.

The interest rate shall be redetermined and set annually by the Company's Chief Financial Officer and/or the Company's Vice President/Controller, in their sole discretion. The determination of the annual interest rate to be used for the next calendar year shall be made no later than 45 days before the first day of such calendar year and shall be communicated in writing to the Board by such date. Once an annual interest rate has been set for a year, it shall remain in effect for the entire year and may not be changed or modified until the following year. The interest rate applicable for the period from July 1, 1997 through December 31, 1997 shall be six percent (6%).

5.3 COMMON STOCK PERFORMANCE

(a) If a Participant specifies investment performance of Company Common Stock as the measure of investment performance for deferred amounts, the Participant's Account shall be credited with a number of Stock Units for this purpose. The number of Stock Units to be credited, on each date the deferred amount of the Retainer would otherwise have been payable to the Participant but for the election to defer, shall be equal to the whole and fractional Stock Units, computed to three decimal places, obtained by dividing (i) the dollar value of the deferred amount of the Retainer which otherwise would have been payable to the Participant but for his or her election to defer by (ii) the Market Value of the Common Stock on the date of the Board meeting for which the Retainer would normally be paid but for the election to defer.

(b) On each dividend payment date, if any, with respect to the Common Stock, the Account of a Participant, with Stock Units held pursuant to this Section, shall be credited with an additional number of whole and fractional Stock Units, computed to three decimal places, equal to (i) the product of the dividend per share of Common Stock then payable, multiplied by the number of Stock Units then credited to such Account; divided by (ii) the Market Value of the Common Stock on the first day of the month which includes the dividend payment date.

(c) The number of Stock Units credited to a Participant's Account pursuant to this Section shall be appropriately adjusted for any change in the Common Stock by reason of any merger, reclassification, consolidation, recapitalization, stock dividend, stock split or any other similar change affecting the Common Stock.

ARTICLE 6
PAYMENT OF DEFERRED AMOUNTS

6.1 MANNER OF PAYMENT UPON TERMINATION OR FIXED DATE

(a) In accordance with the Participant's written election to defer as provided in Section 4.1, the relevant portion of the accumulated value of a Participant's Account shall be paid to the Participant in the manner elected by the Participant either as (i) a lump sum distribution within 30 days after, as applicable, the Participant's Termination or the specified date for the period of deferral, or (ii) in up to 10 annual installments commencing within 30 days after, as applicable, the Participant's Termination or the specified date for the period of deferral. Once chosen, a Participant may not change of modify his or her election of the manner of payment. Payment shall be made only in cash. Stock Units shall be converted to cash on the basis of the Market Value of the Common Stock on the first day of the month in which the payment is made.

(b) If all or some portion of a Participant's Account is paid in two or more annual installments:

(i) installments ordinarily will be paid on or about the same date each year, but shall be paid on a date no more than a period of 30 days following the anniversary date of the initial installment;

(ii) any such payment in installments which has begun at any time before a Participant's Termination shall continue to be made without change or alteration, unless the Company, in its sole discretion, determines that the Participant's Termination was involuntary and chooses to accelerate the payment of any remaining installments by paying them in a single cash lump sum payment;

(iii) investment performance shall continue to be credited on the unpaid portion of the Account in accordance with Article 5;

(iv) that portion of any installment representing Stock Units will not be converted in accordance with subsection (a) above to a cash equivalent until such time when the value of the Stock Units will actually be paid to the Participant; and

(v) the amount to be distributed in any one installment shall be equal to the total value of the Account on the first day of the month that includes the payment date of the installation divided by the number of installments remaining (including such installment).

6.2 MANNER OF PAYMENT UPON DEATH

Notwithstanding the Participant's election, if a Participant dies while an Account is held for the Participant, such Account will be paid to the Beneficiary in a lump sum in cash within 90 days from the date of the Participant's death. Upon written application by the Beneficiary (including, if applicable, the legal representative for the Participant's estate) filed within 45 days of the Participant's death, the lump sum payment may be deferred for a reasonable period of time beyond 90 days for good cause, if the Company consents in writing to such deferral.

6.3 DETERMINATION

Any cash payments of Stock Units shall be calculated on the basis of the Market Value of the Common Stock on the first day of the month which includes the relevant date for payment or other calculation, irrespective of installment payment dates or the date of the Participant's death, as the case may be.

6.4 SMALL PAYMENT AMOUNTS

Notwithstanding any elections made by a Participant or anything else in this Plan to the contrary, the Company shall pay to a Participant (or, if appropriate, his or her Beneficiary) in a single cash lump sum that portion of an Account which first becomes payable at the end of a period of deferral if, at that time, the amount of such portion is $10,000 or less.

6.5 FINANCIAL HARDSHIP

Notwithstanding any elections made by a Participant or anything else in this Plan to the contrary, the Company shall pay all or some portion of a Participant's Account if the Participant establishes to the satisfaction of the Company that the Participant has developed an immediate and heavy financial need. The amount of a distribution under this Section on account of an immediate and heavy financial need shall not exceed the amount required to relieve the financial need. No distribution under this Section shall be made to the extent the immediate and heavy financial need can be satisfied from other financial resources of the Participant (including liquidation of assets, cessation of contributions to tax-favored plans or distributions or non-taxable loans from retirement plans) or through reimbursement or compensation by insurance or otherwise.

For purposes of this Section, an "immediate and heavy financial need" shall exist only if the Company determines the need to arise from payments related to medical expenses for the Participant or his or her dependents; needed to prevent eviction from the Participant's principal residence; or needed to prevent foreclosure on the mortgage of the Participant's principal residence.

The Company may require the Participant to provide such written statements, documentation and other evidence as the Company in its discretion deems necessary or appropriate to establish immediate and heavy financial need. Distributions on account of immediate and heavy financial need shall be made first from that portion of the Account, if any, where the investment measure is a fixed rate of return, and then from the remaining portion, if any, where the investment measure is Company Common Stock performance. Stock Units shall be converted to cash on the basis of the Market Value of the Common Stock on the first day of the month in which a distribution is made. No Stock Unit may be converted to cash if held for less than six months. A Participant who receives a distribution on account of an immediate and heavy financial need shall cease to have deferred amounts made under the Plan for the year in which the distribution is made and may not make an election to defer for the following year.

ARTICLE 7
BENEFICIARY DESIGNATION

Each Participant shall be entitled to designate a Beneficiary of Beneficiaries (which may be an entity other than a natural person) who, following the Participant's death, will be entitled to receive any payments to be made under Section 6.2. At any time, and from time to time, any designation may be changed or canceled by the Participant without the consent of any Beneficiary. Any designation, change, or cancellation must be by written notice filed with the Company before the Participant's date of death and shall not be effective until received by the Company.

Payment shall be made in accordance with the last unrevoked written designation of Beneficiary that has been signed by the Participant and delivered by the Participant to the Company prior to the Participant's death. If the Participant designates more than one Beneficiary, any payments under Section 6.2 to the Beneficiaries shall be made in equal shares unless the Participant has expressly designated otherwise, in which case the payments shall be made in the proportions designed by the Participant. If no Beneficiary has been named by the Participant or if all Beneficiaries predecease the Participant, payment shall be made to the Participant's estate.

ARTICLE 8
TRANSFERABILITY RESTRICTIONS

The Plan shall not in any manner be liable for, or subject to, the debts and liabilities of any Participant or Beneficiary. No payee may assign any payment due such party under the Plan. No benefits at any time payable under the Plan, or interests in the Plan, shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, attachment, garnishment, levy, execution, or other legal or equitable process, or encumbrance of any kind, including without limitation by reason of any qualified or other domestic relations order.

ARTICLE 9
FUNDING POLICY

The Company's obligations under the Plan shall be totally unfunded so that the Company or any Subsidiary is under merely a contractual duty to make payments when due under the Plan. The promise to pay shall not be represented by notes and shall not be secured in any way. The Company, in its sole discretion, may take action to establish a separate trust or trusts for purposes of holding assets set aside in connection with the Plan, but the Plan and obligations thereunder shall at all times remain unfunded.

ARTICLE 10
CHANGE OF CONTROL

Notwithstanding any provision of this Plan to the contrary, if a "Change of Control" (as defined below) of the Company occurs, the accumulated value of a Participant's Account on the day immediately preceding the Change of Control will be paid in a cash lump sum to the Participant not later than 15 days after the date of the Change of Control. For this purpose, the cash equivalent of Stock Units in the Account shall be determined by the higher of (a) the average of the Market Value of the Common Stock for the last 20 trading days immediately prior to such Change of Control or (b) if the Change of Control of the Company occurs as a result of a tender or exchange offer or consummation of a corporate transaction, then the highest price paid per share of Common Stock pursuant thereto. Any consideration (other than cash) forming a part or all of the consideration for the Common Stock to be paid pursuant to the applicable transaction shall be valued at the valuation price thereon reasonably determined by the Board (other than those who are Participants) serving on the day immediately before the Change of Control.

In addition, if the Change of Control of the Company occurs, the Company shall reimburse a Participant for the legal fees and expenses incurred if the Participant is required to seek to obtain or enforce any right to distribution or any other right under this plan. In the event that it is determined that such Participant is properly entitled to a cash distribution hereunder, such Participant shall also be entitled to interest thereon at the prime rate of interest as published in The Wall Street Journal plus two percent from the date such distribution should have been made to and including the date it is made. Notwithstanding any provisions of this Plan to the contrary, the provisions of this Plan may not be amended by an amendment effected at any time within three years following a Change of Control.

For the purposes of this Plan, Change of Control shall mean: the purchase or other acquisition by any person, entity or group of persons, within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934 ("Act"), or any comparable successor provisions, of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Act) of 30 percent or more of either the outstanding shares of common stock or the combined voting power of the Company's then outstanding voting securities entitled to vote generally, or the approval by the stockholders of the Company of a reorganization, merger, or consolidation, in each cash, with respect to which persons who were stockholders of the Company immediately prior to such reorganization, merger or consolidation do not, immediately, thereafter, own more than 50 percent of the combined voting power entitled to vote generally in the election of directors of the reorganized, merged or consolidated Company's then outstanding securities, or a liquidation or dissolution of the Company or of the sale of all or substantially all of the Company's assets. The Board (other than those who are Participants) shall have the duty to make a determination as to those events which give rise to a Change of Control and shall do so prior to the occurrence of a Change of Control.

ARTICLE 11
ADMINISTRATION

The Plan shall be administered by the Company. The Company shall have authority to interpret and construe the Plan, and to prescribe, amend and rescind rules and regulations relating to the administration of the Plan, and all such interpretations, rules and regulations shall be conclusive and binding on all Directors and Participants. The Company may employ agents, attorneys, accountants, or other persons (who also may be employees of a Subsidiary) and allocate or delegate to them powers, rights, and duties, all as the Company in its discretion may consider necessary or advisable to properly carry out the administration of the Plan.

Upon the request of a Participant, and not more frequent than once each calendar year, the Company shall provide the Participant with a written statement showing the total value of the Participant's Account as of a date selected by the Company, the portion of the total Account allocated to each of the investment measures, the date on which payment of deferred amounts are expected to be made, the manner in which payments will be made and such other information as the Company in its sole discretion deems necessary or appropriate.

ARTICLE 12
AMENDMENT AND TERMINATION

The Company, by resolution duly adopted by the Board, shall have the right, authority and power to alter, amend, modify, revoke, or terminate the Plan; except as provided in Article 10; and provided further, that no amendment or termination of the Plan shall adversely affect the rights of any Participant with respect to any Stock Units or other amounts credited such Participant's Account, unless the Participant shall consent thereto in writing.

ARTICLE 13
MISCELLANEOUS

13.1 NO RIGHT TO CONTINUE AS A DIRECTOR

Nothing in this Plan shall be construed as conferring upon a Participant any right to continue as a member of the Board.

13.2 NO INTEREST AS A SHAREHOLDER

Stock Units do not give a Participant any voting, dividend or other rights whatsoever with respect to shares of Common Stock.

13.3 NO RIGHT TO CORPORATE ASSETS

Nothing in this plan shall be construed as giving the Participant, the Participant's designated Beneficiaries or any other person any equity or interest of any kind in the assets of the Company or any Subsidiary or creating a trust of any kind or a fiduciary relationship of any kind between the Company or any Subsidiary and any person. As to any claim for payments due under the provisions of the Plan, a Participant, Beneficiary and any other persons having a claim for payments shall be mere unsecured creditors of the Company or any Subsidiary.

13.4 TAX WITHHOLDING; OTHER TAX CONSEQUENCES

A Director shall be solely responsible for determining and providing for the timely payment of federal, state and local income and other taxes incident to deferred amounts of the Retainer pursuant to the Plan. The Company is authorized to make such arrangements and establish such procedures as they determine may be necessary or appropriate for any reporting or withholding obligations they may have under the tax laws.

13.5 PAYMENT TO LEGAL REPRESENTATIVE FOR PARTICIPANT

In the event the Company shall find that a Participant is unable to care for his or her affairs because of illness or accident, the Company may direct that any payment due the Participant be paid to the Participant's duly appointed legal representative, and any such payment so made shall be a complete discharge of the liabilities of the Plan.

13.6 NO LIMIT ON FURTHER CORPORATE ACTION

Nothing contained in the Plan shall be construed so as to prevent the Company or any Subsidiary from taking any corporate action which is deemed by the Company or any Subsidiary to be appropriate or in its best interest.

13.7 GOVERNING LAW

The Plan shall be construed and administered according to the laws of the State of Delaware to the extent that those laws are not preempted by the laws of the United States of America.

13.8 HEADINGS

The headings of articles, sections, subsections, paragraphs or other parts of the Plan are for convenience of reference only and do not define, limit, construe, or otherwise effect its contents.

IN WITNESS WHEREOF, the undersigned has signed and dated this Plan on the 17th day of September, 1997.

UNIVERSAL HEALTH SERVICES, INC.

By: /s/Alan B. Miller

Date: 9/17/97

5
1,000

9-MOS
DEC-31-1997
JAN-01-1997
SEP-30-1997
7,919
0
166,750
0
27,468
215,929
976,937
313,947
1,082,477
179,148
272,245
0
0
324
510,455
1,082,477
0
1,046,373
0
781,580
87,367
80,193
14,906
82,327
30,071
52,256
0
0
0
52,256
1.58
1.58