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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(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, 2015

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number 1-10765

UNIVERSAL HEALTH SERVICES, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	**23-2077891**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

UNIVERSAL CORPORATE CENTER

367 SOUTH GULPH ROAD

KING OF PRUSSIA, PENNSYLVANIA 19406

(Address of principal executive offices) (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 by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

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, 2015:

Class A	6,595,708
Class B	91,794,080

Class C	664,000
Class D	27,935

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UNIVERSAL HEALTH SERVICES, INC.

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This Quarterly Report on Form 10-Q is for the quarter ended March 31, 2015. This Report modifies and supersedes documents filed prior to this Report. Information that we file with the Securities and Exchange Commission (the SEC) in the future will automatically update and supersede information contained in this Report.

In this Quarterly Report, we, us, our UHS and the Company refer to Universal Health Services, Inc. and its subsidiaries. UHS is a registered trademark of UHS of Delaware, Inc., the management company for, and a wholly-owned subsidiary of Universal Health Services, Inc. Universal Health Services, Inc. is a holding company and operates through its subsidiaries including its management company, UHS of Delaware, Inc. All healthcare and management operations are conducted by subsidiaries of Universal Health Services, Inc. To the extent any reference to UHS or UHS facilities in this report including letters, narratives or other forms contained herein relates to our healthcare or management operations it is referring to Universal Health Services, Inc. s subsidiaries including UHS of Delaware, Inc. Further, the terms we, us, our or the Company in such context similarly refer to the operations of Universal Health Services Inc. s subsidiaries including UHS of Delaware, Inc. Any reference to employees or employment contained herein refers to employment with or employees of the subsidiaries of Universal Health

Services, Inc. including UHS of Delaware, Inc.

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PART I. FINANCIAL INFORMATION

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(amounts in thousands, except per share amounts)

(unaudited)

	Three months ended March 31, 2015	Three months ended March 31, 2014
Net revenues before provision for doubtful accounts	$ 2,380,101	$ 2,146,498
Less: Provision for doubtful accounts	154,748	208,184
Net revenues	2,225,353	1,938,314
Operating charges:		
Salaries, wages and benefits	1,031,703	935,365
Other operating expenses	505,966	399,908
Supplies expense	238,741	215,798
Depreciation and amortization	98,998	93,359
Lease and rental expense	22,891	23,338
Electronic health records incentive income	0	(430)
	1,898,299	1,667,338
Income from operations	327,054	270,976
Interest expense, net	30,037	35,193
Income before income taxes	297,017	235,783
Provision for income taxes	102,694	83,931
Net income	194,323	151,852
Less: Income attributable to noncontrolling interests	20,024	13,774
Net income attributable to UHS	$ 174,299	$ 138,078
Basic earnings per share attributable to UHS	$ 1.76	$ 1.40
Diluted earnings per share attributable to UHS	$ 1.73	$ 1.38
Weighted average number of common shares - basic	98,910	98,572
Add: Other share equivalents	1,737	1,585
Weighted average number of common shares and equivalents - diluted	100,647	100,157

The accompanying notes are an integral part of these consolidated financial statements.

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UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(amounts in thousands, unaudited)

	Three months ended March 31, 2015	Three months ended March 31, 2014
Net income	$ 194,323	$ 151,852
Other comprehensive income (loss):		
Unrealized derivative gains on cash flow hedges	4,132	3,745
Amortization of terminated hedge	(84)	(84)
Foreign currency translation adjustment	(418)	0
Other comprehensive income before tax	3,630	3,661
Income tax expense related to items of other comprehensive income	1,497	1,354
Total other comprehensive income, net of tax	2,133	2,307
Comprehensive income	196,456	154,159
Less: Comprehensive income attributable to noncontrolling interests	20,024	13,774
Comprehensive income attributable to UHS	$ 176,432	$ 140,385

The accompanying notes are an integral part of these consolidated financial statements.

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UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(amounts in thousands, unaudited)

	March 31, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$ 35,078	$ 32,069
Accounts receivable, net	1,383,964	1,282,735
Supplies	108,269	108,115
Deferred income taxes	109,402	114,565
Other current assets	80,524	77,654
Total current assets	1,717,237	1,615,138
Property and equipment	6,301,410	6,212,030
Less: accumulated depreciation	(2,610,630)	(2,532,341)
	3,690,780	3,679,689
Other assets:		
Goodwill	3,297,436	3,291,213
Deferred charges	38,761	40,319
Other	340,141	348,084
	$ 9,084,355	$ 8,974,443
Liabilities and Stockholders Equity		
Current liabilities:		
Current maturities of long-term debt	$ 89,023	$ 68,319
Accounts payable and accrued liabilities	1,101,143	1,113,062
Federal and state taxes	65,106	1,446
Total current liabilities	1,255,272	1,182,827
Other noncurrent liabilities	277,617	268,555
Long-term debt	3,051,571	3,210,215
Deferred income taxes	280,662	282,214
Redeemable noncontrolling interests	254,843	239,552
Equity:		
UHS common stockholders equity	3,906,963	3,735,946
Noncontrolling interest	57,427	55,134

Total equity	3,964,390	3,791,080
	$ 9,084,355	$ 8,974,443

The accompanying notes are an integral part of these consolidated financial statements.

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UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(amounts in thousands, unaudited)

	Three months ended March 31, 2015	2014
Cash Flows from Operating Activities:		
Net income	$ 194,323	$ 151,852
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation & amortization	98,998	93,359
Stock-based compensation expense	10,829	7,152
Gains on sales of assets and businesses, net of losses	0	(10,134)
Changes in assets & liabilities, net of effects from acquisitions and dispositions:		
Accounts receivable	(96,972)	(95,633)
Accrued interest	1,117	11,063
Accrued and deferred income taxes	79,050	65,321
Other working capital accounts	(29,829)	(34,999)
Other assets and deferred charges	(234)	9,982
Other	17,807	(3,833)
Accrued insurance expense, net of commercial premiums paid	22,748	21,302
Payments made in settlement of self-insurance claims	(26,562)	(20,793)
Net cash provided by operating activities	271,275	194,639
Cash Flows from Investing Activities:		
Property and equipment additions, net of disposals	(89,276)	(92,387)
Proceeds received from sale of assets and businesses	0	11,450
Acquisition of property and businesses	(34,500)	(3,301)
Costs incurred for purchase and implementation of electronic health records application	0	(6,504)
Net cash used in investing activities	(123,776)	(90,742)
Cash Flows from Financing Activities:		
Reduction of long-term debt	(158,871)	(109,054)
Additional borrowings	20,800	11,900
Repurchase of common shares	(28,767)	(13,993)
Dividends paid	(9,899)	(4,933)
Issuance of common stock	1,768	1,445
Excess income tax benefits related to stock-based compensation	20,807	11,750
Profit distributions to noncontrolling interests	(2,413)	(1,989)
Proceeds received from sale/leaseback of real property	12,551	0
Net cash used in financing activities	(144,024)	(104,874)

Effect of exchange rate changes on cash and cash equivalents	(466)	0
Increase (decrease) in cash and cash equivalents	3,009	(977)
Cash and cash equivalents, beginning of period	32,069	17,238
Cash and cash equivalents, end of period	$ 35,078	$ 16,261
Supplemental Disclosures of Cash Flow Information:		
Interest paid	$ 27,158	$ 18,893
Income taxes paid, net of refunds	$ 2,876	$ 6,764
Noncash purchases of property and equipment	$ 33,082	$ 49,533

The accompanying notes are an integral part of these consolidated financial statements.

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UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) General

This Quarterly Report on Form 10-Q is for the quarterly period ended March 31, 2015. In this Quarterly Report, we, us, our UHS and the Company refer to Universal Health Services, Inc. and its subsidiaries.

The condensed consolidated financial statements include the accounts of our majority-owned subsidiaries and partnerships and limited liability companies controlled by us, or our subsidiaries, as managing general partner or managing member. The condensed consolidated financial statements included herein have been prepared by us, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and reflect all adjustments (consisting only of normal recurring adjustments) which, in our opinion, are necessary to fairly state results for the interim periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although we believe that the accompanying disclosures are adequate to make the information presented not misleading. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements, significant accounting policies and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2014.

Provider Taxes: We incur health-care related taxes (Provider Taxes) imposed by states in the form of a licensing fee, assessment or other mandatory payment which are related to: (i) healthcare items or services; (ii) the provision of, or the authority to provide, the health care items or services, or; (iii) the payment for the health care items or services. Such Provider Taxes are subject to various federal regulations that limit the scope and amount of the taxes that can be levied by states in order to secure federal matching funds as part of their respective state Medicaid programs. We derive a related Medicaid reimbursement benefit from assessed Provider Taxes in the form of Medicaid claims based payment increases and/or lump sum Medicaid supplemental payments.

Under these programs, including the impact of Uncompensated Care and Upper Payment Limit programs, and the Texas Delivery System Reform Incentive program, we earned revenues (before Provider Taxes) of approximately $66 million and $49 million during the three-month periods ended March 31, 2015 and 2014, respectively. These revenues were offset by Provider Taxes of $28 million and $18 million during the three-month periods ended March 31, 2015 and 2014, respectively, which are recorded in other operating expenses on the Condensed Consolidated Statements of Income as included herein. Prior to 2015, these Provider Taxes were recorded as a reduction to our net revenues. Accordingly, the unaudited Condensed Consolidated Statement of Income for the three-month period ended March 31, 2014 has been revised to reflect the current period classification, resulting in an increase in net revenue and an increase in other operating expenses of $18 million. We assessed this adjustment to the classification and concluded that it was not material to our previously issued annual and quarterly Consolidated Statements of Income, which will be revised in future filings.

(2) Relationship with Universal Health Realty Income Trust and Related Party Transactions

Relationship with Universal Health Realty Income Trust:

Universal Health Realty Income Trust (the Trust) commenced operations in 1986 by purchasing certain properties from us and immediately leasing the properties back to our respective subsidiaries. Most of the leases were entered into at the time the Trust commenced operations and provided for initial terms of 13 to 15 years with up to six additional 5-year renewal terms. Each lease also provided for additional or bonus rental, as discussed below. The base rents are paid monthly and the bonus rents are computed and paid on a quarterly basis, based upon a computation that compares current quarter revenue to a corresponding quarter in the base year. The leases with our subsidiaries are unconditionally guaranteed by us and are cross-defaulted with one another.

At March 31, 2015, we held approximately 5.9% of the outstanding shares of the Trust. We serve as Advisor to the Trust under an annually renewable advisory agreement pursuant to the terms of which we conduct the Trust s day-to-day affairs, provide administrative services and present investment opportunities. In addition, certain of our officers and directors are also officers and/or directors of the Trust. Management believes that it has the ability to exercise significant influence over the Trust, therefore we account for our investment in the Trust using the equity method of accounting.

We earned an advisory fee from the Trust, which is included in net revenues in the accompanying consolidated statements of income, of approximately $700,000 and $600,000 during the three-month periods ended March 31, 2015 and 2014, respectively. Our pre-tax share of income from the Trust was $200,000 and $300,000 during the three-month periods ended March 31, 2015 and 2014, respectively. The carrying value of this investment was approximately $9.0 million and $9.3 million at March 31, 2015 and December 31, 2014, respectively, and is included in other assets in the accompanying consolidated balance sheets. The market value of our investment in the Trust was $44.3 million at March 31, 2015 and $37.9 million at December 31, 2014, based on the closing price of the Trust s stock on the respective dates.

During the first quarter of 2015, wholly-owned subsidiaries of ours sold to and leased back from the Trust, two recently constructed free-standing emergency departments (FEDs) located in Texas which were completed and opened during the first quarter of 2015. In conjunction with these transactions, ten-year lease agreements with six, five-year renewal options have been executed with the Trust. We have the option to purchase the properties upon the expiration of the fixed terms and each five-year renewal terms at the fair market value of the property. The aggregate construction cost/sales proceeds of these facilities was approximately $13 million, and the aggregate rent expense paid to the Trust at the commencement of the leases will approximate $900,000 annually.

In December, 2014, upon the expiration of the lease term, we elected to purchase from the Trust for $17.3 million, the real property of The Bridgeway, a 103-bed behavioral health care facility located in North Little Rock, Arkansas. Pursuant to the terms of the lease, we and the Trust were both required to obtain appraisals of the property to determine its fair market value/purchase price. The rent expense paid by us to the Trust, prior to our purchase of The Bridgeway s real property in December, 2014, was approximately $1.1 million annually.

The table below details the renewal options and terms for each of our three acute care hospital facilities leased from the Trust as of March 31, 2015:

Hospital Name	Annual Minimum Rent	End of Lease Term	Renewal Term (years)
McAllen Medical Center	$ 5,485,000	December, 2016	15(a)
Wellington Regional Medical Center	$ 3,030,000	December, 2016	15(b)
Southwest Healthcare System, Inland Valley Campus	$ 2,648,000	December, 2016	15(b)

(a) We have three 5-year renewal options at existing lease rates (through 2031).

(b) We have one 5-year renewal option at existing lease rates (through 2021) and two 5-year renewal options at fair market value lease rates (2022 through 2031).

Total rent expense under the operating leases on these three hospital facilities was approximately $4 million during each of the three months ended March 31, 2015 and 2014. In addition, certain of our subsidiaries are tenants in several medical office buildings and two FEDs (as discussed above) owned by the Trust or by limited liability companies in which the Trust holds 100% of the ownership interest.

Pursuant to the terms of the three hospital leases with the Trust, we have the option to renew the leases at the lease terms described above by providing notice to the Trust at least 90 days prior to the termination of the then current term. We also have the right to purchase the respective leased hospitals at the end of the lease terms or any renewal terms at their appraised fair market value as well as purchase any or all of the three leased hospital properties at their appraised fair market value upon one month s notice should a change of control of the Trust occur. In addition, we have rights of first refusal to: (i) purchase the respective leased facilities during and for 180 days after the lease terms at the same price, terms and conditions of any third-party offer, or; (ii) renew the lease on the respective leased facility at the end of, and for 180 days after, the lease term at the same terms and conditions pursuant to any third-party offer.

Other Related Party Transactions:

In December, 2010, our Board of Directors approved the Company s entering into supplemental life insurance plans and agreements on the lives of our chief executive officer (CEO) and his wife. As a result of these agreements, based on actuarial tables and other assumptions, during the life expectancies of the insureds, we would pay approximately $25 million in premiums, and certain trusts owned by our chief executive officer, would pay approximately $8 million in premiums. Based on the projected premiums mentioned above, and assuming the policies remain in effect until the death of the insureds, we will be entitled to receive death benefit proceeds of no less than $33 million representing the $25 million of aggregate premiums paid by us as well as the $8 million of aggregate premiums paid by the trusts. During 2014 we paid approximately $1.3 million in premium payments and expect to pay similar amounts during 2015.

A member of our Board of Directors and member of the Executive Committee is Of Counsel to the law firm used by us as our principal outside counsel. This Board member is also the trustee of certain trusts for the benefit of our CEO and his family. This law firm also provides personal legal services to our CEO.

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(3) Other Noncurrent liabilities and Redeemable/Noncontrolling Interests

Other noncurrent liabilities include the long-term portion of our professional and general liability, workers compensation reserves, pension and deferred compensation liabilities, and a liability incurred in connection with split-dollar life insurance agreements on the lives of our chief executive officer and his wife.

Outside owners hold noncontrolling, minority ownership interests of: (i) approximately 28% in our five acute care facilities (and one additional facility currently under construction) located in Las Vegas, Nevada; (ii) 20% in an acute care facility located in Washington, D.C.; (iii) approximately 11% in an acute care facility located in Laredo, Texas, and; (iv) 20% in a behavioral health care facility located in Philadelphia, Pennsylvania. The redeemable noncontrolling interest balances of $255 million as of March 31, 2015 and $240 million as of December 31, 2014, and the noncontrolling interest balances of $57 million as of March 31, 2015 and $55 million as of December 31, 2014, consist primarily of the third-party ownership interests in these hospitals.

In connection with five acute care facilities (and an additional facility currently under construction) located in Las Vegas, Nevada, the minority ownership interests of which are reflected as redeemable noncontrolling interests on our Consolidated Balance Sheet, the outside owners have certain put rights that, if exercisable, and if exercised, require us to purchase the minority member s interests at fair market value. The put rights are exercisable upon the occurrence of: (i) certain specified financial conditions falling below established thresholds; (ii) breach of the management contract by the managing member (a subsidiary of ours), or; (iii) if the minority member s ownership percentage is reduced to less than certain thresholds. In connection with a behavioral health care facility located in Philadelphia, Pennsylvania and acquired by us as part of the PSI acquisition, the minority ownership interest of which is also reflected as redeemable noncontrolling interests on our Consolidated Balance Sheet, the outside owner has a put option to put its entire ownership interest to us at any time. If exercised, the put option requires us to purchase the minority member s interest at fair market value.

(4) Long-term debt and cash flow hedges

Debt:

During the third quarter of 2014, we completed the following financing transactions:

In August, 2014, we entered into a fourth amendment to our credit agreement dated as of November 15, 2010, as amended (Credit Agreement). The Credit Agreement, which is scheduled to mature in August, 2019, consists of: (i) an $800 million revolving credit facility (no borrowings outstanding as of March 31, 2015), and; (ii) a $1.775 billion term loan A facility ($1.753 billion of borrowings outstanding as of March 31, 2015) which combined our previously outstanding term loan A and term loan A2 facilities which were scheduled to mature in 2016;

Repaid $550 million of outstanding borrowings pursuant to our previously outstanding term loan B facility which was scheduled to mature in 2016;

Increased the borrowing capacity on our existing accounts receivable securitization program (Securitization) to $360 million from $275 million, effective August 1, 2014. The Securitization, the terms of which remain the same as the previous agreement, as discussed below, is scheduled to mature in October, 2016;

Issued $300 million aggregate principal amount of 3.750% senior secured notes due in 2019 (see below for additional disclosure);