HCA

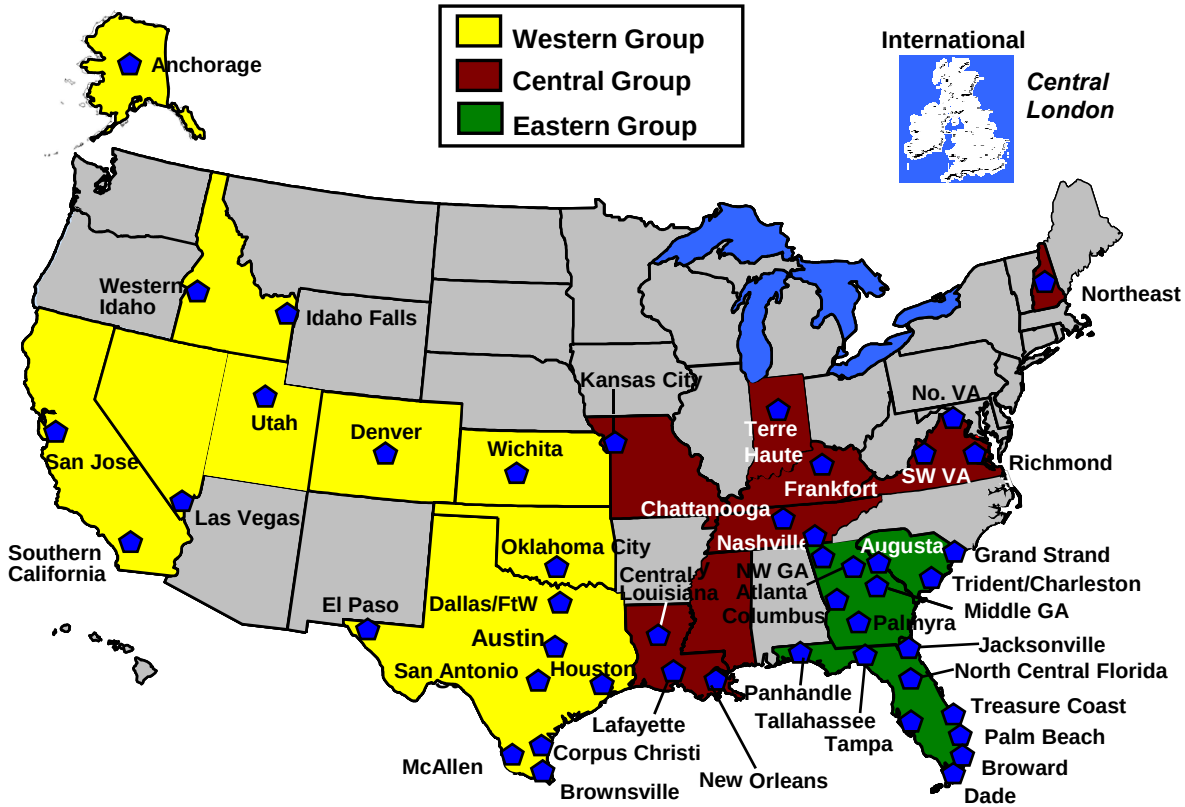
Hospital Corporation of America

Milton Johnson
Executive Vice President & Chief Financial Officer

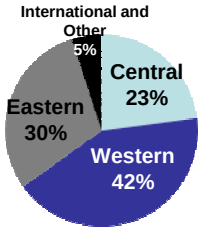
David Anderson
Senior Vice President, Finance & Treasurer

Vic Campbell
Senior Vice President

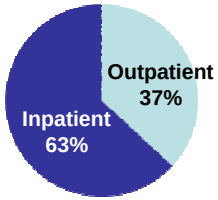
Introduction to HCA Today



REVENUE BY GEOGRAPHY



REVENUE BY PATIENT MIX

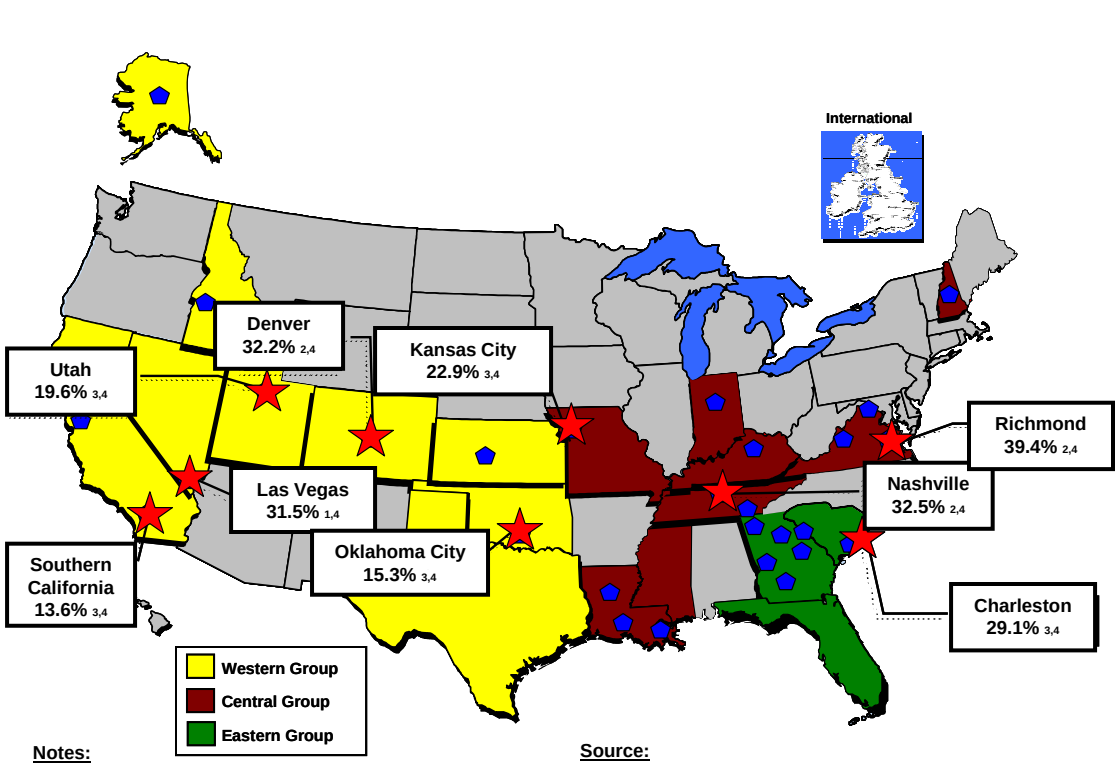


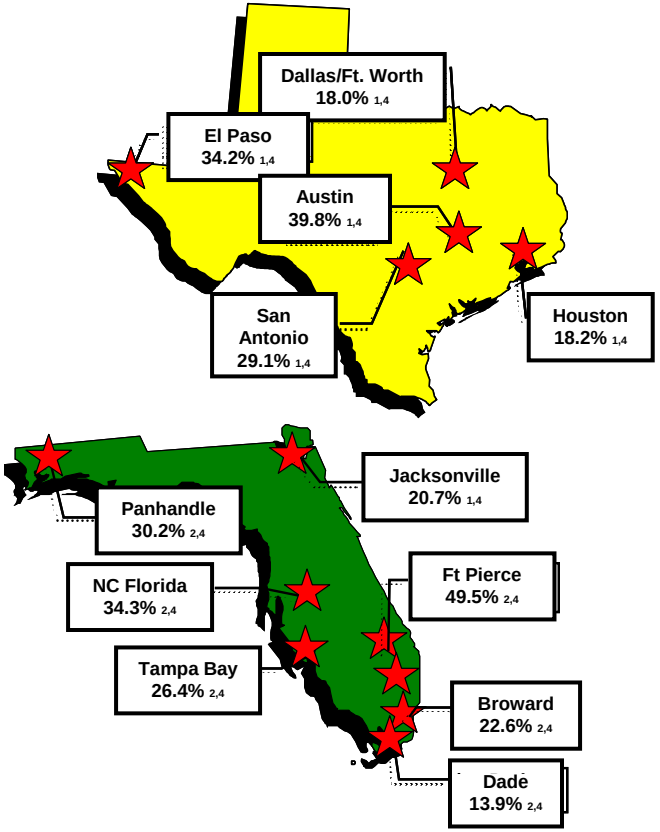
- Leading investor-owned provider of acute care services, primarily focused in urban and suburban settings (~2.4x next largest investor-owned provider)
- Accounted for approximately 5% of inpatient admissions in U.S. last year
- Company operates 170 hospitals[(1)] and 107 freestanding surgery centers[(1)] in 20 states, and England
- EBITDA in 2006 was $4.5B and September 2007 YTD is $3.4B
- ~ 183,000 employees
- ~ 35,000 affiliated physicians
- More than 40,000 licensed beds

(1) Includes 8 nonconsolidated hospitals and 9 nonconsolidated surgery centers managed under joint ventures

Local Market Leadership with Extensive Geographic Diversity

- HCA maintains the #1 or #2 inpatient market position with 25% to 40% market share in most geographies, which provides additional negotiating leverage
- Geographically diverse portfolio of markets insulates the company from market-level fluctuations





Notes:

1. 2006 1st Quarter data
2. 2006 3rd Quarter data
3. 2005

Source:

4. Medstat
5. South Carolina Office of research & Statistics

Inpatient and Outpatient Volume Growth

Demographics
(population growth and aging)

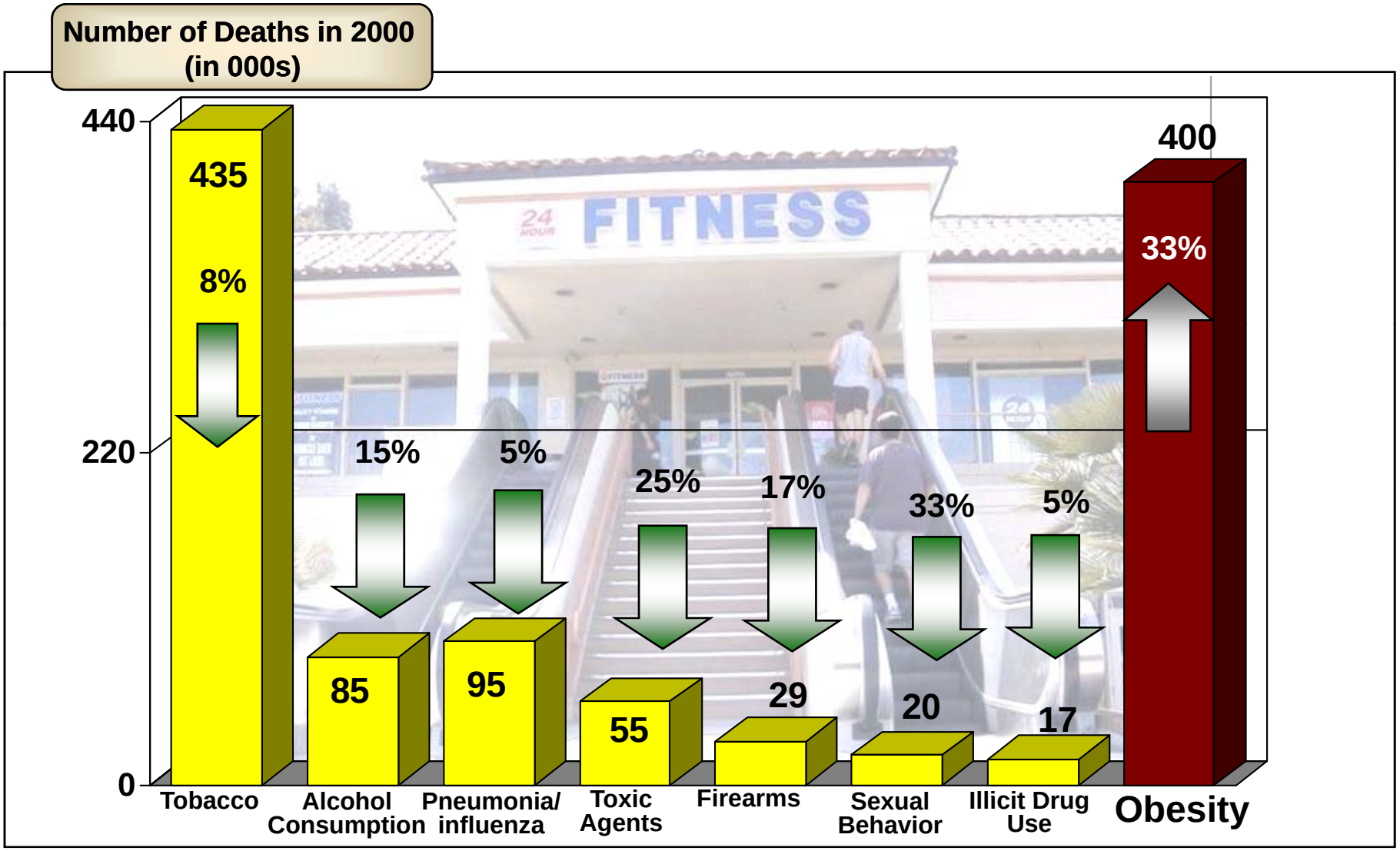
Technology- demand
(technology induced demand changes)

Technology-shift
(technology induced site of service shift)

Consumer incentives
(CDHP and co-pays)

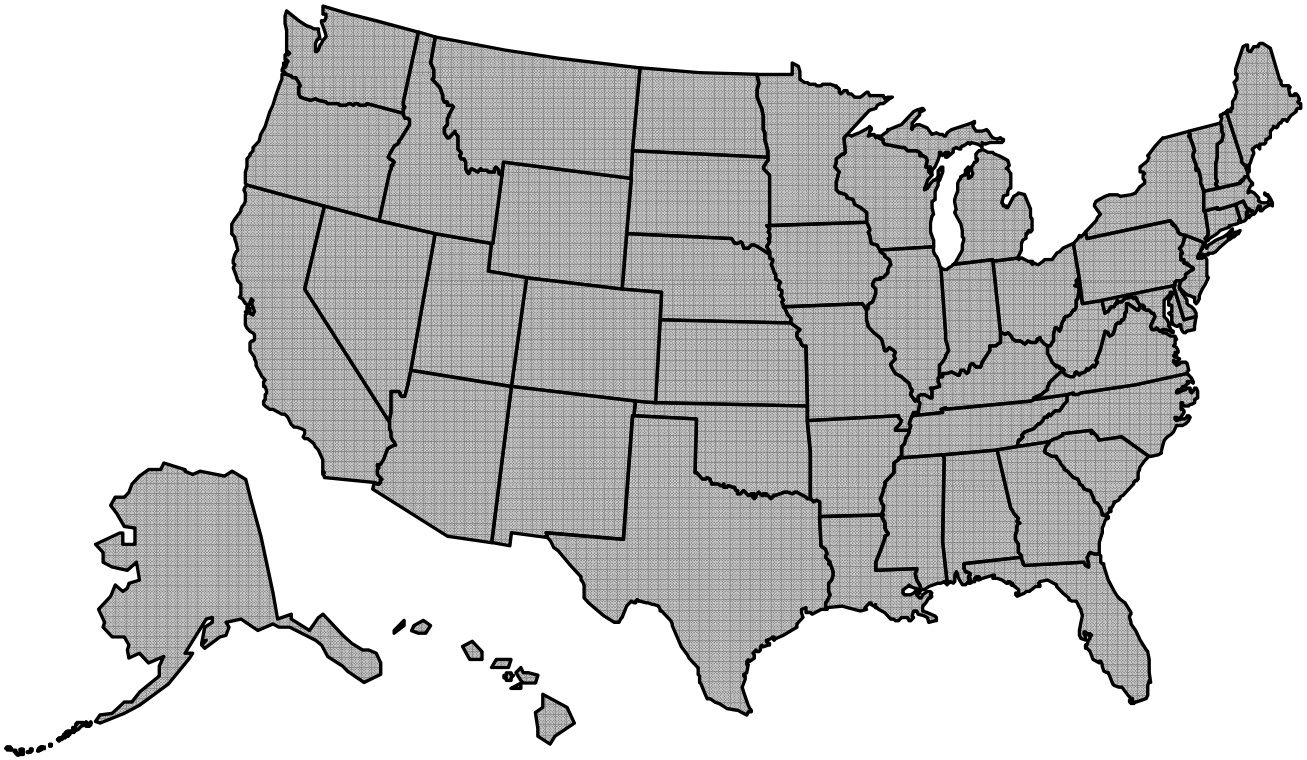
Disease burden
(increased incidence of obesity, diabetes, cardiology)

Obesity is catching up to tobacco as the leading cause of death in America



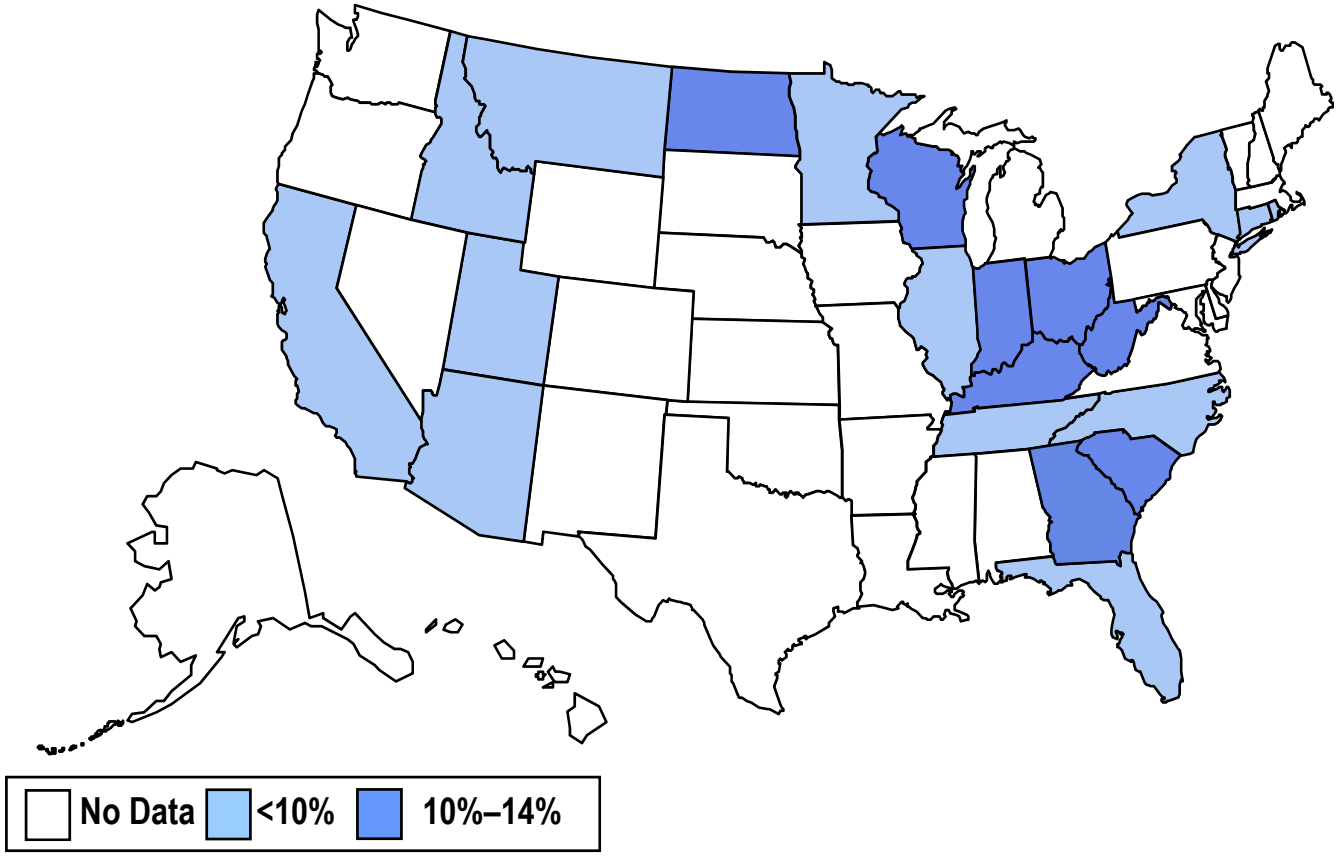
Source: CDC, Trends in the Health of Americans, 2006; Washington Post

Where Are They?

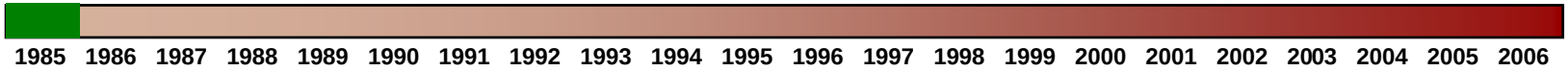


Obesity Trends* Among U.S. Adults

1985



- *BMI*- Adult's weight in relation in height*
- *BMI ≥ 30, or ~ 30 lbs. overweight for 5'4" person*

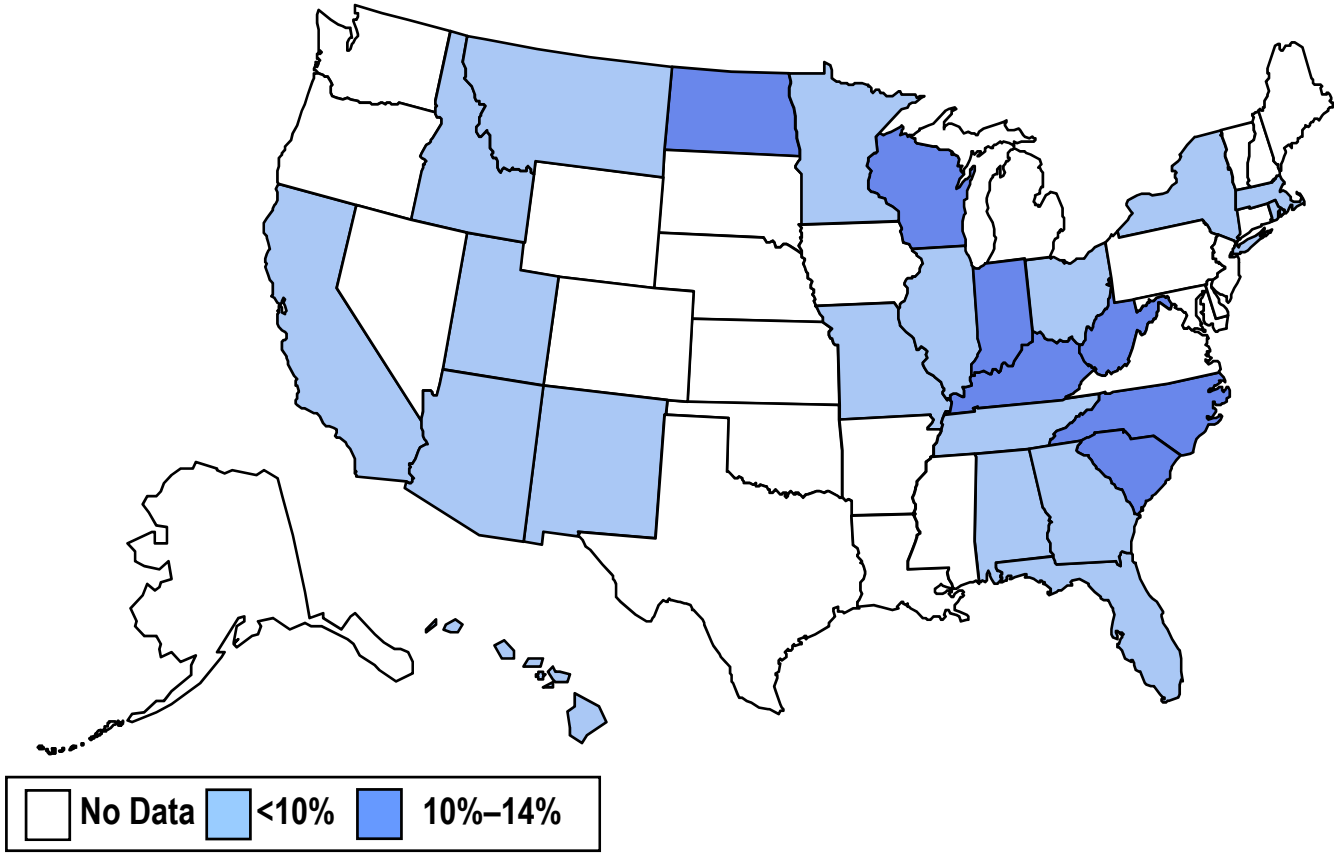


Source: The data shown in these maps were collected through CDC's Behavioral Risk Factor Surveillance System (BRFSS). Each year, state health departments use standard procedures to collect data through a series of monthly telephone interviews with U.S. adults.

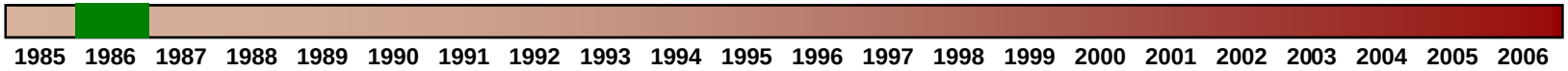
**Body Mass Index (BMI): A measure of an adult's weight in relation to his or her height, specifically the adult's weight in kilograms divided by the square of his or her height in meters.*

Obesity Trends* Among U.S. Adults

1986



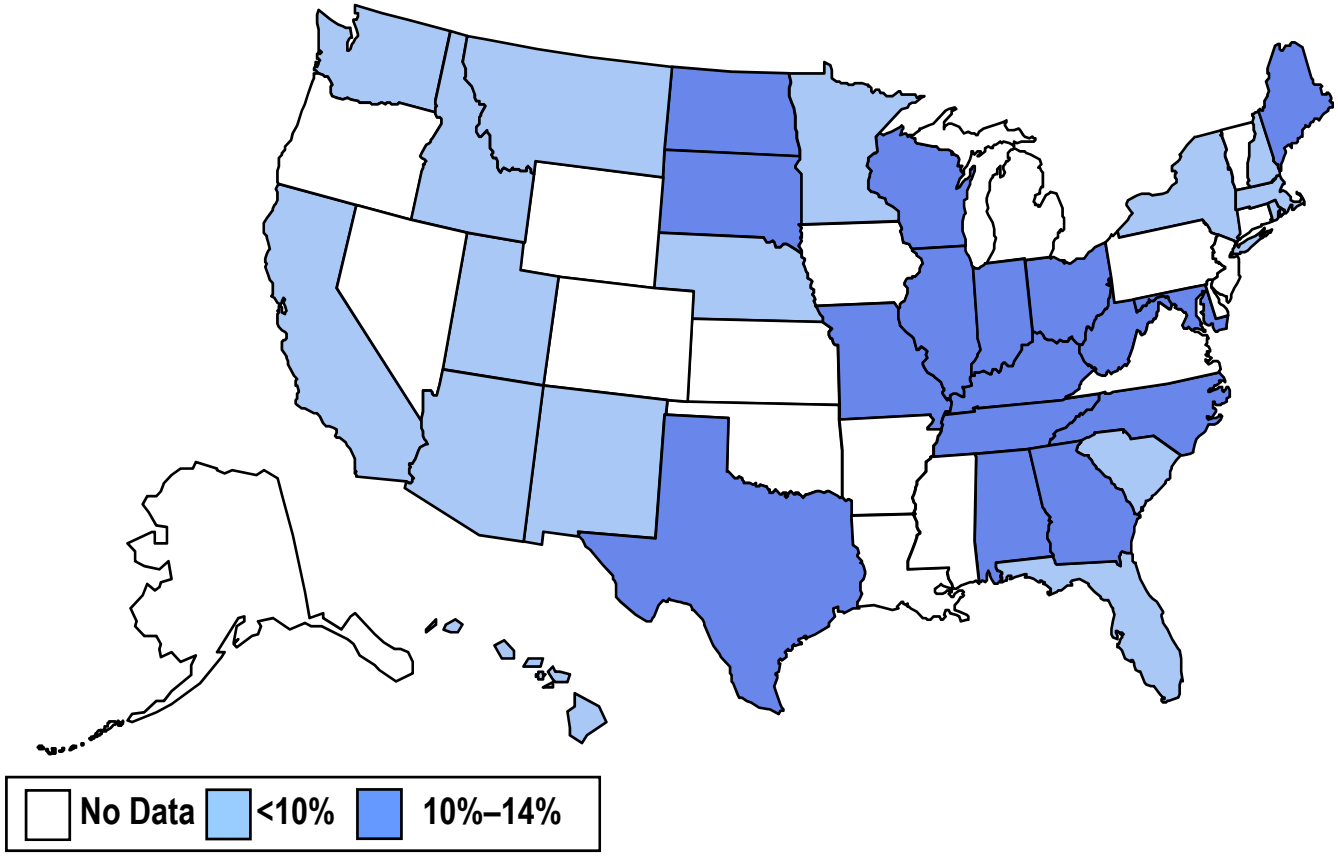
*(*BMI ≥ 30, or ~ 30 lbs. overweight for 5' 4" person)*



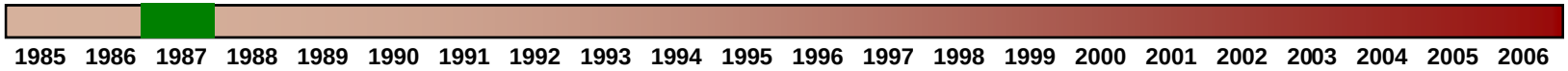
Source: The data shown in these maps were collected through CDC's Behavioral Risk Factor Surveillance System (BRFSS). Each year, state health departments use standard procedures to collect data through a series of monthly telephone interviews with U.S. adults.

Obesity Trends* Among U.S. Adults

1987



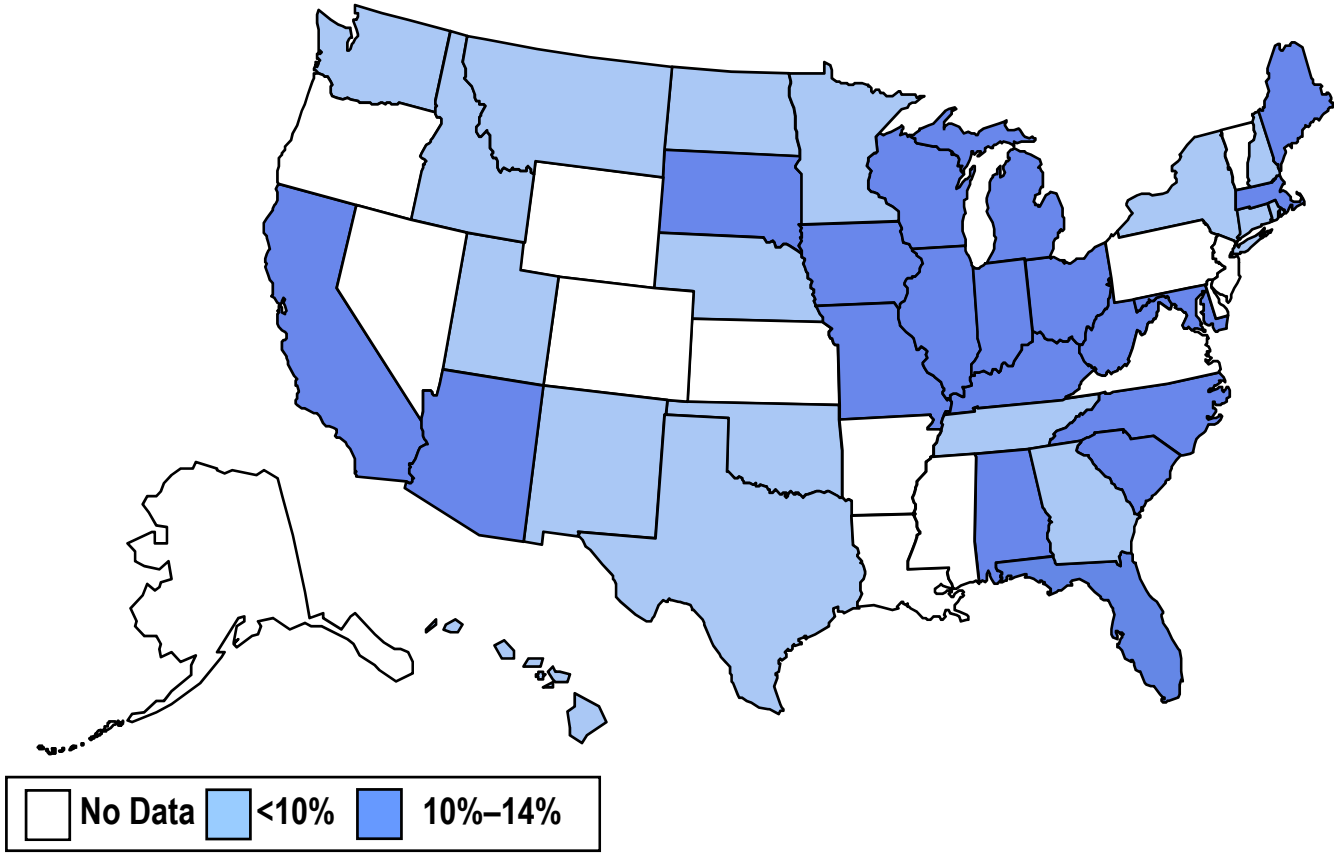
*(*BMI ≥ 30, or ~ 30 lbs. overweight for 5' 4" person)*



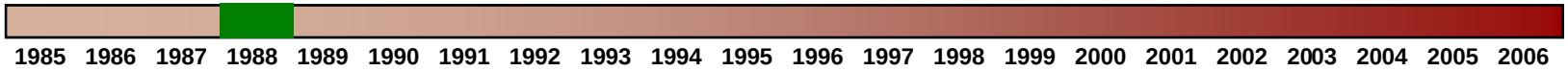
Source: The data shown in these maps were collected through CDC's Behavioral Risk Factor Surveillance System (BRFSS). Each year, state health departments use standard procedures to collect data through a series of monthly telephone interviews with U.S. adults.

Obesity Trends* Among U.S. Adults

1988



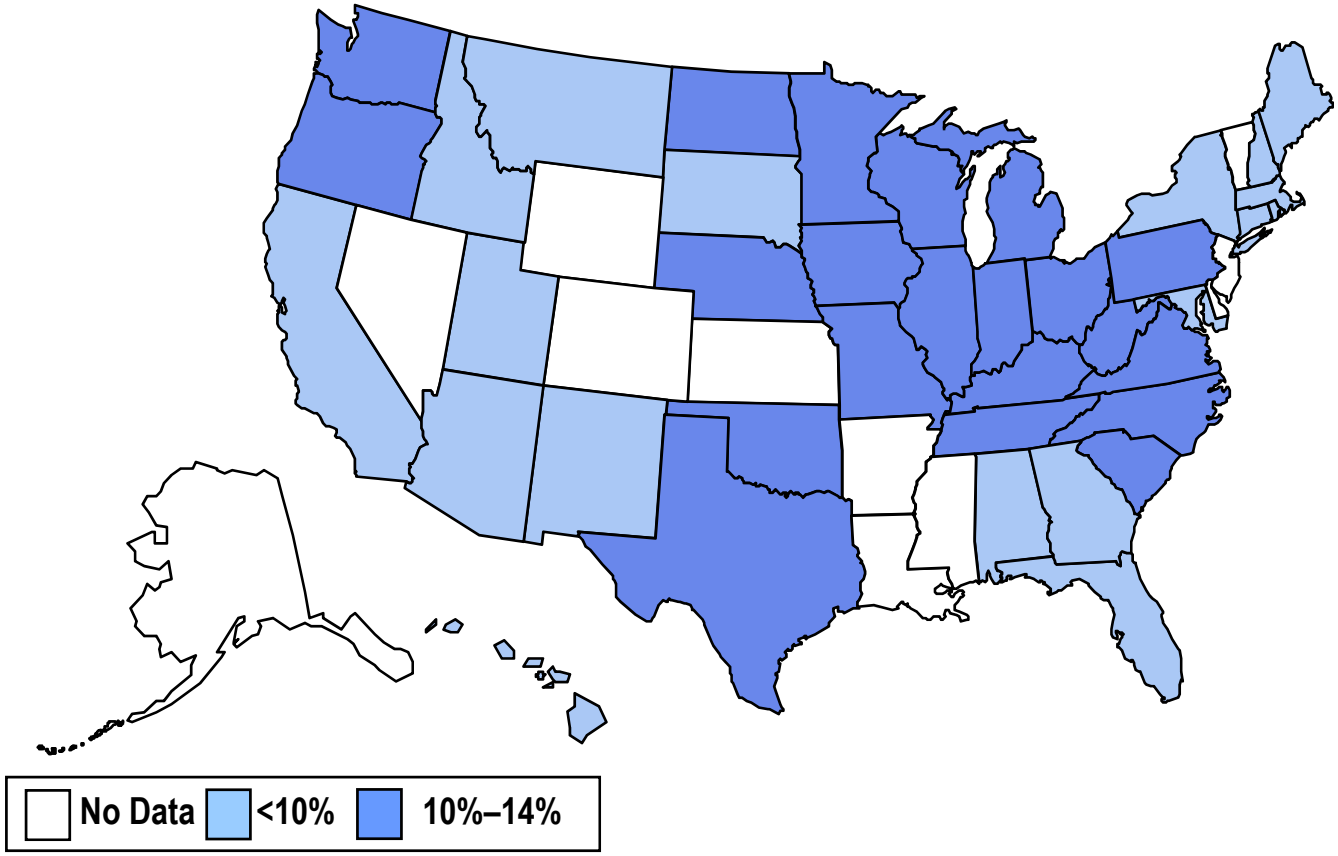
*(*BMI ≥ 30, or ~ 30 lbs. overweight for 5' 4" person)*



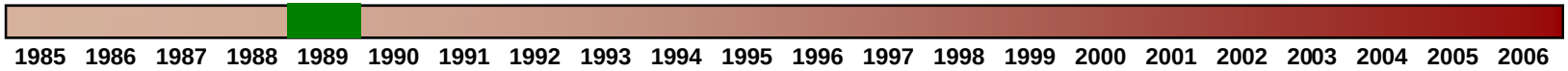
Source: The data shown in these maps were collected through CDC's Behavioral Risk Factor Surveillance System (BRFSS). Each year, state health departments use standard procedures to collect data through a series of monthly telephone interviews with U.S. adults.

Obesity Trends* Among U.S. Adults

1989



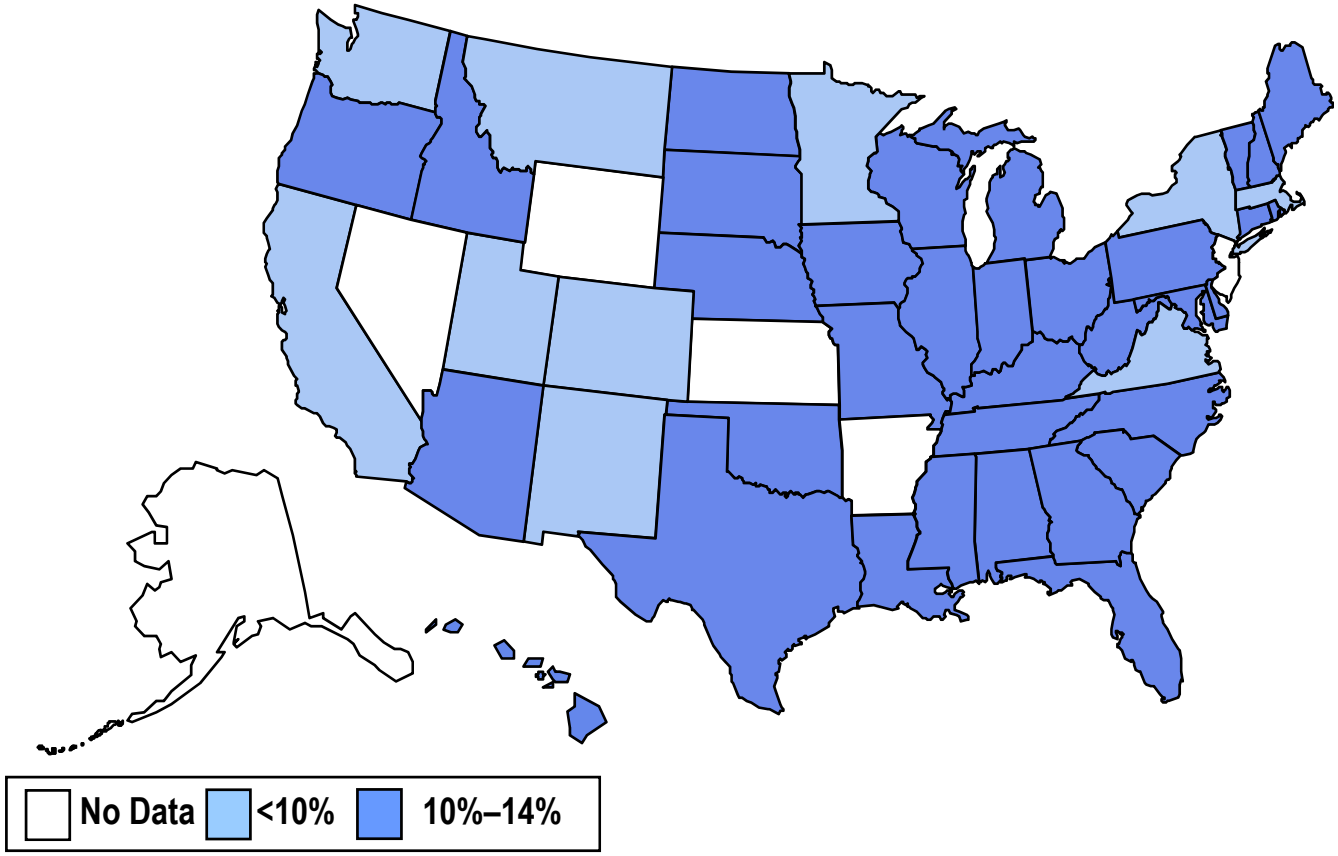
*(*BMI ≥ 30, or ~ 30 lbs. overweight for 5' 4" person)*



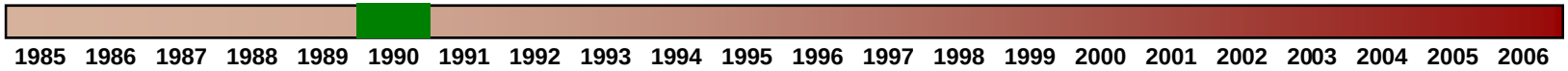
Source: The data shown in these maps were collected through CDC's Behavioral Risk Factor Surveillance System (BRFSS). Each year, state health departments use standard procedures to collect data through a series of monthly telephone interviews with U.S. adults.

Obesity Trends* Among U.S. Adults

1990



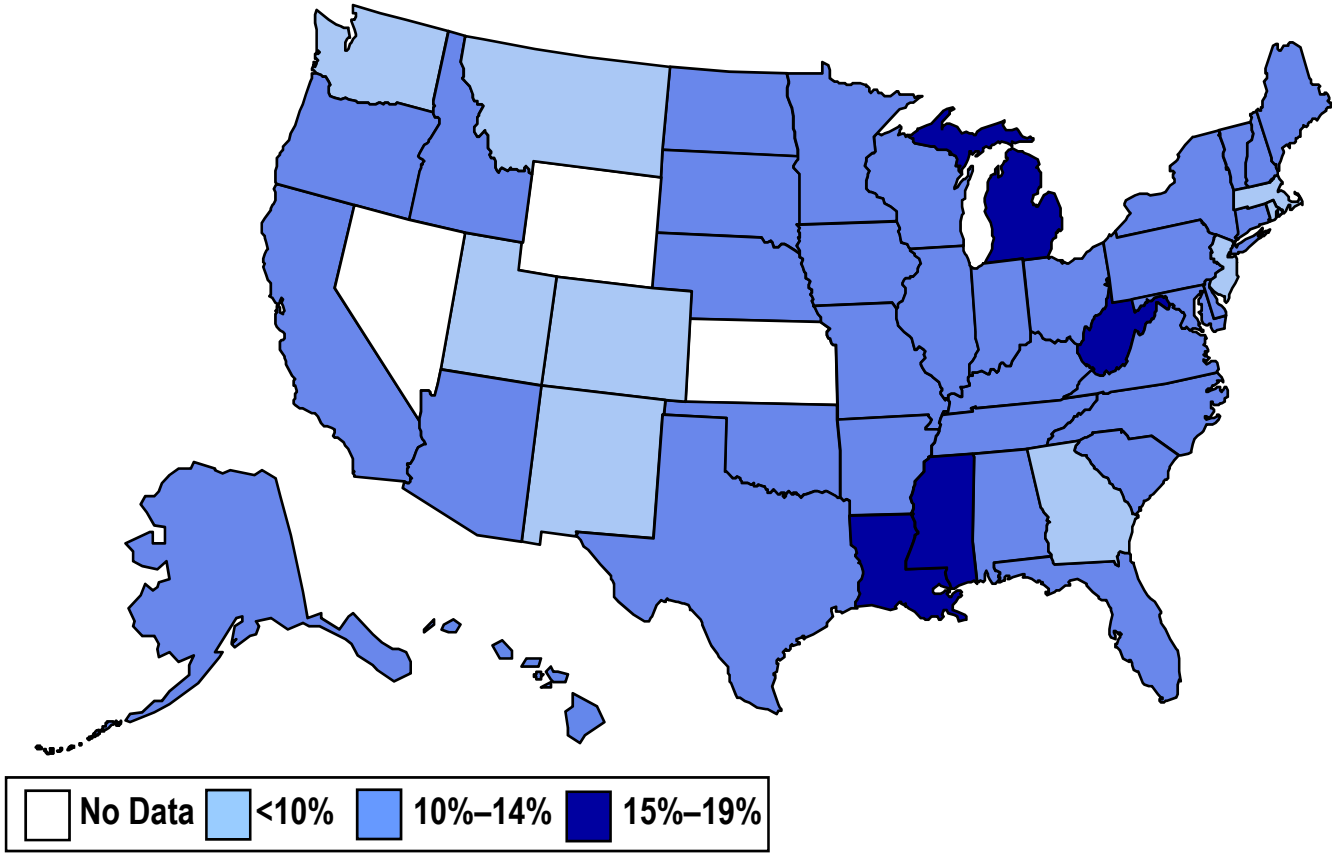
*(*BMI ≥ 30, or ~ 30 lbs. overweight for 5' 4" person)*



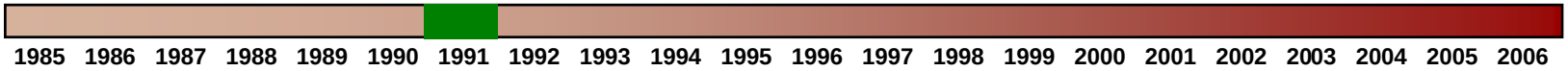
Source: The data shown in these maps were collected through CDC's Behavioral Risk Factor Surveillance System (BRFSS). Each year, state health departments use standard procedures to collect data through a series of monthly telephone interviews with U.S. adults.

Obesity Trends* Among U.S. Adults

1991



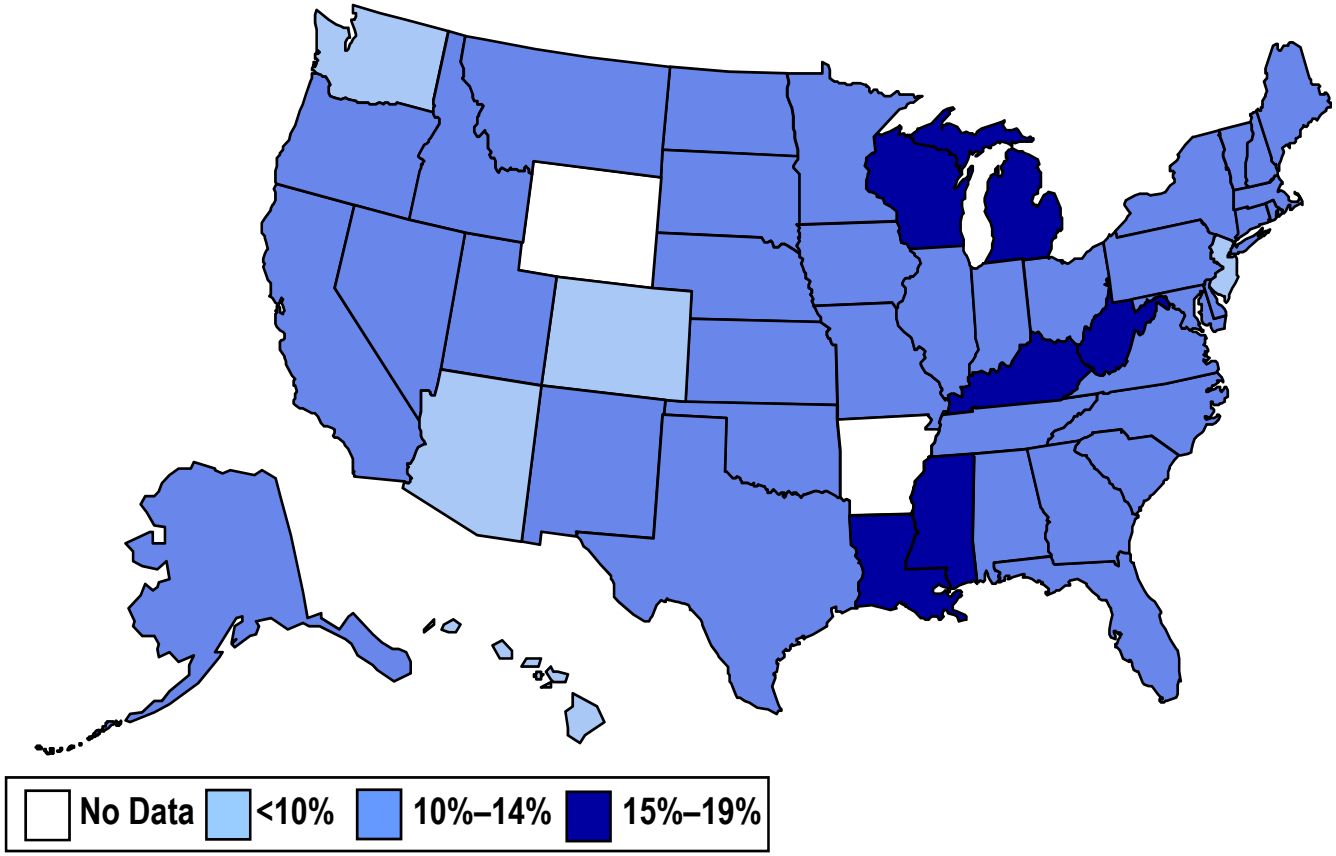
*(*BMI ≥ 30, or ~ 30 lbs. overweight for 5' 4" person)*



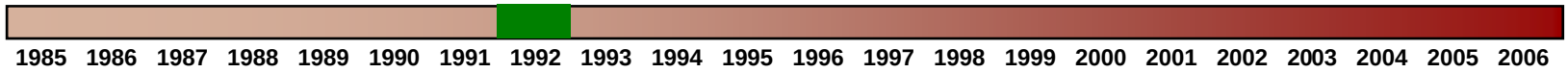
Source: The data shown in these maps were collected through CDC's Behavioral Risk Factor Surveillance System (BRFSS). Each year, state health departments use standard procedures to collect data through a series of monthly telephone interviews with U.S. adults.

Obesity Trends* Among U.S. Adults

1992



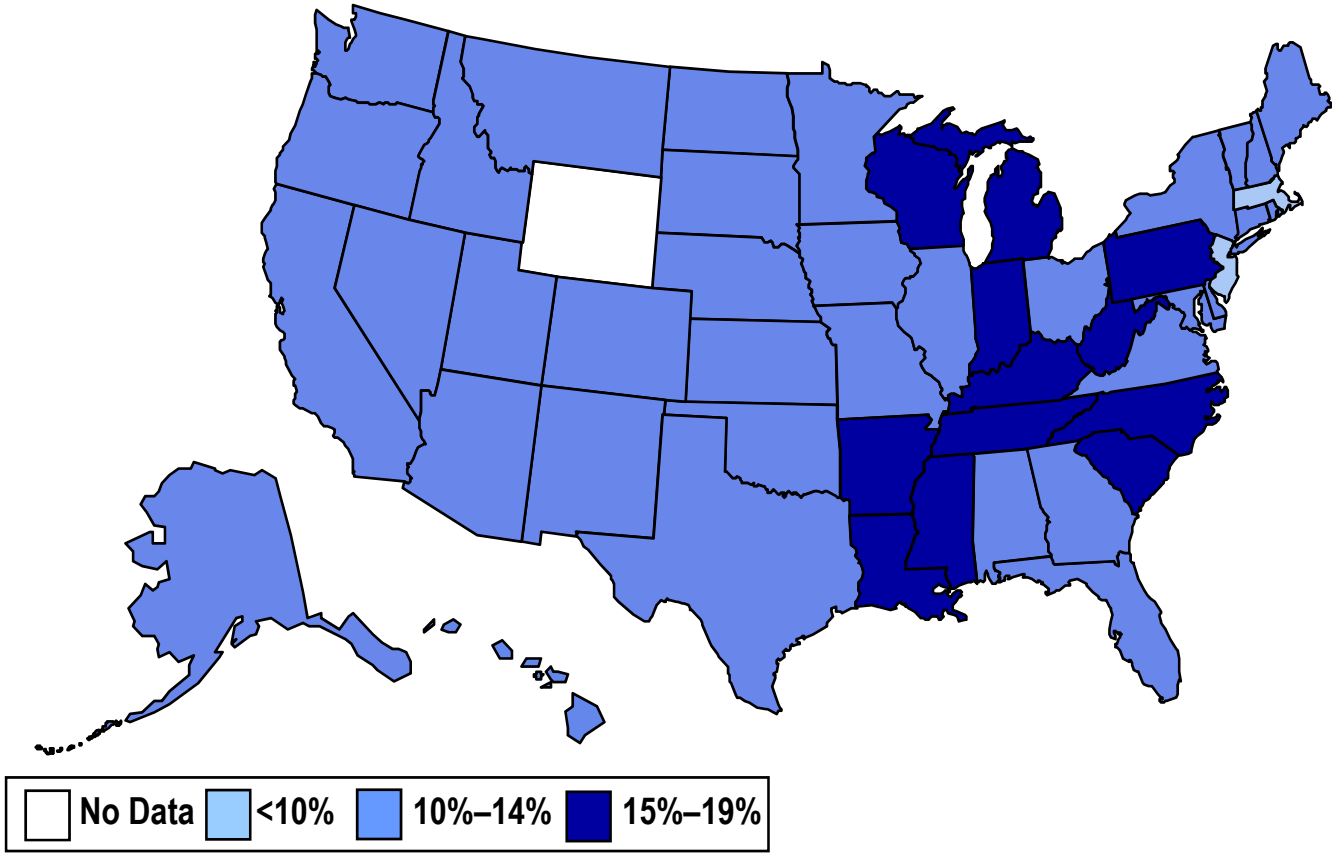
*(*BMI ≥ 30, or ~ 30 lbs. overweight for 5' 4" person)*



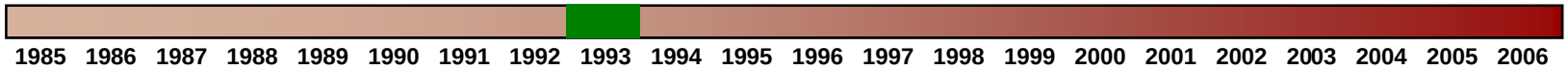
Source: The data shown in these maps were collected through CDC's Behavioral Risk Factor Surveillance System (BRFSS). Each year, state health departments use standard procedures to collect data through a series of monthly telephone interviews with U.S. adults.

Obesity Trends* Among U.S. Adults

1993



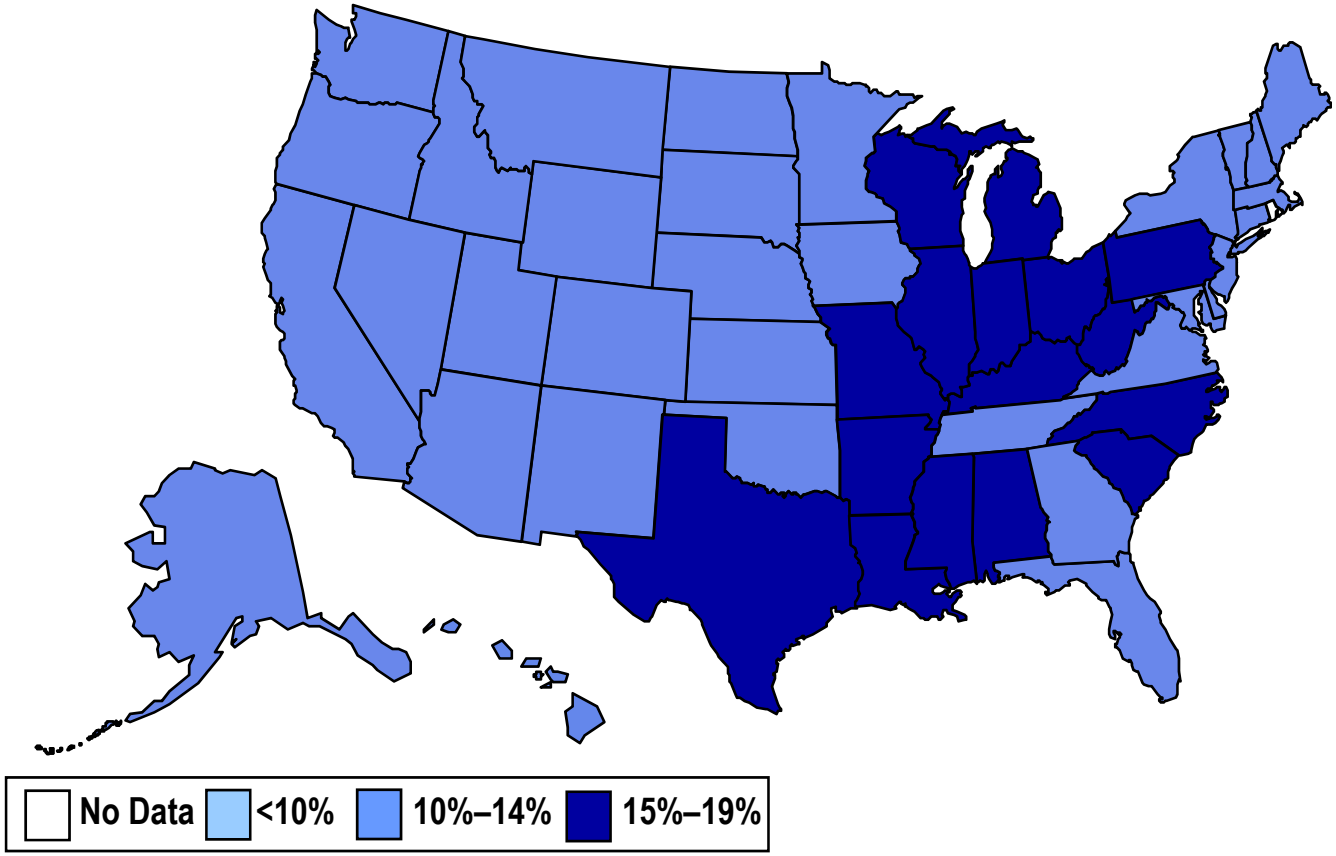
*(*BMI ≥ 30, or ~ 30 lbs. overweight for 5' 4" person)*



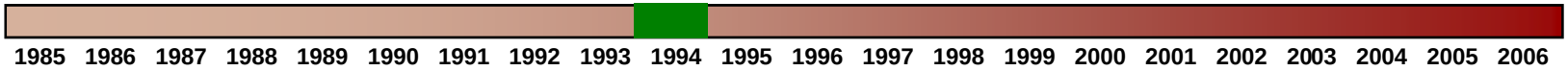
Source: The data shown in these maps were collected through CDC's Behavioral Risk Factor Surveillance System (BRFSS). Each year, state health departments use standard procedures to collect data through a series of monthly telephone interviews with U.S. adults.

Obesity Trends* Among U.S. Adults

1994



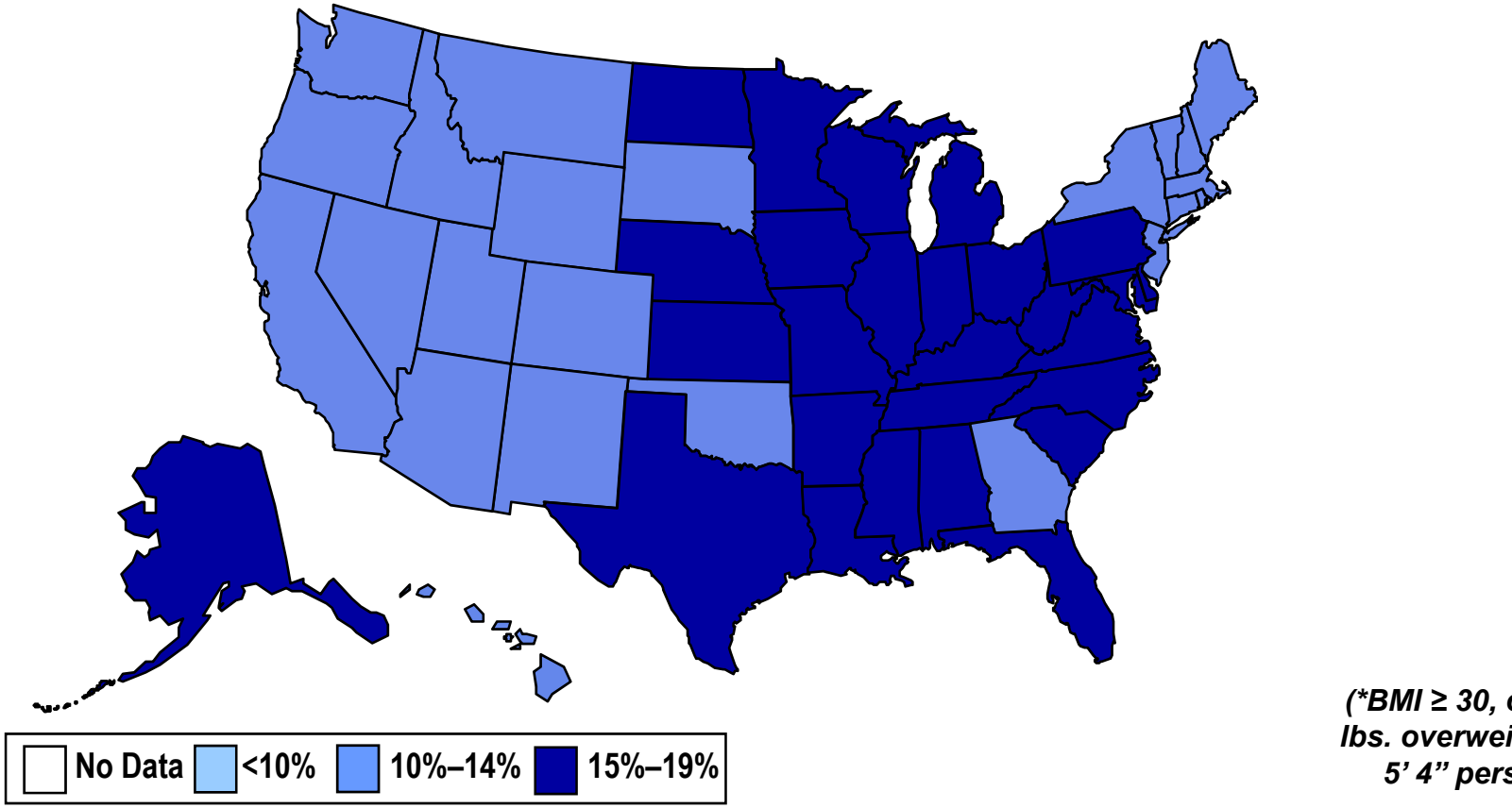
*(*BMI ≥ 30, or ~ 30 lbs. overweight for 5' 4" person)*



Source: The data shown in these maps were collected through CDC's Behavioral Risk Factor Surveillance System (BRFSS). Each year, state health departments use standard procedures to collect data through a series of monthly telephone interviews with U.S. adults.

Obesity Trends* Among U.S. Adults

1995



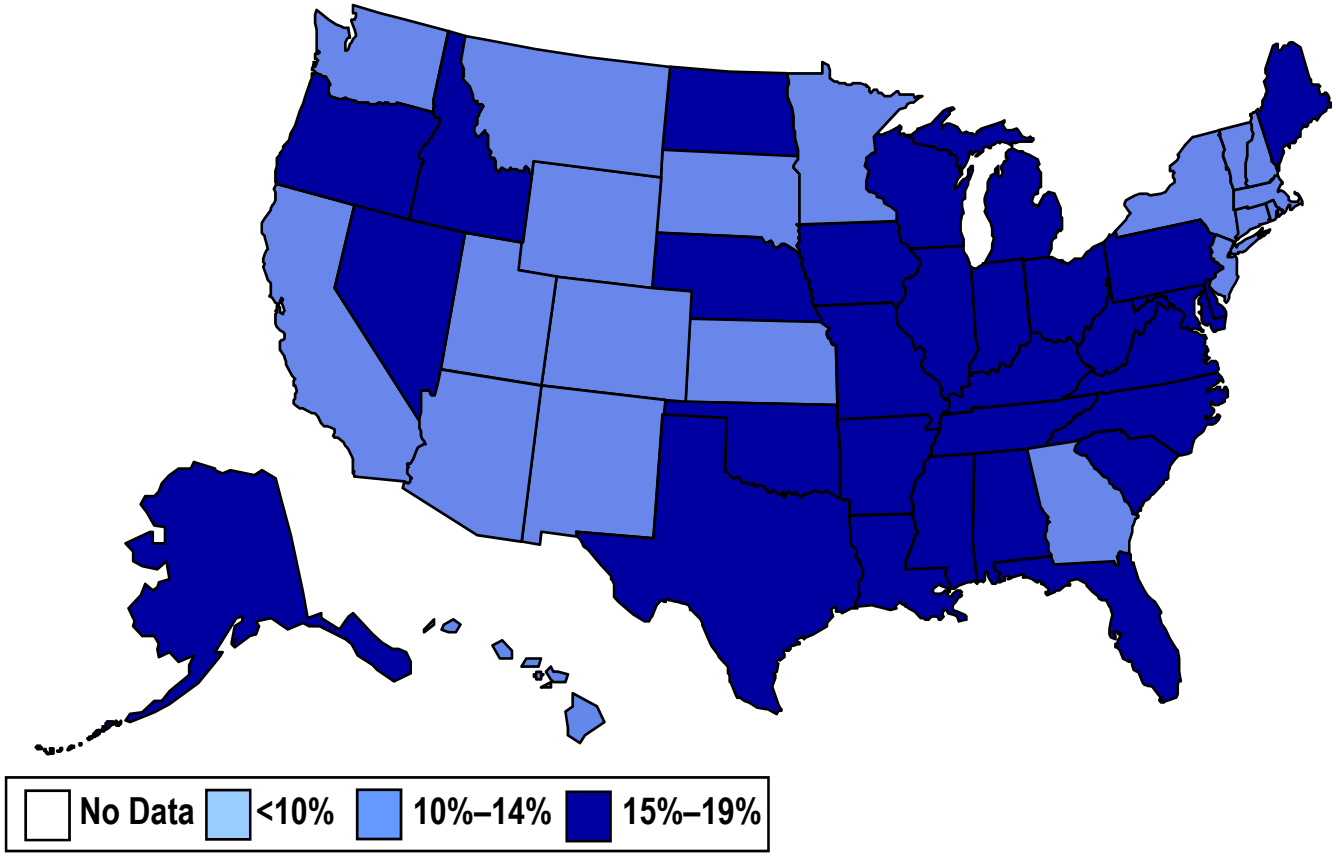
(*BMI ≥ 30, or ~ 30 lbs. overweight for 5' 4" person)

1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006

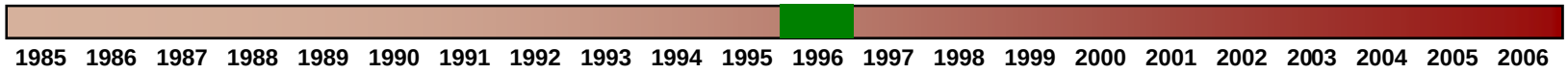
Source: The data shown in these maps were collected through CDC's Behavioral Risk Factor Surveillance System (BRFSS). Each year, state health departments use standard procedures to collect data through a series of monthly telephone interviews with U.S. adults.

Obesity Trends* Among U.S. Adults

1996



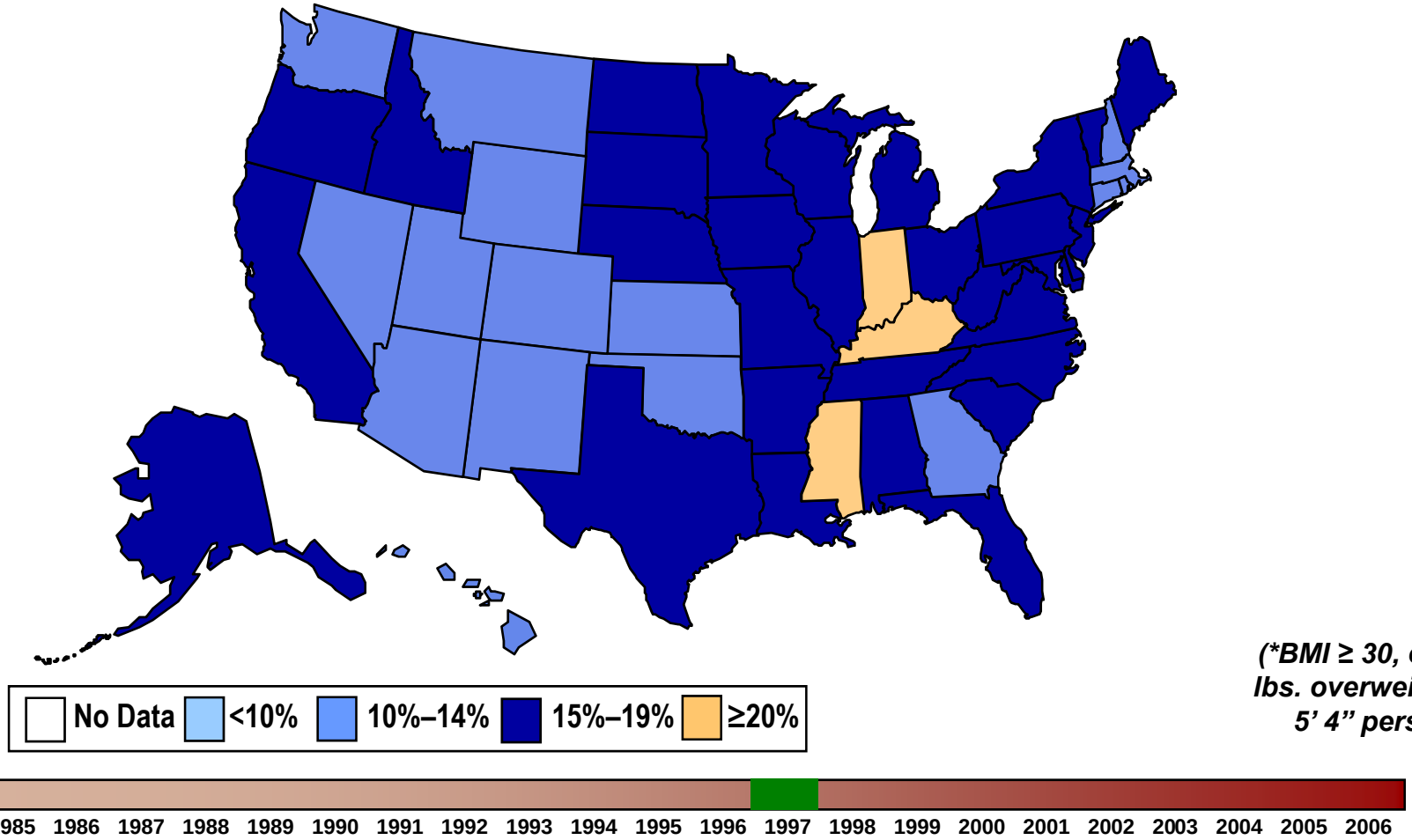
*(*BMI ≥ 30, or ~ 30 lbs. overweight for 5' 4" person)*



Source: The data shown in these maps were collected through CDC's Behavioral Risk Factor Surveillance System (BRFSS). Each year, state health departments use standard procedures to collect data through a series of monthly telephone interviews with U.S. adults.

Obesity Trends* Among U.S. Adults

1997

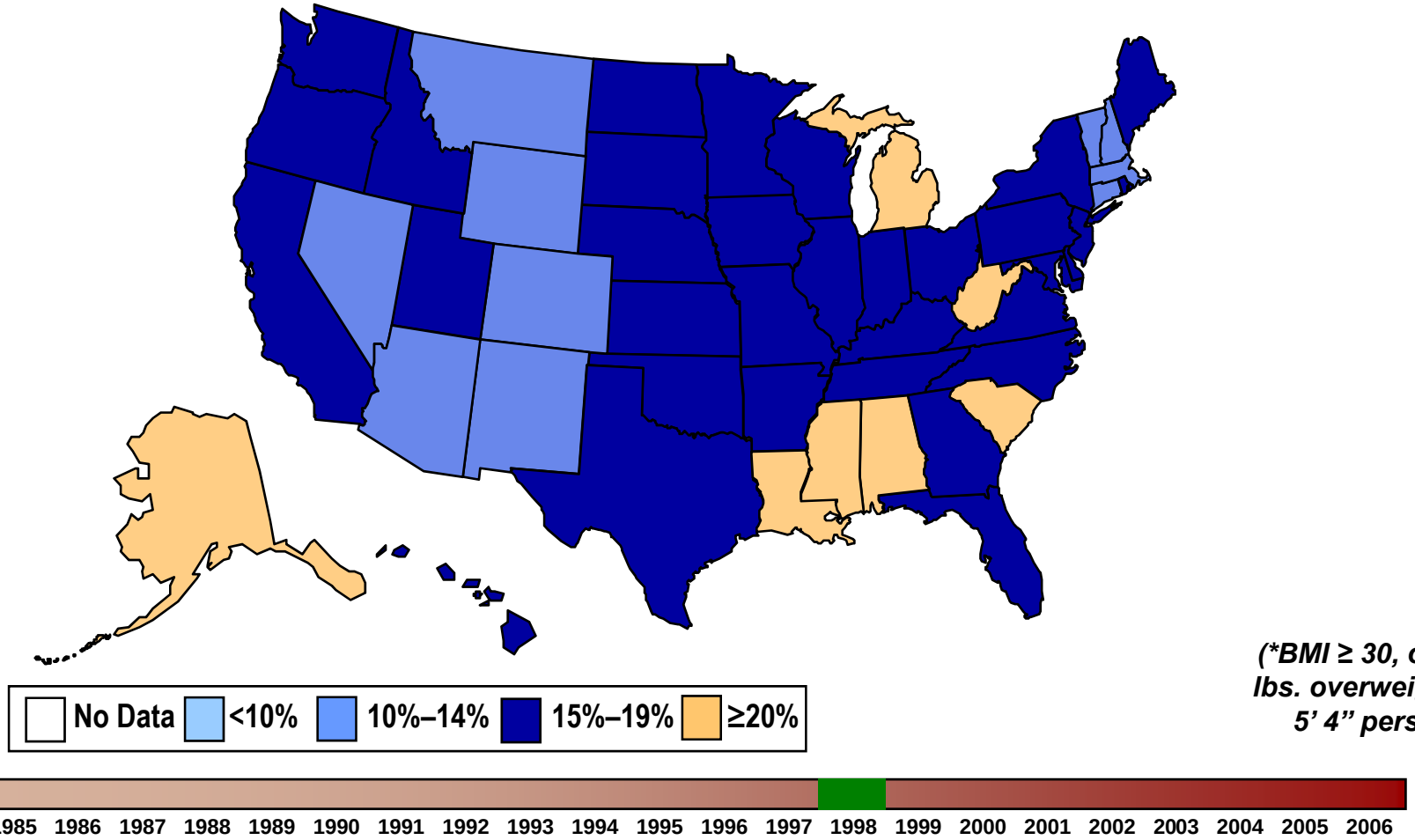


(*BMI ≥ 30, or ~ 30 lbs. overweight for 5' 4" person)

Source: The data shown in these maps were collected through CDC's Behavioral Risk Factor Surveillance System (BRFSS). Each year, state health departments use standard procedures to collect data through a series of monthly telephone interviews with U.S. adults.

Obesity Trends* Among U.S. Adults

1998

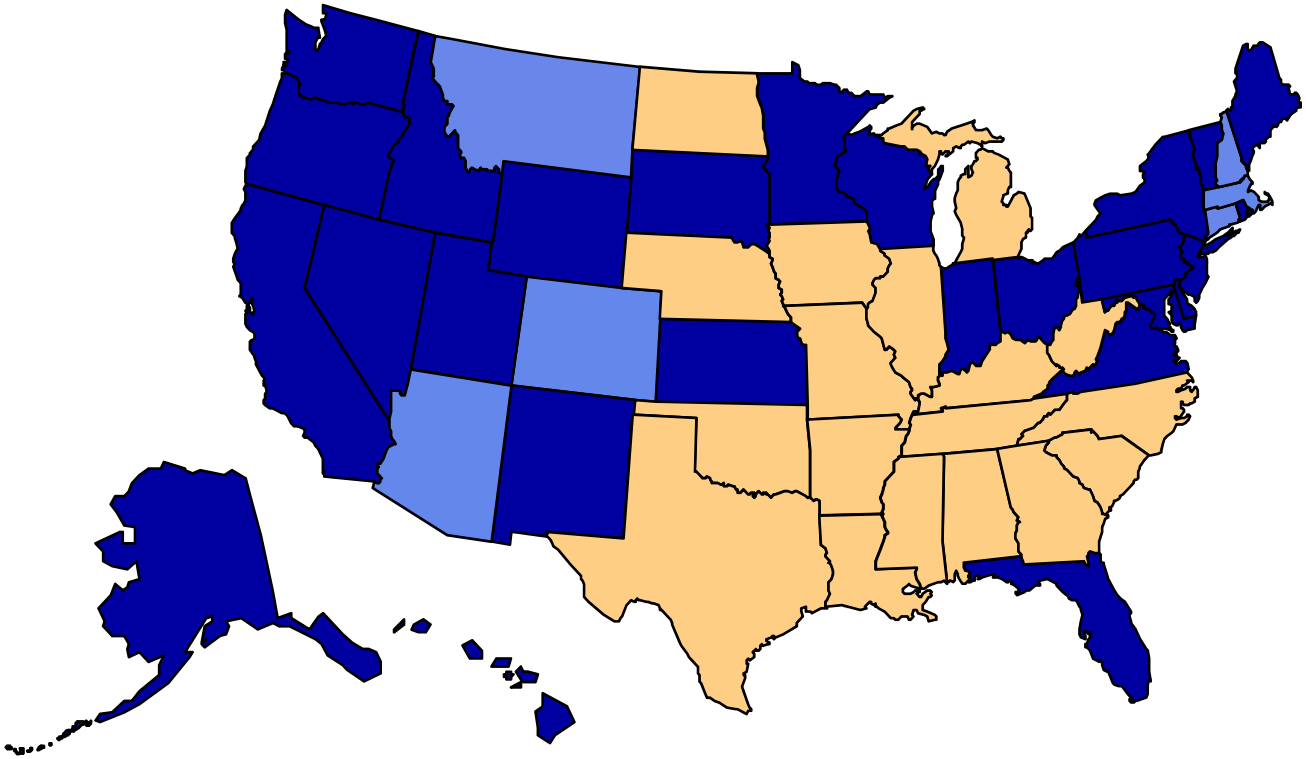


(*BMI ≥ 30, or ~ 30 lbs. overweight for 5' 4" person)

Source: The data shown in these maps were collected through CDC's Behavioral Risk Factor Surveillance System (BRFSS). Each year, state health departments use standard procedures to collect data through a series of monthly telephone interviews with U.S. adults.

Obesity Trends* Among U.S. Adults

1999



No Data | <10% | 10%–14% | 15%–19% | ≥20%

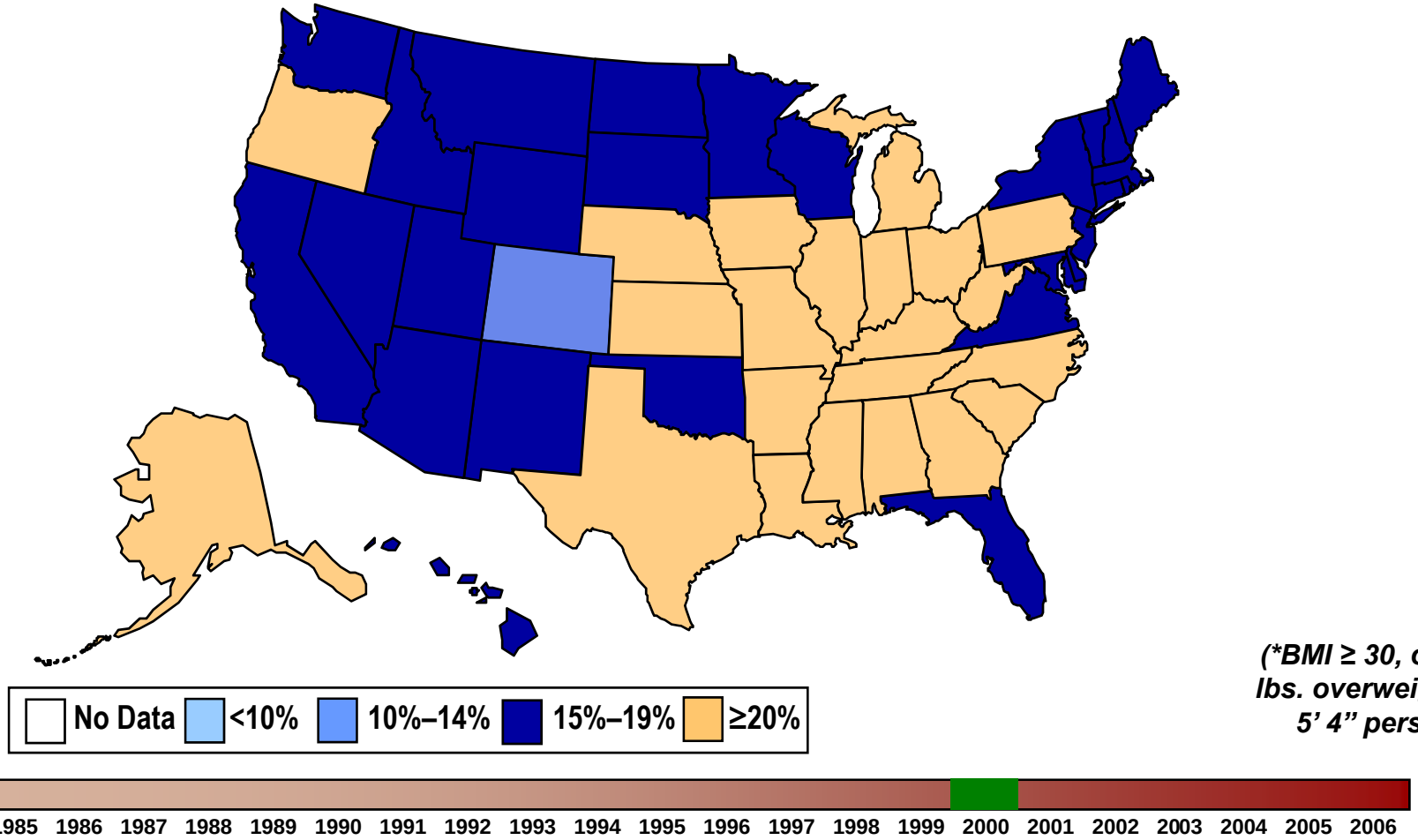
*(*BMI ≥ 30, or ~ 30 lbs. overweight for 5' 4" person)*

1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006

Source: The data shown in these maps were collected through CDC's Behavioral Risk Factor Surveillance System (BRFSS). Each year, state health departments use standard procedures to collect data through a series of monthly telephone interviews with U.S. adults.

Obesity Trends* Among U.S. Adults

2000

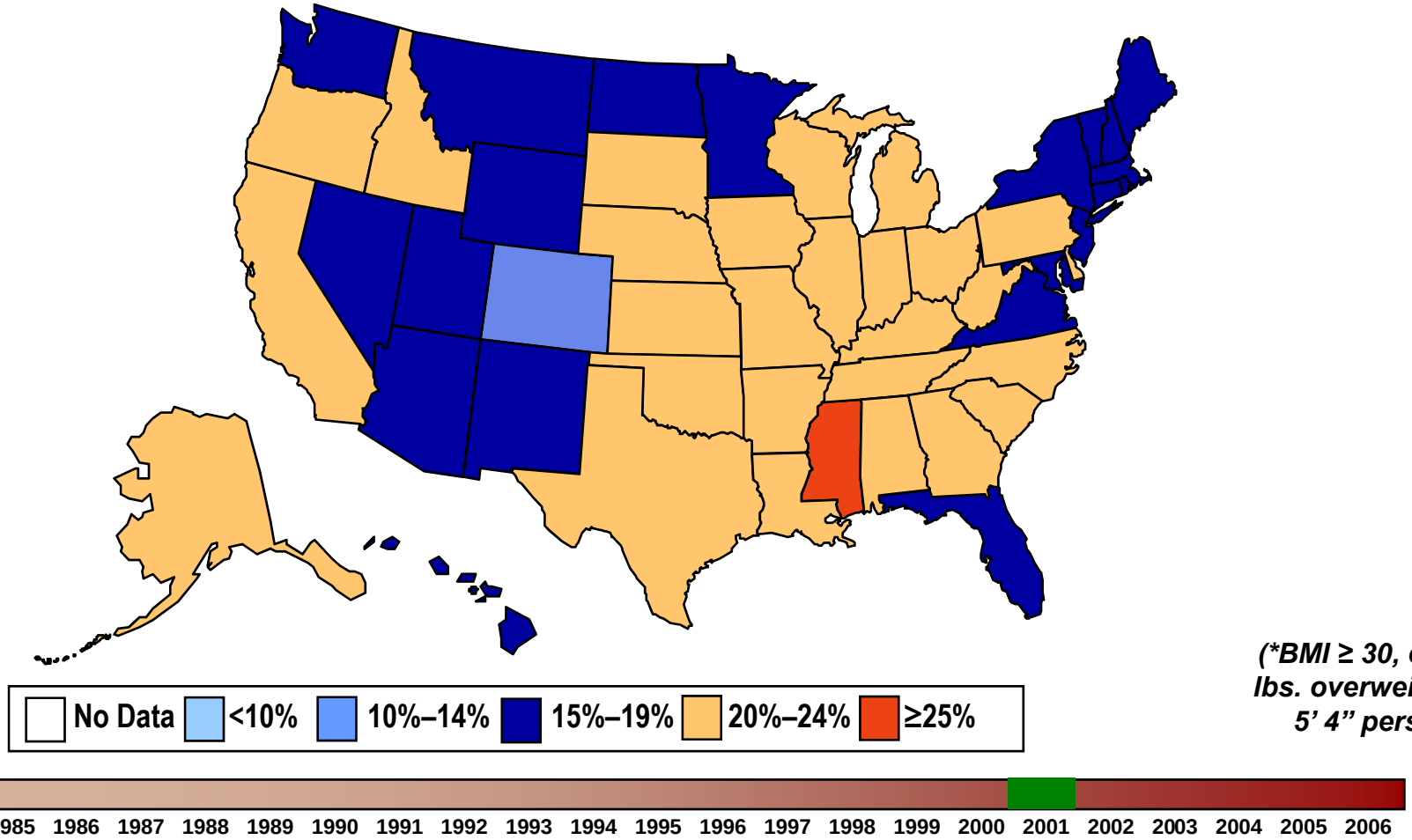


*(*BMI ≥ 30, or ~ 30 lbs. overweight for 5' 4" person)*

Source: The data shown in these maps were collected through CDC's Behavioral Risk Factor Surveillance System (BRFSS). Each year, state health departments use standard procedures to collect data through a series of monthly telephone interviews with U.S. adults.

Obesity Trends* Among U.S. Adults

2001

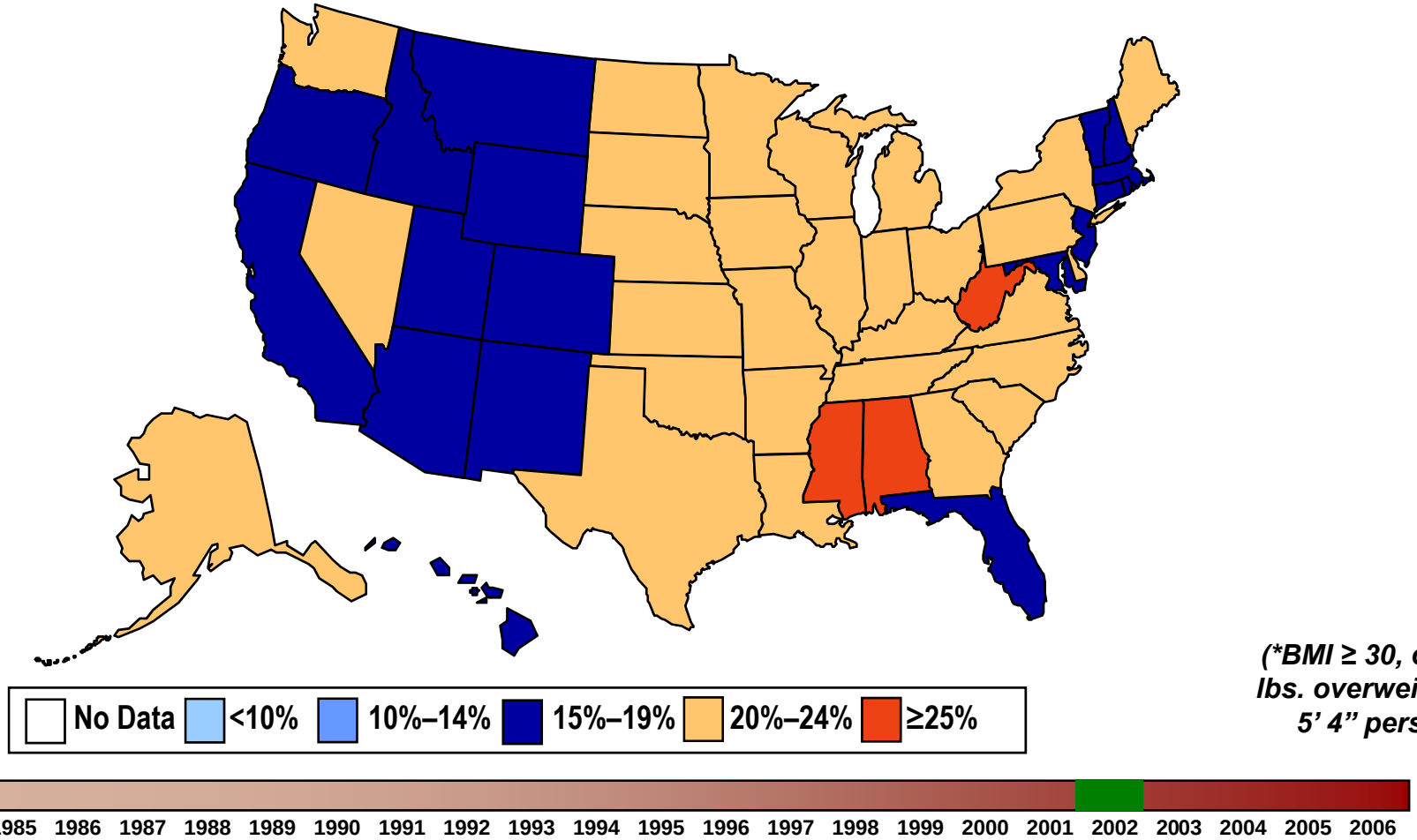


*(*BMI ≥ 30, or ~ 30 lbs. overweight for 5' 4" person)*

Source: The data shown in these maps were collected through CDC's Behavioral Risk Factor Surveillance System (BRFSS). Each year, state health departments use standard procedures to collect data through a series of monthly telephone interviews with U.S. adults.

Obesity Trends* Among U.S. Adults

2002

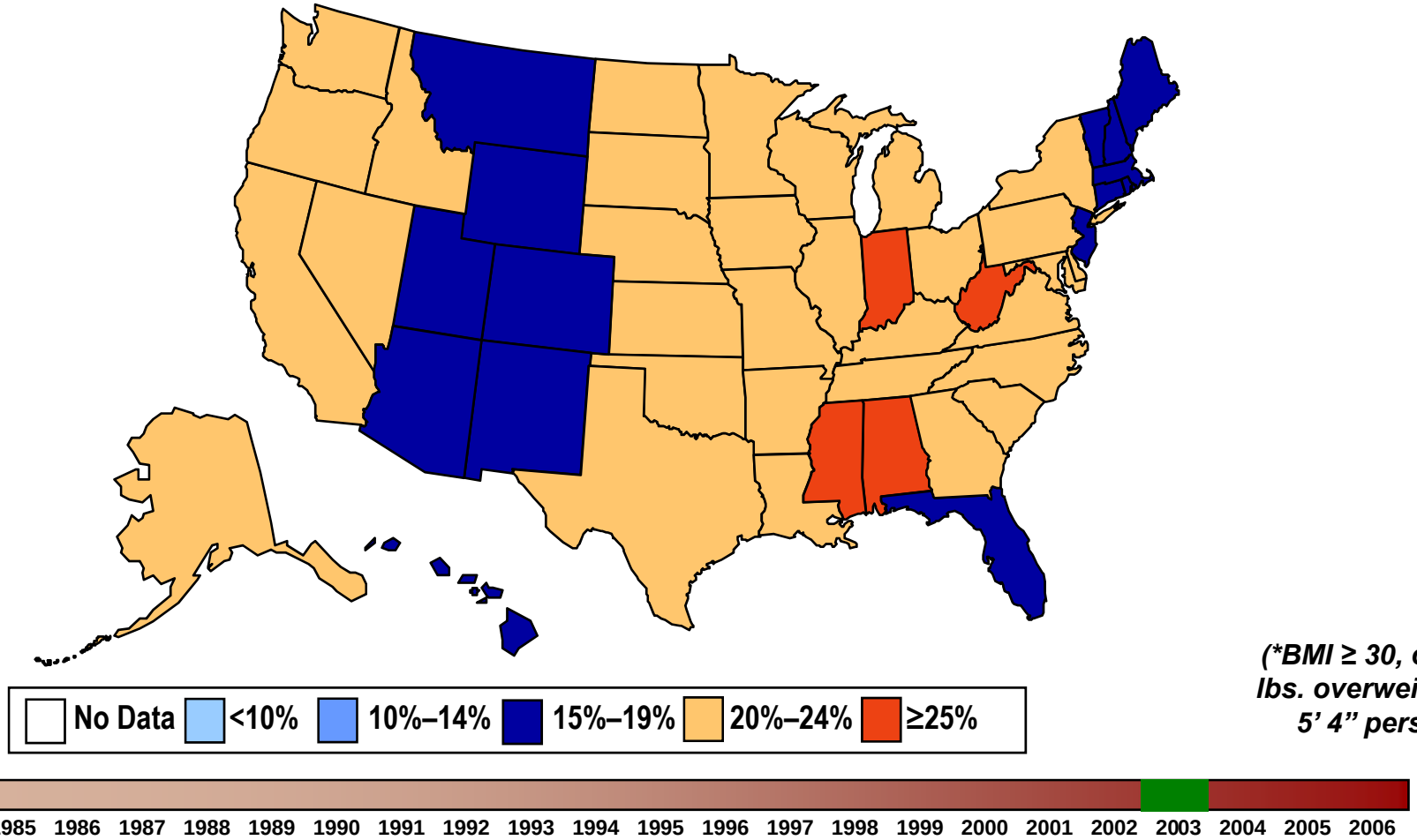


*(*BMI ≥ 30, or ~ 30 lbs. overweight for 5' 4" person)*

Source: The data shown in these maps were collected through CDC's Behavioral Risk Factor Surveillance System (BRFSS). Each year, state health departments use standard procedures to collect data through a series of monthly telephone interviews with U.S. adults.

Obesity Trends* Among U.S. Adults

2003

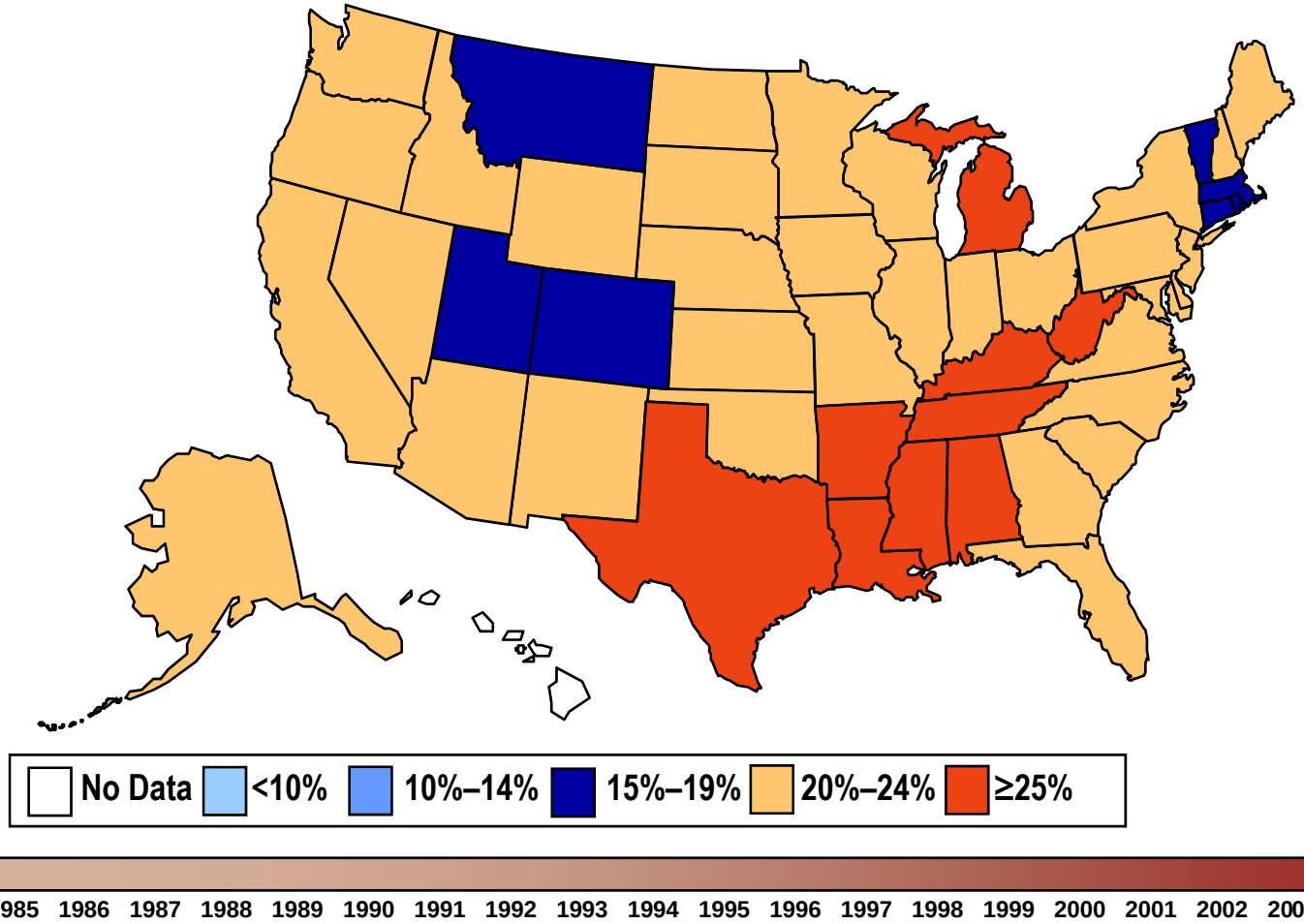


*(*BMI ≥ 30, or ~ 30 lbs. overweight for 5' 4" person)*

Source: The data shown in these maps were collected through CDC's Behavioral Risk Factor Surveillance System (BRFSS). Each year, state health departments use standard procedures to collect data through a series of monthly telephone interviews with U.S. adults.

Obesity Trends* Among U.S. Adults

2004

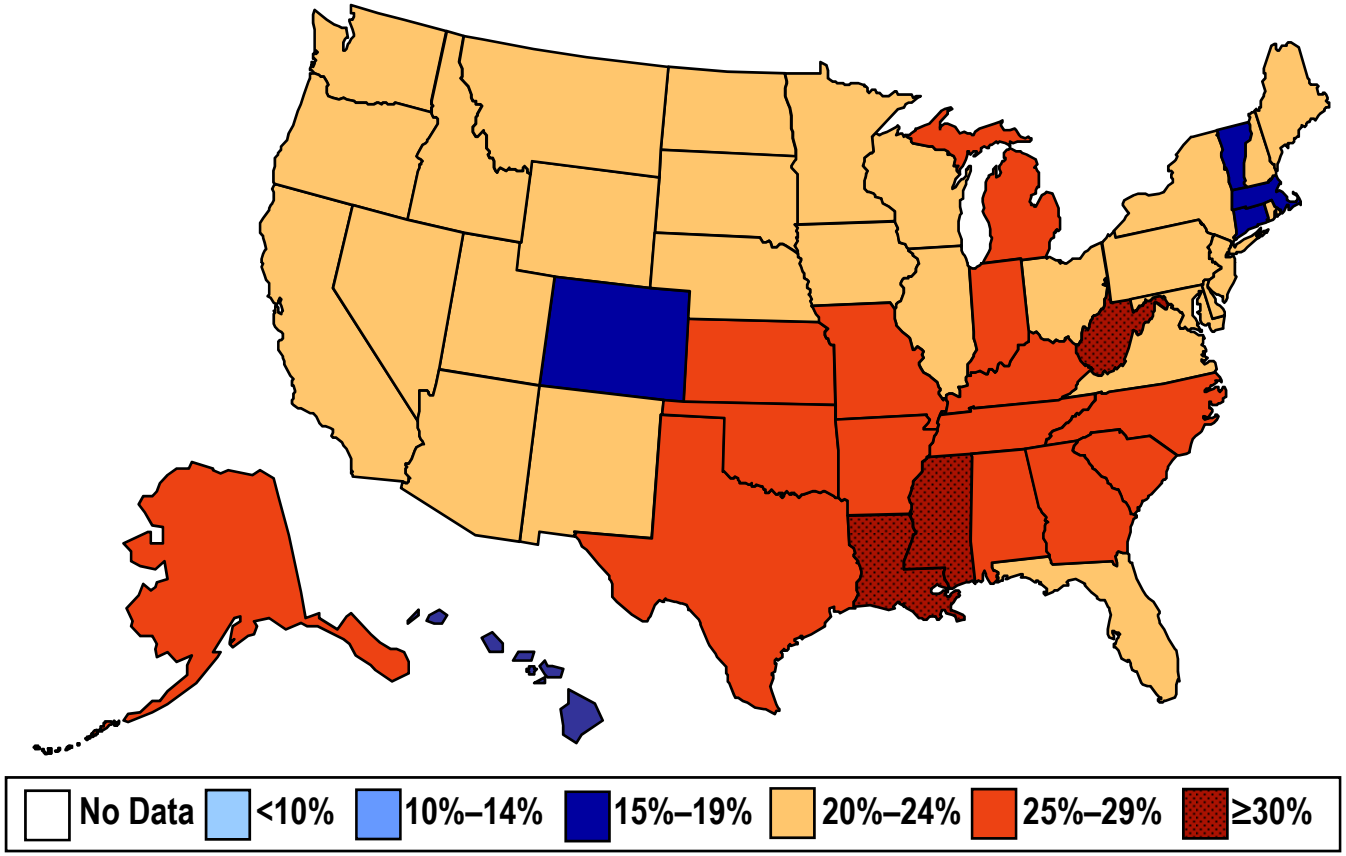


*(*BMI ≥ 30, or ~ 30 lbs. overweight for 5' 4" person)*

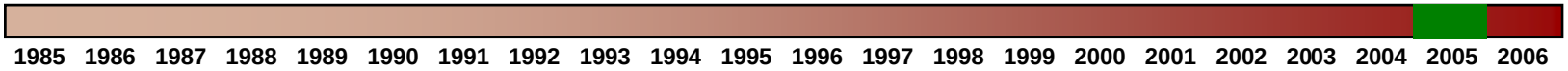
Source: The data shown in these maps were collected through CDC's Behavioral Risk Factor Surveillance System (BRFSS). Each year, state health departments use standard procedures to collect data through a series of monthly telephone interviews with U.S. adults.

Obesity Trends* Among U.S. Adults

2005



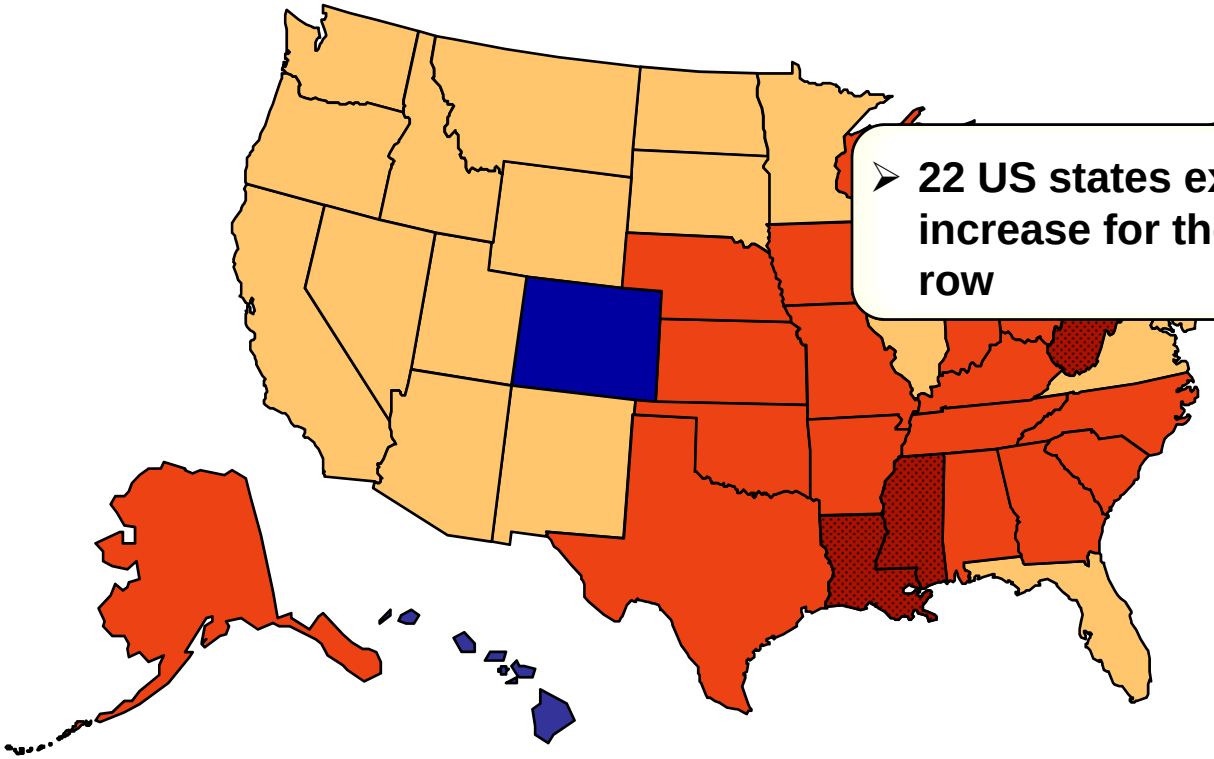
*(*BMI ≥ 30, or ~ 30 lbs. overweight for 5' 4" person)*



Source: The data shown in these maps were collected through CDC's Behavioral Risk Factor Surveillance System (BRFSS). Each year, state health departments use standard procedures to collect data through a series of monthly telephone interviews with U.S. adults.

Obesity Trends* Among U.S. Adults

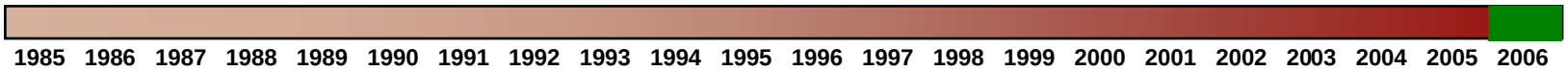
2006



- **22 US states experienced an increase for the 2nd year in a row**

No Data	<10%	10%–14%	15%–19%	20%–24%	25%–29%	≥30%

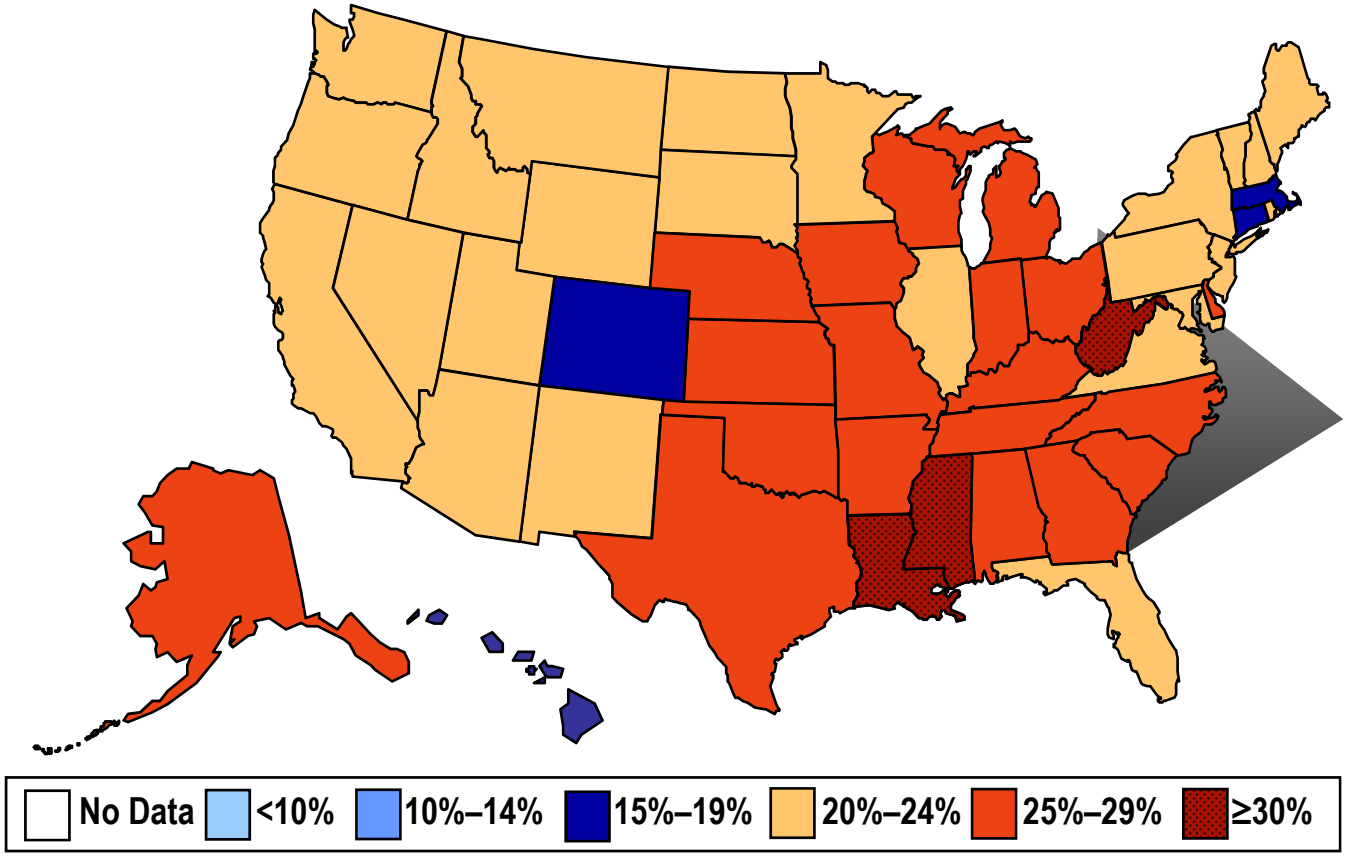
(*BMI ≥ 30, or ~ 30 lbs. overweight for 5' 4" person)



Source: The data shown in these maps were collected through CDC's Behavioral Risk Factor Surveillance System (BRFSS). Each year, state health departments use standard procedures to collect data through a series of monthly telephone interviews with U.S. adults.

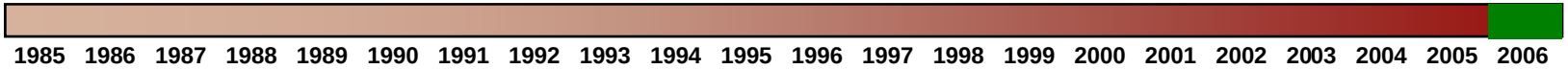
Obesity Trends* Among U.S. Adults

2006



Southern states experience higher rates than the rest of the nation

(*BMI ≥ 30, or ~ 30 lbs. overweight for 5' 4" person)



Source: The data shown in these maps were collected through CDC's Behavioral Risk Factor Surveillance System (BRFSS). Each year, state health departments use standard procedures to collect data through a series of monthly telephone interviews with U.S. adults.

Key initiatives should be fortified, certain new ones added, and coordination across the organization improved

1 Physician engagement strategies

- **Physician sales**
- Physician recruitment/employment
- **Physician portal/EHR**
- Hospitalist strategies
- **Hospital-based physician Co.**
- MOB 3 year capital plan

2 Access points

- Outpatient services development (ASCs, IDTFs, oncology)
- **Freestanding EDs**

3 Quality & service programs

- **Service line strategies**
- CMS 90th percentile performance
- Centralized credentialing
- **Process improvements (OR, ED)**
- **Employer relationships**
- EMS relationships

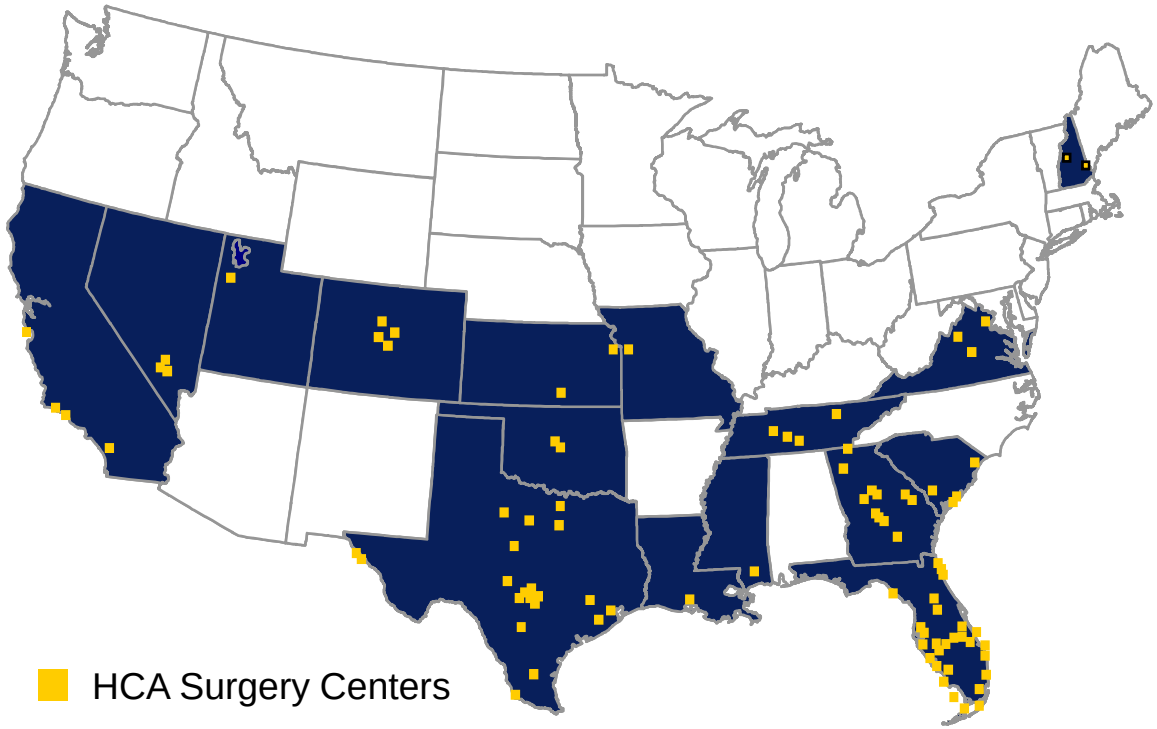
4 Organization

- Divisional/SRG org structure
- **Incentives & compensation**
- Measurement & reporting
- Capital

(Improve local execution by driving above)

Leading Provider of Outpatient Services

- Integrated delivery model created through establishing leading outpatient services in local markets



- Among the largest outpatient surgery businesses in the industry with 107 freestanding ambulatory surgery centers [1]

- Other outpatient facilities include 53 freestanding diagnostic treatment facilities, 79 provider based imaging facilities and 6 oncology centers

Medical City Dallas Hospital

Denton Regional Medical Center

Medical Center of Plano

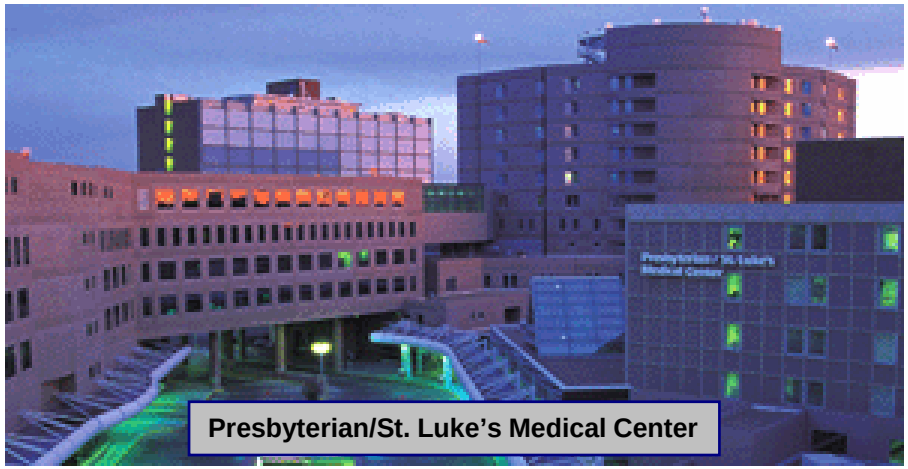
North Hills Hospital

Plaza Medical Center of Ft. Worth

Medical Center of McKinney

Rose Medical Center

North Suburban Medical Center



Presbyterian/St. Luke's Medical Center

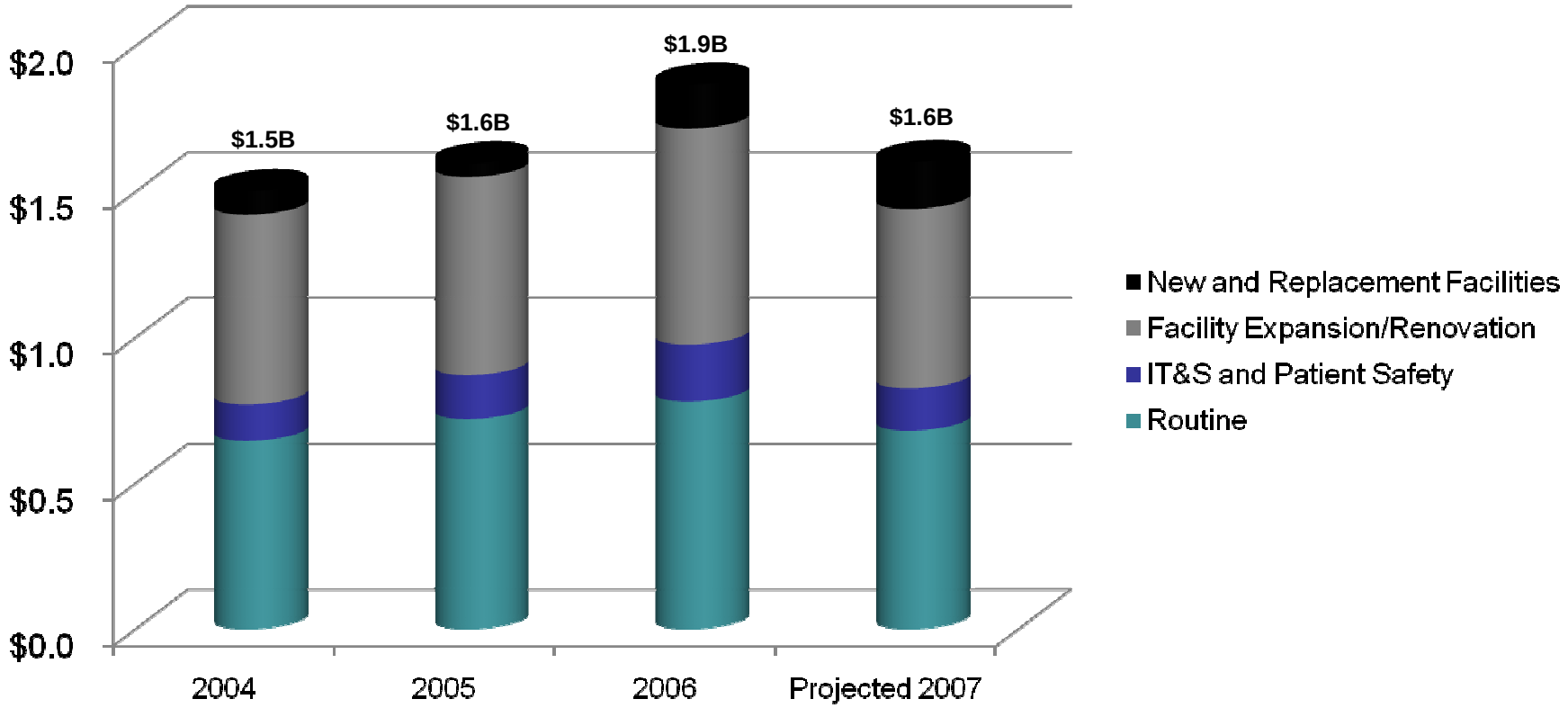
Medical Center of Aurora

Capex Discipline and Flexibility

- Portfolio of hospitals is well-capitalized
- Portions of both “routine capital” as well as “new” and “expansion / renovation” capital could be delayed to increase cash flow if needed

CAPITAL EXPENDITURES

($ in billions)



As Reported

EBITDA

($ in millions)

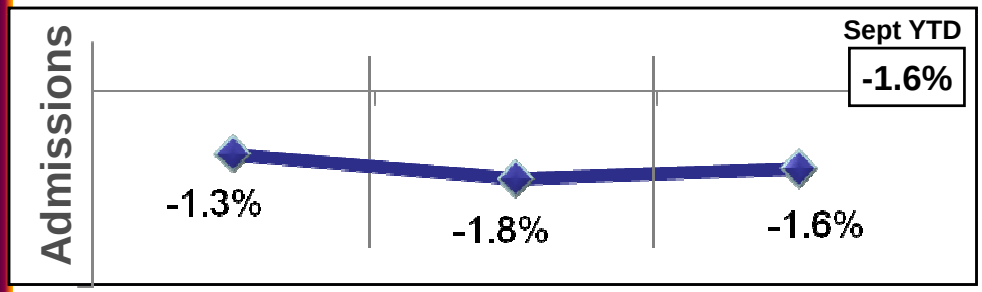
	September 2007 YTD	Ratio	Prior Year	Ratio
Revenues	**$19,975**	100.0%	**$18,988**	100.0%
Salaries & Benefits	**8,002**	40.1%	**7,816**	41.2%
Supplies	**3,284**	16.4%	**3,251**	17.1%
Provision for Doubtful Accounts	**2,218**	11.1%	**1,950**	10.3%
Gains on Investments	**(6)**	0.0%	**(140)**	-0.7%
All Other Operating Expenses	**3,038**	15.2%	**2,912**	15.3%
Total Operating Expenses	**16,536**	82.8%	**15,789**	83.2%
EBITDA	**3,439**	17.2%	**3,199**	16.8%
Depreciation & Amortization	**1,072**	5.4%	**1,045**	5.4%
Interest	**1,674**	8.4%	**582**	3.1%
Gains on Sales of Facilities	**(332)**	-1.7%	**(46)**	-0.2%
Impairment of Long-Lived Assets	**24**	0.1%	**-**	0.0%
Transaction Costs	**-**	0.0%	**9**	0.0%
Minority Interest	**160**	0.8%	**145**	0.8%
Income Before Taxes	**841**	4.2%	**1,464**	7.7%
Net Income	**$596**	3.0%	**$914**	4.8%

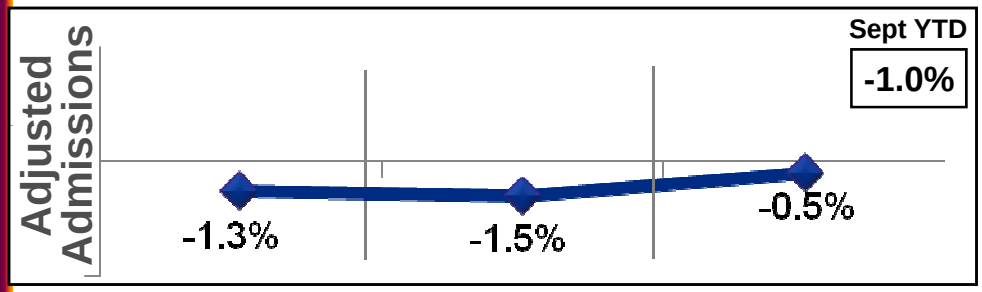
Certain prior year amounts have been reclassified to conform to current year presentation.

Same Facility

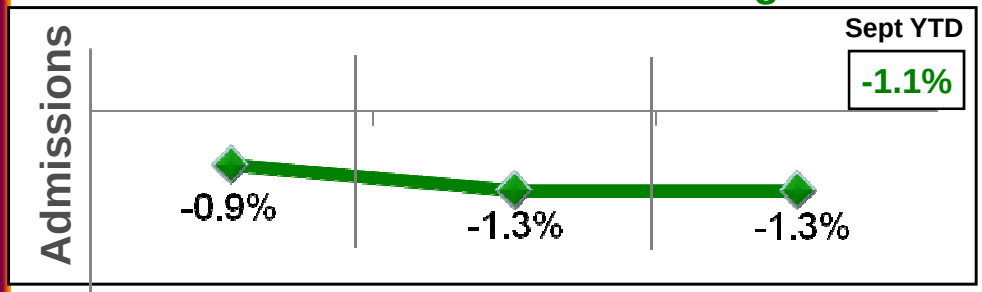
Volume Highlights

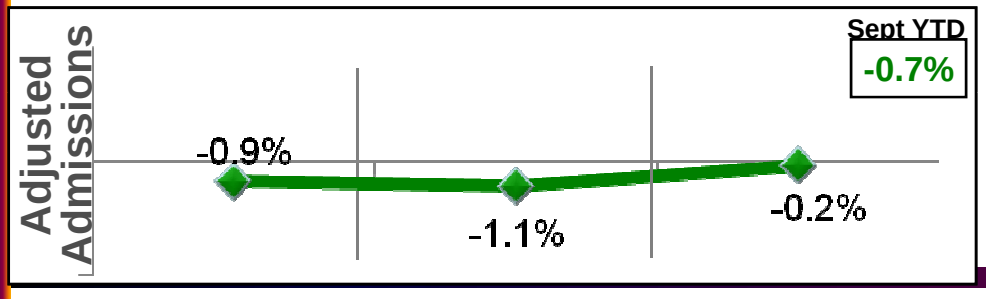
1st Quarter 2nd Quarter 3rd Quarter



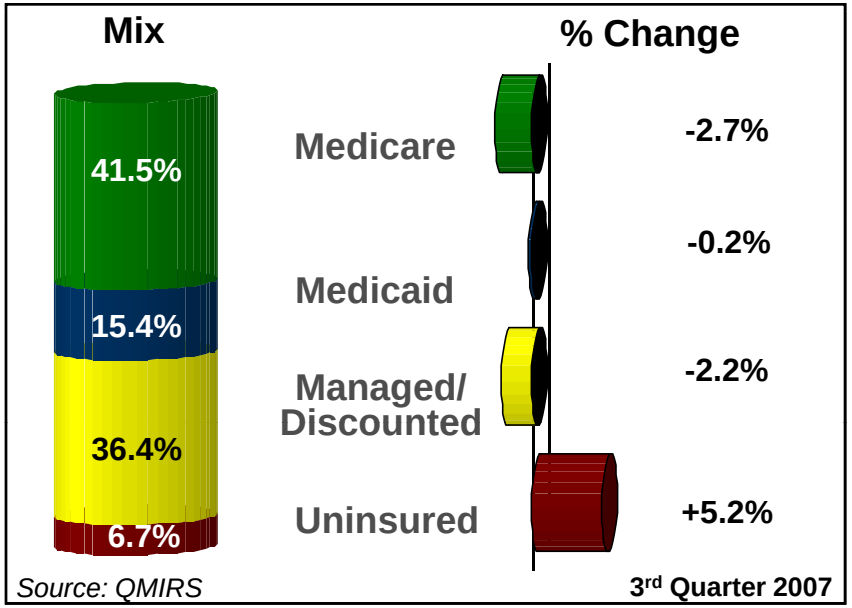


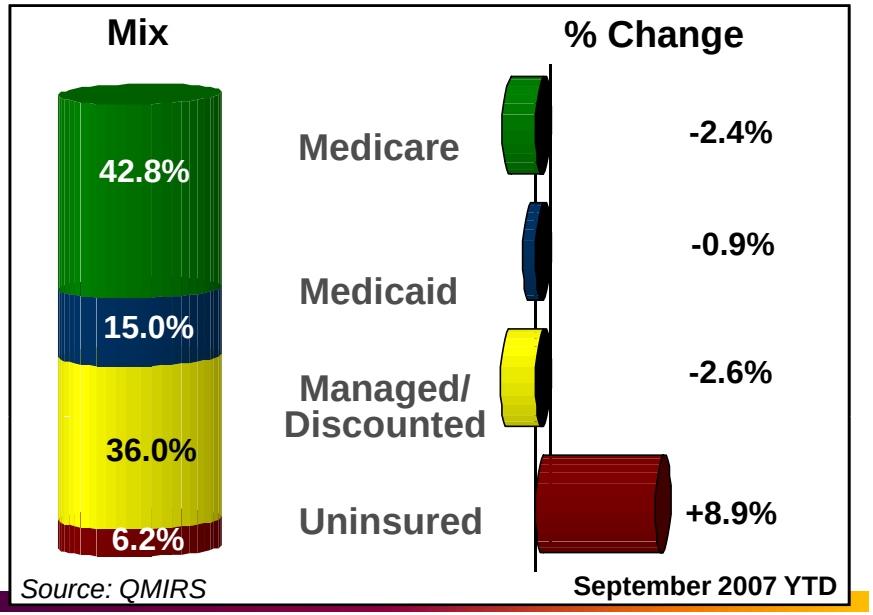
Excl Las Vegas Market





Admissions by Payer

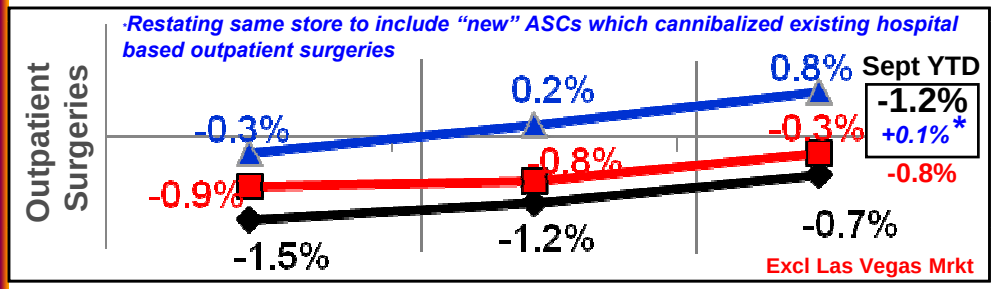


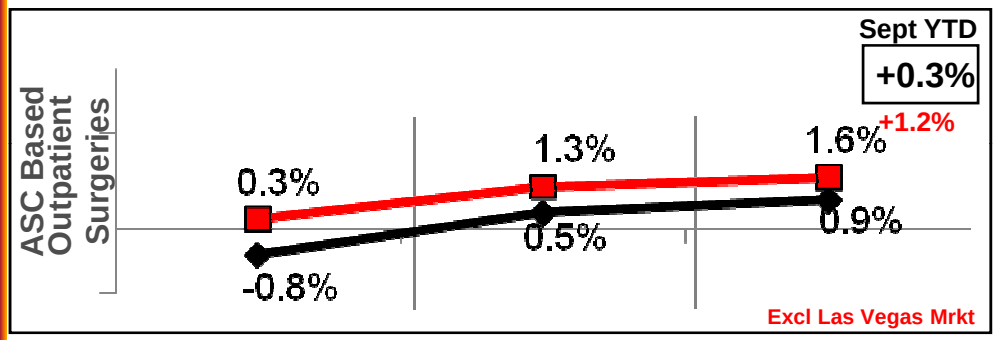


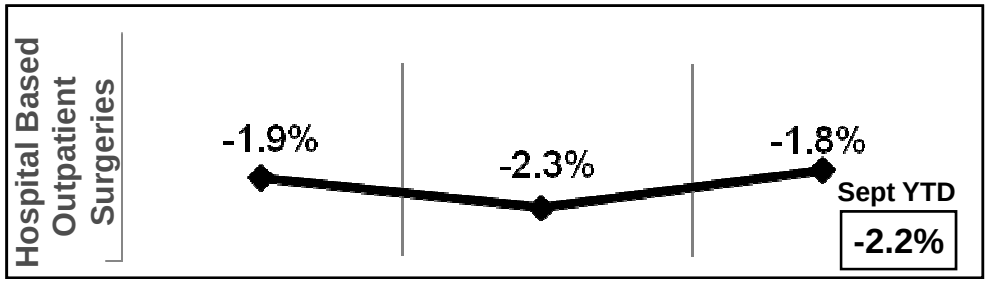
Same Facility

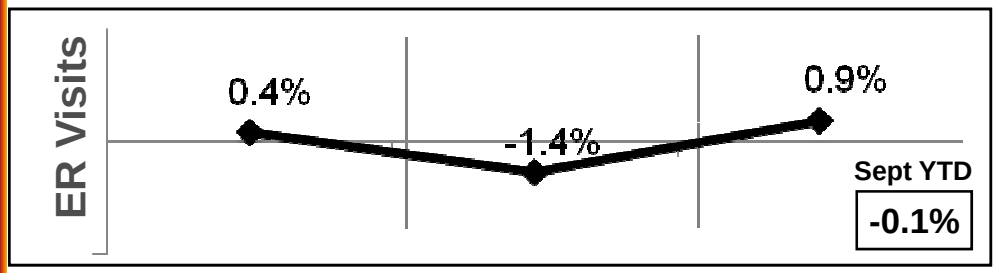
Outpatient Services

1st Quarter 2nd Quarter 3rd Quarter

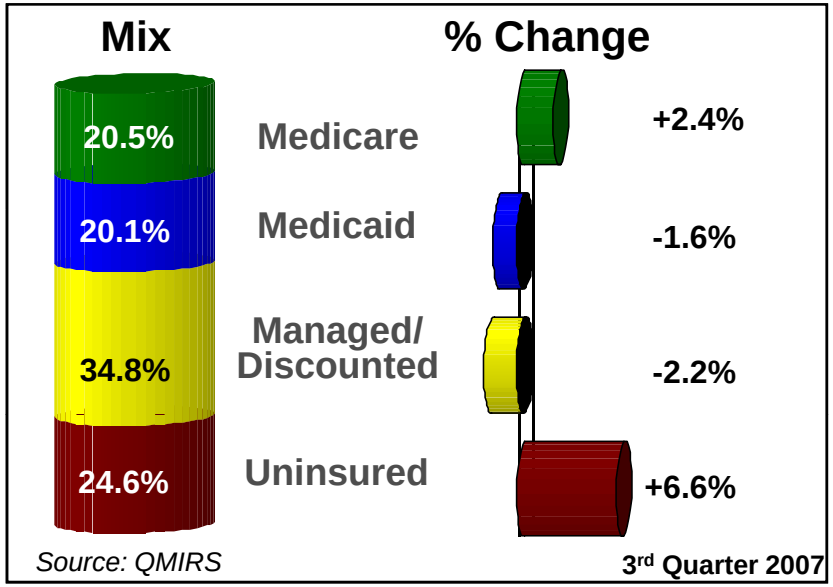


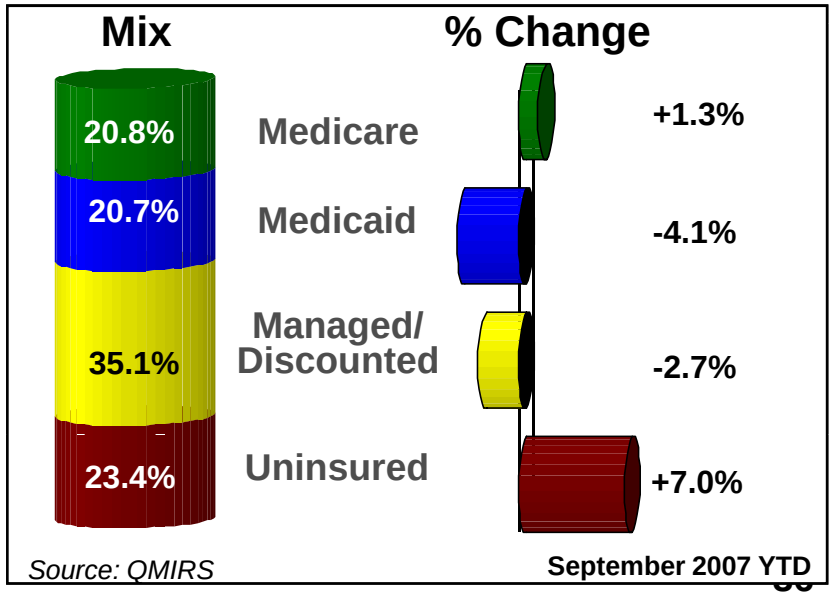






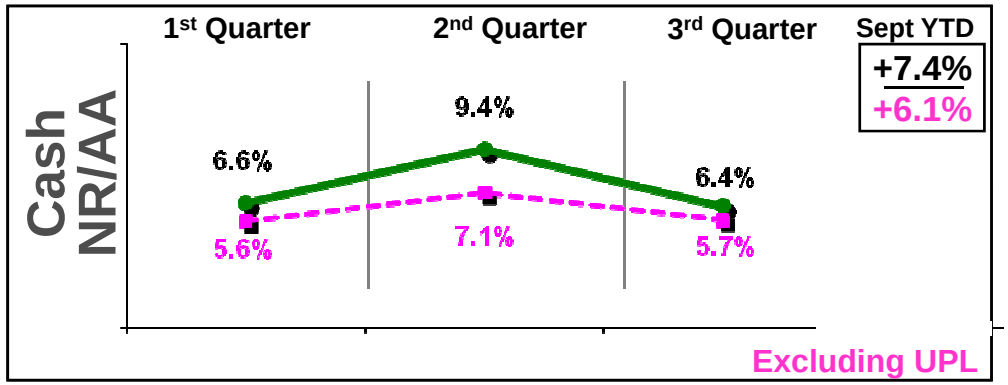
ER Visits by Payer



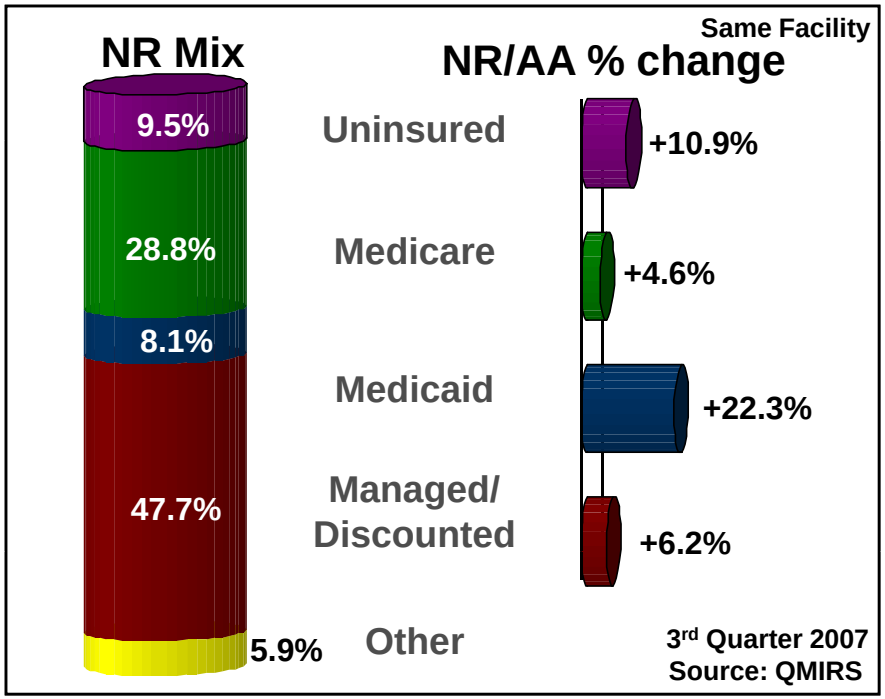


Same Facility

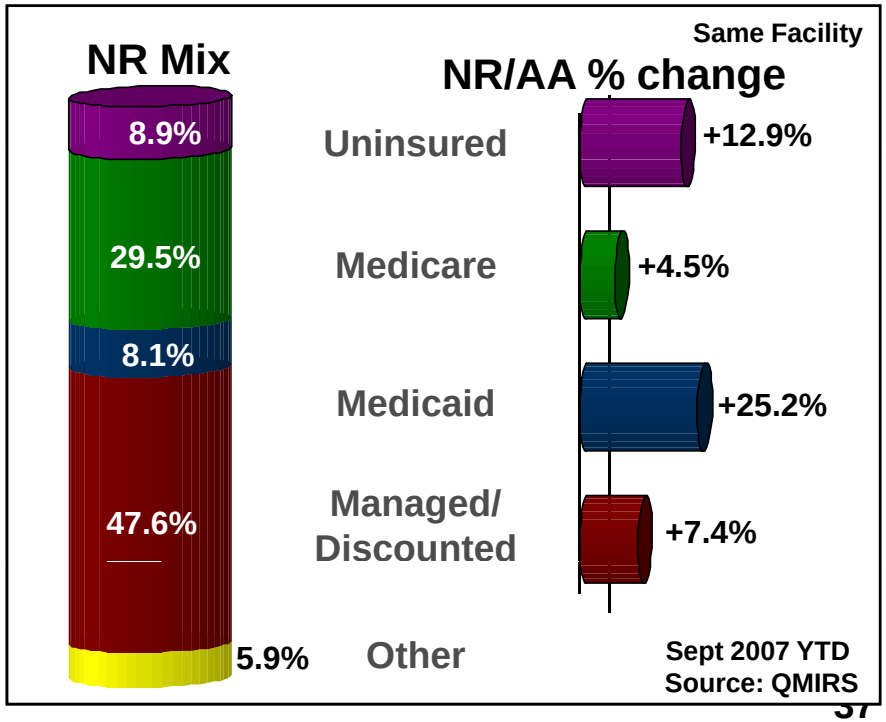
Net Revenue



Revenue Mix - QTD



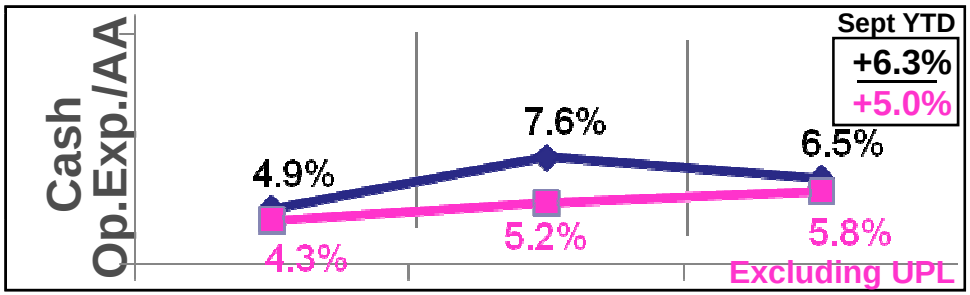
Revenue Mix - YTD

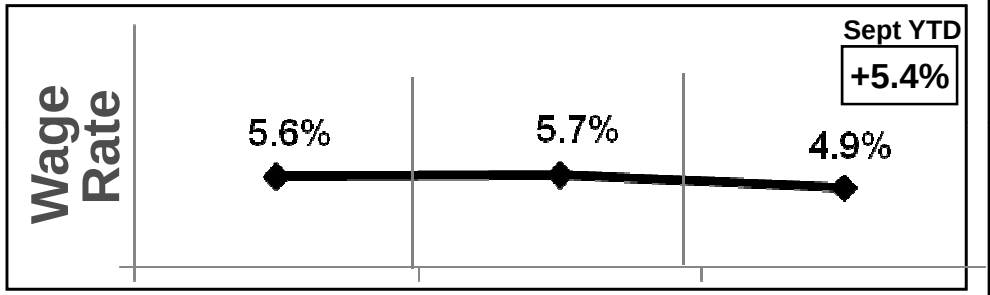


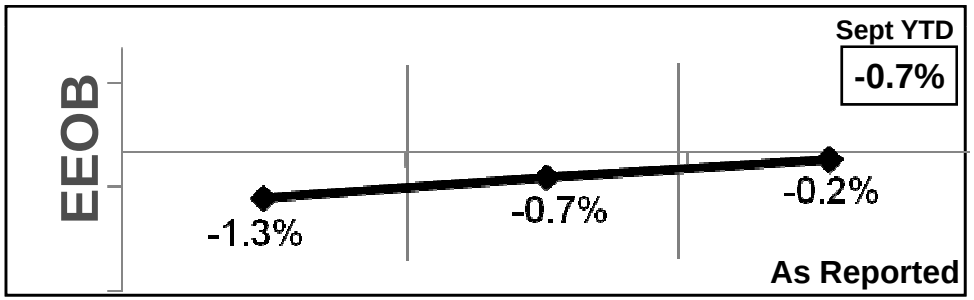
Same Facility

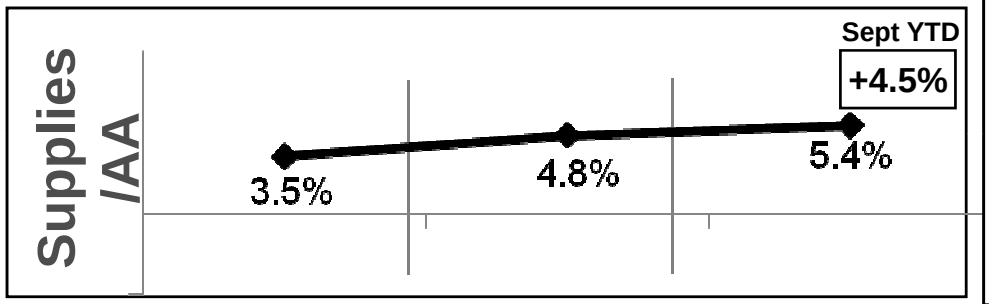
Expense Management

1st Quarter 2nd Quarter 3rd Quarter

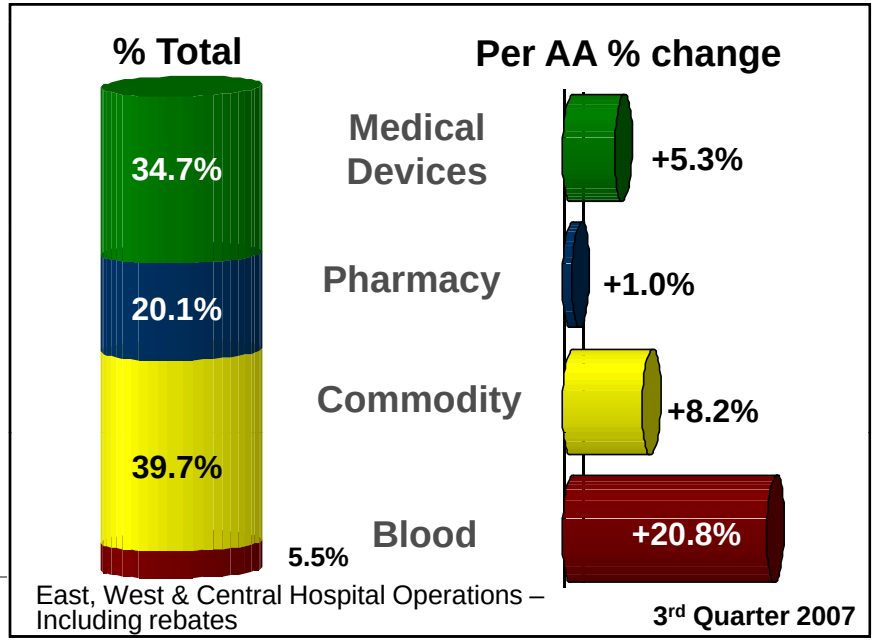


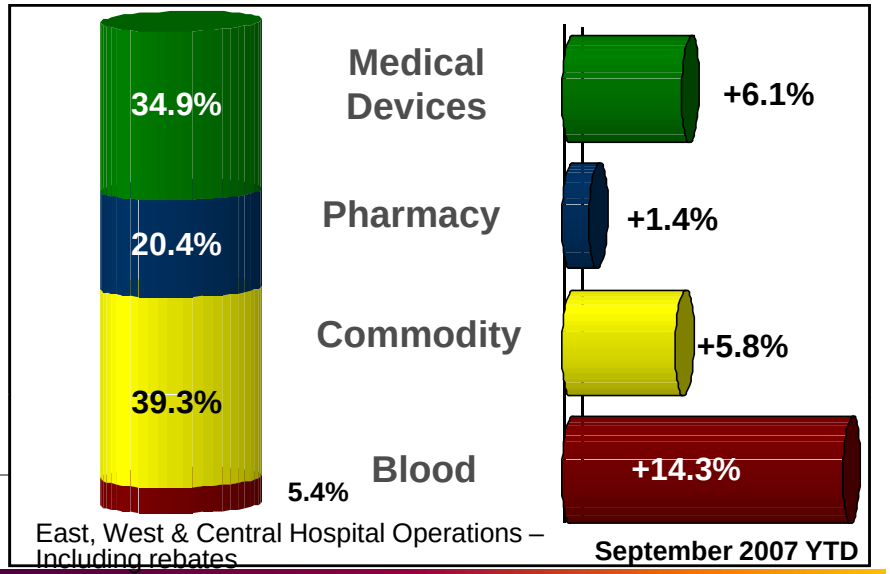






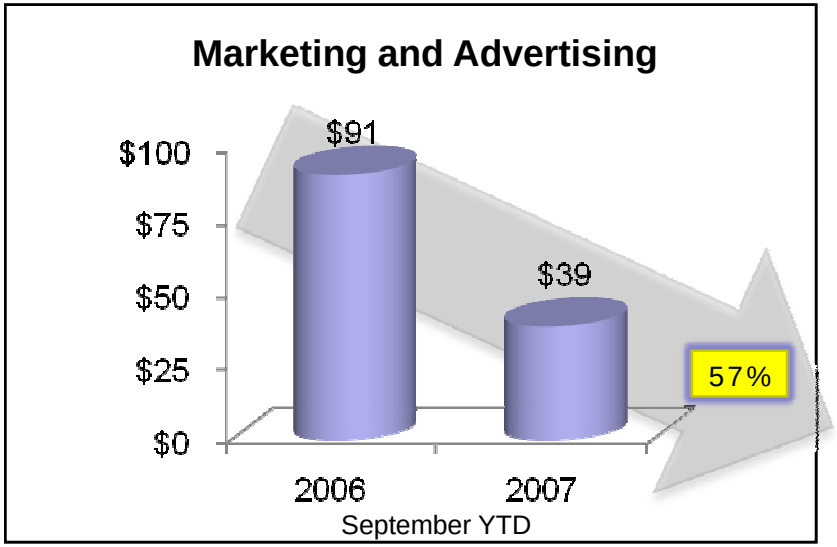
Supply Cost by Category

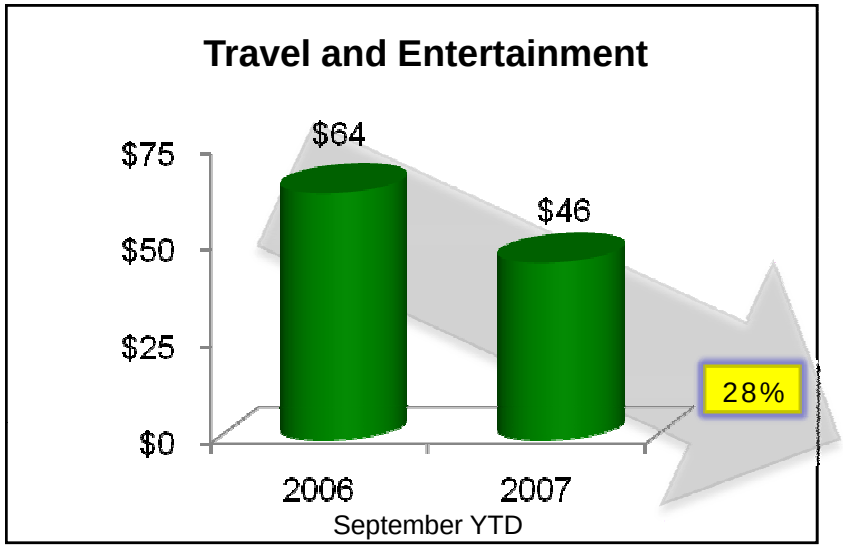


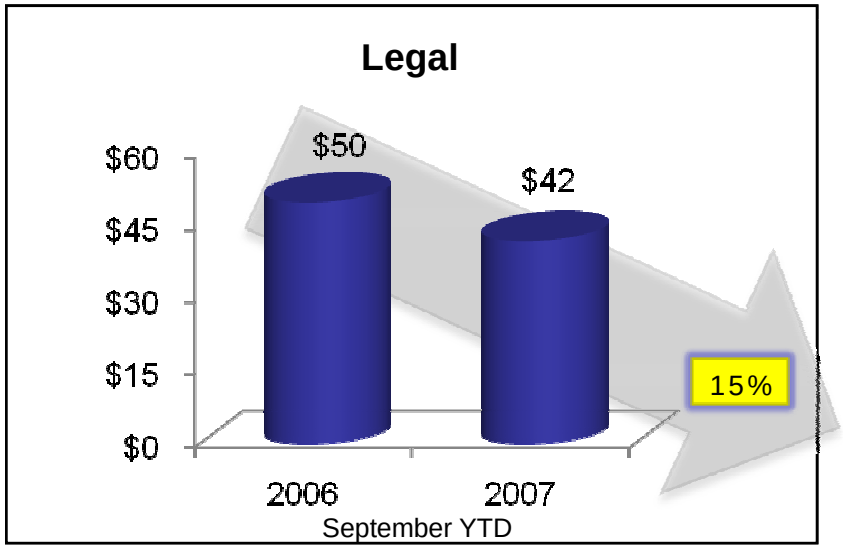


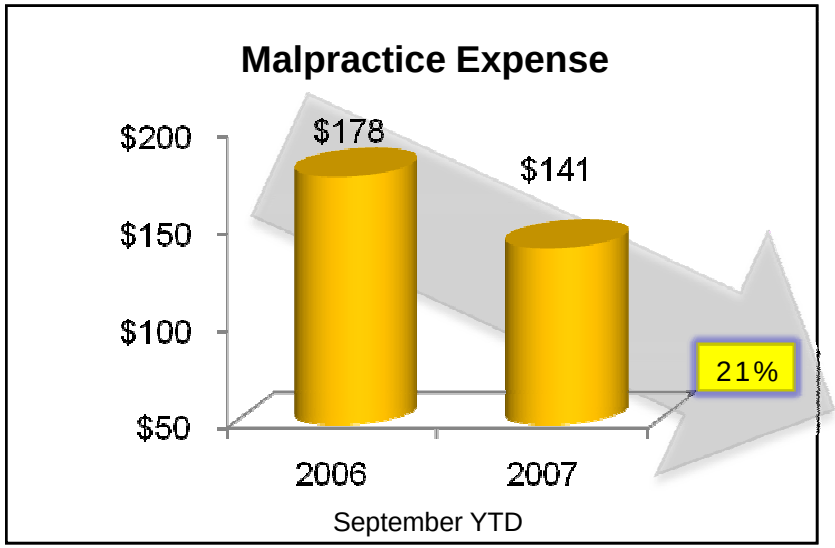
Other Operating Expenses

As Reported
($ in millions)









Corporate Office and IT&S

($ in millions)

	September 2007 YTD		Prior Year
	Actual	Prior Year	Variance
Total Administrative	$122	$133	($11)
Total IT&S	$253	$282	($29)
Total Shared Services	$592	$590	$2

*Excludes Gains on Sale of Investments, 123R, Malpractice Reserves and Sponsor Fees

Leverage the Scale of the Company

Group Purchasing Organization

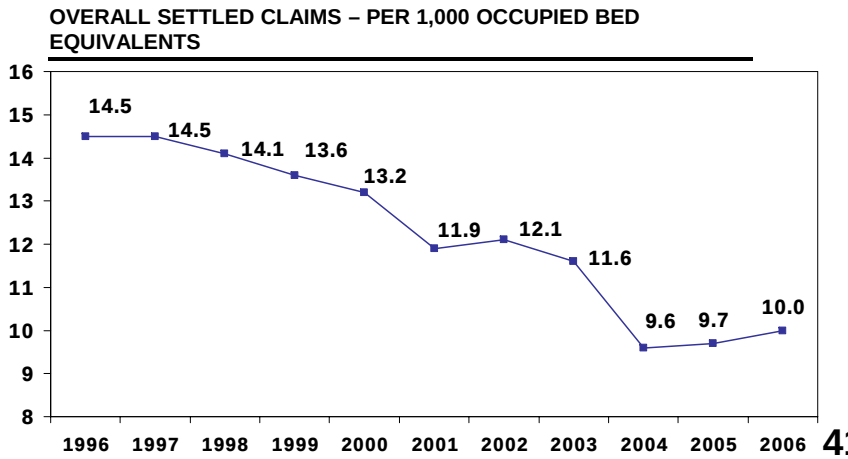
- Currently serves over 4,000 members, including more than 1,200 acute care hospitals
- Over $13 billion in annual purchasing volume with expected 58% growth over prior year
- Generates significant annual profits from administrative fees from suppliers for performing GPO services; significantly lowered the Company's supply costs
- Per-unit cost advantage over competitors

Revenue Cycle Management

- Invested $100 million to build regional service centers
- Creates efficiencies in billing and collection process, particularly re payment disputes with managed care
- Results: incremental cash collections annually, compared to baseline, as well as a reduction in operating costs

Captive Insurance Subsidiary

- Intense focus on patient safety and tort reform have significantly reduced settled claims



Debt Repayment

$ in millions

	12/31/2006	9/30/2007	*Decrease/ Increase*
Bank Revolver	$ 40	$ -	*$ 40*
Asset-Based Revolver	1,830	1,500	*330*
Term Loan A	2,750	2,666	*84*
Term Loan B	8,800	8,734	*66*
European Term Loan	1,320	1,003	*317*
Total Bank Debt	**14,740**	**13,903**	***837***
Other First Lien Debt	445	419	*26*
Second Lien Cash Pay Notes	4,200	4,200	-
Second Lien Toggle Notes	1,500	1,500	-
Total Senior Secured Debt	**20,885**	**20,022**	***863***
Rollover Debt - Unsecured Notes, net	7,523	7,523	-
Total Debt	**$ 28,408**	**$ 27,545**	***$ 863***
Debt/EBITDA	**6.36x**	**5.85x**	

Debt Rollforward

$ in millions

Total Debt as of 12/31/06	**$28,408**
2007 Activity	
Adjusted EBITDA, less Minority Interest	(3,279)
Interest Paid	1,522
Taxes Paid	348
Capital Expenditures	997
Asset Sales, net of Acquisitions	(463)
Sponsor/Employee Equity Contribution	(100)
All other, including Working Capital	112
Net change	(863)
Total Debt as of 9/30/07	**$27,545**

Capitalization Table & Credit Statistics

	Sep 30, 2007	Dec 31, 2006
Senior Secured Debt		
Cash Flow Revolver ($2.0 billion)	-	$40
ABL Facility ($2.0 billion)	1,500	1,830
Term Loan A	2,666	2,750
Term Loan B	8,734	8,800
European Term Loan	1,003	1,320
Total Senior Secured Bank Debt	13,903	14,740
Other First Lien Debt	419	445
Second Lien Cash Pay Notes	4,200	4,200
Second Lien Toggle Notes	1,500	1,500
Total Senior Secured Debt	20,022	20,885
Unsecured Notes	7,540	7,542
Unamortized Discounts	(17)	(19)
Total Debt	$27,545	$28,408
Floating Rate Debt %	21.5%	23.7%
Total Debt/Adjusted EBITDA	5.85x	6.36x
Adjusted EBITDA/Interest	2.27x	2.16x

Financial Policies & Objectives

Operations – Focus on core operations

- Physician recruitment and service line expansion
- Maintain target managed care mid- to high-single digit rate increase
- Manage operating expenses by leveraging scale and systems
- Consider divesting non-core assets, where appropriate
- HCI malpractice funding cash flow benefits

Leverage

- Goal to reduce debt and improve credit quality over time
- Manage floating rate interest exposure ($8 billion in 5-yr interest rate hedges)

Capital Expenditures – Maintain disciplined approach to deploying capital

- Only target high ROIC investments
- Deploy capital to enhance operations, competitive position and market share
- Manage discretionary capex based on strength of cash flows

Conclusion

- Favorable Industry Fundamentals
- Well-Capitalized Assets With Leading Market Positions in High Growth Markets
- Management Team's Experience, Discipline and Industry Leadership
- Financial Structure that Provides Significant Liquidity and Flexibility
- Disciplined Approach to Capital Deployment
- Significant Cash Flow From Operations
- Significant Equity Commitment by Sponsors and Management

HCA

Hospital Corporation of America

Milton Johnson
Executive Vice President & Chief Financial Officer

David Anderson
Senior Vice President, Finance & Treasurer

Vic Campbell
Senior Vice President