"Katrina was a defining moment for HCA and all involved acted above and beyond what could have ever been asked of them. What each did contributed directly or indirectly to the saving of countless lives. And, after all, this is ultimately why we do what we do every day."

Jack O. Bovender, Jr.
HCA Chairman and CEO

HCA
Hospital Corporation of America

2005 Annual Report

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On page one: Christina Riviere, a pediatric ICU nurse from HCA's Tulane University Hospital in New Orleans, holds a pediatric patient evacuated to the Company's Rapides Regional Medical Center in Alexandria, La., due to flooding at the hospital, Tuesday, August 30, 2005.

Mission and Values Statement:

Above all else, we are committed to the care and improvement of human life. In recognition of this commitment, we will strive to deliver high quality, cost-effective health care in the communities we serve. In pursuit of our mission, we believe the following value statements are essential and timeless:

1. We recognize and affirm the unique and intrinsic worth of each individual.
2. We treat all those we serve with compassion and kindness.
3. We act with absolute honesty, integrity and fairness in the way we conduct our business and the way we live our lives.
4. We trust our colleagues as valuable members of our health care team and pledge to treat one another with loyalty, respect, and dignity.

Commitment

When Hurricane Katrina slammed into the Gulf Coast on Monday, August 29, 2005, it damaged four HCA hospitals in Louisiana and Mississippi. With roof damage and floodwater covering Garden Park Medical Center's first floor, it was clear from early reports the Gulfport, Miss. hospital had been hit the hardest. However, despite the loss of power at all four hospitals, they remained open during and immediately after the hurricane.

Early Tuesday morning the situation changed dramatically when the levees broke in New Orleans. As water quickly began to rise in the city, Mel Lagarde, HCA's Delta Division president, and Jim Montgomery, Tulane University Hospital and Clinic's CEO, realized the water would soon surround the hospital and overcome and shut down the facility's emergency generators. Immediately, the Tulane Hospital staff began preparing to care for patients without power and started the long process of evacuating more than 1,200 patients, employees, medical staff and family members.

As part of HCA's pre-Hurricane Katrina planning and preparations, the Company's supply chain and design and construction departments staged food, water, supplies and equipment near HCA hospitals believed to be in the storm's path. Those hospitals included Lakeview Regional Medical Center in Covington, La. and Lakeside Hospital in Metairie, La., in addition to Garden Park Medical Center and Tulane Hospital.

At the time, no one at HCA could have appreciated how critical those preparations would be in the Company's efforts to evacuate Tulane Hospital. It took more than three days and over 200 helicopter flights and the heroic efforts of Tulane Hospital's staff and physicians to complete the evacuation on Friday, September 2, 2005. Thanks to the valor of Tulane Hospital employees and medical staff as well as the support of their determined HCA colleagues throughout the Company, no one was left behind.

COMPANY PROFILE:
HCA is one of the leading health care services companies in the United States. As of December 31, 2005, we operated 182 hospitals and 94 freestanding surgery centers, including seven hospitals and seven freestanding surgery centers operated by equity method joint ventures. Our facilities are located in 22 states, England and Switzerland. As of December 31, 2005, we had approximately 191,100 employees.

HCA Financial Highlights as of and for the Years Ended December 31	2005	2004
(Dollars in millions, except per share amounts)		
Results of Operations		
Revenues	$ 24,455	$ 23,502
Net income (a)	$ 1,424	$ 1,246
Diluted earnings per share (a)	$ 3.19	$ 2.58
Shares used in computing diluted earnings per share (in thousands)	445,785	483,663
Financial Position		
Assets	$ 22,225	$ 21,840
Working capital	$ 1,320	$ 1,509
Long-term debt, including amounts due within one year	$ 10,475	$ 10,530
Minority interests in equity of consolidated entities	$ 828	$ 809
Stockholders' equity	$ 4,863	$ 4,407
Ratio of debt to debt plus common and minority equity	65%	67%
Other Data (b)		
Number of hospitals at end of period	175	182
Licensed beds at end of period	41,265	41,852
Average daily census	22,225	22,493
Admissions	1,647,800	1,659,200
Outpatient revenues as a percentage of total patient revenues	36%	37%
Emergency room visits	5,415,200	5,219,500
Outpatient surgeries	836,600	834,800

a) The 2005 results include gains on sales of facilities of $78 million, or $0.08 per diluted share, reductions to estimated professional liability reserves of $83 million, or $0.12 per diluted share, a favorable tax settlement of $48 million, or $0.11 per diluted share, and a tax benefit of $24 million, or $0.05 per diluted share, related to the repatriation of foreign earnings. During 2005, we incurred expenses, net of recoveries, associated with hurricanes of $60 million, or $0.08 per diluted share. The 2004 results include a favorable change in the estimated provision for doubtful accounts totaling $46 million, or $0.06 per diluted share, based upon refinements to the allowance for doubtful accounts estimation process related to estimated recoveries associated with Medicare copays and deductibles and collection agency placements, and a $59 million, or $0.07 per diluted share, reduction to the estimated professional liability reserves. During 2004, we incurred expenses, net of recoveries, associated with hurricanes of $40 million, or $0.05 per diluted share, and recognized an asset impairment charge of $12 million, or $0.02 per diluted share. We repurchased 36.7 million shares of our common stock during the fourth quarter of 2005 and 62.9 million shares of our common stock during the fourth quarter of 2004. Shares used for diluted earnings per share for the year ended December 31, 2005 were 445.8 million shares, compared to 483.7 million shares for the year ended December 31, 2004.

b) Excludes data for seven hospitals in 2005 and 2004 that are not consolidated (accounted for using the equity method) for financial reporting purposes.

The terms "HCA," "Company," "we," "our" or "us," as used herein, refer to HCA Inc. and its affiliates unless otherwise stated or indicated by context. The term "affiliates" means direct and indirect subsidiaries of HCA Inc. and partnerships and joint ventures in which such subsidiaries are partners. The terms "facilities" or "hospitals" refer to entities owned and operated by affiliates of HCA and references to "employees" refer to employees of affiliates of HCA.

Dear Shareholder, There come times in our lives, bogged down as they may be in routine, day to day challenges and problems, when events force us to face the reality of what is important and what is true. What we do in these moments defines clearly and brightly for all to see who we really are, not who we claim to be. This was certainly true for HCA and its people during the week of August 29th, 2005—the week of Hurricane Katrina.

While we have had plenty of experience planning for, operating through, and cleaning up after hurricanes, Katrina was very different from anything we had ever experienced. Indeed, the resultant flooding of New Orleans is now widely recognized as one of the greatest disasters in the history of this country. For us, it meant not only a national tragedy, but that our patients, medical staff and colleagues (and many of their family members) at our Tulane Hospital in downtown New Orleans were put at extreme risk. You know from your television sets the utter chaos and lawlessness that prevailed in the city during that week. Our challenge became, in the midst of all this, the rescue of our patients and our people. Despite all the good we had done for so many people across the nation in our thirty-seven year history, it would be this week in New Orleans that would most clearly define who we are. Our people did not fail the moment.

On Tuesday morning, August 30th, as the flooding grew more severe, our staff in place at Tulane was mobilizing all available local and area resources to both supply our stranded patients and colleagues and eventually evacuate them from the stricken city.

Rather than try to reconstruct the whole story for you, let me instead share with you four emails that, on a real time basis, convey the heroism of our people as well as the accounts of the extraordinary efforts this Company expended to get all our people out.

First, from Jim Montgomery, our CEO at Tulane Hospital, a moving day-by-day account of life at the hospital during the flood:

Sunday, September 4, 2005

I thought it might be easier to compose an email to all of you at once that tells some of the story of the past few days. First and foremost I felt your prayers and heard your concerns that were registered with Donna and others and they comforted me and kept me calm which was essential in this time.

In Dylan's song, "A Hard Rains A-Gonna Fall", the singer is asked the questions of where have you been, what did you see, what did you hear, who did you meet, and what will you do now my blue-eyed son to which he answers each question. In this crisis, the images were moving so fast that I think it will take awhile to put it together, but here is an attempt to do so.

This storm as of noon Friday the 25th didn't seem like it would be much of an event, but by 5:00 pm things began to look different. We met as a group on Saturday to begin our routine preparations for a hurricane. Donna left for her brother's home and I went home to put things together there. I started to think what do I absolutely not want to lose in case the house would be swept away and the answer only

Revenues for 2005 increased to $24.5 billion while the Company's earnings per diluted share increased to $3.19 compared to $2.58 in 2004.

Never give up:
An American flag symbolized HCA's determination to safely evacuate everyone from Tulane Hospital. HCA North Florida Division president Chuck Hall, who secured helicopters and ham-radio operators for the airlift, had an American flag flown to Tulane Hospital with supplies from HCA's West Florida Hospital in Pensacola. The flag was draped over the front of the building until the day the evacuation was completed. The flag was once again presented at Tulane Hospital when it reopened on February 14, 2006.

revealed the photos of the family thru the years, so that and few clothes was all I took.

The Storm: God's Natural World has an awesome power. From the small observation windows from our tallest floors, we observed awnings being blown off, a blinding rain and a general sense if God's ever angry we're going to lose big. Our first inspections revealed little damage. A few broken windows and some roof damage, but the building held up well. In fact, if you were in the inner core of the facility you only vaguely heard it. We even walked around late in the afternoon since there was only limited flooding no worse than a heavy thunderstorm. Overconfident, we even stated we had absorbed the best punch that nature could throw and we seemed intact.

At 1:30 am on Tuesday morning began the biggest crisis and challenge of my life and in the life of Tulane and no doubt New Orleans. I was awakened by my COO who told me the water in the boiler room was rising a foot an hour since midnight and if it continued at that rate at best we had only another two to three hours before we would lose all power since we already were on emergency power since early Monday morning. We had only 7 ventilator patients whose lives would be in jeopardy, and we had to move fast to get them out. We had no boat and no helicopter pad. Houston we have a problem. I called Acadian Ambulance (who I know well), but had no business connection to our hospital and asked for their immediate help. We have a parking deck connected to the hospital that we had evaluated as sturdy enough to support helicopter flight, but it had four light poles in the middle. I want to tell you what happened in the next four hours was nothing short of a miracle. Our maintenance group got the light poles down; Acadian agreed to pick our patients up, we made arrangements with our other HCA hospitals to take them. Our staff and physicians got their patients ready, and most importantly, the water rise began to slow to an inch/hour and a little after the sun came up copters were on the roof and patients began to be transported.

Early on Tuesday morning we met with our key managers who were at the hospital. We prayed for support and comfort and guidance for what we knew was going to be a difficult period. We talked about what we knew, and what we didn't know which was considerable because we had no contact from FEMA or the Mayor's office. We had no idea why the water was rising and from what limited facts we had, no one did. We had to assume that it would keep rising and we would lose power and then we would have no power at all. Thus, no light, no ac, suction, oxygen, elevators, phones i.e. everything that is precious to good care. We had to get out so we hatched a plan and I tried to stay out of the way and let our physicians and nurses triage patients; others determined what vital supplies we needed replenishing; HCA was working frantically to coordinate a transportation effort to pick up patients and eventually, our staff. How many people? Good question. At least 1,200 which included a total of 160 patients, employees and physicians and their families and 76 dogs and cats that I didn't know about at the time.

Tuesday: *The looting began. We witnessed people, dozens of them, wading in front of the hospital with bag after bag of stuff from different stores in the vicinity. Bandits took over two hotels adjacent to*

Twenty-four privately contracted helicopters, including two Florida-based Blackhawks used for fighting fires and a police helicopter from the Chicago-area, were flown during the evacuation of Tulane Hospital. Two Chinooks later joined the effort. More than 200 missions to replenish supplies and rescue people were flown during the three-day airlift.

us and forced out many of our employees families who had been housed there forcing them back to the hospital creating further complications. That night our people on the roof evacuating patients heard gunshots in the air, but they continued their work. The lawlessness and insurrection certainly was a distraction, but our Tulane Police were great, and they are very capable. Late in the day we ran out of fuel so our generators shut down and the building began to get hot. The last of the ventilator patients had to go up six stories by way of pickup trucks since the elevators shut down and our ambulance was too tall to squeeze to the top. During the day, I had a conversation with a patient's father who told me that the parking deck pad would hold big helicopters. How did he know? Because he was a Blackhawk pilot. Ok. Then there appeared out of nowhere this guy, John Holland, who was sent in by HCA to be our Flight Coordinator - whatever that is. "The man" had arrived who would communicate with the birds in the air and boy is that important because our patients had begun to fly away.

Wednesday: *If you would like to know if we slept. Here's a little experiment. Try heating the bedroom up to about 90-95 degrees. First, you're hot and then you sweat and get cold and then the cycle repeats. Daybreak and I tell you patients are being moved into a queue to move. I saw our staff, residents, and faculty move sick patients with a grace and dignity that was most impressive. This was our third day and the stress on our people began to show. Everyone was asking when, where, & how were we going to get out. The city sewer system was obviously backing up and spilling out and creating an acrid smell that over the next few days made it almost impossible to breathe and with no water pressure you can't bathe. But here's a general observation: if everyone smells the same you really don't notice it, you just feel unclean. On this day, the La. Wildlife and Fisheries Department showed up to help us move some patients that we had inherited from the Superdome on Sunday night. Yes, over 60 extra medically needy people with chronic conditions. So by boat we sent them and their loved ones away. I met a woman whose most valuable possession was her pillow and her radio that I personally promised her to protect. It's in my office now.*

The Big Birds began to fly. Blackhawk's down. Instead of one or two patients they could move up to four with some additional staff. Beautiful sight but there was more to come. By the end of the day we had moved all but about twenty patients including two who weighed more than 400 lbs and one artificial heart assist-device patient, which was the challenge of the week since the device itself weighted more than 500 lbs. So imagine hauling this weight three to four floors down a dark stairwell at 90 plus degrees.

It was a young man's job and it was done. Let me tell you that the coordination from the patient's room to the staging area to the helipad into the helicopter was a work of art composed by many painters. It truly was a thing of beauty and it touched everyone who was there.

By the end of day, HCA had constructed an extraction plan for the remaining staff. Helicopter to the airport, buses to pick up and take to Lafayette. Sounds good but there were lots of needs and who knows what the government may decide to do.

HCA reinvested $1.6 billion back into our communities/facilities during 2005 and plans to invest approximately $1.9 billion in 2006. We currently have plans underway for ten new and replacement hospitals, scheduled for completion between 2007 and 2009.

Defining moment:
In addition to the more than 1,200 Tulane Hospital patients, employees, physicians and family members, HCA evacuated about 45 patients from nearby Charity Hospital. Tulane Hospital also received and cared for over 50 special-needs patients that had been sheltered at the Superdome. In addition, HCA transported, by bus, 138 employees from another local hospital who were stranded at New Orleans International Airport to HCA shelters in Lafayette, La.

Thursday: *Line up and get ready. Have a little breakfast. We basically were living on strawberry pop-tarts, honey oat bars and for dinner a little protein, tuna fish. Fortunately, I like all of them, but I'm sure I lost ten lbs. or so. Anyway, the line was formed and I personally counted 700 hundred people. Our staff, physicians, their children and spouses, and just to top it off 76 dogs and cats. Holy God. How are we going to deal with that? So we relegated [the pets] immediately to second-class citizenship to another line and pray we don't have to put the pets to sleep if no one will haul them.*

At first there were just a few small copters and we had some patients to move and it was slow. Moving through the line people were calm with a few exceptions but overall they managed their plight well. Then a situation developed. A frantic Medical Director of Critical Care showed up by boat from Charity. Major problem. Charity was in a meltdown. He had 21 critical care patients many being hand ventilated for two days and he couldn't get any help from the state. You may have heard this story reported by CNN. Their version and ours differs but raise your hand if you think the media gets it right all the time. Can you help me he asked? This was a tough question but it had only one answer. We would give them access to the small aircraft... Midday and it was moving slow. It didn't look good. Then from 3 to 5 things happened.

A Chinook helicopter is big. Two rotors and it carries about 50-60 people. It moves with a slow deliberate confidence that is hard to describe. But one showed up. We had questioned about could it land so we asked "the man, John" and he said yes but nothing else could be on the pad when it did due to the turbulence. I want to tell you as it approached cheers broke out from below and people thought they had a chance. So for a few hours we made progress and then it stopped. No more big birds, big problem. What happened? Don't know. I called my daughter Megan where Donna was staying and she seemed elated. "You're back". "What?" I asked. She tells me Gov. Blanco had just announced that Tulane had totally been evacuated. According to my account she was about 400 people short in her analysis. But we now had a new problem. They think we're not here. Better let someone know. I called the La. Nat'l Guard. Guess who answered... the patient's father I spoke of earlier. He had gotten a ride back with some of the Wildlife boys and was now flying sorties into New Orleans. He quickly got a hold of the Office of Emergency Preparedness and let them know we still needed help. So maybe Friday we'd get out. People were remarkably calm when we told them they'd be there another day. They just sat down and began to prepare to go to bed.

We left the hospital and remained in the parking deck. One it was cooler, two there would be less confusion in the morning and three it was safer since there was less territory for our Tulane Police to patrol. I know the media has played up the anarchy, and no doubt there was some concern, but I always thought we were safe.

So imagine trying to fall asleep on your concrete driveway without a pad or pillow. It's kind of tough. Then throw in an unexpected helicopter landing at 1:00 am. The wind is a little dicey. The bird dropped

Still standing:
Tulane Hospital sustained storm and flood damage when New Orleans' levees were breeched following Hurricane Katrina. HCA's design and construction experience allowed the Company to accelerate the reopening of the facility, helping the devastated city prepare for the first Mardi Gras after the storm. While the rebuilding continues, the hospital reopened with 63 beds on February 14, 2006. This accomplishment is a testament to the determination of Tulane Hospital's employees and medical staff.

off 50% of the Marines in New Orleans. One guy who needed to go to Charity so we had to take him over. Next event for the evening: at 4:00 am we were treated to a massive explosion at a warehouse on the river several miles away. I happened to be looking directly at it at the time. It must have reached a 1,000 ft in the air. Then by the end of the evening we began actually to get cold. But it finally ended.

Friday: *The end is pretty anti-climatic. At 8 o'clock unexpected Chinooks began showing up taking 60 people at a time. I wonder if our pilot friend in the Guard had anything to do with it, but I haven't asked him yet. In a matter of 2 1/2 hours everyone was gone, but our police and the last remnants of management. So after attempts to arrange coordination with Charity to use the helipad, we left for home sweet home.*

Obviously, this is only phase one of a complicated recovery for New Orleans. Each of you no doubt is praying for this recovery. So many people have lost so much and it reaches far beyond New Orleans.

I talked to the Chairman of the Board of HCA yesterday upon returning and told him it was the worst and most difficult challenge I have ever been personally involved with but at the same time I don't think I've ever felt as great a sense of accomplishment from anything I've been involved with. Our staff performed like clockwork and it was a beautiful thing to observe. Our success in this week is simply measured by the fact that we didn't lose a patient during this trying time.

Jim

P.S. This event is just below a nuclear catastrophe in its degree of magnitude, and it's clear we're not ready and if we don't do better the next time a really hard rain's a-gonna fall.

Then, my emails to our Board and company-wide colleagues during the flood:

September 1, 2005

I would like to give an update on our disaster relief efforts in New Orleans, as of 1:30 pm CDT Thursday. The evacuation from Tulane Hospital continues by helicopter; we are now down to 7 patients and hope to have those evacuated by late afternoon. Quite frankly, this process has been slowed down by interference from local and federal bureaucracies at various times, including the commandeering of some of our contracted helicopters. We hope we have this straightened out now through HHS and FEMA, but there is no guarantee we won't face this problem again. Currently we have between 12 to 20 helicopters involved in the evacuation at any one time. We have just brought in two larger Blackhawk helicopters and are bringing a 30 passenger Russian Vladimir helicopter from Florida, thanks to the contacts of Niceville, Florida CEO, Dave Whalen.

We have also helped Charity Hospital, which had 21 critically ill patients needing immediate evacuation.

During 2005, the Company repurchased 36.7 million shares of its common stock at a cost of $1.9 billion. Since 1997, we have repurchased over 362 million shares at a cost of $12.5 billion.

Saving lives:
When Tulane Hospital lost generator power, caring for patients while preparing them to be evacuated presented a significant challenge. Included among its patients were several critically ill babies and seven ventilator patients. Another patient was hooked to a 500-pound heart-assist device and had to be moved down three floors through a dark stairwell.

We are also in the process of evacuating our staff, doctors, and family members still in place at Tulane and are now down to about 570. We have staged buses at the New Orleans airport, guarded by police and SWAT team members from Lafayette. As we evacuate our employees and families, they will be taken to shelters we have set up in Lafayette. We have pre-positioned food, water, clothing and other supplies and will continue to take care of our people as long as necessary. We have told all of our affected employees they will remain on payroll... and will, if they desire, relocate them and provide them with employment at other HCA facilities across the country.

Lakeside Hospital and DePaul are both closed and boarded up with all employees safely evacuated. Our Lakeview Hospital, across Lake Ponchartrain in Covington, is fully operational, but still on emergency power. We brought in a portable CT scanner to beef up the trauma capabilities of the hospital. Garden Park in Gulfport is also fully functional, but, again, still on emergency power. We have repair crews at work there. Our hospitals in Lafayette and Alexandria are full, both from patients we evacuated as well as local patients.

As I write this, security is our biggest concern, not just in New Orleans, but at all our Gulf Coast hospitals. We are sending in additional resources to help and we have our hospitals locked down, but, as more refugees pour out of New Orleans with no infrastructure to take care of them, the situation is becoming increasingly tenuous.

This morning we announced a corporate donation of $1 million to the Red Cross for disaster relief. This is in addition to the $1 million contribution to our employee relief fund announced two days ago.

We will update you when we have more information. Thanks for your continuing support.

Jack

September 2, 2005

As of approximately 12:30 pm CDT today, we have successfully evacuated everyone from our Tulane Hospital in New Orleans. This not only includes all our patients, staff, doctors, and families, but also up to 50 critically ill patients from Charity Hospital. In total, we had 231 helicopter landings during the evacuation. We had planned to continue our evacuation operation from the parking garage roof at Tulane (the only functioning landing zone in the immediate area) for the benefit of Charity Hospital, which can only be reached from Tulane by boat. However, those plans had to be suspended because of reported rioting at the Superdome and Charity's inability to secure the evacuation routes. At that point, we flew our remaining people from the parking garage (Mel Lagarde, our division president, two ham radio operators, a helicopter flight director, and a U.S. marine) and shut down operations at Tulane. We have told officials at Charity Hospital we are holding on to our contracted helicopters and will deploy them for their use if and when they are able to start evacuating….

…Just as I completed the above, we received a call from Charity Hospital; they are ready to begin their evacuation. We are sending helicopters in to take out 21 of their patients.

Caring for our own:
HCA set up three shelters in Lafayette, La. for the Tulane Hospital evacuees and provided airline tickets to a destination of their choice. All HCA employees affected by Hurricane Katrina remained on payroll through the year or until they were offered positions at other HCA facilities. HCA also donated $4 million to launch the HCA Hope Fund, which enables employees to contribute money to help colleagues in need. The HCA Hope Fund distributed $4.4 million to approximately 2,500 HCA employees affected by Katrina.

All of our colleagues who have been evacuated are either enroute from the New Orleans airport to Lafayette, in our shelters at Lafayette, at our Lakeview Hospital in Covington, or have been flown out of the area to other cities.

We are continuing to fly nurses and other clinical personnel from our All About Staffing operations across the country into our hospitals in Lafayette, Covington, Alexandria, Gulfport, and Houston. We are also sending additional senior management resources into the area to relieve our hospital leadership teams.

There are no adequate words to express our admiration and appreciation for the dedication and self sacrifice of our colleagues in the areas affected by Hurricane Katrina. They have bravely faced the most horrific conditions imaginable and through it all provided uncompromising care to their patients. Likewise, all the colleagues we mobilized throughout the company, from corporate through the divisions, have worked tirelessly to provide their fellow employees on the front lines with all the resources they needed to carry on. Although we know anything we say is inadequate, we thank all of you for this incredible achievement.

Since all of our folks are safe and accounted for at this time, I will sign off for now, wishing those of you who will be able to enjoy the upcoming holiday a great weekend, but recognizing that in our business, many of you will be soldiering on, caring for others as many enjoy this much-needed break. Barring any additional upsets, I will be back with another update on Tuesday.

Jack

Finally, an email from Dr. William Gill, Chief of Neonatology at Tulane, who had worked at Tulane throughout the disaster:

We made it out and I am so proud of our Tulane team that I can hardly find the words of praise that are appropriate. The support we got from HCA was truly incredible!! We got all of our very complex 278 patients out without a single death!! In addition, we got 27 critical patients from Charity Hospital and 71 high medical needs patients and family members from the Superdome out through the heliport that we had on top of our Saratoga parking garage out safely.... Then we proceeded to get nearly a thousand HCA hospital employees, doctors and medical school employees out safely!

It was truly incredible! I can't say enough words of praise for Jim Montgomery and our Tulane Hospital administrative staff and Mel Lagarde from the Delta Division for their truly spectacular leadership and ability to handle the multiple crisis situations we had to handle. As part of the command center group, I was able to see firsthand how effective they could be in having HCA play such an important and effective role in getting us the help we needed when no one else was able to respond around us. They were able to procure the helicopters we needed when the agencies that were supposedly responsible for getting help to us were seemingly helpless!

In the first quarter of 2006, we announced our quarterly dividend would increase to $0.17 per share, an increase of 13 percent, from $0.15 per share.

Above and beyond:
From the maintenance staff who knocked down light poles atop a parking garage to create a makeshift helipad, to the employees and physicians who worked through horrific conditions, Tulane Hospital's people overcame tremendous adversity. In a chaotic and uncertain situation with reports of looting and sniper fire, these heroes steadfastly cared for their patients.

Pictured above:
Dr. Norman E. McSwain, Jr.
Professor of Surgery,
Tulane University

The security team from the hospital and med school combined to keep us safe in what was essentially a war zone. When they got off one of the final helicopters at the airport, they got a standing ovation from all of us! In the midst of such an overwhelming catastrophe, our team worked together with the efficient coordination of all of the efforts to get everyone out in the appropriate priority of need that it came off as a truly fulfilling event that can make us all proud.

The ability to get us the smaller helicopters we needed to start with the evacuation of my critical babies first and then the more critical patients as early as Tuesday morning and proceeding on to get the Blackhawk helicopters and others that we could get 16 on board and the big Chinook helicopters that could hold up to 56, gave us the ability to get everyone out by Friday morning when the effort to start getting the patients out of Charity Hospital was just getting started, was the key to our success. What an experience! Despite the gravity of the whole thing, I am so proud to have been a part of such a magnificent success. We truly could not have done that well without the support of HCA.

On a personal note, I was in the next to last helicopter out on Friday morning, and we were bussed to Lafayette where we were decontaminated and given help to get to our families. I am now at my brother's house in Alexandria. We don't yet know what we will do or where we will go. It will be a very long time before we have our hospital and med school functional again.

We can only thank the Lord that we all made it out and are OK. We have to try to put all that behind us and look to the future. Please thank everyone at HCA for the magnificent support and it was so obvious to us that so many people in our HCA family were caring about us and trying to help us in any way they could. We love them all!!

Hope to see you before too long.

All of those at Tulane who weathered through Katrina and its aftermath and cared for their patients under the most horrendous circumstances are heroes. Their colleagues at corporate and throughout the Company who provided vital logistical support during that long week are heroes. Those who have endured and served throughout other hurricanes and disasters are heroes. But in the most profound sense, HCA's response to Katrina was just a dramatic manifestation of the heroism of all our colleagues who everyday in all our hospitals and facilities heal the sick and injured and care for the dying with love and compassion. It is an honor and privilege to lead and serve such magnificent men and women.

Jack O. Bovender, Jr.
Chairman & Chief Executive Officer

Richard M. Bracken
President & Chief Operating Officer

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    Partner, Brown Brothers Harriman & Co.
11. John H. McArthur
    Retired Dean, Harvard University Graduate School of Business Administration
12. Kent C. Nelson
    Retired Chairman and Chief Executive Officer, United Parcel Service
13. Frank S. Royal, M.D.
    Practicing Physician
14. Harold T. Shapiro
    Professor of Economics and Public Affairs and President Emeritus, Princeton University

HCA Inc. Selected Financial Data as of and for the Years Ended December 31

(Dollars in millions, except per share amounts)

	2005	2004	2003	2002	2001
Summary of Operations:					
Revenues	**$ 24,455**	$ 23,502	$ 21,808	$ 19,729	$ 17,953
Salaries and benefits	**9,928**	9,419	8,682	7,952	7,279
Supplies	**4,126**	3,901	3,522	3,158	2,860
Other operating expenses	**4,039**	3,797	3,676	3,341	3,238
Provision for doubtful accounts	**2,358**	2,669	2,207	1,581	1,376
(Gains) losses on investments	**(53)**	(56)	(1)	2	(63)
Equity in earnings of affiliates	**(221)**	(194)	(199)	(206)	(158)
Depreciation and amortization	**1,374**	1,250	1,112	1,010	1,048
Interest expense	**655**	563	491	446	536
Gains on sales of facilities	**(78)**	–	(85)	(6)	(131)
Impairment of long-lived assets	**–**	12	130	19	17
Government settlement and investigation related costs	**–**	–	(33)	661	327
Impairment of investment securities	**–**	–	–	168	–
Loss on retirement of debt	**–**	–	–	–	28
	22,128	21,361	19,502	18,126	16,357
Income before minority interests and income taxes	**2,327**	2,141	2,306	1,603	1,596
Minority interests in earnings of consolidated entities	**178**	168	150	148	119
Income before income taxes	**2,149**	1,973	2,156	1,455	1,477
Provision for income taxes	**725**	727	824	622	591
Reported net income	**1,424**	1,246	1,332	833	886
Goodwill amortization, net of income taxes	–	–	–	–	69
Adjusted net income	**$ 1,424**	$ 1,246	$ 1,332	$ 833	$ 955
Basic earnings per share:					
Reported net income	**$ 3.25**	$ 2.62	$ 2.66	$ 1.63	$ 1.69
Goodwill amortization, net of income taxes	**–**	–	–	–	0.13
Adjusted net income	**$ 3.25**	$ 2.62	$ 2.66	$ 1.63	$ 1.82
Shares used in computing basic earnings per share (in thousands)	**438,619**	475,620	501,799	511,824	524,112
Diluted earnings per share:					
Reported net income	**$ 3.19**	$ 2.58	$ 2.61	$ 1.59	$ 1.65
Goodwill amortization, net of income taxes	–	–	–	–	0.13
Adjusted net income	**$ 3.19**	$ 2.58	$ 2.61	$ 1.59	$ 1.78
Shares used in computing diluted earnings per share (in thousands)	**445,785**	483,663	510,874	525,219	538,177
Cash dividends declared per common share	**$ 0.60**	$ 0.52	$ 0.08	$ 0.08	$ 0.08
Financial Position:					
Assets	**$ 22,225**	$ 21,840	$ 21,400	$ 19,059	$ 18,073
Working capital	**1,320**	1,509	1,654	766	957
Long-term debt, including amounts due within one year	**10,475**	10,530	8,707	6,943	7,360

HCA Inc. Selected Financial Data as of and for the Years Ended December 31

(Dollars in millions, except per share amounts)

	2005	2004	2003	2002	2001
Financial Position (continued)**:**					
Minority interests in equity of consolidated entities	**$ 828**	$ 809	$ 680	$ 611	$ 563
Company-obligated mandatorily redeemable securities of affiliate holding solely Company securities	**—**	—	—	—	400
Stockholders' equity	**4,863**	4,407	6,209	5,702	4,762
Cash Flow Data:					
Cash provided by operating activities	**$ 3,159**	$ 2,954	$ 2,292	$ 2,648	$ 1,352
Cash used in investing activities	**(1,681)**	(1,688)	(2,862)	(1,740)	(1,300)
Cash (used in) provided by financing activities	**(1,400)**	(1,347)	650	(934)	(342)
Operating Data:					
Number of hospitals at end of period(a)	**175**	182	184	173	178
Number of freestanding outpatient surgical centers at end of period(b)	**87**	84	79	74	76
Number of licensed beds at end of period(c)	**41,265**	41,852	42,108	39,932	40,112
Weighted average licensed beds(d)	**41,902**	41,997	41,568	39,985	40,645
Admissions(e)	**1,647,800**	1,659,200	1,635,200	1,582,800	1,564,100
Equivalent admissions(f)	**2,476,600**	2,454,000	2,405,400	2,339,400	2,311,700
Average length of stay (days)(g)	**4.9**	5.0	5.0	5.0	4.9
Average daily census(h)	**22,225**	22,493	22,234	21,509	21,160
Occupancy(i)	**53%**	54%	54%	54%	52%
Emergency room visits(j)	**5,415,200**	5,219,500	5,160,200	4,802,800	4,676,800
Outpatient surgeries(k)	**836,600**	834,800	814,300	809,900	804,300
Inpatient surgeries(l)	**541,400**	541,000	528,600	518,100	507,800
Days revenues in accounts receivable(m)	**50**	48	52	52	49
Gross patient revenues(n)	**$ 78,662**	$ 71,279	$ 62,626	$ 53,542	$ 44,947
Outpatient revenues as a % of patient revenues(o)	**36%**	37%	37%	37%	37%

(a) Excludes seven facilities in 2005, 2004, and 2003; and six facilities in 2002 and 2001 that are not consolidated (accounted for using the equity method) for financial reporting purposes. Three hospitals located on the same campus were consolidated and counted as one hospital in 2005.
(b) Excludes seven facilities in 2005, eight facilities in 2004, four facilities in 2003 and 2002 and three facilities in 2001 that are not consolidated (accounted for using the equity method) for financial reporting purposes.
(c) Licensed beds are those beds for which a facility has been granted approval to operate from the applicable state licensing agency.
(d) Weighted average licensed beds represents the average number of licensed beds, weighted based on periods owned.
(e) Represents the total number of patients admitted to our hospitals and is used by management and certain investors as a general measure of inpatient volume.
(f) Equivalent admissions are used by management and certain investors as a general measure of combined inpatient and outpatient volume. Equivalent admissions are computed by multiplying admissions (inpatient volume) by the sum of gross inpatient revenue and gross outpatient revenue and then dividing the resulting amount by gross inpatient revenue. The equivalent admissions computation "equates" outpatient revenue to the volume measure (admissions) used to measure inpatient volume, resulting in a general measure of combined inpatient and outpatient volume. Equivalent admissions for 2004 were reclassified to conform to the 2005 presentation.
(g) Represents the average number of days admitted patients stay in our hospitals.
(h) Represents the average number of patients in our hospital beds each day.
(i) Represents the percentage of hospital licensed beds occupied by patients. Both average daily census and occupancy rate provide measures of the utilization of inpatient rooms.
(j) Represents the number of patients treated in our emergency rooms.
(k) Represents the number of surgeries performed on patients who were not admitted to our hospitals. Pain management and endoscopy procedures are not included in outpatient surgeries.
(l) Represents the number of surgeries performed on patients who have been admitted to our hospitals. Pain management and endoscopy procedures are not included in inpatient surgeries.
(m) Revenues per day is calculated by dividing the revenues for the period by the days in the period. Days revenues in accounts receivable is then calculated as accounts receivable, net of the allowance for doubtful accounts, at the end of the period divided by revenues per day.
(n) Gross patient revenues are based upon our standard charge listing. Gross charges/revenues typically do not reflect what our hospital facilities are paid. Gross charges/revenues are reduced by contractual adjustments, discounts and charity care to determine reported revenues.
(o) Represents the percentage of patient revenues related to patients who are not admitted to our hospitals. Patient revenues for 2004 were reclassified to conform to the 2005 presentation.

HCA Inc. Management's Discussion and Analysis of Financial Condition and Results of Operations

The selected financial data and the accompanying consolidated financial statements present certain information with respect to the financial position, results of operations and cash flows of HCA Inc. which should be read in conjunction with the following discussion and analysis. The terms "HCA," "Company," "we," "our" or "us," as used herein, refer to HCA Inc. and our affiliates unless otherwise stated or indicated by context. The term "affiliates" means direct and indirect subsidiaries of HCA Inc. and partnerships and joint ventures in which such subsidiaries are partners.

Forward-Looking Statements

This annual report includes certain disclosures which contain "forward-looking statements." Forward-looking statements include all statements that do not relate solely to historical or current facts, and can be identified by the use of words like "may," "believe," "will," "expect," "project," "estimate," "anticipate," "plan," "initiative" or "continue." These forward-looking statements are based on our current plans and expectations and are subject to a number of known and unknown uncertainties and risks, many of which are beyond our control, that could significantly affect current plans and expectations and our future financial position and results of operations. These factors include, but are not limited to, (1) increases in the amount and risk of collectibility of uninsured accounts and deductibles and copayment amounts for insured accounts, (2) the ability to achieve operating and financial targets and achieve expected levels of patient volumes and control the costs of providing services, (3) possible changes in the Medicare, Medicaid and other state programs that may impact reimbursements to health care providers and insurers, (4) the highly competitive nature of the health care business, (5) changes in revenue mix and the ability to enter into and renew managed care provider agreements on acceptable terms, (6) the efforts of insurers, health care providers and others to contain health care costs, (7) the outcome of our continuing efforts to monitor, maintain and comply with appropriate laws, regulations, policies and procedures and our corporate integrity agreement with the government, (8) changes in federal, state or local regulations affecting the health care industry, (9) the ability to attract and retain qualified management and personnel, including affiliated physicians, nurses and medical support personnel, (10) the outcome of governmental investigations by the United States Attorney for the Southern District of New York and the Securities and Exchange Commission (the "SEC"), (11) the outcome of certain class action and derivative litigation filed with respect to us, (12) the impact of our charity care and uninsured discounting policies, (13) the possible enactment of federal or state health care reform, (14) the increased leverage resulting from the financing of our modified "Dutch" auction tender offer, (15) the availability and terms of capital to fund the expansion of our business, (16) our ability to successfully consummate the hospital divestitures to LifePoint Hospitals Inc. on a timely basis and in accordance with the definitive agreement, (17) the continuing impact of hurricanes on our facilities and the ability to obtain recoveries under our insurance policies, (18) fluctuations in the market value of our common stock, (19) changes in accounting practices, (20) changes in general economic conditions, (21) future divestitures which may result in charges, (22) changes in business strategy or development plans, (23) delays in receiving payments for services provided, (24) the outcome of pending and any future tax audits, appeals and litigation associated with our tax positions, (25) potential liabilities and other claims that may be asserted against us, (26) the ability to develop and implement the payroll and human resources information systems within the expected time and cost projections and, upon implementation, to realize the expected benefits and efficiencies, and (27) other risk factors described in this annual report. As a consequence, current plans, anticipated actions and future financial position and results may differ from those expressed in any forward-looking statements made by or on behalf of HCA. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this report.

2005 Operations Summary

Net income totaled $1.424 billion, or $3.19 per diluted share, for the year ended December 31, 2005 compared to $1.246 billion, or $2.58 per diluted share, for the year ended December 31, 2004. The 2005 results include gains on sales of facilities of $78 million, or $0.08 per diluted share, reductions to estimated professional liability reserves of $83 million, or $0.12 per diluted share, a favorable tax settlement of $48 million, or $0.11 per diluted share, and a tax benefit of $24 million, or $0.05 per diluted share, related to the repatriation of foreign earnings. During 2005, we incurred expenses, net of recoveries, associated with hurricanes of $60 million, or $0.08 per diluted share. The 2004 results include a favorable change in the estimated provision for doubtful accounts totaling $46 million, or $0.06 per diluted share, based upon refinements to the allowance for doubtful accounts estimation process related to estimated recoveries associated with Medicare copays and deductibles and collection agency placements, and a $59 million, or $0.07 per diluted share, reduction to the estimated professional liability reserves. During 2004, we incurred expenses, net of recoveries, associated with hurricanes of $40 million, or $0.05 per diluted share, and recognized an asset impairment charge of $12

million, or $0.02 per diluted share. We repurchased 36.7 million shares of our common stock during the fourth quarter of 2005 and 62.9 million shares of our common stock during the fourth quarter of 2004. Shares used for diluted earnings per share for the year ended December 31, 2005 were 445.8 million shares, compared to 483.7 million shares for the year ended December 31, 2004.

Same facility revenue per equivalent admission increased 3.2% for the year ended December 31, 2005 compared to the year ended December 31, 2004. Our uninsured discount policy, which became effective January 1, 2005, resulted in $756 million in same facility discounts to the uninsured being recorded during 2005. Adjusting for the effect of the uninsured discounts, same facility revenue per equivalent admission increased 6.5% for the year ended December 31, 2005 compared to the year ended December 31, 2004. See "Supplemental Non-GAAP Disclosures, Operating Measures Adjusted for the Impact of Discounts for the Uninsured."

During the year ended December 31, 2005, same facility admissions increased 0.1%, compared to the year ended December 31, 2004. Same facility inpatient surgeries increased 0.9% and same facility outpatient surgeries increased 0.3% during the year ended December 31, 2005 compared to the year ended December 31, 2004.

For the year ended December 31, 2005, the provision for doubtful accounts declined to 9.6% of revenues from 11.4% of revenues for the year ended December 31, 2004. Adjusting for the effect of the uninsured discounts, the provision for doubtful accounts for the year ended December 31, 2005 was 12.4% of revenues. Same facility uninsured admissions increased 9.5% and same facility uninsured emergency room visits increased 11.0% for the year ended December 31, 2005 compared to the year ended December 31, 2004.

Business Strategy

We are committed to providing the communities we serve high quality, cost-effective, health care while maintaining consistency with our ethics and compliance program, governmental regulations and guidelines, and industry standards. As a part of this strategy, management focuses on the following areas:

- *Commitment to the care and improvement of human life:* Our foundation is built on putting patients first and providing quality health care services in the communities we serve. We continue to increase efforts and funding for our patient safety agenda. Management believes patient outcomes will increasingly influence physician and patient choices concerning health care delivery.

- *Commitment to ethics and compliance:* We are committed to a corporate culture highlighted by the following values – compassion, honesty, integrity, fairness, loyalty, respect and kindness. Our comprehensive ethics and compliance program reinforces our dedication to these values.

- *Focus on core communities:* We strive to maintain market-leading positions in large, growing urban and suburban communities, primarily in the Southern and Western regions of the United States. Effective January 1, 2006, we reorganized our operations management to create a third operating group and created smaller, more focused divisions and markets, along with market-based service line strategies.

- *Physician recruitment and retention:* We recruit and work to retain both primary care physicians and specialists by strategically employing them or providing incentives for them to establish a practice or join an existing practice where there is a community need and providing support to build their practices. We use joint ventures with physicians in both our outpatient diagnostic centers and our freestanding surgery centers. In certain situations, we extend professional liability insurance coverage to physicians on our medical staffs through our wholly-owned insurance subsidiary. We also develop medical office buildings to provide convenient facilities for physicians to locate their practices and serve the needs of their patients.

- *Becoming the health care employer of choice:* We use a number of industry-leading practices to help ensure our hospitals are a health care employer of choice in their communities. Labor initiatives provide strategies to the hospitals for recruiting, compensation and productivity, and include various leadership and career development programs. An internal contract labor agency provides improved quality and reduces costs.

- *Continuing to strive for operational excellence:* Our group purchasing organization achieves pricing efficiencies through purchasing and supply contracts. We use a shared services model to process revenue and accounts receivable through regional patient accounting service centers. We have increased our focus on providing outpatient services with improved accessibility and more convenient service for patients and increased predictability and efficiency for physicians. As part of this focus, we may buy or build outpatient facilities to improve our market presence.

- *Allocating capital to strategically complement our operational strategy and enhance stockholder value:* Our capital spending is intended to increase bed capacity, provide new or expanded services in existing facilities, maintain or replace equipment and renovate existing facilities or construct replacement facilities. We also selectively evaluate acquisitions that may complement our strategies in existing or new markets. Capital may also be allocated to take advantage of opportunities such as repayment of indebtedness, stock repurchases and payment of dividends.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities and the reported amounts of revenues and expenses. Our estimates are based on historical experience and various other assumptions that we believe are reasonable under the circumstances. We evaluate our estimates on an ongoing basis and make changes to the estimates and related disclosures as experience develops or new information becomes known. Actual results may differ from these estimates.

We believe that the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenues

Revenues are recorded during the period the health care services are provided, based upon the estimated amounts due from payers. Estimates of contractual allowances under managed care health plans are based upon the payment terms specified in the related contractual agreements. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The estimated reimbursement amounts are made on a payer-specific basis and are recorded based on the best information available regarding management's interpretation of the applicable laws, regulations and contract terms. Management continually reviews the contractual estimation process to consider and incorporate updates to laws and regulations and the frequent changes in managed care contractual terms that result from contract renegotiations and renewals. We have invested significant resources to refine and improve the computerized billing system and the information system data used to make contractual allowance estimates. We have developed standardized calculation processes and related training programs to improve the utility of the patient accounting systems.

The Emergency Medical Treatment and Active Labor Act ("EMTALA") requires any hospital that participates in the Medicare program to conduct an appropriate medical screening examination of every person who presents to the hospital's emergency room for treatment and, if the individual is suffering from an emergency medical condition, to either stabilize that condition or make an appropriate transfer of the individual to a facility that can handle the condition. The obligation to screen and stabilize emergency medical conditions exists regardless of an individual's ability to pay for treatment. Federal and state laws and regulations, including but not limited to EMTALA, require, and our commitment to providing quality patient care encourages, the provision of services to patients who are financially unable to pay for the health care services they receive.

We do not pursue collection of amounts related to patients who meet the Company's guidelines to qualify as charity care; therefore, they are not reported in revenues. The revenues associated with uninsured patients who do not meet our guidelines to qualify as charity care have generally been reported in revenues at gross charges. Patients treated at our hospitals for nonelective care, who have income at or below 200% of the federal poverty level, are eligible for charity care. The federal poverty level is established by the federal government and is based on income and family size. On January 1, 2005, we modified our policies to provide discounts to uninsured patients who do not qualify for Medicaid or charity care. These discounts are similar to those provided to many local managed care plans.

Due to the complexities involved in the classification and documentation of health care services authorized and provided, the estimation of revenues earned and the related reimbursement are often subject to interpretations that could result in payments that are different from our estimates. A hypothetical 1% change in net receivables that are subject to contractual discounts at December 31, 2005 would result in an impact on pretax earnings of approximately $29 million.

Provision for Doubtful Accounts and the Allowance for Doubtful Accounts

The collection of outstanding receivables from Medicare, managed care payers, other third-party payers and patients is our primary source of cash and is critical to our operating performance. The primary collection risks relate to uninsured patient accounts, including patient accounts for which the primary insurance carrier has paid the amounts covered by the applicable agreement, but patient responsibility amounts (deductibles and copayments) remain outstanding. The provision for doubtful accounts and the allowance for doubtful accounts relate primarily to amounts due directly from patients. An estimated allowance for doubtful accounts is recorded for all uninsured accounts, regardless of the aging of those accounts. Accounts are written off when all reasonable internal and external collection efforts have been performed. We consider the return of an account from the primary external collection agency to be the culmination of our reasonable collection efforts and the timing basis for writing off the account balance. Writeoffs are based upon specific identification and the writeoff process requires a writeoff adjustment entry to the patient accounting system. We do not pursue collection of amounts related to patients that meet our guidelines to qualify as charity care. Charity care is not reported in revenues and does not have an impact on the provision for doubtful accounts.

The amount of the provision for doubtful accounts is based upon management's assessment of historical writeoffs and expected net collections, business and economic conditions, trends in federal, state, and private employer health care coverage and other collection indicators. Management relies on the results of detailed reviews of historical writeoffs and recoveries at facilities that represent a majority of our revenues and accounts receivable (the "hindsight analysis") as a primary source of information in estimating the collectibility of our accounts receivable. We perform the hindsight analysis quarterly, utilizing rolling twelve-month accounts receivable collection and writeoff data. At December 31, 2005, the allowance for doubtful accounts represented approximately 85% of the $3.404 billion patient due accounts receivable balance, including accounts, net of the related estimated contractual discounts, related to patients for which eligibility for Medicaid assistance or charity was being evaluated ("pending Medicaid accounts"). At December 31, 2004, the allowance for doubtful accounts represented approximately 87% of the $3.382 billion patient due accounts receivable balance, including pending Medicaid accounts, net of the related estimated contractual discounts (the December 31, 2004 allowance for doubtful accounts represented approximately 78% of the $3.762 billion patient due accounts receivable balance, including pending Medicaid accounts, but excluding the related estimated contractual discounts). The provision for doubtful accounts decreased to 9.6% of revenues for 2005, from 11.4% of revenues for 2004 and from 10.1% of revenues in 2003. Our uninsured discount policy, which became effective January 1, 2005, resulted in $769 million in discounts to the uninsured being recorded during 2005. Adjusting for the effect of the uninsured discounts, the provision for doubtful accounts increased to 12.4% of revenues for the year ended December 31, 2005. See "Supplemental Non-GAAP Disclosures, Operating Measures Adjusted for the Impact of Discounts for the Uninsured." Days revenues in accounts receivable were 50 days, 48 days and 52 days at December 31, 2005, 2004 and 2003, respectively. Management expects a continuation of the challenges related to the collection of the patient due accounts. Adverse changes in general economic conditions, patient accounting service center operations, payer mix, or trends in federal, state, and private employer health care coverage could affect the collection of accounts receivable, cash flows and results of operations.

The approximate breakdown of accounts receivable by payer classification as of December 31, 2005 and 2004 is set forth in the following table:

	% of Accounts Receivable		
	Under 91 Days	**91 — 180 Days**	**Over 180 Days**
Accounts receivable aging at December 31, 2005:			
Medicare and Medicaid	13%	2%	2%
Managed care and other insurers	21	4	4
Uninsured	21	11	22
Total	55%	17%	28%
Accounts receivable aging at December 31, 2004:			
Medicare and Medicaid	11%	1%	2%
Managed care and other insurers	20	3	1
Uninsured	22	13	27
Total	53%	17%	30%

The decline in uninsured accounts receivable from 62% of total accounts receivable at December 31, 2004 to 54% of total accounts receivable at December 31, 2005 can be primarily attributed to the reductions in uninsured accounts receivable amounts related to the uninsured discount program that was implemented January 1, 2005.

Investments of Insurance Subsidiary — Other-than-temporary Impairment Considerations

Our wholly-owned insurance subsidiary holds debt and equity security investments having an aggregate fair value of $2.384 billion at December 31, 2005. The fair value of the investment securities is generally based on quoted market prices. The investment securities are held for the purpose of providing the funding source to pay professional liability claims covered by the insurance subsidiary. Management's assessment each quarter of whether a decline in fair value is temporary or other-than-temporary involves multiple subjective judgments, often involves estimating the outcome of future events, and requires a significant level of professional judgment in determining whether factors exist that indicate an impairment has occurred. Management evaluates, among other things, the financial position and near term prospects of the issuer, conditions in the issuer's industry, liquidity of the investment, changes in the amount or timing of expected future cash flows from the investment, and recent downgrades of the issuer by a rating agency to determine if, and when, a decline in the fair value of an investment below amortized cost is considered other-than-temporary. The length of time and extent to which the fair value of the investment is less than amortized cost and the ability and intent to retain the investment to allow for any anticipated recovery of the investment's fair value are important components of management's investment securities evaluation process. There were no other-than-temporary declines in fair value during 2003, 2004, or 2005 and at December 31, 2005, the insurance subsidiary's investment security portfolio had unrealized gains of $193 million and unrealized losses of $9 million.

Professional Liability Claims

We, along with virtually all health care providers, operate in an environment with professional liability risks. A substantial portion of our professional liability risks is insured through a wholly-owned insurance subsidiary. Reserves for professional liability risks were $1.621 billion and $1.593 billion at December 31, 2005 and December 31, 2004, respectively. The current portion of these reserves, $285 million and $310 million at December 31, 2005 and 2004, respectively, is included in "other accrued expenses." Obligations covered by reinsurance contracts are included in the reserves for professional liability risks, as the insurance subsidiary remains liable to the extent that reinsurers do not meet their obligations. Reserves for professional liability risks (net of $43 million and $79 million receivable under reinsurance contracts at December 31, 2005 and 2004, respectively) were $1.578 billion and $1.514 billion at December 31, 2005 and 2004, respectively. Reserves and provisions for professional liability risks are based upon actuarially determined estimates. The independent actuaries' estimated reserve ranges, net of amounts receivable under reinsurance contracts, were $1.373 billion to $1.589 billion at December 31, 2005 and $1.296 billion to $1.530 billion at December 31, 2004. Reserves for professional liability risks represent the estimated ultimate cost of all reported and unreported losses incurred through the respective consolidated balance sheet dates. The reserves are estimated using individual case-basis valuations and actuarial analyses. Those estimates are subject to the effects of trends in loss severity and frequency. The estimates are continually reviewed and adjustments are recorded as experience develops or new information becomes known.

The reserves for professional liability risks cover approximately 3,300 and 3,500 individual claims at December 31, 2005 and 2004, respectively, and estimates for unreported potential claims. The time period required to resolve these claims can vary depending upon the jurisdiction and whether the claim is settled or litigated. The estimation of the timing of payments beyond a year can vary significantly. Changes to the estimated reserve amounts are included in current operating results. Due to the considerable variability that is inherent in such estimates, there can be no assurance that the ultimate liability will not exceed management's estimates.

Provisions for losses related to professional liability risks were $298 million, $291 million and $380 million for the years ended December 31, 2005, 2004 and 2003, respectively. The Company recognized reductions in its estimated professional liability insurance reserves of $83 million pretax, or $0.12 per diluted share, during 2005. Results of operations for 2004 included a reduction in estimated professional liability reserves of $59 million pretax, or $0.07 per diluted share. The malpractice reserve reductions in 2005 and 2004

reflect the recognition by our external actuaries of improving frequency and severity claim trends at HCA. This improving frequency and moderating severity can be primarily attributed to tort reforms enacted in key states, particularly Texas, and our risk management and patient safety initiatives, particularly in the areas of obstetrics and emergency services.

Income Taxes

We calculate our provision for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized by identifying the temporary differences that arise from the recognition of items in different periods for tax and accounting purposes. Deferred tax assets generally represent the tax effects of amounts expensed in our income statement for which tax deductions will be claimed in future periods.

Although we believe that we have properly reported taxable income and paid taxes in accordance with applicable laws, federal and state taxing authorities may challenge our tax positions upon audit. To reflect the possibility that our positions may not ultimately be sustained, we have established, and when appropriate adjust, provisions for potential adverse tax outcomes, based on our evaluation of the underlying facts and circumstances. Final audit results may vary from our estimates.

Results of Operations

Revenue/Volume Trends

Our revenues depend upon inpatient occupancy levels, the ancillary services and therapy programs ordered by physicians and provided to patients, the volume of outpatient procedures and the charge and negotiated payment rates for such services. Gross charges typically do not reflect what our facilities are actually paid. Our facilities have entered into agreements with third-party payers, including government programs and managed care health plans, under which the facilities are paid based upon the cost of providing services, predetermined rates per diagnosis, fixed per diem rates or discounts from gross charges.

Revenues increased 4.1% to $24.455 billion for the year ended December 31, 2005 from $23.502 billion for the year ended December 31, 2004 and increased 7.8% for the year ended December 31, 2004 from $21.808 billion for the year ended December 31, 2003. The increase in revenues in 2005 can be attributed to a 0.9% increase in equivalent admissions and a 3.1% increase in revenue per equivalent admission compared to the prior year. Our uninsured discount policy, which became effective January 1, 2005, resulted in $769 million in discounts to the uninsured being recorded during 2005. Adjusting for the effect of the uninsured discounts, revenue per equivalent admission increased 6.3% in the year ended December 31, 2005 compared to the year ended December 31, 2004. See "Supplemental Non-GAAP Disclosures, Operating Measures Adjusted for the Impact of Discounts for the Uninsured." The increase in revenues in 2004 can be primarily attributed to a 1.3% increase in same facility equivalent admissions and a 6.0% increase in same facility revenue per equivalent admission compared to the prior year. For the year ended December 31, 2004, 89.8% of the $1.694 billion increase in revenues, compared to the year ended December 31, 2003, was related to the increase in same facility revenues and the remaining 10.2% of the increase related to acquired facilities.

Same facility admissions increased 0.1% in 2005 compared to 2004 and increased 0.7% in 2004 compared to 2003. Same facility inpatient surgeries increased 0.9% and same facility outpatient surgeries increased 0.3% during 2005 compared to 2004. Same facility inpatient surgeries increased 2.2% and same facility outpatient surgeries increased 1.4% during 2004 compared to 2003. Same facility emergency room visits increased 4.8% during 2005 compared to 2004 and increased 0.2% during 2004 compared to 2003.

Admissions related to Medicare, Medicaid, managed Medicaid, managed care and other insurers and the uninsured for the years ended December 31, 2005, 2004 and 2003 are set forth below.

	Years Ended December 31,		
	2005	**2004**	**2003**
Medicare	**38%**	39%	39%
Medicaid	**10**	10	13
Managed Medicaid	**5**	4	(a)
Managed care and other insurers	**42**	42	44
Uninsured	**5**	5	4
	100%	100%	100%

(a) Prior to 2004, managed Medicaid admissions were classified as either Medicaid or managed care.

Same facility uninsured emergency room visits increased 11.0% and same facility uninsured admissions increased 9.5% during 2005 compared to 2004. Same facility uninsured emergency room visits increased 7.6% and same facility uninsured admissions increased 9.7% during 2004 compared to 2003. Management cannot predict whether the current trends in same facility emergency room visits and same facility uninsured admissions will continue.

Several factors negatively affected patient volumes in 2005. Unit closures and changes in Medicare admission guidelines led to reductions in rehabilitation and skilled nursing admissions. Cardiac admissions have been affected by competition from physician-owned heart hospitals and credentialing decisions made at some of our Florida hospitals. More stringent enforcement of case management guidelines led to certain patient services being classified as outpatient observation visits instead of one-day admissions. We plan to increase physician recruitment, increase available medical office building space on or near our campuses, and continue capital spending devoted to both maintenance of technology and facilities and growth and expansion programs. Effective January 1, 2006, we reorganized our operations management to create a third operating group and created smaller, more focused divisions and markets, along with market-based service line strategies.

At December 31, 2005, we owned and operated 40 hospitals and 28 surgery centers in the state of Florida. Our Florida facilities' revenues totaled $6.276 billion and $6.036 billion for the years ended December 31, 2005 and 2004, respectively. At December 31, 2005, we owned and operated 34 hospitals and 23 surgery centers in the state of Texas. Our Texas facilities' revenues totaled $5.900 billion and $5.771 billion for the years ended December 31, 2005 and 2004, respectively.

Revenues related to Medicare operating outlier cases for the years ended December 31, 2005, 2004 and 2003, respectively, were $148 million, $124 million and $221 million. These amounts represent 2.2%, 1.9% and 3.7% of Medicare revenues and 0.6%, 0.5% and 1.0% of total revenues for the years ended December 31, 2005, 2004 and 2003, respectively. There can be no assurances that we will continue to receive these levels of Medicare outlier payments in future periods.

We provided $1.138 billion, $926 million and $821 million of charity care during the years ended December 31, 2005, 2004 and 2003, respectively. On January 1, 2005, we modified our policies to provide a discount to uninsured patients who do not qualify for Medicaid or charity care. These discounts are similar to those provided to many local managed care plans and totaled $769 million for the year ended December 31, 2005.

We receive a significant portion of our revenues from government health programs, principally Medicare and Medicaid, which are highly regulated and subject to frequent and substantial changes. Legislative changes have resulted in limitations and even reductions in levels of payments to health care providers for certain services under these government programs.

The approximate percentages of our inpatient revenues related to Medicare, Medicaid, managed Medicaid, managed care plans and other insurers and the uninsured for the years ended December 31, 2005, 2004 and 2003 are set forth below.

	Years Ended December 31,		
	2005	**2004**(a)	**2003**
Medicare	**36%**	37%	38%
Medicaid	**7**	6	8
Managed Medicaid	**3**	3	(a)
Managed care and other insurers	**49**	48	48
Uninsured(b)	**5**	6	6
	100%	100%	100%

(a) Prior to 2004, managed Medicaid revenues were classified as either Medicaid or managed care and certain 2004 amounts have been reclassified to conform to the 2005 presentation.

(b) Uninsured revenues for the year ended December 31, 2005 were reduced due to discounts to the uninsured, related to the uninsured discount program implemented January 1, 2005.

Operating Results Summary

The following are comparative summaries of net income for the years ended December 31, 2005, 2004 and 2003 (dollars in millions, except per share amounts):

	2005		2004		2003	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Revenues	**$ 24,455**	**100.0**	$ 23,502	100.0	$ 21,808	100.0
Salaries and benefits	**9,928**	**40.6**	9,419	40.1	8,682	39.8
Supplies	**4,126**	**16.9**	3,901	16.6	3,522	16.2
Other operating expenses	**4,039**	**16.5**	3,797	16.0	3,676	16.8
Provision for doubtful accounts	**2,358**	**9.6**	2,669	11.4	2,207	10.1
Gains on investments	**(53)**	**(0.2)**	(56)	(0.2)	(1)	–
Equity in earnings of affiliates	**(221)**	**(0.9)**	(194)	(0.8)	(199)	(0.9)
Depreciation and amortization	**1,374**	**5.6**	1,250	5.3	1,112	5.1
Interest expense	**655**	**2.7**	563	2.4	491	2.3
Gains on sales of facilities	**(78)**	**(0.3)**	–	–	(85)	(0.4)
Impairment of long-lived assets	**–**	**–**	12	0.1	130	0.6
Government settlement and investigation related costs	**–**	**–**	–	–	(33)	(0.2)
	22,128	**90.5**	21,361	90.9	19,502	89.4
Income before minority interests and income taxes	**2,327**	**9.5**	2,141	9.1	2,306	10.6
Minority interests in earnings of consolidated entities	**178**	**0.7**	168	0.7	150	0.7
Income before income taxes	**2,149**	**8.8**	1,973	8.4	2,156	9.9
Provision for income taxes	**725**	**3.0**	727	3.1	824	3.8
Net income	**$ 1,424**	**5.8**	$ 1,246	5.3	$ 1,332	6.1
Earnings per share:						
Basic earnings per share	**$ 3.25**		$ 2.62		$ 2.66	
Diluted earnings per share	**$ 3.19**		$ 2.58		$ 2.61	
% changes from prior year:						
Revenues	**4.1%**		7.8%		10.5%	
Income before income taxes	**9.0**		(8.5)		48.2	
Net income	**14.2**		(6.5)		59.9	
Basic earnings per share	**24.0**		(1.5)		63.2	
Diluted earnings per share	**23.6**		(1.1)		64.2	
Admissions(a)	**(0.7)**		1.5		3.3	
Equivalent admissions(b)	**0.9**		2.0		2.8	
Revenue per equivalent admission	**3.1**		5.6		7.5	
Same facility % changes from prior year(c):						
Revenues	**4.7**		7.3		7.6	
Admissions(a)	**0.1**		0.7		0.6	
Equivalent admissions(b)	**1.4**		1.3		–	
Revenue per equivalent admission	**3.2**		6.0		7.5	

(a) Represents the total number of patients admitted to our hospitals and is used by management and certain investors as a general measure of inpatient volume.
(b) Equivalent admissions are used by management and certain investors as a general measure of combined inpatient and outpatient volume. Equivalent admissions are computed by multiplying admissions (inpatient volume) by the sum of gross inpatient revenue and gross outpatient revenue and then dividing the resulting amount by gross inpatient revenue. The equivalent admissions computation "equates" outpatient revenue to the volume measure (admissions) used to measure inpatient volume resulting in a general measure of combined inpatient and outpatient volume. Equivalent admissions for 2004 were reclassified to conform to the 2005 presentation.
(c) Same facility information excludes the operations of hospitals and their related facilities that were either acquired or divested during the current and prior year.

Supplemental Non-GAAP Disclosures
Operating Measures Adjusted for the Impact of Discounts for the Uninsured

(Dollars in millions, except revenue per equivalent admission)

The results of operations for the year ended December 31, 2005, adjusted for the impact of our uninsured discount policy, are presented below:

	Year Ended December 31, 2005					
	Reported GAAP(a) Amounts	Uninsured Discounts Adjustment(b)	Non-GAAP Adjusted Amounts(c)	GAAP % of Revenues		Non-GAAP % of Adjusted Revenues
				2005	2004	2005
Revenues	$ 24,455	$ 769	$ 25,224	100.0%	100.0%	100.0%
Salaries and benefits	9,928	—	9,928	40.6	40.1	39.4
Supplies	4,126	—	4,126	16.9	16.6	16.4
Other operating expenses	4,039	—	4,039	16.5	16.0	15.9
Provision for doubtful accounts	2,358	769	3,127	9.6	11.4	12.4
Admissions	1,647,800		1,647,800			
Equivalent admissions	2,476,600		2,476,600			
Revenue per equivalent admission	$ 9,874		$ 10,185			
% change from prior year	3.1%		6.3%			
Same Facility(d):						
Revenues	$ 23,686	$ 756	$ 24,442			
Admissions	1,610,800		1,610,800			
Equivalent admissions	2,409,800		2,409,800			
Revenue per equivalent admission	$ 9,829		$ 10,143			
% change from prior year	3.2%		6.5%			

(a) Generally accepted accounting principles ("GAAP").

(b) Represents the impact of the discounts for the uninsured for the period. On January 1, 2005, we modified our policies to provide discounts to uninsured patients who do not qualify for Medicaid or charity care. These discounts are similar to those provided to many local managed care plans. In implementing the discount policy, we first attempt to qualify uninsured patients for Medicaid, other federal or state assistance or charity care. If an uninsured patient does not qualify for these programs, the uninsured discount is applied.

(c) Revenues, the provision for doubtful accounts, certain operating expense categories as a percentage of revenues and revenue per equivalent admission have been adjusted to exclude the discounts under our uninsured discount policy (non-GAAP financial measures). We believe these non-GAAP financial measures are useful to investors and provide disclosures of our results of operations on the same basis as that used by management. Management uses this information to compare revenues, the provision for doubtful accounts, certain operating expense categories as a percentage of revenues and revenue per equivalent admission for periods prior and subsequent to the January 1, 2005 implementation of the uninsured discount policy. Management finds this information to be useful to enable the evaluation of revenue and certain expense category trends that are influenced by patient volumes and are generally analyzed as a percentage of net revenues. These non-GAAP financial measures should not be considered an alternative to GAAP financial measures. We believe this supplemental information provides management and the users of our financial statements with useful information for period-to-period comparisons. Investors are encouraged to use GAAP measures when evaluating our overall financial performance.

(d) Same facility information excludes the operations of hospitals and their related facilities which were either acquired, divested or removed from service during the current and prior period.

Years Ended December 31, 2005 and 2004

Net income increased 14.2%, from $1.246 billion, or $2.58 per diluted share, for the year ended December 31, 2004 to $1.424 billion, or $3.19 per diluted share, for the year ended December 31, 2005. Financial results for 2005 include gains on sales of facilities of $78 million, or $0.08 per diluted share, reductions to estimated professional liability reserves of $83 million, or $0.12 per diluted share, an adverse financial impact from hurricanes of $60 million, or $0.08 per diluted share, a tax benefit of $24 million, or $0.05 per diluted share, related to the repatriation of foreign earnings, and a favorable tax settlement of $48 million, or $0.11 per diluted share, related to the divestures in 1998 and 2001 of certain noncore business units. The 2004 results include a favorable change in the estimated provision for doubtful accounts totaling $46 million, or $0.06 per diluted share, based upon refinements to our allowance for doubtful accounts estimation process, a $59 million reduction, or $0.07 per diluted share, to estimated professional liability reserves, an adverse financial impact from hurricanes of $40 million, or $0.05 per diluted share, and an impairment of long-lived assets of $12 million, or $0.02 per diluted share.

Revenues increased 4.1% to $24.455 billion for the year ended December 31, 2005 compared to $23.502 billion for the year ended December 31, 2004. The increase in revenues was due to a 0.9% increase in equivalent admissions and 3.1% increase in revenue per equivalent admission. Adjusting for the effect of the uninsured discount policy, revenues increased 7.3% for the year ended December 31, 2005 compared to 2004. For the year ended December 31, 2005, admissions decreased 0.7% and same facility admissions increased by 0.1% compared to 2004. Outpatient surgical volumes increased 0.2% and increased 0.3% on a same facility basis in 2005 compared to 2004.

Salaries and benefits, as a percentage of revenues, were 40.6% in 2005 and 40.1% in 2004. Adjusting for the effect of the uninsured discount policy, salaries and benefits were 39.4% of revenues for the year ended December 31, 2005. Labor rate increases averaged approximately 4.2% for the year ended December 31, 2005.

Supply costs increased, as a percentage of revenues, to 16.9% for the year ended December 31, 2005 from 16.6% for the year ended December 31, 2004. Adjusting for the effect of the uninsured discount policy, supplies were 16.4% of revenues for the year ended December 31, 2005. During 2005, general supply cost trends included a more stable pricing environment for medical devices and pharmacy items and a stabilization in usage rates for drug-eluting stents.

Other operating expenses (primarily consisting of contract services, professional fees, repairs and maintenance, rents and leases, utilities, insurance and nonincome taxes), as a percentage of revenues, increased to 16.5% in 2005 from 16.0% in 2004. Adjusting for the effect of the uninsured discount policy, other operating expenses were 15.9% of revenues for the year ended December 31, 2005.

The provision for doubtful accounts, as a percentage of revenues, declined to 9.6% for the year ended December 31, 2005 from 11.4% for the year ended December 31, 2004. Adjusting for the effect of the uninsured discount policy, the provision for doubtful accounts was 12.4% of revenues in the year ended December 31, 2005. The provision for doubtful accounts and the allowance for doubtful accounts relate primarily to uninsured amounts due directly from patients. The increase in the provision for doubtful accounts (adjusted for uninsured discounts), as a percentage of revenues, related to an increasing amount of patient financial responsibility under certain managed care plans, increases in uninsured emergency room visits of 9.9% and increases in uninsured admissions of 8.9% in 2005 compared to 2004. At December 31, 2005, the allowance for doubtful accounts represented approximately 85% of the $3.404 billion total patient due accounts receivable balance, including accounts, net of estimated contractual discounts, related to patients for which eligibility for Medicaid coverage was being evaluated.

Gains on investments for the year ended December 31, 2005 of $53 million consist primarily of net gains on investment securities held by our wholly-owned insurance subsidiary. Gains on investments for the year ended December 31, 2004 were $56 million. At December 31, 2005, we had net unrealized gains of $184 million on the insurance subsidiary's investment securities.

Equity in earnings of affiliates increased to $221 million for the year ended December 31, 2005 compared to $194 million for the year ended December 31, 2004. The increase was primarily due to an increase in profits at the Denver, Colorado market joint venture.

Depreciation and amortization increased, as a percentage of revenues, to 5.6% in the year ended December 31, 2005 from 5.3% in the year ended December 31, 2004. A portion of the increase is the result of additional depreciation expense of approximately $44 million being recorded during 2005 to correct accumulated depreciation at certain facilities and assure a consistent application of our accounting policy relative to certain short-lived medical equipment.

Interest expense increased to $655 million for the year ended December 31, 2005 from $563 million for the year ended December 31, 2004. The average debt balance was $9.828 billion for the year ended December 31, 2005 compared to $8.853 billion for the year ended December 31, 2004. The average interest rate for our long-term debt increased from 6.5% at December 31, 2004 to 7.0% at December 31, 2005.

During 2004, we closed San Jose Medical Center in San Jose, California, resulting in a pretax asset impairment charge of $12 million ($8 million after-tax).

Minority interests in earnings of consolidated entities increased to $178 million for the year ended December 31, 2005 compared to $168 million for the year ended December 31, 2004.

The effective tax rate was 33.8% in the year ended December 31, 2005 and 36.8% in the year ended December 31, 2004. During 2005, the effective tax rate was reduced due to a favorable tax settlement of $48 million related to the divestures of certain noncore business units in 1998 and 2001 and a tax benefit of $24 million related to the repatriation of foreign earnings. Excluding the effect of the combined $72 million of tax benefits, the effective tax rate for the year ended December 31, 2005 would have been 37.1%.

Years Ended December 31, 2004 and 2003

Net income decreased 6.5% from $1.332 billion, or $2.61 per diluted share, for the year ended December 31, 2003 to $1.246 billion, or $2.58 per diluted share, for the year ended December 31, 2004. The 2004 results include a favorable change in the estimated provision for doubtful accounts totaling $46 million, or $0.06 per diluted share, based upon refinements to the allowance for doubtful accounts estimation process related to estimated recoveries associated with Medicare copayments and deductibles and collection agency placements, a $59 million reduction, or $0.07 per diluted share, to the estimated professional liability reserves, an adverse financial impact from hurricanes of $40 million, or $0.05 per diluted share, an impairment of long-lived assets of $12 million, or $0.02 per diluted share, and a favorable $19 million, or $0.04 per diluted share, reduction in the effective income tax rate. The 2003 results include a favorable settlement with the federal government, net of investigation related costs, of $33 million, or $0.04 per diluted share, an asset impairment charge of $130 million, or $0.16 per diluted share, and gains on sales of facilities of $85 million, or $0.10 per diluted share.

In April 2003, we completed the acquisition of eleven hospitals in Kansas City. During the years ended December 31, 2004 and 2003, respectively, the acquired Kansas City hospitals produced revenues of $885 million and $698 million and losses before income taxes of $31 million and $35 million. The 2003 amounts include operations subsequent to the April 1, 2003 acquisition date.

Revenues increased 7.8% to $23.502 billion for the year ended December 31, 2004 from $21.808 billion for the year ended December 31, 2003. The increase was due to a 2.0% increase in equivalent admissions and an increase in revenue per equivalent admission of 5.6%. For the year ended December 31, 2004, admissions increased 1.5% and same facility admissions increased by 0.7% compared to 2003. Outpatient surgical volumes increased 2.5%, and increased 1.4% on a same facility basis.

Salaries and benefits, as a percentage of revenues, remained relatively flat at 40.1% in 2004 and 39.8% in 2003.

Supply costs increased, as a percentage of revenues, to 16.6% for the year ended December 31, 2004 from 16.2% for the year ended December 31, 2003. Supply costs continue to increase, particularly in the cardiac, orthopedic and pharmaceutical areas. Expenditures for drug-eluting stents increased from $49 million for 2003 to $137 million for 2004.

Other operating expenses (primarily consisting of contract services, professional fees, repairs and maintenance, rents and leases, utilities, insurance and nonincome taxes), as a percentage of revenues, decreased to 16.0% in 2004 from 16.8% in 2003. The decrease, as a percentage of revenues, is primarily due to reductions in the estimated provision for losses related to professional liability risks from $380 million for the year ended December 31, 2003 to $291 million for the year ended December 31, 2004. Other operating expenses were adversely affected during 2004 due to repairs and other miscellaneous expenses which resulted from the hurricanes and are estimated to have cost $18 million, net of insurance recoveries. Other operating expenses also tend to decrease, as a percentage of revenues, when revenue increases, because the majority of these expenses include significant fixed cost components.

The provision for doubtful accounts, as a percentage of revenues, increased to 11.4% for the year ended December 31, 2004 from 10.1% for the year ended December 31, 2003. The factors influencing this increase include increasing patient financial responsibilities and uninsured accounts, and a deterioration in the collectibility of these accounts. Management believes the increases in uninsured patients and deterioration in the collectibility of these accounts is caused by decreased medical benefits under certain plans, an increasing amount of patient financial responsibility under certain plans, high unemployment levels in certain of our markets, growing numbers of employed individuals choosing not to buy health insurance and reductions in Medicaid benefits in certain states.

Gains on investments for the year ended December 31, 2004 of $56 million consist primarily of net gains on investment securities held by our wholly-owned insurance subsidiary. Gains on investments for the year ended December 31, 2003 were $1 million. At December 31, 2004, we had net unrealized gains of $231 million on the insurance subsidiary's investment securities.

Equity in earnings of affiliates remained relatively flat and were $194 million for the year ended December 31, 2004 compared to $199 million for the year ended December 31, 2003.

Depreciation and amortization increased, as a percentage of revenues, to 5.3% in the year ended December 31, 2004 from 5.1% in the year ended December 31, 2003. The increase of $138 million of depreciation and amortization is the result of $6.1 billion of capital spending, including acquisitions, during the last three years.

Interest expense increased from $491 million for the year ended December 31, 2003 to $563 million

for the year ended December 31, 2004. Our average debt balance increased from $8.079 billion for the year ended December 31, 2003 to $8.853 billion for the year ended December 31, 2004. The average interest rate for our long-term debt increased from 6.4% at December 31, 2003 to 6.5% at December 31, 2004.

During 2004, we closed San Jose Medical Center in San Jose, California, resulting in a pretax charge of $12 million ($8 million after-tax). During 2003, we announced plans to discontinue activities associated with the internal development of a patient accounts receivable management system, resulting in a pretax charge of $130 million ($79 million after-tax).

During 2003, we recognized a pretax gain of $85 million ($49 million after-tax) on the sales of two leased hospitals and two consolidating hospitals, and a working capital settlement related to a sale completed in 2002.

Minority interests in earnings of consolidated entities increased to $168 million for the year ended December 31, 2004 compared to $150 million for the year ended December 31, 2003 due to improved operations during 2004 at our joint ventures.

The effective income tax rate was 36.8% in 2004 and 38.2% in 2003. Our effective tax rate was adjusted to reduce estimated state taxes in the fourth quarter of 2004, resulting in a tax expense reduction of $19 million, or $0.04 per diluted share.

Liquidity and Capital Resources

Cash provided by operating activities totaled $3.159 billion in 2005 compared to $2.954 billion in 2004 and $2.292 billion in 2003. Working capital totaled $1.320 billion at December 31, 2005 and $1.509 billion at December 31, 2004. Cash flows provided by operating activities include income tax benefits related to the exercise of employee stock options which increased from $31 million and $50 million for the years ended December 31, 2003 and 2004, respectively, to $163 million for the year ended December 31, 2005. The lower cash flow from operations in 2003 when compared to both 2005 and 2004 relates, primarily, to government settlement payments of $942 million made in 2003.

Cash used in investing activities was $1.681 billion, $1.688 billion and $2.862 billion in 2005, 2004 and 2003, respectively. Excluding acquisitions, capital expenditures were $1.592 billion in 2005, $1.513 billion in 2004 and $1.838 billion in 2003. We expended $126 million, $44 million and $908 million for acquisitions of hospitals and health care entities during 2005, 2004 and 2003, respectively. During April 2003, we completed the acquisition of the Health Midwest system in Kansas City. The aggregate cash paid at closing was $855 million. During 2005 and 2004, the cash used for acquisitions was generally for outpatient and ancillary services entities. Capital expenditures in all three years were funded by a combination of cash flows from operations and the issuance of debt. Annual planned capital expenditures are expected to approximate $1.9 billion in 2006. At December 31, 2005, there were projects under construction, which had an estimated additional cost to complete and equip over the next five years of $2.6 billion. We expect to finance capital expenditures with internally generated and borrowed funds. The sale of five hospitals was completed during the fourth quarter of 2005 and we received cash proceeds of approximately $260 million. We have entered into a definitive agreement with LifePoint Hospitals, Inc. ("LifePoint") for the sale of five hospitals for estimated proceeds of approximately $330 million. Pursuant to the terms of the agreement, the sale is to close on or prior to March 31, 2006. On March 10 and March 14, we received notification in writing from LifePoint asserting that certain conditions required for the closing of the sale transaction, including the issuance of final CONs authorizing the acquisition of the hospitals by LifePoint, cannot be satisfied by March 31, 2006. LifePoint has stated that it will not consummate the transaction unless all conditions have been satisfied. We disagree with LifePoint's assertions and are continuing to proceed toward closing. We intend to consider all available remedies in the event that LifePoint does not perform its obligations under the definitive agreement.

Cash flows used in financing activities totaled $1.400 billion in 2005 and $1.347 billion in 2004, compared to cash provided by financing activities of $650 million in 2003. During 2004 and 2003, we increased amounts outstanding under the Company's $1.75 billion revolving credit facility (the "Credit Facility"). We also accessed the public debt market to raise capital during 2003 and 2004. We received cash inflows of $943 million related to the exercise of employee stock options during 2005. During 2005, we repurchased 36.7 million shares of our common stock for a total cost of $1.856 billion. During 2004, we repurchased 77.4 million shares of our common stock for a total cost of $3.109 billion. During the second quarter of 2004, we increased our quarterly dividend payment from $0.02 per share to $0.13 per share. In January 2005, our Board of Directors approved an increase in our quarterly dividend from $0.13 per share to $0.15 per share. The Board declared the initial $0.15 per share dividend payable in the second quarter of 2005. In January 2006, our Board of Directors approved an increase in our quarterly dividend from $0.15 per share to $0.17 per share. The Board declared

the initial $0.17 per share dividend payable on June 1, 2006 to shareholders of record at May 1, 2006.

In addition to cash flows from operations, available sources of capital include amounts available under the Credit Facility ($1.218 billion as of December 31, 2005 and $1.056 billion as of February 15, 2006) and anticipated access to public and private debt markets.

Investments of our professional liability insurance subsidiary, to maintain statutory equity and pay claims, totaled $2.384 billion and $2.322 billion at December 31, 2005 and 2004, respectively. Claims payments, net of reinsurance recoveries, during the next twelve months are expected to approximate $260 million. Our wholly-owned insurance subsidiary has entered into certain reinsurance contracts, and the obligations covered by the reinsurance contracts are included in the reserves for professional liability risks, as the subsidiary remains liable to the extent that the reinsurers do not meet their obligations under the reinsurance contracts. To minimize our exposure to losses from reinsurer insolvencies, we evaluate the financial condition of our reinsurers and monitor concentrations of credit risk arising from similar activities or economic characteristics of the reinsurers. The amounts receivable related to the reinsurance contracts were $43 million and $79 million at December 31, 2005 and 2004, respectively.

Share Repurchase Activities

On October 14, 2005, we commenced a modified "Dutch" auction tender offer to purchase up to $2.500 billion of our common stock. In November 2005, we closed the tender offer and repurchased 28.7 million shares of our common stock for an aggregate price of $1.437 billion ($50.00 per share). The shares repurchased represented approximately 6% of our outstanding shares at the time of the tender offer. We also repurchased 8.0 million shares of our common stock for $412 million through open market purchases during the fourth quarter of 2005.

In October 2004, we announced the authorization of a modified "Dutch" auction tender offer to purchase up to $2.501 billion of our common stock. In November 2004, we closed the tender offer and repurchased 62 million shares of our common stock for an aggregate price of $2.466 billion ($39.75 per share). The shares repurchased represented approximately 13% of our outstanding shares at the time of the tender offer. We also repurchased 0.9 million shares of our common stock for $35 million through open market purchases which completed the $2.501 billion share repurchase authorization.

In April 2003, we announced an authorization to repurchase $1.5 billion of our common stock through open market purchases or privately negotiated transactions. During 2003, we repurchased under this authorization 25.3 million shares of its common stock for $900 million, through open market purchases. During 2004, we repurchased 14.5 million shares of our common stock for $600 million, through open market purchases, which completed this authorization.

In July 2002, we announced an authorization to repurchase up to 12 million shares of our common stock. During 2002, we made open market purchases of 6.2 million shares for $282 million. During 2003, we purchased 5.8 million shares for $214 million, through open market purchases, which completed the repurchases under this authorization.

During 2005, 2004 and 2003, the share repurchase transactions reduced stockholders' equity by $1.856 billion, $3.109 billion and $1.114 billion, respectively.

Financing Activities

Our revolving credit facility (the "Credit Facility") is a $1.75 billion agreement expiring November 2009. As of December 31, 2005, we had $475 million outstanding under the Credit Facility. As of December 31, 2005, interest is payable generally at either a spread to LIBOR, plus 0.4% to 1.0% (depending on our credit ratings), the prime lending rate or a competitive bid rate. The Credit Facility contains customary covenants which include (i) limitations on debt levels, (ii) limitations on sales of assets, mergers and changes of ownership, and (iii) maintenance of minimum interest coverage ratios. As of December 31, 2005, we were in compliance with all such covenants.

In February 2006, we issued $1.0 billion of 6.5% notes due February 2016. Proceeds from the notes were used to refinance amounts outstanding under an $800 million term loan entered into in November 2005 and to pay down amounts advanced under the Credit Facility.

In November 2005, in connection with our modified "Dutch" auction tender offer, we entered into a $1.0 billion credit agreement with several banks, which was scheduled to mature in May 2006. Under this agreement, we borrowed $800 million (the "2005 Term Loan"). Proceeds from the 2005 Term Loan were used to partially fund the repurchase of our common stock. The 2005 Term Loan contained a mandatory prepayment clause

which required us to prepay amounts outstanding after receiving proceeds from the issuance of debt or equity securities or from asset sales. Proceeds of $175 million from the sale of hospitals and a portion of the proceeds from the $1.0 billion 6.5% notes issued in February 2006 were used to repay the amounts outstanding under the 2005 Term Loan.

During the fourth quarter of 2004, in response to our 2004 tender offer to repurchase our common stock, Standard & Poor's downgraded our senior debt rating from BBB– to BB+ and Fitch Ratings downgraded our senior debt rating from BBB– to BB+. Moody's Investors Service downgraded our senior debt rating from Ba1 to Ba2.

During November 2004, we entered into a $2.5 billion credit agreement (the "2004 Credit Agreement") with several banks. The 2004 Credit Agreement consists of a $750 million amortizing term loan which matures in 2009 (the "2004 Term Loan") and the Credit Facility. Proceeds from the 2004 Term Loan were used to refinance a prior bank loan and for general corporate purposes.

During November 2004, we issued $500 million of 5.5% notes due December 1, 2009 and issued $750 million of 6.375% notes due January 15, 2015. Proceeds from the notes were used to repay amounts outstanding under the term loan entered into in connection with our 2004 tender offer.

During March 2004, we issued $500 million of 5.75% notes due March 15, 2014. The proceeds from the issuance were used to repay a portion of the amounts outstanding under our prior revolving credit facility and for general corporate purposes.

During November 2003, we issued $350 million of 5.25% notes due November 6, 2008 and issued $250 million of 7.5% notes due November 6, 2033. Proceeds from the notes were used to repay a portion of the amounts outstanding under a prior revolving credit facility.

In February 2003, we issued $500 million of 6.25% notes due February 15, 2013. In July 2003, we issued $500 million of 6.75% notes due July 15, 2013. The proceeds from both issuances were used to repay a portion of the amounts outstanding under a prior revolving credit facility and for general corporate purposes.

Management believes that cash flows from operations, amounts available under the Credit Facility and our anticipated access to public and private debt markets will be sufficient to meet expected liquidity needs during the next twelve months.

Contractual Obligations and Off-Balance Sheet Arrangements

As of December 31, 2005, maturities of contractual obligations and other commercial commitments are presented in the table below (dollars in millions):

	Payments Due by Period				
Contractual Obligations(a)	**Total**	**Current**	**2-3 years**	**4-5 years**	**After 5 years**
Long-term debt including interest, excluding the Credit Facility(b)	$ 17,065	$ 1,270	$ 2,476	$ 3,060	$ 10,259
Loans outstanding under the Credit Facility including interest(b)	594	31	62	501	–
Operating leases(c)	1,147	223	358	201	365
Purchase obligations(c)	16	3	6	5	2
Total contractual obligations	$ 18,822	$ 1,527	$ 2,902	$ 3,767	$ 10,626

	Commitment Expiration by Period				
Other Commercial Commitments Not Recorded on the Consolidated Balance Sheet	**Total**	**Current**	**2-3 years**	**4-5 years**	**After 5 years**
Letters of credit(d)	$ 70	$ 18	$ –	$ 52	$ –
Surety bonds(e)	71	69	2	–	–
Physician commitments(f)	46	41	5	–	–
Guarantees(g)	2	–	–	–	2
Total commercial commitments	$ 189	$ 128	$ 7	$ 52	$ 2

(a) We have not included obligations to pay estimated professional liability claims ($1.621 billion at December 31, 2005) in this table. The estimated professional liability claims are expected to be funded by the designated investment securities that are restricted for this purpose ($2.384 billion at December 31, 2005).

(b) Estimate of interest payments assumes that subsequent to December 31, 2005, there were no changes in interest rates, our credit ratings or associated borrowing spreads or foreign currency exchange rates.

(c) Future operating lease obligations and purchase obligations are not recorded in our consolidated balance sheet.

(d) Amounts relate primarily to instances in which we have letters of credit outstanding with insurance companies that issued workers compensation insurance policies to us in prior years. The letters of credit serve as security to the insurance companies for payment obligations retained by HCA.

(e) Amounts relate primarily to instances in which we have agreed to indemnify various commercial insurers who have provided surety bonds to cover damages for malpractice cases which were awarded to plaintiffs by the courts. These cases are currently under appeal and the bonds will not be released by the courts until the cases are closed.

(f) In consideration for physicians relocating to the communities in which our hospitals are located and agreeing to engage in private practice for the benefit of the respective communities, we make advances to physicians, normally over a period of one year, to assist in establishing the physicians' practices. The actual amount of these commitments to be advanced often depends upon the financial results of the physicians' private practices during the recruitment agreement payment period. The physician commitments reflected were estimated based on our historical amounts actually paid to physicians.

(g) We have entered into guarantee agreements related to certain leases.

Market Risk

HCA is exposed to market risk related to changes in market values of securities. The investments in debt and equity securities of our wholly-owned insurance subsidiary were $1.419 billion and $965 million, respectively, at December 31, 2005. These investments are carried at fair value with changes in unrealized gains and losses being recorded as adjustments to other comprehensive income. The fair value of investments is generally based on quoted market prices. If the insurance subsidiary were to experience significant declines in the fair value of its investments, this could require additional investment by the Company to allow the insurance subsidiary to satisfy its minimum capital requirements.

Management evaluates, among other things, the financial position and near term prospects of the issuer, conditions in the issuer's industry, liquidity of the investment, changes in the amount or timing of expected future cash flows from the investment, and recent downgrades of the issuer by a rating agency to determine if and when a decline in the fair value of an investment below amortized cost is considered "other-than-temporary." The length of time and extent to which the fair value of the investment is less than amortized cost and our ability and intent to retain the investment to allow for any anticipated recovery in the investment's fair value are important components of management's investment securities evaluation process. At December 31, 2005, we had a net unrealized gain of $184 million on the insurance subsidiary's investment securities.

HCA is also exposed to market risk related to changes in interest rates, and we periodically enter into interest rate swap agreements to manage our exposure to these fluctuations. Our interest rate swap agreements involve the exchange of fixed and variable rate interest payments between two parties, based on common notional principal amounts and maturity dates. The notional amounts and interest payments in these agreements match the cash flows of the related liabilities. The notional amounts of the swap agreements represent balances used to calculate the exchange of cash flows and are not our assets or liabilities. Any market risk or opportunity associated with these swap agreements is offset by the opposite market impact on the related debt. Our credit risk related to these agreements is considered low because the swap agreements are with creditworthy financial institutions. The interest payments under these agreements are settled on a net basis. These derivatives and the related hedged debt amounts have been recognized in the financial statements at their respective fair values.

With respect to our interest-bearing liabilities, approximately $3.125 billion of long-term debt at December 31, 2005 is subject to variable rates of interest, while the remaining balance in long-term debt of $7.350 billion at December 31, 2005 is subject to fixed rates of interest. Both the general level of U.S. interest rates and, for the 2004 Credit Agreement, our credit rating affects our variable interest rates. Our variable rate debt is comprised of amounts outstanding under the 2004 Credit Agreement and fixed rate notes on which interest rate swaps have been employed. The 2004 Credit Agreement consists of the Credit Facility, on which interest is payable generally at LIBOR plus 0.4% to 1.0%, and the 2004 Term Loan, on which interest is payable generally at LIBOR plus 0.5% to 1.25%. The fixed rate notes on which interest rate swaps have been employed have interest that is payable at LIBOR plus 1.39% to 2.39%. Due to increases in LIBOR, the average rate for our long-term debt increased from 6.5% at December 31, 2004 to 7.0% at December 31, 2005. The estimated fair value of our total long-term debt was $10.733 billion at December 31, 2005. The estimates of fair value are based upon the quoted market prices for the same or similar issues of long-term debt with the same maturities. Based on a hypothetical 1% increase in interest rates, the potential annualized reduction to future pretax earnings would be approximately $31 million. The impact of such a change in interest rates on the fair value of long-term debt would not be significant. The estimated changes to interest expense and the fair value of long-term debt are determined considering the impact of hypothetical interest rates on our borrowing cost and long-term debt balances. To mitigate the impact of fluctuations in interest rates, we generally target a portion of our debt portfolio to be maintained at fixed rates.

Foreign operations and the related market risks associated with foreign currency are currently insignificant to our results of operations and financial position.

Effects of Inflation and Changing Prices

Various federal, state and local laws have been enacted that, in certain cases, limit our ability to increase prices. Revenues for general, acute care hospital services rendered to Medicare patients are established under the federal government's prospective payment system. Total Medicare revenues approximated 27% in 2005 and 28% in both 2004 and 2003 of our total patient revenues.

Management believes that hospital industry operating margins have been, and may continue to be, under significant pressure because of changes in payer mix and growth in operating expenses in excess of the increase in prospective payments under the Medicare program. In addition, as a result of increasing regulatory and competitive pressures, our ability to maintain operating margins through price increases to non-Medicare patients is limited.

IRS Disputes

HCA is currently contesting before the Appeals Division of the Internal Revenue Service (the "IRS"), the United States Tax Court (the "Tax Court"), and the United States Court of Federal Claims, certain claimed deficiencies and adjustments proposed by the IRS in conjunction with its examinations of HCA's 1994-2002 federal income tax returns, Columbia Healthcare Corporation's ("CHC") 1993 and 1994 federal income tax returns, HCA-Hospital Corporation of America's ("Hospital Corporation of America") 1991 through 1993 federal income tax returns and Healthtrust, Inc. — The Hospital Company's ("Healthtrust") 1990 through 1994 federal income tax returns.

During 2003, the United States Court of Appeals for the Sixth Circuit affirmed a Tax Court decision received in 1996 related to the IRS examination of Hospital Corporation of America's 1987 through 1988 Federal income tax returns, in which the IRS contested the method that Hospital Corporation of America used to calculate its tax allowance for doubtful accounts. HCA filed a petition for review by the United States Supreme Court, which was denied in October 2004. Due to the volume and complexity of calculating the tax allowance for doubtful accounts, the IRS has not determined the amount of additional tax and interest that it may claim for taxable years after 1988. In December 2004, HCA made a deposit of $109 million for additional tax and interest, based on its estimate of amounts due for taxable periods through 1998.

Other disputed items include the deductibility of a portion of the 2001 government settlement payment, the timing of recognition of certain patient service revenues in 2000 through 2002, the method for calculating the tax allowance for uncollectible accounts in 2002, and the amount of insurance expense deducted in 1999 through 2002. The IRS has claimed an additional $776 million in income taxes, interest and penalties through December 31, 2005 with respect to these issues.

During February 2006, the IRS began an examination of HCA's 2003 through 2004 federal income tax returns. The IRS has not determined the amount of any additional income tax, interest and penalties that it may claim upon completion of this examination.

Management believes that adequate provisions have been recorded to satisfy final resolution of the disputed issues. Management believes that HCA, CHC, Hospital Corporation of America and Healthtrust properly reported taxable income and paid taxes in accordance with applicable laws and agreements established with the IRS during previous examinations and that final resolution of these disputes will not have a material adverse effect on the results of operations or financial position.

Report of Independent Registered Public Accounting Firm on Internal Control

The Board of Directors and Stockholders
HCA Inc.

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that HCA Inc. maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). HCA Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that HCA Inc. maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, HCA Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of HCA Inc. as of December 31, 2005 and 2004, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2005, and our report dated March 8, 2006 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

Nashville, Tennessee
March 8, 2006

Report of Independent Registered Public Accounting Firm on Financial Statements

The Board of Directors and Stockholders
HCA Inc.

We have audited the accompanying consolidated balance sheets of HCA Inc. as of December 31, 2005 and 2004, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of HCA Inc. at December 31, 2005 and 2004, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of HCA Inc.'s internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 8, 2006 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

Nashville, Tennessee
March 8, 2006

Management's Responsibility for Financial Statements

To Our Stockholders:

Management is responsible for the preparation of the Company's consolidated financial statements and related information appearing in this report. We believe that the consolidated financial statements fairly reflect the form and substance of transactions and that the financial statements reasonably present the Company's financial position, results of operations and cash flows in conformity with generally accepted accounting principles. We have included in our financial statements amounts that are based on estimates and judgments which we believe are reasonable under the circumstances.

The independent registered public accounting firm audits our consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board and provides an objective, independent review of the fairness of reported financial position, results of operations and cash flows.

The board of directors of the Company has an audit committee composed of five nonmanagement directors. The committee meets periodically with financial management, the internal auditors and the independent registered public accounting firm to review accounting, control, auditing and financial reporting matters.

Jack O. Bovender, Jr., Chairman and Chief Executive Officer

R. Milton Johnson, Executive Vice President and Chief Financial Officer

Management's Report on Internal Control Over Financial Reporting

To Our Stockholders:

Our management is responsible for establishing and maintaining effective internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment under the framework in Internal Control—Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2005.

Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005 has been audited by Ernst & Young LLP, an independent registered public accounting firm. Ernst & Young's attestation report is included herein.

Jack O. Bovender, Jr., Chairman and Chief Executive Officer

R. Milton Johnson, Executive Vice President and Chief Financial Officer

HCA Inc. Consolidated Income Statements for the Years Ended December 31, 2005, 2004 and 2003

(Dollars in millions, except per share amounts)

	2005	2004	2003
Revenues	**$ 24,455**	$ 23,502	$ 21,808
Salaries and benefits	**9,928**	9,419	8,682
Supplies	**4,126**	3,901	3,522
Other operating expenses	**4,039**	3,797	3,676
Provision for doubtful accounts	**2,358**	2,669	2,207
Gains on investments	**(53)**	(56)	(1)
Equity in earnings of affiliates	**(221)**	(194)	(199)
Depreciation and amortization	**1,374**	1,250	1,112
Interest expense	**655**	563	491
Gains on sales of facilities	**(78)**	–	(85)
Impairment of long-lived assets	**–**	12	130
Government settlement and investigation related costs	**–**	–	(33)
	22,128	21,361	19,502
Income before minority interests and income taxes	**2,327**	2,141	2,306
Minority interests in earnings of consolidated entities	**178**	168	150
Income before income taxes	**2,149**	1,973	2,156
Provision for income taxes	**725**	727	824
Net income	**$ 1,424**	$ 1,246	$ 1,332
Earnings per share:			
Basic earnings per share	**$ 3.25**	$ 2.62	$ 2.66
Diluted earnings per share	**$ 3.19**	$ 2.58	$ 2.61

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

HCA Inc. Consolidated Balance Sheets December 31, 2005 and 2004

(Dollars in millions)

	2005	2004
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 336**	$ 258
Accounts receivable, less allowance for doubtful accounts of $2,897 and $2,942	**3,332**	3,083
Inventories	**616**	577
Deferred income taxes	**372**	467
Other	**559**	673
	5,215	5,058
Property and equipment, at cost:		
Land	**1,212**	1,185
Buildings	**8,063**	7,981
Equipment	**10,594**	10,127
Construction in progress	**949**	677
	20,818	19,970
Accumulated depreciation	**(9,439)**	(8,574)
	11,379	11,396
Investments of insurance subsidiary	**2,134**	2,047
Investments in and advances to affiliates	**627**	486
Goodwill	**2,626**	2,540
Deferred loan costs	**85**	99
Other	**159**	214
	$ 22,225	$ 21,840
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	**$ 1,484**	$ 1,230
Accrued salaries	**561**	579
Other accrued expenses	**1,264**	1,254
Long-term debt due within one year	**586**	486
	3,895	3,549
Long-term debt	**9,889**	10,044
Professional liability risks	**1,336**	1,283
Deferred income taxes and other liabilities	**1,414**	1,748
Minority interests in equity of consolidated entities	**828**	809
Stockholders' equity:		
Common stock $0.01 par; authorized 1,600,000,000 voting shares and 50,000,000 nonvoting shares; outstanding 396,512,700 voting shares and 21,000,000 nonvoting shares — 2005 and 401,642,100 voting shares and 21,000,000 nonvoting shares — 2004	**4**	4
Accumulated other comprehensive income	**130**	193
Retained earnings	**4,729**	4,210
	4,863	4,407
	$ 22,225	$ 21,840

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

HCA Inc. Consolidated Statements of Stockholders' Equity for the Years Ended December 31, 2005, 2004 and 2003

(Dollars in millions)

	Common Stock Shares (000)	Common Stock Par Value	Capital in Excess of Par Value	Other	Accumulated Other Comprehensive Income	Retained Earnings	Total
Balances, December 31, 2002	514,176	$ 5	$ 93	$ 6	$ 73	$ 5,525	$ 5,702
Comprehensive income:							
Net income						1,332	1,332
Other comprehensive income:							
Net unrealized gains on investment securities					92		92
Foreign currency translation adjustments					11		11
Defined benefit plans					(8)		(8)
Total comprehensive income					95	1,332	1,427
Cash dividends declared						(39)	(39)
Stock repurchases	(31,144)		(327)			(787)	(1,114)
Stock options exercised	4,964		147	(1)			146
Employee benefit plan issuances	2,722		87				87
Balances, December 31, 2003	490,718	5	—	5	168	6,031	6,209
Comprehensive income:							
Net income						1,246	1,246
Other comprehensive income:							
Net unrealized gains on investment securities					10		10
Foreign currency translation adjustments					21		21
Defined benefit plans					(6)		(6)
Total comprehensive income					25	1,246	1,271
Cash dividends declared						(251)	(251)
Stock repurchases	(77,382)	(1)	(292)			(2,816)	(3,109)
Stock options exercised	7,032		224	(5)			219
Employee benefit plan issuances	2,274		68				68
Balances, December 31, 2004	422,642	4	—	—	193	4,210	4,407
Comprehensive income:							
Net income						1,424	1,424
Other comprehensive income:							
Net unrealized losses on investment securities					(30)		(30)
Foreign currency translation adjustments					(37)		(37)
Defined benefit plans					4		4
Total comprehensive income					(63)	1,424	1,361
Cash dividends declared						(257)	(257)
Stock repurchases	(36,692)		(1,208)			(648)	(1,856)
Stock options exercised	27,034		1,106				1,106
Employee benefit plan issuances	4,529		102				102
Balances, December 31, 2005	417,513	$ 4	$ —	$ —	$ 130	$ 4,729	$ 4,863

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

HCA Inc. Consolidated Statements of Cash Flows for the Years Ended December 31, 2005, 2004 and 2003

(Dollars in millions)

	2005	2004	2003
Cash flows from operating activities:			
Net income	**$ 1,424**	$ 1,246	$ 1,332
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for doubtful accounts	**2,358**	2,669	2,207
Depreciation and amortization	**1,374**	1,250	1,112
Income taxes	**162**	333	496
Gains on sales of facilities	**(78)**	—	(85)
Impairment of long-lived assets	**—**	12	130
Settlement with government agencies	**—**	—	(971)
Increase (decrease) in cash from operating assets and liabilities:			
Accounts receivable	**(2,649)**	(2,648)	(2,365)
Inventories and other assets	**28**	(179)	140
Accounts payable and accrued expenses	**343**	157	215
Other	**197**	114	81
Net cash provided by operating activities	**3,159**	2,954	2,292
Cash flows from investing activities:			
Purchase of property and equipment	**(1,592)**	(1,513)	(1,838)
Acquisition of hospitals and health care entities	**(126)**	(44)	(908)
Disposal of hospitals and health care entities	**320**	48	163
Change in investments	**(311)**	(178)	(298)
Other	**28**	(1)	19
Net cash used in investing activities	**(1,681)**	(1,688)	(2,862)
Cash flows from financing activities:			
Issuances of long-term debt	**858**	2,500	1,624
Net change in revolving bank credit facility	**(225)**	190	410
Repayment of long-term debt	**(739)**	(912)	(461)
Repurchases of common stock	**(1,856)**	(3,109)	(1,114)
Issuances of common stock	**1,009**	224	165
Payment of cash dividends	**(258)**	(199)	(39)
Other	**(189)**	(41)	65
Net cash (used in) provided by financing activities	**(1,400)**	(1,347)	650
Change in cash and cash equivalents	**78**	(81)	80
Cash and cash equivalents at beginning of period	**258**	339	259
Cash and cash equivalents at end of period	**$ 336**	$ 258	$ 339
Interest payments	**$ 624**	$ 533	$ 458
Income tax payments, net of refunds	**$ 563**	$ 394	$ 328

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

NOTE 1 — ACCOUNTING POLICIES

Reporting Entity

HCA Inc. is a holding company whose affiliates own and operate hospitals and related health care entities. The term "affiliates" includes direct and indirect subsidiaries of HCA Inc. and partnerships and joint ventures in which such subsidiaries are partners. At December 31, 2005, these affiliates owned and operated 175 hospitals, 87 freestanding surgery centers and provided extensive outpatient and ancillary services. Affiliates of HCA are also partners in joint ventures that own and operate seven hospitals and seven freestanding surgery centers, which are accounted for using the equity method. The Company's facilities are located in 22 states, England and Switzerland. The terms "HCA" or the "Company," as used in this annual report, refer to HCA Inc. and its affiliates unless otherwise stated or indicated by context.

HCA Inc. Notes to Consolidated Financial Statements

Basis of Presentation

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

The consolidated financial statements include all subsidiaries and entities controlled by HCA. "Control" is generally defined by HCA as ownership of a majority of the voting interest of an entity. The consolidated financial statements include entities in which HCA absorbs a majority of the entity's expected losses, receives a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity. Significant intercompany transactions have been eliminated. Investments in entities that HCA does not control, but in which it has a substantial ownership interest and can exercise significant influence, are accounted for using the equity method.

HCA has completed various acquisitions and joint venture transactions. The accounts of these entities have been consolidated with those of HCA for periods subsequent to the acquisition of controlling interests. The majority of the Company's expenses are "cost of revenue" items. Costs that could be classified as general and administrative would include the corporate office costs, which were $185 million, $162 million and $156 million for the years ended December 31, 2005, 2004 and 2003, respectively.

Revenues

Revenues consist primarily of net patient service revenues that are recorded based upon established billing rates less allowances for contractual adjustments. Revenues are recorded during the period the health care services are provided, based upon the estimated amounts due from the patients and third-party payers. Third-party payers include federal and state agencies (under the Medicare and Medicaid programs), managed care health plans, commercial insurance companies and employers. Estimates of contractual allowances under managed care health plans are based upon the payment terms specified in the related contractual agreements. Contractual payment terms in managed care agreements are generally based upon predetermined rates per diagnosis, per diem rates or discounted fee-for-service rates.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount. The estimated reimbursement amounts are adjusted in subsequent periods as cost reports are prepared and filed and as final settlements are determined (in relation to certain government programs, primarily Medicare, this is generally referred to as the "cost report" filing and settlement process). The adjustments to estimated reimbursement amounts, which resulted in net increases to revenues, related to cost reports filed during the respective year were $49 million, $44 million and $70 million in 2005, 2004 and 2003, respectively. The adjustments to estimated reimbursement amounts, which resulted in net increases to revenues, related to cost reports filed during previous years were $36 million, $26 million and $26 million in 2005, 2004 and 2003, respectively.

The Emergency Medical Treatment and Active Labor Act ("EMTALA") requires any hospital that participates in the Medicare program to conduct an appropriate medical screening examination of every person who presents to the hospital's emergency room for treatment and, if the individual is suffering from an emergency medical condition, to either stabilize that condition or make an appropriate transfer of the individual to a facility that can handle the condition. The obligation to screen and stabilize emergency medical conditions exists regardless of

an individual's ability to pay for treatment. Federal and state laws and regulations, including but not limited to EMTALA, require, and HCA's commitment to providing quality patient care encourages, the Company to provide services to patients who are financially unable to pay for the health care services they receive. Because HCA does not pursue collection of amounts determined to qualify as charity care, they are not reported in revenues. Patients treated at an HCA hospital for nonelective care, who have income at or below 200% of the federal poverty level, are eligible for charity care. The federal poverty level is established by the federal government and is based on income and family size. On January 1, 2005, HCA modified its policies to provide a discount to uninsured patients who do not qualify for Medicaid or charity care. These discounts are similar to those provided to many local managed care plans. In implementing the discount policy, HCA first attempts to qualify uninsured patients for Medicaid, other federal or state assistance or charity care. If an uninsured patient does not qualify for these programs, the uninsured discount is applied.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with a maturity of three months or less when purchased. Carrying values of cash and cash equivalents approximate fair value due to the short-term nature of these instruments.

The Company's cash management system provides for daily investment of available balances and the funding of outstanding checks when presented for payment. Outstanding, but unpresented, checks totaling $493 million and $375 million at December 31, 2005 and 2004, respectively, have been included in accounts payable in the consolidated balance sheets. Upon presentation for payment, these checks are funded through available cash balances or the Company's existing credit facility.

Accounts Receivable

HCA receives payments for services rendered from federal and state agencies (under the Medicare and Medicaid programs), managed care health plans, commercial insurance companies, employers and patients. During the years ended December 31, 2005, 2004 and 2003, approximately 27%, 28% and 28%, respectively, of HCA's revenues related to patients participating in the Medicare program. HCA recognizes that revenues and receivables from government agencies are significant to its operations, but does not believe that there are significant credit risks associated with these government agencies. HCA does not believe that there are any other significant concentrations of revenues from any particular payer that would subject it to any significant credit risks in the collection of its accounts receivable.

Additions to the allowance for doubtful accounts are made by means of the provision for doubtful accounts. Accounts written off as uncollectable are deducted from the allowance for doubtful accounts and subsequent recoveries are added. The amount of the provision for doubtful accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in federal, state, and private employer health care coverage and other collection indicators. The provision for doubtful accounts and the allowance for doubtful accounts relate primarily to "uninsured" amounts (including copayment and deductible amounts from patients who have health care coverage) due directly from patients. Accounts are written off when all reasonable internal and external collection efforts have been performed. HCA considers the return of an account from the primary external collection agency to be the culmination of its reasonable collection efforts and the timing basis for writing off the account balance. Writeoffs are based upon specific identification and the writeoff process requires a writeoff adjustment entry to the patient accounting system. Management relies on the results of detailed reviews of historical writeoffs and recoveries at facilities that represent a majority of HCA's revenues and accounts receivable (the "hindsight analysis") as a primary source of information to utilize in estimating the collectability of HCA's accounts receivable. The Company performs the hindsight analysis quarterly, utilizing rolling twelve-months accounts receivable collection and writeoff data. At December 31, 2005, HCA's allowance for doubtful accounts represented approximately 85% of the $3.404 billion patient due accounts receivable balance, including accounts, net of estimated contractual discounts, related to patients for which eligibility for Medicaid coverage was being evaluated ("pending Medicaid accounts"). Revenue days in accounts receivable were 50 days, 48 days and 52 days at December 31, 2005, 2004 and 2003, respectively. Adverse changes in general economic conditions, patient accounting service center operations, payer mix, or trends in federal or state governmental health care coverage could affect HCA's collection of accounts receivable, cash flows and results of operations.

Inventories

Inventories are stated at the lower of cost (first-in, first-out) or market.

Property and Equipment and Amortizable Intangibles

Depreciation expense, computed using the straight-line method, was $1.371 billion in 2005, $1.248 billion in 2004, and $1.108 billion in 2003. Buildings and improvements are depreciated over estimated useful lives ranging generally from 10 to 40 years. Estimated useful lives of equipment vary generally from four to 10 years.

Debt issuance costs are amortized based upon the lives of the respective debt obligations. The gross carrying amount of deferred loan costs at both December 31, 2005 and 2004 was $138 million and accumulated amortization was $53 million and $39 million at December 31, 2005 and 2004, respectively. Amortization of deferred loan costs is included in interest expense and was $14 million, $14 million and $10 million for 2005, 2004 and 2003, respectively.

When events, circumstances or operating results indicate that the carrying values of certain long-lived assets and related identifiable intangible assets (excluding goodwill) that are expected to be held and used, might be impaired, HCA prepares projections of the undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the projections indicate that the recorded amounts are not expected to be recoverable, such amounts are reduced to estimated fair value. Fair value may be estimated based upon internal evaluations that include quantitative analyses of revenues and cash flows, reviews of recent sales of similar facilities and independent appraisals.

Long-lived assets to be disposed of are reported at the lower of their carrying amounts or fair value less costs to sell or close. The estimates of fair value are usually based upon recent sales of similar assets and market responses based upon discussions with and offers received from potential buyers.

Goodwill

Goodwill is not amortized, but is subject to annual impairment tests. In addition to the annual impairment reviews, impairment reviews are performed whenever circumstances indicate a possible impairment may exist. Impairment testing for goodwill is done at the reporting unit level. Reporting units are one level below the business segment level, and HCA's impairment testing is performed at the operating division or market level. The Company compares the fair value of the reporting unit assets to the carrying amount, on at least an annual basis, to determine if there is potential impairment. If the fair value of the reporting unit assets is less than their carrying value, the Company compares the fair value of the goodwill to its carrying value. If the fair value of the goodwill is less than its carrying value, an impairment loss is recognized. Fair value of goodwill is estimated based upon internal evaluations of the related long-lived assets for each reporting unit that include quantitative analyses of revenues and cash flows and reviews of recent sales of similar facilities. No goodwill impairment losses were recognized during 2005, 2004 or 2003.

During 2005, goodwill increased by $129 million related to acquisitions, decreased by $35 million related to facility sales and decreased by $8 million related to foreign currency translation adjustments. During 2004, goodwill increased by $53 million related to acquisitions and increased by $6 million related to foreign currency translation adjustments.

Professional Liability Claims

A substantial portion of HCA's professional liability risks is insured through a wholly-owned insurance subsidiary of HCA, which is funded annually. Reserves for professional liability risks were $1.621 billion and $1.593 billion at December 31, 2005 and 2004, respectively. The current portion of the reserves, $285 million and $310 million at December 31, 2005 and 2004, respectively, is included in "other accrued expenses" in the consolidated balance sheet. Provisions for losses related to professional liability risks were $298 million, $291 million and $380 million for the years ended December 31, 2005, 2004 and 2003, respectively, and

are included in "other operating expenses" in the Company's consolidated income statement. Provisions for losses related to professional liability risks are based upon actuarially determined estimates. Loss and loss expense reserves represent the estimated ultimate net cost of all reported and unreported losses incurred through the respective consolidated balance sheet dates. The reserves for unpaid losses and loss expenses are estimated using individual case-basis valuations and actuarial analyses. Those estimates are subject to the effects of trends in loss severity and frequency. The estimates are continually reviewed and adjustments are recorded as experience develops or new information becomes known. The adjustments to the estimated reserve amounts are included in current operating results. The provision for losses for 2005 and 2004 include reductions of $83 million ($0.12 per diluted share) and $59 million ($0.07 per diluted share), respectively, to the Company's estimated professional liability insurance reserves. The amount of the changes to the estimated professional liability insurance reserves was determined based upon the semiannual, independent actuarial analyses, which recognized declining frequency and moderating severity claims trends at HCA. HCA believes these favorable trends are primarily attributable to tort reforms enacted in key states, particularly Texas, and HCA's risk management and patient safety initiatives, particularly in the areas of obstetrics and emergency services. The reserves for professional liability risks cover approximately 3,300 and 3,500 individual claims at December 31, 2005 and 2004, respectively, and estimates for unreported potential claims. The time period required to resolve these claims can vary depending upon the jurisdiction and whether the claim is settled or litigated. During 2005 and 2004, $242 million and $268 million, respectively, of payments (net of reinsurance recoveries of $12 million and $21 million, respectively) were made for professional and general liability claims. The estimation of the timing of payments beyond a year can vary significantly. Although considerable variability is inherent in professional liability reserve estimates, management believes that the reserves for losses and loss expenses are adequate; however, there can be no assurance that the ultimate liability will not exceed management's estimates.

HCA's facilities are insured by the wholly-owned insurance subsidiary for losses up to $50 million per occurrence. The insurance subsidiary has obtained reinsurance for professional liability risks generally above a retention level of $15 million per occurrence. HCA also maintains professional liability insurance with unrelated commercial carriers for losses in excess of amounts insured by its insurance subsidiary.

The obligations covered by reinsurance contracts are included in the reserves for professional liability risks, as the subsidiary remains liable to the extent that the reinsurers do not meet their obligations under the reinsurance contracts. The amounts receivable under the reinsurance contracts of $43 million and $79 million at December 31, 2005, and 2004, respectively, are included in other assets (including $25 million at both December 31, 2005 and 2004 included in other current assets). Returns of premiums relating to reinsurance contracts resulted in net increases to the reserves for professional liability risks of $8 million and $14 million during 2005 and 2004, respectively.

Investments of Insurance Subsidiary

At December 31, 2005 and 2004, the investments of HCA's wholly-owned insurance subsidiary were classified as "available-for-sale" as defined in Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" and are recorded at fair value. The investment securities are held for the purpose of providing the funding source to pay professional liability claims covered by the insurance subsidiary. Management performs a quarterly assessment of individual investment securities to determine whether declines in market value are temporary or other-than-temporary. Management's investment securities evaluation process involves multiple subjective judgments, often involves estimating the outcome of future events, and requires a significant level of professional judgment in determining whether an impairment has occurred. HCA evaluates, among other things, the financial position and near term prospects of the issuer, conditions in the issuer's industry, liquidity of the investment, changes in the amount or timing of expected future cash flows from the investment, and recent downgrades of the issuer by a rating agency, to determine if, and when, a decline in the fair value of an investment below amortized cost is considered other-than-temporary. The length of time and extent to which the fair value of the investment is less than amortized cost and HCA's ability and intent to retain the investment, to allow for any anticipated recovery of the investment's fair value, are important components of management's investment securities evaluation process.

Minority Interests in Consolidated Entities

The consolidated financial statements include all assets, liabilities, revenues and expenses of less than 100% owned entities that are controlled by HCA. Accordingly, management has recorded minority interests in the earnings and equity of such entities.

Related Party Transactions

MedCap Properties, LLC ("MedCap")

In December 2000, HCA transferred 116 medical office buildings ("MOBs") to MedCap. HCA received approximately $250 million and a minority interest (approximately 48%) in MedCap in the transaction. MedCap, a private company, was formed by HCA and other investors to acquire the buildings. HCA did not recognize a gain or loss on the transaction. A relative of a director and former executive officer of the Company served as the chief manager of MedCap.

In October 2003, MedCap was sold to Health Care Property Investors, Inc. ("HCP"). The sale of MedCap to HCP included HCA's ownership interest in MedCap, and HCA has no ownership interest in HCP. The distribution of the MedCap sale proceeds resulted in HCA recording a deferred gain of $80 million. The transaction was originally accounted for as a financing transaction and the gain amount was deferred due to HCA's continuing involvement with the MOBs related to certain contingent, protective put and call rights. During the second quarter of 2005, the contingent, protective put and call rights were eliminated and HCA recognized $29 million of the deferred gain and the remaining portion of the deferred gain is being amortized over the applicable lease terms for the MOBs in which HCA leases space from HCP. The former chief manager of MedCap, continues to manage the MOBs as an employee of HCP.

HCA leased certain office space from MedCap and, during the year ended December 31, 2003 (through September 2003), paid MedCap $16.1 million in rents for such leased office space. HCA continues to lease certain office space from HCP. HCA believes its transactions with MedCap were on terms no less favorable to HCA than those which would have been obtained from an unaffiliated party.

HealthStream, Inc. ("HealthStream")

In October 2001, HCA entered into an amended four-year agreement with HealthStream to purchase internet-based education and training services. The agreement expired during 2005. During 2005, 2004 and 2003, the Company paid HealthStream $3.2 million, $3.2 million, and $2.6 million, respectively, which represented approximately 12%, 16% and 15%, respectively, of HealthStream's net revenues. The chief executive officer, president and chairman of the board of directors of HealthStream is a relative of a director and former executive officer of HCA. HCA believes its transactions with HealthStream are on terms no less favorable to HCA than those which would be obtained from an unaffiliated party.

Share-Based Compensation

HCA applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for its employee stock benefit plans. Accordingly, no compensation cost has been recognized for HCA stock options granted under the plans because the exercise prices for options granted were equal to the quoted market prices on the option grant dates and all option grants were to employees or directors.

As required by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), HCA has determined pro forma net income and earnings per share, as if compensation cost for HCA's employee stock option and stock purchase plans had been determined based upon fair values at the grant dates. These pro forma amounts are as follows (dollars in millions, except per share amounts):

	2005	2004	2003
Net income:			
As reported	$ 1,424	$ 1,246	$ 1,332
Share-based employee compensation expense determined under a fair value method, net of income taxes	23	191 (a)	89
Pro forma	$ 1,401	$ 1,055	$ 1,243
Basic earnings per share:			
As reported	$ 3.25	$ 2.62	$ 2.66
Pro forma	$ 3.19	$ 2.22	$ 2.48
Diluted earnings per share:			
As reported	$ 3.19	$ 2.58	$ 2.61
Pro forma	$ 3.14	$ 2.18	$ 2.43

(a) In December 2004, HCA accelerated the vesting of all unvested stock options awarded to employees and officers which had exercise prices greater than the closing price at December 14, 2004 of $40.89 per share. Options to purchase approximately 19.1 million shares became exercisable immediately as a result of the vesting acceleration. The decision to accelerate vesting of the identified stock options will result in the Company not being required to recognize share-based compensation expense, net of taxes, of approximately $36 million in 2006, $19 million in 2007, and $2 million in 2008, under the provisions of Financial Accounting Standard Board (the "FASB"), Statement of Financial Accounting Standards No. 123R, "Share-Based Payment" ("SFAS 123R"). The elimination of the requirement to recognize compensation expense in future periods related to the unvested stock options was management's basis for the decision to accelerate the vesting. The effect of accelerating the vesting for all unvested options with exercise prices greater than $40.89 per share was an increase to the pro forma share-based employee compensation expense for the year ended December 31, 2004 of $112 million after-tax ($0.24 per basic share and $0.23 per diluted share).

For SFAS 123 purposes, the weighted average fair values of HCA's stock options granted in 2005, 2004 and 2003 were $15.53, $12.90 and $13.49 per share, respectively. The fair values were estimated using the Black-Scholes option valuation model with the following weighted average assumptions:

	2005	2004	2003
Risk-free interest rate	3.99%	2.56%	2.62%
Expected volatility	33%	35%	37%
Expected life, in years	5	4	4
Expected dividend yield	1.27%	1.18%	0.19%

The expected volatility is derived using weekly, historical market price data for periods preceding the date of grant. The risk-free interest rate is the approximate yield on United States Treasury Strips, having a term equivalent to the expected life of the stock option, on the date of grant. The expected life is an estimate of the number of years an option will be held before it is exercised. The valuation model was not adjusted for nontransferability, risk of forfeiture or the vesting restrictions of the options, all of which would reduce the value if factored into the calculation.

The pro forma pretax compensation cost related to the shares of common stock issued under HCA's amended and restated Employee Stock Purchase Plan was $17 million, $15 million and $17 million for the years 2005, 2004 and 2003, respectively. These pro forma costs were determined based on the estimated fair values at the beginning of each subscription period.

Derivatives

HCA has designated its outstanding interest rate swap agreements as fair value hedges. HCA has determined that the current agreements are highly effective in offsetting the fair value changes in a portion of HCA's debt portfolio. These derivatives and the related hedged debt amounts have been recognized in the consolidated financial statements at their respective fair values.

Recent Pronouncements

In December 2004, the FASB issued SFAS 123R, which requires all companies to measure compensation cost for all share-based payments (including employee stock options) at fair value, and is effective for most public companies for annual periods beginning after June 15, 2005. HCA expects to adopt SFAS 123R effective

January 1, 2006, using the "modified prospective" method. Under this method, compensation costs will be recognized, beginning with the effective date, based on the requirements of SFAS 123R for all share-based payments granted after the effective date, and based on the requirements of SFAS 123 for all awards granted to employees prior to the effective date that remain unvested on the effective date. The impact on the results of operations of adoption of SFAS 123R will depend on levels of share-based payments granted in the future, and the market value of HCA common stock and other variables that affect the valuation model for options granted. Based upon expected grant levels and values at December 31, 2005, the Company estimates the impact on results of operations, net of income taxes, will approximate $30 million to $40 million in 2006. SFAS 123R requires the benefits of tax deductions in excess of amounts recognized as compensation cost be reported as a financing cash flow, rather than an operating cash flow, as required under prior accounting guidance. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption. While the Company cannot estimate what those amounts will be in the future (because they depend on, among other things, when employees exercise stock options), the amounts of operating cash flows recognized for such excess tax deductions were $163 million, $50 million and $31 million in 2005, 2004 and 2003, respectively.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150"). This statement generally requires liability classification for two broad classes of financial instruments. Under SFAS 150, instruments that represent, or are indexed to, an obligation to buy back the issuer's shares, regardless of whether the instrument is settled on a net-cash or gross physical basis, are required to be classified as liabilities. Obligations that can be settled in shares, but either derive their value predominately from some other underlying, have a fixed value, or have a value to the counterparty that moves in the opposite direction as the issuer's shares, are also required to be classified as liabilities under this statement. In October 2003, the FASB voted to defer, for an indefinite period, the application of the SFAS 150 guidance to noncontrolling interests in limited-life subsidiaries. The FASB decided to defer this application of SFAS 150 to allow them the opportunity to consider possible implementation issues that would result from the proposed SFAS 150 guidance regarding measurement and recognition of noncontrolling interests. HCA will assess the impact of the FASB's reconsiderations, if any, on the Company's consolidated financial statements when they are finalized.

In November 2005, the FASB issued FASB Staff Position No. 45-3, "Application of FASB Interpretation No. 45 to Minimum Revenue Guarantees Granted to a Business or Its Owners" ("FSP FIN 45-3"). It served as an amendment to FASB Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45") by adding minimum revenue guarantees to the list of examples of contracts to which FIN 45 applies. Under FSP FIN 45-3, a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. One example cited in FSP FIN 45-3 involves a guarantee provided by a health care entity to a nonemployed physician in order to recruit such physician to move to the entity's geographical area and establish a private practice, which is an approach HCA uses to recruit physicians.

FSP FIN 45-3 is effective for new minimum revenue guarantees issued or modified on or after January 1, 2006. For periods before January 1, 2006, HCA expensed the physician recruitment agreement amounts as incurred to the recruited physicians, which was generally over a 12 month period. HCA recorded expenses of approximately $82 million related to physician recruitment agreements for the year ended December 31, 2005. HCA is in the process of evaluating the expected impact of the adoption of FSP FIN 45-3 on results of operations for 2006.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2005 presentation.

NOTE 2 — ACQUISITIONS AND DISPOSITIONS

During 2005, HCA recognized a net pretax gain of $49 million ($19 million after-tax) on the sales of five rural hospitals. Proceeds from the sales were used to repay bank borrowings. During 2004, HCA opened one hospital, sold one hospital, and closed two hospitals. During 2003, HCA recognized a net pretax gain of $85 million ($49 million after-tax) on the sales of two leased hospitals and two consolidating hospitals and a working capital settlement related to a sale completed in 2002. Proceeds from the sales were used to repay bank borrowings.

During 2005 and 2004, HCA did not acquire any hospitals, but paid $126 million and $44 million, respectively, for other health care entities. During 2003, HCA completed the acquisition of the Health Midwest hospital system

in Kansas City. The purchase price was allocated to the related assets acquired and liabilities assumed based upon their respective fair values. The consolidated financial statements include the accounts and operations of the Health Midwest entities subsequent to the April 1, 2003 acquisition date. The pro forma effect of the acquired entities on HCA's results of operations for periods prior to the acquisition date was not significant.

The following is a summary of hospitals and other health care entities acquired during 2003 (dollars in millions):

	2003
Number of hospitals	11
Number of licensed beds	2,292
Purchase price information:	
Hospitals:	
Fair value of assets acquired	$ 1,183
Liabilities assumed	(315)
Net assets acquired	868
Other health care entities acquired	40
Net cash paid	$ 908

The purchase price paid in excess of the fair value of identifiable net assets of acquired entities aggregated $129 million and $38 million in 2005 and 2004, respectively. In 2004, goodwill increased $15 million related to adjustments to 2003 acquisitions.

NOTE 3 — IMPAIRMENTS OF LONG-LIVED ASSETS

The carrying value for a hospital HCA closed during 2004 was reduced to fair value of $39 million, based upon estimates of sales value, resulting in a pretax charge of $12 million. The 2004 impairment charge affected HCA's Western Group.

During 2003, HCA announced plans to discontinue activities associated with the internal development of a patient accounts receivable management system, resulting in a pretax charge of $130 million. HCA reduced the carrying value for capitalized costs associated with the patient accounts receivable management system components that were discontinued. The 2003 impairment charge affected HCA's "Corporate and other" operating segment.

The asset impairment charges did not have a significant impact on the Company's operations or cash flows and are not expected to significantly impact cash flows for future periods. The impairment charges affected HCA's asset and liability categories, as follows (dollars in millions):

	2004	2003
Property and equipment	$ 12	$ 105
Other accrued expenses	—	25
	$ 12	$ 130

NOTE 4 — INCOME TAXES

The provision for income taxes consists of the following (dollars in millions):

	2005	2004	2003
Current:			
Federal	$ 668	$ 466	$ 193
State	63	63	77
Foreign	37	25	18
Deferred:			
Federal	(43)	132	513
State	3	17	50
Foreign	(3)	24	12
Change in valuation allowance	—	—	(39)
	$ 725	$ 727	$ 824

A reconciliation of the federal statutory rate to the effective income tax rate follows:

	2005	2004	2003
Federal statutory rate	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit	2.1	2.6	3.8
Nondeductible intangible assets	0.6	—	0.2
IRS settlement	(2.2)	—	—
Valuation allowance	—	—	(1.7)
Repatriation of foreign earnings	(1.1)	—	—
Other items, net	(0.6)	(0.8)	0.9
Effective income tax rate	33.8%	36.8%	38.2%

During 2005, HCA recognized tax benefits of $48 million, or $0.11 per diluted share, related to a favorable tax settlement regarding the Company's divestiture of certain noncore business units in 1998 and 2001 and $24 million, or $0.05 per diluted share, related to the repatriation of foreign earnings.

A summary of the items comprising the deferred tax assets and liabilities at December 31 follows (dollars in millions):

	2005		2004	
	Assets	Liabilities	Assets	Liabilities
Depreciation and fixed asset basis differences	$ —	$ 632	$ —	$ 788
Allowances for professional liability and other risks	124	—	122	—
Doubtful accounts	155	—	295	—
Compensation	185	—	157	—
Other	235	525	291	628
	$ 699	$ 1,157	$ 865	$ 1,416

Deferred income tax benefits of $372 million and $467 million at December 31, 2005 and 2004, respectively, are included in other current assets. Noncurrent deferred income tax liabilities totaled $830 million and $1.018 billion at December 31, 2005 and 2004, respectively.

The tax benefits associated with nonqualified stock options increased the current tax receivable by $163 million, $50 million, and $31 million in 2005, 2004 and 2003, respectively. Such benefits were recorded as increases to stockholders' equity.

At December 31, 2005, state net operating loss carryforwards (expiring in years 2006 through 2025) available to offset future taxable income approximated $46 million. Utilization of net operating loss carryforwards in any one year may be limited and, in certain cases, result in an adjustment to intangible assets. Net deferred tax assets related to such carryforwards are not significant.

IRS Disputes

HCA is currently contesting before the Appeals Division of the Internal Revenue Service (the "IRS"), the United States Tax Court (the "Tax Court"), and the United States Court of Federal Claims, certain claimed deficiencies and adjustments proposed by the IRS in conjunction with its examinations of HCA's 1994-2002 federal income tax returns, Columbia Healthcare Corporation's ("CHC") 1993 and 1994 federal income tax returns, HCA-Hospital Corporation of America's ("Hospital Corporation of America") 1991 through 1993 federal income tax returns and Healthtrust, Inc. — The Hospital Company's ("Healthtrust") 1990 through 1994 federal income tax returns.

During 2003, the United States Court of Appeals for the Sixth Circuit affirmed a Tax Court decision received in 1996 related to the IRS examination of Hospital Corporation of America's 1987 through 1988 federal income tax returns, in which the IRS contested the method that Hospital Corporation of America used to calculate its tax allowance for doubtful accounts. HCA filed a petition for review by the United States Supreme Court, which was denied in October 2004. Due to the volume and complexity of calculating the tax allowance for doubtful accounts, the IRS has not determined the amount of additional tax and interest that it may claim for taxable years after 1988. In December 2004, HCA made a deposit of $109 million for additional tax and interest, based on its estimate of amounts due for taxable periods through 1998.

Other disputed items include the deductibility of a portion of the 2001 government settlement payment, the timing of recognition of certain patient service revenues in 2000 through 2002, the method for calculating the tax allowance for uncollectable accounts in 2002, and the amount of insurance expense deducted in 1999 through 2002. The IRS has claimed an additional $776 million in income taxes, interest, and penalties through December 31, 2005, with respect to these issues.

During February 2006, the IRS began an examination of HCA's 2003 through 2004 federal income tax returns. The IRS has not determined the amount of any additional income tax, interest and penalties that it may claim upon completion of this examination.

Management believes that adequate provisions have been recorded to satisfy final resolution of the disputed issues. Management believes that HCA, CHC, Hospital Corporation of America and Healthtrust properly reported taxable income and paid taxes in accordance with applicable laws and agreements established with the IRS during previous examinations and that final resolution of these disputes will not have a material adverse effect on results of operations or financial position.

NOTE 5 — EARNINGS PER SHARE

Basic earnings per share is computed on the basis of the weighted average number of common shares outstanding. Diluted earnings per share is computed on the basis of the weighted average number of common shares outstanding plus the dilutive effect of outstanding stock options and other stock awards, computed using the treasury stock method.

The following table sets forth the computation of basic and diluted earnings per share (dollars in millions, except per share amounts, and shares in thousands):

	2005	2004	2003
Net income	$ 1,424	$ 1,246	$ 1,332
Weighted average common shares outstanding	438,619	475,620	501,799
Effect of dilutive securities:			
Stock options	5,841	6,315	7,231
Other	1,325	1,728	1,844
Shares used for diluted earnings per share	445,785	483,663	510,874
Earnings per share:			
Basic earnings per share	$ 3.25	$ 2.62	$ 2.66
Diluted earnings per share	$ 3.19	$ 2.58	$ 2.61

NOTE 6 — INVESTMENTS OF INSURANCE SUBSIDIARY

A summary of the insurance subsidiary's investments at December 31 follows (dollars in millions):

	2005			
	Amortized Cost	Unrealized Amounts		Fair Value
		Gains	Losses	
Debt securities:				
States and municipalities	$ 1,199	$ 27	$ (5)	$ 1,221
Asset-backed securities	41	4	—	45
Corporate and other	22	1	—	23
Money market funds	130	—	—	130
	1,392	32	(5)	1,419
Equity securities:				
Preferred stocks	10	—	—	10
Common stocks	798	161	(4)	955
	808	161	(4)	965
	$ 2,200	$ 193	$ (9)	2,384
Amounts classified as current assets				(250)
Investment carrying value				$ 2,134

	2004			
	Amortized Cost	Unrealized Amounts		Fair Value
		Gains	Losses	
Debt securities:				
States and municipalities	$ 1,219	$ 50	$ (1)	$ 1,268
Asset-backed securities	37	2	—	39
Corporate and other	85	1	—	86
Money market funds	48	—	—	48
	1,389	53	(1)	1,441
Equity securities:				
Preferred stocks	8	—	—	8
Common stocks	694	180	(1)	873
	702	180	(1)	881
	$ 2,091	$ 233	$ (2)	2,322
Amounts classified as current assets				(275)
Investment carrying value				$ 2,047

At December 31, 2005 and 2004, the investments of HCA's insurance subsidiary were classified as "available-for-sale." The fair value of investment securities is generally based on quoted market prices. Changes in temporary unrealized gains and losses are recorded as adjustments to other comprehensive income. The aggregate common stock investment is comprised of 511 equity positions at December 31, 2005, with 455 positions reflecting unrealized gains and 56 positions reflecting unrealized losses (none of the individual unrealized loss positions exceed $1 million). None of the equity positions with unrealized losses at December 31, 2005 represent situations where there is a continuous decline of more than 20% from cost for more than one year. The equity positions (including those with unrealized losses) at December 31, 2005, are not concentrated in a particular industry.

Scheduled maturities of investments in debt securities at December 31, 2005 were as follows (dollars in millions):

	Amortized Cost	Fair Value
Due in one year or less	$ 188	$ 188
Due after one year through five years	365	371
Due after five years through ten years	476	487
Due after ten years	322	328
	1,351	1,374
Asset-backed securities	41	45
	$ 1,392	$ 1,419

The average expected maturity of the investments in debt securities approximated 4.1 years at December 31, 2005. Expected and scheduled maturities may differ because the issuers of certain securities may have the right to call, prepay or otherwise redeem such obligations.

The cost of securities sold is based on the specific identification method. Sales of securities for the years ended December 31 are summarized below (dollars in millions):

	2005	2004	2003
Debt securities:			
Cash proceeds	$ 173	$ 181	$ 109
Gross realized gains	2	6	3
Gross realized losses	1	2	6
Equity securities:			
Cash proceeds	$ 440	$ 338	$ 36
Gross realized gains	63	62	9
Gross realized losses	9	16	7

NOTE 7 — FINANCIAL INSTRUMENTS

Interest Rate Swap Agreements

HCA has entered into interest rate swap agreements to manage its exposure to fluctuations in interest rates. These swap agreements involve the exchange of fixed and variable rate interest payments between two parties based on common notional principal amounts and maturity dates. Pay-floating swaps effectively convert fixed rate obligations to LIBOR indexed variable rate instruments. The notional amounts and timing of interest payments in these agreements match the related liabilities. The notional amounts of the swap agreements represent amounts used to calculate the exchange of cash flows and are not assets or liabilities of HCA. Any market risk or opportunity associated with these swap agreements is offset by the opposite market impact on the related debt. HCA's credit risk related to these agreements is considered low because the swap agreements are with creditworthy financial institutions. The interest payments under these agreements are settled on a net basis.

The following table sets forth HCA's interest rate swap agreements at December 31, 2005 (dollars in millions):

	Notional Amount	Termination Date	Fair Value
Pay-floating interest rate swap	$ 500	June 2006	$ —
Pay-floating interest rate swap	350	November 2008	(11)
Pay-floating interest rate swap	500	December 2009	(14)

The fair value of the interest rate swaps at December 31, 2005 represents the estimated amounts HCA would have paid upon termination of these agreements. The fair values were based on valuations obtained from the financial institutions with which HCA has the interest rate swap agreements.

Fair Value Information

At December 31, 2005 and 2004, the fair values of cash and cash equivalents, accounts receivable and accounts payable approximated carrying values due to the short-term nature of these instruments. The estimated fair values of other financial instruments subject to fair value disclosures are generally determined based on quoted market prices. The estimated fair values and the related carrying amounts are as follows (dollars in millions):

	2005		2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Investments	$ 2,384	$ 2,384	$ 2,322	$ 2,322
Interest rate swaps	—	—	10	10
Liabilities:				
Long-term debt	10,475	10,733	10,530	10,789
Interest rate swaps	25	25	—	—

NOTE 8 — LONG-TERM DEBT

A summary of long-term debt at December 31, including related interest rates at December 31, 2005, follows (dollars in millions):

	2005	2004
Senior collateralized debt (rates generally fixed, averaging 7.9%) payable in periodic installments through 2036	$ 281	$ 191
Senior debt (rates fixed, averaging 7.5%) payable in periodic installments through 2095	7,069	7,539
Senior debt (floating rates, averaging 6.2%) due through 2009	1,350	1,350
Bank term loan (floating rates, averaging 5.4%)	1,300	750
Bank revolving credit facility (floating rates, averaging 5.2%)	475	700
Total debt, average life of nine years (rates averaging 7.0%)	10,475	10,530
Less amounts due within one year	586	486
	$ 9,889	$ 10,044

Bank Revolving Credit Facility

HCA's revolving credit facility (the "Credit Facility") is a $1.75 billion agreement expiring November 2009. As of December 31, 2005, HCA had $475 million outstanding under the Credit Facility. As of December 31, 2005, interest is payable generally at either a spread to LIBOR, plus 0.4% to 1.0% (depending on HCA's credit ratings), the prime lending rate or a competitive bid rate. The Credit Facility contains customary covenants which include (i) limitations on debt levels, (ii) limitations on sales of assets, mergers and changes of ownership and (iii) maintenance of minimum interest coverage ratios. As of December 31, 2005, HCA was in compliance with all such covenants.

Significant Financing Activities

2006

In February 2006, HCA issued $1.0 billion of 6.5% notes due February 2016. Proceeds of $625 million were used to refinance amounts outstanding under the term loan entered into in November 2005 and the remaining proceeds were used to pay down amounts advanced under the Credit Facility.

2005

In November 2005, HCA entered into a $1.0 billion credit agreement with several banks, which matures in May 2006. Under this agreement, the Company borrowed $800 million (the "2005 Term Loan"). Proceeds from the 2005 Term Loan were used to partially fund the repurchase of the Company's common stock. The 2005 Term Loan contains a mandatory prepayment clause which requires the Company to prepay amounts outstanding after receiving proceeds from the issuance of debt or equity securities or from asset sales. The proceeds of $175 million from the sale of hospitals and a portion of the proceeds from the $1.0 billion of 6.5% notes issued in February 2006 were used to repay the amounts outstanding under the 2005 Term Loan. In accordance with Statement of Financial Accounting Standards No. 6, "Classification of Short-Term Obligations Expected to be Refinanced," because the balance of the 2005 Term Loan was refinanced in February 2006, the 2005 Term Loan is classified as "long-term debt" in the December 31, 2005 consolidated balance sheet.

2004

In March 2004, HCA issued $500 million of 5.75% notes due March 15, 2014. The proceeds from the issuance were used to repay a portion of the amounts outstanding under the Company's previous revolving credit facility and for general corporate purposes.

In November 2004, HCA entered into a $2.5 billion credit agreement (the "2004 Credit Agreement") with several banks. The 2004 Credit Agreement consists of a $750 million amortizing term loan which matures in 2009 (the "2004 Term Loan") and the Credit Facility. Proceeds from the 2004 Term Loan were used to refinance a prior bank loan and for general corporate purposes.

During November 2004, HCA issued $500 million of 5.5% notes due December 1, 2009 and issued $750 million of 6.375% notes due January 15, 2015. Proceeds from the notes were used to repay amounts outstanding under the Credit Facility and for general corporate purposes.

During the fourth quarter of 2004, in response to the Company's tender offer to repurchase the Company's common stock, Standard & Poor's downgraded HCA's senior debt rating from BBB– to BB+ and Fitch Ratings downgraded HCA's senior debt rating from BBB– to BB+. Moody's Investors Service downgraded HCA's senior debt rating from Ba1 to Ba2.

In December 2004, HCA filed a shelf registration statement and prospectus with the Securities and Exchange Commission that will allow the Company to issue, from time to time, up to $1.5 billion in debt securities. In February 2006, HCA issued $1.0 billion of debt securities under this shelf registration.

General Information

Maturities of long-term debt in years 2007 through 2010 (excluding borrowings under the Credit Facility) are $454 million, $759 million, $897 million and $1.090 billion, respectively.

The estimated fair value of the Company's long-term debt was $10.733 billion and $10.789 billion at

December 31, 2005 and 2004, respectively, compared to carrying amounts aggregating $10.475 billion and $10.530 billion, respectively. The estimates of fair value are generally based upon the quoted market prices for the same or similar issues of long-term debt with the same maturities.

NOTE 9 — CONTINGENCIES

Significant Legal Proceedings

HCA operates in a highly regulated and litigious industry. As a result, various lawsuits, claims and legal and regulatory proceedings have been and can be expected to be instituted or asserted against the Company. The resolution of any such lawsuits, claims or legal and regulatory proceedings could have a material, adverse affect on HCA's results of operations and financial position in a given period.

In 2005, HCA and certain of its executive officers and directors were named in various federal securities law class actions and several shareholders filed derivative lawsuits purportedly on behalf of the Company. Additionally, a former employee of HCA filed a complaint against certain of HCA's executive officers pursuant to the Employee Retirement Income Security Act and the Company has been served with a shareholder demand letter addressed to our Board of Directors. HCA cannot predict the results of the investigations or any related lawsuits, or the effect that findings in such investigations or lawsuits may have on the Company.

General Liability Claims

HCA is subject to claims and suits arising in the ordinary course of business, including claims for personal injuries or wrongful restriction of, or interference with, physicians' staff privileges. In certain of these actions the claimants may seek punitive damages against HCA which may not be covered by insurance. It is management's opinion that the ultimate resolution of these pending claims and legal proceedings will not have a material, adverse effect on HCA's results of operations or financial position.

Investigations and Settlement of Certain Government Claims

Commencing in 1997, HCA became aware it was the subject of governmental investigations and litigation relating to its business practices. The investigations were concluded through a series of agreements executed in 2000 and 2003. In January 2001, HCA entered into an eight-year Corporate Integrity Agreement ("CIA") with the Office of Inspector General of the Department of Health and Human Services.

During June 2003, HCA announced that the Company and the Centers for Medicare and Medicaid Services ("CMS") had signed an agreement, documenting the understanding announced in March 2002, to resolve all Medicare cost report, home office cost statement and appeal issues between HCA and CMS (the "CMS Agreement") for cost report periods ended before August 1, 2001. As a result of the CMS Agreement, HCA paid CMS $250 million in June 2003.

During June 2003, HCA also announced that the Company and the Civil Division of the Department of Justice (the "DOJ") had signed agreements, documenting the understanding announced in December 2002, whereby the United States would dismiss the various claims it had brought related to physician relations, cost reports and wound care issues (the "DOJ Agreement"). The DOJ Agreement received court approval in July 2003, and HCA paid the DOJ $641 million (including accrued interest of $10 million) during July 2003. HCA also finalized an agreement with a negotiating team representing states that may have claims against the Company. Under this agreement, HCA paid $17.7 million in July 2003 to state Medicaid agencies to resolve these claims. HCA also paid $33 million for legal fees of the private parties who had brought *qui tam* actions against the Company. The consolidated income statement for the year ended December 31, 2003 includes a pretax favorable change in estimate of $41 million ($25 million after-tax) related to Medicaid cost report balances for cost report years ended December 31, 1997 and prior and $8 million for professional fees related to the investigations.

In September 2005, the Company received a subpoena from the Office of the United States Attorney for the Southern District of New York seeking the production of documents. Also in September 2005, HCA was informed that the SEC had issued a formal order of investigation. Both the subpoena and the formal order of investigation relate to trading in the Company's securities. The Company is cooperating fully with these investigations.

NOTE 10 — CAPITAL STOCK AND STOCK REPURCHASES

Capital Stock

The terms and conditions associated with each class of HCA's common stock are substantially identical, except for voting rights. All nonvoting common stockholders may convert their shares on a one-for-one basis into voting common stock, subject to certain limitations.

Stock Repurchase Programs

In October 2005, HCA announced the authorization of a modified "Dutch" auction tender offer to purchase up to $2.5 billion of its common stock. In November 2005, HCA closed the tender offer and repurchased 28.7 million shares of the Company's common stock for $1.437 billion ($50.00 per share). The shares repurchased represented approximately 6% of the Company's outstanding shares at the time of the tender offer. During 2005, HCA also repurchased 8.0 million shares of its common stock for $412 million, through open market purchases.

In October 2004, HCA announced the authorization of a modified "Dutch" auction tender offer to purchase up to $2.501 billion of its common stock. In November 2004, HCA closed the tender offer and repurchased 62 million shares of the Company's common stock for $2.466 billion ($39.75 per share). The shares repurchased represented approximately 13% of the Company's outstanding shares at the time of the tender offer. HCA also repurchased 0.9 million shares of its common stock for $35 million, through open market purchases, which completed this $2.501 billion share repurchase authorization.

In April 2003, HCA announced an authorization to repurchase $1.5 billion of its common stock through open market purchases or privately negotiated transactions. During 2003, HCA repurchased under this authorization 25.3 million shares of its common stock for $900 million, through open market purchases. During 2004, HCA repurchased 14.5 million shares of its common stock for $600 million, through open market purchases, which completed this authorization.

In July 2002, HCA announced an authorization to repurchase up to 12 million shares of its common stock. During 2003, HCA purchased 5.8 million shares for $214 million, through open market purchases, which completed the repurchases under this authorization.

During 2005, 2004 and 2003, the share repurchase transactions reduced stockholders' equity by $1.856 billion, $3.109 billion and $1.114 billion, respectively.

NOTE 11 — STOCK BENEFIT PLANS

In May 2005, the stockholders of HCA approved the HCA 2005 Equity Incentive Plan (the "2005 Plan"). The 2005 Plan is the primary plan under which options to purchase common stock and restricted stock may be granted to officers, employees and directors. Prior to 2005, the Company primarily utilized stock option grants for equity compensation purposes. During 2005 an increasing equity compensation emphasis was placed on restricted share grants. The restricted shares issued in 2005 are subject to back-end vesting provisions, with no shares vesting in the first two years after grant and then a third of the shares vesting in each of the third, fourth and fifth years. During 2005, compensation cost related to restricted share grants under this plan totaled $24 million. The number of options or shares authorized under the 2005 Plan is 34,000,000 (which includes 14,000,000 shares authorized under a former plan). In addition, options granted under the former plan that are cancelled become available for subsequent grants. Exercise provisions vary, but options are generally exercisable, in whole or in part, beginning one to four years after the grant date and ending ten years after the grant date.

In December 2004, HCA accelerated the vesting of all unvested options awarded to employees and officers which had exercise prices greater than closing price of the Company's common stock at December 14, 2004 of $40.89 per share. Options to purchase approximately 19.1 million shares became exercisable immediately as a result of the vesting acceleration.

Options to purchase common stock have been granted to officers, employees and directors under various predecessor plans. Generally, options have been granted with exercise prices no less than the market price on the date of grant. Exercise provisions vary, but most options are exercisable in whole, or in part, beginning one to five years after the grant date and ending four to fifteen years after the grant date.

Information regarding these option plans for 2005, 2004 and 2003 is summarized below (share amounts in thousands):

	Stock Options	Option Price Per Share	Weighted Average Exercise Price
Balances, December 31, 2002	48,971	$ 0.14 to $49.00	$28.90
Granted	9,301	31.95 to 42.36	41.86
Exercised	(4,964)	0.14 to 41.84	22.50
Cancelled	(1,627)	17.11 to 45.12	35.26
Balances, December 31, 2003	51,681	0.14 to 49.00	31.64
Granted	9,306	35.00 to 45.86	45.62
Exercised	(7,208)	0.14 to 43.66	23.79
Cancelled	(1,517)	0.38 to 45.86	41.11
Balances, December 31, 2004	52,262	0.14 to 49.00	34.94
Granted	2,644	44.74 to 57.67	49.25
Exercised	(27,034)	0.14 to 49.00	34.87
Cancelled	(66)	17.12 to 54.73	42.54
Balances, December 31, 2005	27,806	0.14 to 57.67	36.35

	2005	2004	2003
Weighted average fair value per option for options granted during the year	$ 15.53	$ 12.90	$ 13.49
Options exercisable	24,803	50,112	31,564
Options available for grant	32,598	17,657	26,166

The following table summarizes information regarding the options outstanding at December 31, 2005 (share amounts in thousands):

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding at 12/31/05	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable at 12/31/05	Weighted Average Exercise Price
$ 35.82	211	Less than 1 year	$ 35.82	211	$ 35.82
29.22 to 37.92	946	1 year	36.63	946	36.63
25.17 to 33.28	3,000	2 years	27.08	3,000	27.08
17.12 to 22.25	5,005	3 years	17.65	5,005	17.65
23.94 to 35.60	2,197	5 years	34.13	2,026	34.99
36.75 to 46.29	4,236	6 years	41.75	4,234	41.75
39.33 to 47.79	4,055	7 years	42.18	4,024	42.19
0.14	53	8 years	0.14	53	0.14
31.95 to 45.86	5,184	8 years	45.37	5,014	45.68
35.00 to 48.70	915	9 years	43.46	245	41.06
46.95 to 57.67	2,004	10 years	50.51	45	50.64
	27,806			24,803	

HCA's amended and restated Employee Stock Purchase Plan ("ESPP") provides an opportunity to purchase shares of its common stock at a discount (through payroll deductions over six-month periods) to substantially all employees. At December 31, 2005, 4,900,100 shares of common stock were reserved for purchase under the ESPP provisions.

Under the Management Stock Purchase Plan ("MSPP"), HCA has made grants of restricted shares or units of HCA's common stock to provide equity compensation to employees. The MSPP allows eligible employees to defer an elected percentage (not to exceed 25%) of their base salaries through the purchase of restricted stock at a 25% discount from the average market price. Purchases of restricted shares are made twice a year and the shares vest after three years.

At December 31, 2005, 3,747,500 shares were subject to restrictions, which lapse between 2006 and 2009. During 2005, 2004 and 2003, grants and purchases of 3,130,900, 721,100 and 1,039,900 shares, respectively, were made at weighted-average grant or purchase date fair values of $44.97, $44.88 and $42.08 per share, respectively, related to equity compensation plans. During 2005, 2004 and 2003, grants and purchases of 145,600, 158,900 and 148,900 shares, respectively, were made at weighted-average grant or purchase date discounted (25% discount) fair values of $33.22, $29.64 and $30.21 per share, respectively, related to the MSPP.

NOTE 12 — EMPLOYEE BENEFIT PLANS

HCA maintains noncontributory, defined contribution retirement plans covering substantially all employees. Benefits are determined as a percentage of a participant's salary and vest over specified periods of employee service. Retirement plan expense was $216 million for 2005, $191 million for 2004 and $166 million for 2003. Amounts approximately equal to retirement plan expense are funded annually.

HCA maintains contributory, defined contribution benefit plans that are available to employees who meet certain minimum requirements. Certain of the plans require that HCA match specified percentages of participant contributions up to certain maximum levels (generally 50% of the first 3% of compensation deferred by participants). The cost of these plans totaled $54 million for 2005, $51 million for 2004 and $48 million for 2003. HCA's contributions are funded periodically during each year.

HCA maintains a Supplemental Executive Retirement Plan ("SERP") for certain executives. The plan is designed to ensure that upon retirement the participant receives a prescribed life annuity from a combination of the SERP and HCA's other benefit plans. Compensation expense under the plan was $9 million for 2005, $8 million for 2004 and $7 million for 2003. Accrued benefits liabilities under this plan totaled $42 million at December 31, 2005 and $52 million at December 31, 2004.

HCA maintains defined benefit pension plans that resulted from acquisitions of certain hospitals in prior years. Compensation expense under these plans was $29 million for 2005, $26 million for 2004, and $17 million for 2003. Accrued benefits liabilities under these plans totaled $56 million at December 31, 2005 and $55 million at December 31, 2004.

NOTE 13 — SEGMENT AND GEOGRAPHIC INFORMATION

HCA operates in one line of business, which is operating hospitals and related health care entities. During the three years ended December 31, 2005, 2004 and 2003, approximately 27%, 28% and 28%, respectively, of HCA's revenues related to patients participating in the Medicare program.

HCA's operations are structured in two geographically organized groups: the Eastern Group includes 90 consolidating hospitals located in the Eastern United States and the Western Group includes 77 consolidating hospitals located in the Western United States. HCA also operates eight consolidating hospitals in England and Switzerland and these facilities are included in the Corporate and other group.

Adjusted segment EBITDA is defined as income before depreciation and amortization, interest expense, gains on sales of facilities, impairment of long-lived assets, government settlement and investigation related costs, minority interests and income taxes. HCA uses adjusted segment EBITDA as an analytical indicator for purposes of allocating resources to geographic areas and assessing their performance. Adjusted segment EBITDA is commonly used as an analytical indicator within the health care industry, and also serves as a measure of leverage capacity and debt service ability. Adjusted segment EBITDA should not be considered as a measure of financial performance under generally accepted accounting principles, and the items excluded from adjusted segment EBITDA are significant components in understanding and assessing financial performance. Because adjusted segment EBITDA is not a measurement determined in accordance with generally accepted accounting principles and is thus susceptible to varying calculations, adjusted segment EBITDA, as presented, may not be comparable to other similarly titled measures of other companies. The geographic distributions of HCA's revenues, equity in earnings of affiliates, adjusted segment EBITDA, depreciation and amortization, assets and goodwill are summarized in the following table (dollars in millions):

	For the Years Ended December 31,		
	2005	2004	2003
Revenues:			
Eastern Group	$ 11,967	$ 11,427	$ 10,513
Western Group	11,760	11,417	10,734
Corporate and other	728	658	561
	$ 24,455	$ 23,502	$ 21,808
Equity in earnings of affiliates:			
Eastern Group	$ (6)	$ (7)	$ (9)
Western Group	(215)	(178)	(185)
Corporate and other	—	(9)	(5)
	$ (221)	$ (194)	$ (199)
Adjusted segment EBITDA:			
Eastern Group	$ 2,141	$ 2,033	$ 2,053
Western Group	2,215	2,013	2,065
Corporate and other	(78)	(80)	(197)
	$ 4,278	$ 3,966	$ 3,921
Depreciation and amortization:			
Eastern Group	$ 621	$ 546	$ 485
Western Group	600	550	492
Corporate and other	153	154	135
	$ 1,374	$ 1,250	$ 1,112
Adjusted segment EBITDA	$ 4,278	$ 3,966	$ 3,921
Depreciation and amortization	1,374	1,250	1,112
Interest expense	655	563	491
Gains on sales of facilities	(78)	—	(85)
Impairment of long-lived assets	—	12	130
Government settlement and investigation related costs	—	—	(33)
Income before minority interests and income taxes	$ 2,327	$ 2,141	$ 2,306

	As of December 31,	
	2005	2004
Assets:		
Eastern Group	$ 8,026	$ 7,870
Western Group	9,000	8,704
Corporate and other	5,199	5,266
	$ 22,225	$ 21,840

	Eastern Group	Western Group	Corporate and Other	Total
Goodwill:				
Balance at December 31, 2004	$ 934	$ 1,359	$ 247	$ 2,540
Acquisitions	107	22	—	129
Sales	(3)	(32)	—	(35)
Foreign currency translation	—	—	(8)	(8)
Balance at December 31, 2005	$ 1,038	$ 1,349	$ 239	$ 2,626

NOTE 14 — OTHER COMPREHENSIVE INCOME

The components of accumulated other comprehensive income are as follows (dollars in millions):

	Unrealized Gains on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Benefit Plans	Total
Balances at December 31, 2002	$ 46	$ 35	$ (8)	$ 73
Unrealized gains on available-for-sale securities, net of $52 of income taxes	92	—	—	92
Foreign currency translation adjustments, net of $20 of income taxes	—	11	—	11
Defined benefit plans, net of $5 income tax benefit	—	—	(8)	(8)
Balances at December 31, 2003	138	46	(16)	168
Unrealized gains on available-for-sale securities, net of $27 of income taxes	46	—	—	46
Gains reclassified into earnings from other comprehensive income, net of $20 of income taxes	(36)	—	—	(36)
Foreign currency translation adjustments, net of $11 of income taxes	—	21	—	21
Defined benefit plans, net of $4 income tax benefit	—	—	(6)	(6)
Balances at December 31, 2004	148	67	(22)	193
Unrealized gains on available-for-sale securities, net of $3 of income taxes	3	—	—	3
Gains reclassified into earnings from other comprehensive income, net of $20 of income taxes	(33)	—	—	(33)
Foreign currency translation adjustments, net of $19 income tax benefit	—	(37)	—	(37)
Defined benefit plans, net of $2 of income taxes	—	—	4	4
Balances at December 31, 2005	$118	$ 30	$(18)	$130

NOTE 15 — ACCRUED EXPENSES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

A summary of other accrued expenses at December 31 follows (dollars in millions):

	2005	2004
Employee benefit plans	$ 203	$ 186
Taxes other than income	166	155
Professional liability risks	285	310
Interest	149	132
Dividends	62	63
Other	399	408
	$ 1,264	$ 1,254

A summary of activity in the allowance for doubtful accounts follows (dollars in millions):

	Balance at Beginning of Year	Provision for Doubtful Accounts	Accounts Written off, Net of Recoveries	Balance at End of Year
Allowance for doubtful accounts:				
Year ended December 31, 2003	$ 2,045	$ 2,207	$(1,603)	$ 2,649
Year ended December 31, 2004	2,649	2,669	(2,376)	2,942
Year ended December 31, 2005	2,942	2,358	(2,403)	2,897

HCA Inc. Quarterly Consolidated Financial Information (Unaudited)

(Dollars in millions, except per share amounts)

	2005			
	First	Second	Third	Fourth
Revenues	$ 6,182	$ 6,070	$ 6,025	$ 6,178
Net income	$ 414	$ 405 (a)	$ 280 (b)	$ 325 (c)
Basic earnings per share	$ 0.97	$ 0.91 (a)	$ 0.63 (b)	$ 0.75 (c)
Diluted earnings per share	$ 0.95	$ 0.90 (a)	$ 0.62 (b)	$ 0.74 (c)
Cash dividends declared	$ 0.15	$ 0.15	$ 0.15	$ 0.15
Market prices(d):				
High	$ 54.10	$ 58.60	$ 57.17	$ 52.74
Low	38.97	52.14	45.59	45.30

	2004			
	First	Second	Third	Fourth
Revenues	$ 5,937	$ 5,833	$ 5,792	$ 5,940
Net income	$ 345	$ 352	$ 227 (e)	$ 322
Basic earnings per share	$ 0.71	$ 0.73	$ 0.47 (e)	$ 0.71
Diluted earnings per share	$ 0.69	$ 0.72	$ 0.47 (e)	$ 0.70
Cash dividends declared	$ 0.13	$ 0.13	$ 0.13	$ 0.13
Market prices(d):				
High	$ 46.60	$ 43.24	$ 42.30	$ 41.64
Low	38.98	38.00	36.44	34.70

(a) Second quarter results include $18 million ($0.04 per basic and diluted share) related to the recognition of a previously deferred gain on the sale of medical office buildings (See NOTE 1 of the notes to consolidated financial statements) and $48 million ($0.11 per basic and diluted share) related to a favorable tax settlement (See NOTE 4 of the notes to consolidated financial statements).

(b) Third quarter results include $22 million ($0.05 per basic and diluted share) related to the expected repatriation of foreign earnings (see NOTE 4 of the notes to consolidated financial statements).

(c) Fourth quarter results include $19 million ($0.04 per basic and diluted share) of gains on sales of facilities (See NOTE 2 of the notes to consolidated financial statements) and an estimated tax benefit of $2 million ($0.01 per basic and diluted share) from the repatriation of foreign earnings (See NOTE 4 of the notes to consolidated financial statements).

(d) Represents high and low sales prices of the Company's common stock which is traded on the New York Stock Exchange (ticker symbol HCA).

(e) Third quarter results include $8 million ($0.02 per basic and diluted share) related to the impairment of long-lived assets (See NOTE 3 of the notes to consolidated financial statements).

HCA Inc.
Senior Officers

Jack O. Bovender, Jr. / Chairman of the Board and Chief Executive Officer

Richard M. Bracken / President, Chief Operating Officer and Director

R. Milton Johnson / Executive Vice President and Chief Financial Officer

David G. Anderson / Senior Vice President - Finance and Treasurer

Victor L. Campbell / Senior Vice President

Rosalyn S. Elton / Senior Vice President - Operations Finance

Charles R. Evans / President - Eastern Group

V. Carl George / Senior Vice President - Development

R. Sam Hankins, Jr. / Chief Financial Officer - Outpatient Services Group

Russell K. Harms / Chief Financial Officer - Central Group

Samuel N. Hazen / President - Western Group

Frank M. Houser, M.D. / Senior Vice President - Quality and Medical Director

Patricia T. Lindler / Senior Vice President - Government Programs

A. Bruce Moore, Jr. / President - Outpatient Services Group

W. Paul Rutledge / President - Central Group

Richard J. Shallcross / Chief Financial Officer - Western Group

Joseph N. Steakley / Senior Vice President - Internal Audit Services

John M. Steele / Senior Vice President - Human Resources

Donald W. Stinnett / Chief Financial Officer - Eastern Group

Beverly B. Wallace / President - Shared Services Group

Robert A. Waterman / Senior Vice President and General Counsel

Noel Brown Williams / Senior Vice President and Chief Information Officer

Alan R. Yuspeh / Senior Vice President - Ethics, Compliance and Corporate Responsibility

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Ethics, Compliance and Quality of Care and Finance and Investments Committees

Magdalena H. Averhoff, M.D. / Retired Physician
Ethics, Compliance and Quality of Care and Nominating and Corporate Governance Committees

Jack O. Bovender, Jr. / Chairman and Chief Executive Officer, HCA

Richard M. Bracken / President and Chief Operating Officer, HCA

Martin Feldstein / Professor of Economics, Harvard University / President and CEO, National Bureau of Economic Research
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Finance and Investments Committee

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Kent C. Nelson / Retired Chairman and Chief Executive Officer, United Parcel Service
Audit and Finance and Investments Committees

Frank S. Royal, M.D. / Practicing Physician
Compensation and Ethics, Compliance and Quality of Care Committees*

Harold T. Shapiro / Professor of Economics and Public Affairs and President Emeritus, Princeton University
Audit and Nominating and Corporate Governance Committees*

** Denotes chair of a committee*

HCA Inc.
Corporate Information
General

Stock Information and Dividends

Our common stock is traded on the New York Stock Exchange (symbol "HCA"). At the close of business on March 31, 2006, there were approximately 12,600 holders of record of our voting common stock and one holder of our nonvoting common stock.

In January 2006, we increased our quarterly dividend from $0.15 per share to $0.17 per share. The Board declared the $0.17 per share dividend payable on June 1, 2006 to shareholders of record at May 1, 2006. While it is the present intention of the Company's Board of Directors to continue paying a quarterly dividend of $0.17 per share, the declaration and payment of future dividends will depend upon many factors including earnings, financial condition, business needs, capital and surplus and regulatory considerations.

Shareholder Information

Investor Relations Department
HCA Inc.
One Park Plaza
Nashville, TN 37203
(615) 344-9551

Shareholder Services

Questions concerning stock certificates and dividends should be addressed to HCA's transfer agent, National City Bank, Shareholder Services Group, P.O. Box 92301, Cleveland, OH 44193-0900; or call (800) 622-6757 or (216) 257-8663; or send an e-mail message to shareholder.inquiries@nationalcity.com.

Annual Meeting

The Annual Meeting of Shareholders of HCA will be held on May 25, 2006 at 1:30 p.m. Central Daylight Time, at the HCA Corporate Office, located at One Park Plaza, Nashville, Tennessee.

Additional Investor Information

Questions and requests for additional information from shareholders, security analysts, brokers and other investors should be addressed to the Investor Relations Department at the Corporate Office. Investor information may also be obtained by visiting the HCA website at www.hcahealthcare.com.

Earnings Webcast

HCA invites its shareholders to participate in our quarterly earnings webcast. Information concerning date, time and Internet address may be obtained by logging onto the Investor Relations page at www.hcahealthcare.com.

Other Information

Our 2005 Annual Report on Form 10-K includes certificates (Exhibit 31) of our Chief Executive Officer and Chief Financial Officer certifying the quality of our public disclosure, and we have submitted to the New York Stock Exchange a certificate of the Chief Executive Officer, certifying that he is not aware of any violation of New York Stock Exchange corporate governance listing standards.

A copy of HCA's 2005 Annual Report on Form 10-K filed with the Securities and Exchange Commission can be obtained free of charge from our website (www.hcahealthcare.com) or from the Investor Relations Department at the Corporate Office.

Investor Contact

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Investor Relations
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