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HCA HEALTHCARE, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
HCA Healthcare, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of HCA Healthcare, Inc. (the "Company") as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, stockholders' deficit and cash flows for each of the three years in the period ended December 31, 2018, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018, 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) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 21, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 1994.

Nashville, Tennessee
February 21, 2019

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HCA HEALTHCARE, INC.
CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Dollars in millions, except per share amounts)

	2018	2017	2016
Revenues	**$ 46,677**	$ 43,614	$ 41,490
Salaries and benefits	**21,425**	20,059	18,897
Supplies	**7,724**	7,316	6,933
Other operating expenses	**8,608**	8,051	7,496
Equity in earnings of affiliates	**(29)**	(45)	(54)
Depreciation and amortization	**2,278**	2,131	1,966
Interest expense	**1,755**	1,690	1,707
Gains on sales of facilities	**(428)**	(8)	(23)
Losses on retirement of debt	**9**	39	4
Legal claim benefits	**—**	—	(246)
	41,342	39,233	36,680
Income before income taxes	**5,335**	4,381	4,810
Provision for income taxes	**946**	1,638	1,378
Net income	**4,389**	2,743	3,432
Net income attributable to noncontrolling interests	**602**	527	542
Net income attributable to HCA Healthcare, Inc.	**$ 3,787**	$ 2,216	$ 2,890
Per share data:			
Basic earnings per share	**$ 10.90**	$ 6.12	$ 7.53
Diluted earnings per share	**$ 10.66**	$ 5.95	$ 7.30
Shares used in earnings per share calculations (in millions):			
Basic	**347.297**	362.305	383.591
Diluted	**355.303**	372.221	395.851

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

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HCA HEALTHCARE, INC.
CONSOLIDATED COMPREHENSIVE INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Dollars in millions)

	2018	2017	2016
Net income	**$4,389**	$2,743	$3,432
Other comprehensive income (loss) before taxes:			
Foreign currency translation	**(71)**	97	(224)
Unrealized gains (losses) on available-for-sale securities	**(7)**	1	(9)
Realized gains included in other operating expenses	**—**	(2)	—
	(7)	(1)	(9)
Defined benefit plans	**44**	(43)	(35)
Pension costs included in salaries and benefits	**21**	18	18
	65	(25)	(17)
Change in fair value of derivative financial instruments	**23**	11	20
Interest (benefits) costs included in interest expense	**(10)**	20	109
	13	31	129
Other comprehensive income (loss) before taxes	**—**	102	(121)
Income taxes (benefits) related to other comprehensive income items	**8**	42	(48)
Other comprehensive income (loss)	**(8)**	60	(73)
Comprehensive income	**4,381**	2,803	3,359
Comprehensive income attributable to noncontrolling interests	**602**	527	542
Comprehensive income attributable to HCA Healthcare, Inc.	**$3,779**	$2,276	$2,817

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

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HCA HEALTHCARE, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017
(Dollars in millions)

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 502**	$ 732
Accounts receivable	**6,789**	6,501
Inventories	**1,732**	1,573
Other	**1,190**	1,171
	10,213	9,977
Property and equipment, at cost:		
Land	**1,944**	1,746
Buildings	**15,659**	14,249
Equipment	**23,577**	22,168
Construction in progress	**1,785**	1,921
	42,965	40,084
Accumulated depreciation	**(23,208)**	(22,189)
	19,757	17,895
Investments of insurance subsidiaries	**362**	418
Investments in and advances to affiliates	**232**	199
Goodwill and other intangible assets	**7,953**	7,394
Other	**690**	710
	$ 39,207	$ 36,593
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	**$ 2,577**	$ 2,606
Accrued salaries	**1,580**	1,369
Other accrued expenses	**2,624**	1,983
Long-term debt due within one year	**788**	200
	7,569	6,158
Long-term debt, less net debt issuance costs of $157 and $164	**32,033**	32,858
Professional liability risks	**1,275**	1,198
Income taxes and other liabilities	**1,248**	1,374
Stockholders' deficit:		
Common stock $0.01 par; authorized 1,800,000,000 shares; outstanding 342,895,200 shares—2018 and 350,091,600 shares—2017	**3**	4
Accumulated other comprehensive loss	**(381)**	(278)
Retained deficit	**(4,572)**	(6,532)
Stockholders' deficit attributable to HCA Healthcare, Inc.	**(4,950)**	(6,806)
Noncontrolling interests	**2,032**	1,811
	(2,918)	(4,995)
	$ 39,207	$ 36,593

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

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HCA HEALTHCARE, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Dollars in millions)

	Equity (Deficit) Attributable to HCA Healthcare, Inc.						
	Common Stock						
	Shares (in millions)	Par Value	Capital in Excess of Par Value	Accumulated Other Comprehensive Loss	Retained Deficit	Equity Attributable to Noncontrolling Interests	Total
Balances, December 31, 2015	398.739	$ 4	$ —	$ (265)	$(7,338)	$ 1,553	$(6,046)
Comprehensive income (loss)				(73)	2,890	542	3,359
Repurchase of common stock	(36.325)		(231)		(2,520)		(2,751)
Share-based benefit plans	8.122		233				233
Distributions						(434)	(434)
Other			(2)			8	6
Balances, December 31, 2016	370.536	4	—	(338)	(6,968)	1,669	(5,633)
Comprehensive income				60	2,216	527	2,803
Repurchase of common stock	(25.092)		(271)		(1,780)		(2,051)
Share-based benefit plans	4.648		281				281
Distributions						(448)	(448)
Acquisition of entities with noncontrolling interests						63	63
Other			(10)				(10)
Balances, December 31, 2017	350.092	4	—	(278)	(6,532)	1,811	(4,995)
Comprehensive income (loss)				**(8)**	**3,787**	**602**	**4,381**
Repurchase of common stock	**(14.070)**	**(1)**	**(103)**		**(1,426)**		**(1,530)**
Share-based benefit plans	**6.873**		**115**				**115**
Cash dividends declared ($1.40 share)					**(496)**		**(496)**
Distributions						**(441)**	**(441)**
Net acquisition of entities with noncontrolling interests						**60**	**60**
Reclassification of stranded tax effects				**(95)**	**95**		**—**
Other			**(12)**				**(12)**
Balances, December 31, 2018	**342.895**	**$ 3**	**$ —**	**$ (381)**	**$(4,572)**	**$ 2,032**	**$(2,918)**

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

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HCA HEALTHCARE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(Dollars in millions)

	2018	2017	2016
Cash flows from operating activities:			
Net income	**$ 4,389**	$ 2,743	$ 3,432
Adjustments to reconcile net income to net cash provided by operating activities:			
Increase (decrease) in cash from operating assets and liabilities:			
Accounts receivable	**(423)**	(601)	10
Inventories and other assets	**(242)**	(69)	(112)
Accounts payable and accrued expenses	**698**	374	144
Depreciation and amortization	**2,278**	2,131	1,966
Income taxes	**74**	433	123
Gains on sales of facilities	**(428)**	(8)	(23)
Losses on retirement of debt	**9**	39	4
Legal claim benefits	**—**	—	(246)
Amortization of debt issuance costs	**31**	31	34
Share-based compensation	**268**	270	251
Other	**107**	83	70
Net cash provided by operating activities	**6,761**	5,426	5,653
Cash flows from investing activities:			
Purchase of property and equipment	**(3,573)**	(3,015)	(2,760)
Acquisition of hospitals and health care entities	**(1,253)**	(1,212)	(576)
Disposal of hospitals and health care entities	**808**	25	26
Change in investments	**57**	(73)	64
Other	**60**	(4)	6
Net cash used in investing activities	**(3,901)**	(4,279)	(3,240)
Cash flows from financing activities:			
Issuances of long-term debt	**2,000**	1,502	5,400
Net change in revolving bank credit facilities	**(640)**	760	(110)
Repayment of long-term debt	**(1,704)**	(753)	(4,475)
Distributions to noncontrolling interests	**(441)**	(448)	(434)
Payment of debt issuance costs	**(25)**	(26)	(40)
Payment of cash dividends	**(487)**	—	—
Repurchases of common stock	**(1,530)**	(2,051)	(2,751)
Other	**(248)**	(45)	(98)
Net cash used in financing activities	**(3,075)**	(1,061)	(2,508)
Effect on exchange rate changes in cash and cash equivalents	**(15)**	—	—
Change in cash and cash equivalents	**(230)**	86	(95)
Cash and cash equivalents at beginning of period	**732**	646	741
Cash and cash equivalents at end of period	**$ 502**	$ 732	$ 646
Interest payments	**$ 1,744**	$ 1,700	$ 1,666
Income tax payments, net	**$ 872**	$ 1,205	$ 1,255

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

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — ACCOUNTING POLICIES

Reporting Entity

HCA Healthcare, 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 Healthcare, Inc. and partnerships and joint ventures in which such subsidiaries are partners. At December 31, 2018, these affiliates owned and operated 179 hospitals, 123 freestanding surgery centers and provided extensive outpatient and ancillary services. HCA Healthcare, Inc.'s facilities are located in 20 states and England. The terms "Company," "HCA," "we," "our" or "us," as used herein and unless otherwise stated or indicated by context, refer to HCA Healthcare, Inc. and its affiliates. The terms "facilities" or "hospitals" refer to entities owned and operated by affiliates of HCA and the term "employees" refers to employees of affiliates of HCA.

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. We generally define "control" as ownership of a majority of the voting interest of an entity. The consolidated financial statements include entities in which we absorb a majority of the entity's expected losses, receive a majority of the entity's expected residual returns, or both, as a result of ownership, contractual or other financial interests in the entity. The accounts of acquired entities are included in our consolidated financial statements for periods subsequent to our acquisition of controlling interests. Significant intercompany transactions have been eliminated. Investments in entities we do not control, but in which we have a substantial ownership interest and can exercise significant influence, are accounted for using the equity method.

The majority of our expenses are "cost of revenue" items. Costs that could be classified as general and administrative include our corporate office costs, which were $344 million, $340 million and $343 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Revenues

In May 2014, the Financial Accounting Standards Board ("FASB") issued a new standard related to revenue recognition. We adopted the new standard effective January 1, 2018, using the full retrospective method. The adoption of the new standard did not have an impact on our recognition of net revenues for any periods prior to adoption. The most significant impact of adopting the new standard is to the presentation of our consolidated income statements, where we no longer present the "Provision for doubtful accounts" as a separate line item and our "Revenues" are presented net of estimated implicit price concession revenue deductions. We also have eliminated the related presentation of "allowances for doubtful accounts" on our consolidated balance sheets as a result of the adoption of the new standard.

Our revenues generally relate to contracts with patients in which our performance obligations are to provide health care services to the patients. Revenues are recorded during the period our obligations to provide health care services are satisfied. Our performance obligations for inpatient services are generally satisfied over periods that average approximately five days, and revenues are recognized based on charges incurred in relation to total expected charges. Our performance obligations for outpatient services are generally satisfied over a period of less than one day. The contractual relationships with patients, in most cases, also involve a third-party payer

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1 — ACCOUNTING POLICIES (continued)

Revenues (continued)

(Medicare, Medicaid, managed care health plans and commercial insurance companies, including plans offered through the health insurance exchanges) and the transaction prices for the services provided are dependent upon the terms provided by (Medicare and Medicaid) or negotiated with (managed care health plans and commercial insurance companies) the third-party payers. The payment arrangements with third-party payers for the services we provide to the related patients typically specify payments at amounts less than our standard charges. Medicare generally pays for inpatient and outpatient services at prospectively determined rates based on clinical, diagnostic and other factors. Services provided to patients having Medicaid coverage are generally paid at prospectively determined rates per discharge, per identified service or per covered member. Agreements with commercial insurance carriers, managed care and preferred provider organizations generally provide for payments based upon predetermined rates per diagnosis, per diem rates or discounted fee-for-service rates. 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 resulting from contract renegotiations and renewals.

Our revenues are based upon the estimated amounts we expect to be entitled to receive from patients and third-party payers. Estimates of contractual allowances under managed care and commercial insurance plans are based upon the payment terms specified in the related contractual agreements. Revenues related to uninsured patients and uninsured copayment and deductible amounts for patients who have health care coverage may have discounts applied (uninsured discounts and contractual discounts). We also record estimated implicit price concessions (based primarily on historical collection experience) related to uninsured accounts to record self-pay revenues at the estimated amounts we expect to collect. Our revenues from third-party payers and others (including uninsured patients) for the years ended December 31, are summarized in the following table (dollars in millions):

	Years Ended December 31,					
	2018	**Ratio**	**2017**	**Ratio**	**2016**	**Ratio**
Medicare	**$ 9,831**	**21.1%**	$ 9,285	21.3%	$ 8,719	21.0%
Managed Medicare	**5,497**	**11.8**	4,680	10.7	4,278	10.3
Medicaid	**1,358**	**2.9**	1,316	3.0	1,278	3.1
Managed Medicaid	**2,403**	**5.1**	2,165	5.0	2,317	5.6
Managed care and other insurers	**24,467**	**52.4**	23,342	53.5	22,287	53.7
International (managed care and insurers)	**1,156**	**2.5**	1,097	2.5	1,195	2.9
Other	**1,965**	**4.2**	1,729	4.0	1,416	3.4
Revenues	**$46,677**	**100.0%**	$43,614	100.0%	$41,490	100.0%

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. 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 Medicare and Medicaid reimbursement amounts and disproportionate-share funds related primarily to cost reports filed during the respective year resulted in net increases to revenues of $29 million, $41 million and $31 million in 2018, 2017 and 2016, respectively. The adjustments to estimated reimbursement amounts related primarily to cost reports filed during previous years resulted in net increases to revenues of $51 million, $56 million and $90 million in 2018, 2017 and 2016, respectively.

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1 — ACCOUNTING POLICIES (continued)

Revenues (continued)

The Emergency Medical Treatment and Labor Act ("EMTALA") requires any hospital participating 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 the condition or make an appropriate transfer of the individual to a facility able to 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 require, and our commitment to providing quality patient care encourages, us to provide services to patients who are financially unable to pay for the health care services they receive. Prior to November 2017, patients treated at hospitals for non-elective care, who have income at or below 200% of the federal poverty level, were eligible for charity care. During November 2017, we expanded our charity policy to include patients who have income above 200%, but at or below 400%, of the federal poverty level and we limit the patient responsibility amounts for these patients to a percentage of their annual household income, computed on a sliding scale based upon their annual income and the applicable percentage of the federal poverty level. The federal poverty level is established by the federal government and is based on income and family size. Because we do not pursue collection of amounts determined to qualify as charity care, they are not reported in revenues. We provide discounts to uninsured patients who do not qualify for Medicaid or charity care. In implementing the uninsured discount policy, we may first attempt to provide assistance to uninsured patients to help determine whether they may qualify 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.

The collection of outstanding receivables for Medicare, Medicaid, 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. Implicit price concessions relate primarily to amounts due directly from patients. Estimated implicit price concessions are 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.

The estimates for implicit price concessions are 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 collections at facilities that represent a majority of our revenues and accounts receivable (the "hindsight analysis") as a primary source of information in estimating the collectability of our accounts receivable. We perform the hindsight analysis quarterly, utilizing rolling twelve-months accounts receivable collection and writeoff data. We believe our quarterly updates to the estimated implicit price concession amounts at each of our hospital facilities provide reasonable estimates of our revenues and valuations of our accounts receivable. These routine, quarterly changes in estimates have not resulted in material adjustments to the valuations of our accounts receivable or period-to-period comparisons of our results of operations. At December 31, 2018 and 2017, estimated implicit price concessions of $6.280 billion and $5.488 billion, respectively, had been recorded as reductions to our accounts receivable balances to enable us to record our revenues and accounts receivable at the estimated amounts we expect to collect.

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1 — ACCOUNTING POLICIES (continued)

Revenues (continued)

To quantify the total impact of the trends related to uninsured accounts, we believe it is beneficial to view total uncompensated care, which is comprised of charity care, uninsured discounts and implicit price concessions. A summary of the estimated cost of total uncompensated care for the years ended December 31, follows (dollars in millions):

	2018	2017	2016
Patient care costs (salaries and benefits, supplies, other operating expenses and depreciation and amortization)	**$40,035**	$37,557	$35,304
Cost-to-charges ratio (patient care costs as percentage of gross patient charges)	**12.4%**	12.9%	13.5%
Total uncompensated care	**$26,757**	$23,420	$20,455
Multiply by the cost-to-charges ratio	**12.4%**	12.9%	13.5%
Estimated cost of total uncompensated care	**$ 3,318**	$ 3,021	$ 2,761

Total uncompensated care as a percentage of the sum of revenues and total uncompensated care was 36.4% for 2018, 34.9% for 2017 and 33.0% for 2016. The total uncompensated care amounts include charity care of $8.611 billion, $4.861 billion and $4.151 billion, and the related estimated costs of charity care were $1.068 billion, $627 million and $560 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Recent Pronouncements

In February 2016, the FASB issued Accounting Standards Update 2016-02, *Leases* (“ASU 2016-02”), which requires lessees to recognize assets and liabilities for most leases. ASU 2016-02 is effective for public business entities for annual and interim periods beginning after December 15, 2018. We plan to adopt ASU 2016-02 effective January 1, 2019 applying a modified retrospective approach in which we will not adjust comparable prior period information and disclosures. We expect to utilize the practical expedients being made available, including the package of practical expedients to not reassess whether a contract is or contains a lease, the lease classification and initial direct costs. We believe the primary effect of adopting the new standard will be to record right-of-use assets and obligations for our leases currently classified as operating leases, and we expect the amount of right-of-use assets and obligations resulting from the adoption of ASU 2016-02 to be approximately $1.6 billion.

In February 2018, the FASB issued Accounting Standards Update 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* (“ASU 2018-02”). In implementing the provisions of the Tax Cuts and Jobs Act of 2017 (the “Tax Act”), the remeasurement of our deferred tax assets and liabilities was recorded as a component of our provision for income taxes. For deferred tax amounts that were originally recorded through accumulated other comprehensive income (“AOCI”), the remeasurement of deferred tax assets and liabilities through the provision for income taxes resulted in these amounts becoming “stranded” in AOCI. ASU 2018-02 permits companies to reclassify the stranded tax amounts recorded in AOCI to retained earnings, and we reclassified $95 million of stranded tax effects from AOCI to retained earnings effective October 1, 2018.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with a maturity of three months or less when purchased. Our insurance subsidiaries’ cash equivalent investments in excess of the amounts required to pay

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1 — ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents (continued)

estimated professional liability claims during the next twelve months are not included in cash and cash equivalents as these funds are not available for general corporate purposes. Carrying values of cash and cash equivalents approximate fair value due to the short-term nature of these instruments.

Our 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 $449 million and $480 million at December 31, 2018 and 2017, 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 our credit facility.

Accounts Receivable

We receive 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. We recognize that revenues and receivables from government agencies are significant to our operations, but do not believe there are significant credit risks associated with these government agencies. We do not believe there are any other significant concentrations of revenues from any particular payer that would subject us to any significant credit risks in the collection of our accounts receivable. Days revenues in accounts receivable were 51 days, 52 days and 50 days at December 31, 2018, 2017 and 2016, respectively. Changes in general economic conditions, patient accounting service center operations, payer mix, or federal or state governmental health care coverage could affect our 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

Depreciation expense, computed using the straight-line method, was $2.262 billion in 2018, $2.111 billion in 2017 and $1.946 billion in 2016. 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.

When events, circumstances or operating results indicate the carrying values of certain long-lived assets expected to be held and used might be impaired, we prepare projections of the undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the projections indicate 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 assets 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.

Investments of Insurance Subsidiaries

At December 31, 2018 and 2017, the investments of our 100% owned insurance subsidiaries were classified as "available-for-sale" as defined in Accounting Standards Codification ("ASC") No. 320, *Investments—Debt*

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1 — ACCOUNTING POLICIES (continued)

Investments of Insurance Subsidiaries (continued)

Securities and are recorded at fair value. The investment securities are held for the purpose of providing a funding source to pay liability claims covered by the insurance subsidiaries. We perform quarterly assessments of individual investment securities to determine whether declines in market value are temporary or other-than-temporary. Our investment securities evaluation process involves 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. We evaluate, 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 of the investment's fair value, are important components of our investment securities evaluation process.

Goodwill and Intangible Assets

Goodwill is not amortized but is subject to annual impairment tests. In addition to the annual impairment review, 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 our impairment testing is performed at the operating division level. We compare 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, an impairment loss is recognized. Fair value is estimated based upon internal evaluations of each reporting unit that include quantitative analyses of market multiples, revenues and cash flows and reviews of recent sales of similar facilities. No goodwill impairments were recognized during 2018, 2017 or 2016.

During 2018, goodwill increased by $636 million related to acquisitions and declined by $60 million related to foreign currency translation and other adjustments. During 2017, goodwill increased by $693 million related to acquisitions and by $12 million related to foreign currency translation and other adjustments.

During 2018, identifiable intangible assets declined by $17 million due to amortization, foreign currency translation and other adjustments. During 2017, identifiable intangible assets declined by $15 million due to amortization, foreign currency translation and other adjustments. Identifiable intangible assets are amortized over estimated lives ranging generally from three to 10 years. The gross carrying amount of identifiable intangible assets at both December 31, 2018 and 2017 was $184 million and accumulated amortization was $111 million and $94 million, respectively. The gross carrying amount of indefinite-lived identifiable intangible assets at both December 31, 2018 and 2017 was $269 million. Indefinite-lived identifiable intangible assets are not amortized but are subject to annual impairment tests, and impairment reviews are performed whenever circumstances indicate a possible impairment may exist.

Debt Issuance Costs

Debt issuance costs are amortized based upon the terms of the respective debt obligations. The gross carrying amount of debt issuance costs at December 31, 2018 and 2017 was $360 million and $353 million, respectively, and accumulated amortization was $203 million and $189 million, respectively. Amortization of debt issuance costs is included in interest expense and was $31 million, $31 million and $34 million for 2018, 2017 and 2016, respectively.

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1 — ACCOUNTING POLICIES (continued)

Professional Liability Claims

Reserves for professional liability risks were $1.741 billion and $1.627 billion at December 31, 2018 and 2017, respectively. The current portion of the reserves, $466 million and $429 million at December 31, 2018 and 2017, respectively, is included in "other accrued expenses" in the consolidated balance sheets. Provisions for losses related to professional liability risks were $447 million, $466 million and $430 million for 2018, 2017 and 2016, respectively, and are included in "other operating expenses" in our consolidated income statements. Provisions for losses related to professional liability risks are based upon actuarially determined estimates. During 2018, we recorded a reduction to the provision for professional liability risks of $70 million due to the receipt of updated actuarial information. 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. Adjustments to the estimated reserve amounts are included in current operating results. The reserves for professional liability risks cover approximately 2,200 and 2,500 individual claims at December 31, 2018 and 2017, 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 2018 and 2017, $358 million and $357 million, respectively, of net payments 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, we believe the reserves for losses and loss expenses are adequate; however, there can be no assurance the ultimate liability will not exceed our estimates.

A portion of our professional liability risks is insured through a 100% owned insurance subsidiary. Subject, in most cases, to a $15 million per occurrence self-insured retention, our facilities are insured by our 100% 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 $25 million per occurrence. We also maintain professional liability insurance with unrelated commercial carriers for losses in excess of amounts insured by our insurance subsidiary.

The obligations covered by reinsurance and excess insurance contracts are included in the reserves for professional liability risks, as we remain liable to the extent the reinsurers and excess insurance carriers do not meet their obligations under the reinsurance and excess insurance contracts. The amounts receivable under the reinsurance contracts include $40 million and $19 million at December 31, 2018 and 2017, respectively, recorded in "other assets," and $10 million and $5 million at December 31, 2018 and 2017, respectively, recorded in "other current assets."

Financial Instruments

Derivative financial instruments are employed to manage interest rate risks, and are not used for trading or speculative purposes. We recognize our interest rate swap derivative instruments in the consolidated balance sheets at fair value. Changes in the fair value of derivatives are recognized periodically in stockholders' equity, as a component of other comprehensive income (loss), provided the derivative financial instrument qualifies for hedge accounting. Gains and losses on derivatives designated as cash flow hedges, to the extent they are effective, are recorded in other comprehensive income (loss), and subsequently reclassified to earnings to offset the impact of the forecasted transactions when they occur. In the event the forecasted transaction to which a cash

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1 — ACCOUNTING POLICIES (continued)

Financial Instruments (continued)

flow hedge relates is no longer likely, the amount in other comprehensive income (loss) is recognized in earnings and generally the derivative is terminated.

The net interest paid or received on interest rate swaps is recognized as adjustments to interest expense. Gains and losses resulting from the early termination of interest rate swap agreements are deferred and amortized as adjustments to interest expense over the remaining term of the debt originally associated with the terminated swap.

Noncontrolling Interests in Consolidated Entities

The consolidated financial statements include all assets, liabilities, revenues and expenses of less than 100% owned entities that we control. Accordingly, we have recorded noncontrolling interests in the earnings and equity of such entities.

Reclassifications

Certain prior year amounts have been reclassified to conform to the 2018 presentation.

NOTE 2 — SHARE-BASED COMPENSATION

Stock Incentive Plan

Our stock incentive plan is designed to promote the long term financial interests and growth of the Company by attracting and retaining management and other personnel, motivating them to achieve long range goals and aligning their interests with those of our stockholders through opportunities for increased stock, or stock-based, ownership in the Company. The stock options, stock appreciation rights (“SARs”) and restricted share units (“RSUs”) granted vest solely based upon continued employment over a specific period of time, and the performance share units (“PSUs”) vest based upon both continued employment over a specific period of time and the achievement of predetermined financial targets over time. At December 31, 2018, there were 21,162 thousand shares available for future grants under the stock incentive plan.

Employee Stock Purchase Plan

Our employee stock purchase plan (“ESPP”) provides our participating employees an opportunity to obtain shares of our common stock at a discount (through payroll deductions over three-month periods). At December 31, 2018, 7,827 thousand shares of common stock were reserved for issuance under the ESPP provisions. During 2018 and 2017, the Company recognized $10 million and $9 million, respectively, of compensation expense related to the ESPP.

Stock Option, SAR, RSU and PSU Activity

The fair value of each stock option and SAR award is estimated on the grant date, using valuation models and the weighted average assumptions indicated in the following table. Awards under our stock incentive plan generally vest based on continued employment (“Time Stock Options and SARs” and “Time RSUs”) and based upon continued employment and the achievement of certain financial targets (“Performance Stock Options and SARs”, “Performance RSUs” and “PSUs”). PSUs have a three-year cumulative earnings per share target, and the

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2 — SHARE-BASED COMPENSATION (continued)

Stock Option, SAR, RSU and PSU Activity (continued)

number of PSUs earned can vary from zero (for actual performance of less than 80% of target) to two times the original PSU grant (for actual performance of 120% or more of target). Each grant is valued as a single award with an expected term equal to the average expected term of the component vesting tranches. We use historical exercise behavior data and other factors to estimate the expected term of the options and SARs. The expected term of the share-based award is limited by the contractual term, and employee post-vesting termination behavior is incorporated in the historical exercise behavior data.

Compensation cost is recognized on the straight-line attribution method. The straight-line attribution method requires that total compensation expense recognized must at least equal the vested portion of the grant-date fair value. The expected volatility is derived using historical stock price information for our common stock and the volatility implied by the trading of options to purchase our stock on open-market exchanges. The risk-free interest rate is the approximate yield on United States Treasury Strips having a life equal to the expected share-based award life on the date of grant. The expected life is an estimate of the number of years a share-based award will be held before it is exercised. The expected dividend yield is estimated based on the assumption that the dividend yield at date of grant will be maintained over the expected life of the grant.

	2018	2017	2016
Risk-free interest rate	**2.62%**	2.13%	1.70%
Expected volatility	**29%**	31%	36%
Expected life, in years	**6.15**	6.17	6.25
Expected dividend yield	**1.37%**	—	—

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2 — SHARE-BASED COMPENSATION (continued)

Stock Option, SAR, RSU and PSU Activity (continued)

Information regarding Time Stock Options and SARs and Performance Stock Options and SARs activity during 2018, 2017 and 2016 is summarized below (share amounts in thousands):

	Time Stock Options and SARs	Performance Stock Options and SARs	Total Stock Options and SARs	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (dollars in millions)
Options and SARs outstanding, December 31, 2015	12,165	10,427	22,592	$ 27.73		
Granted	1,601	—	1,601	69.96		
Exercised	(2,521)	(4,171)	(6,692)	15.85		
Cancelled	(309)	(126)	(435)	55.17		
Options and SARs outstanding, December 31, 2016	10,936	6,130	17,066	35.65		
Granted	1,879	—	1,879	81.83		
Exercised	(1,549)	(1,366)	(2,915)	21.49		
Cancelled	(110)	(178)	(288)	52.92		
Options and SARs outstanding, December 31, 2017	11,156	4,586	15,742	43.47		
Granted	**2,342**	**—**	**2,342**	**101.96**		
Exercised	**(3,917)**	**(1,774)**	**(5,691)**	**27.86**		
Cancelled	**(221)**	**(145)**	**(366)**	**68.43**		
Options and SARs outstanding, December 31, 2018	**9,360**	**2,667**	**12,027**	**$ 61.49**	**6.1 years**	**$ 758**
Options and SARs exercisable, December 31, 2018	**4,720**	**2,667**	**7,387**	**$ 44.17**	**4.7 years**	**$ 593**

The weighted average fair values of stock options and SARs granted during 2018, 2017 and 2016 were $28.90, $28.47 and $26.60 per share, respectively. The total intrinsic value of stock options and SARs exercised during 2018, 2017 and 2016 was $456 million, $177 million and $398 million, respectively. The total fair value of RSUs and PSUs that vested during 2018, 2017 and 2016 was $413 million, $188 million and $216 million, respectively. As of December 31, 2018, the unrecognized compensation cost related to nonvested stock options and SARs was $89 million.

HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2 — SHARE-BASED COMPENSATION (continued)

Stock Option, SAR, RSU and PSU Activity (continued)

Information regarding Time RSUs, Performance RSUs and PSUs activity during 2018, 2017 and 2016 is summarized below (share amounts in thousands):

	Time RSUs	Performance RSUs	PSUs	Total RSUs and PSUs	Weighted Average Grant Date Fair Value
RSUs and PSUs outstanding, December 31, 2015	5,302	1,740	1,371	8,413	$ 51.15
Granted	1,450	—	1,178	2,628	69.95
Vested	(2,242)	(870)	—	(3,112)	41.71
Cancelled	(399)	(80)	(163)	(642)	59.66
RSUs and PSUs outstanding, December 31, 2016	4,111	790	2,386	7,287	61.21
Granted	1,484	—	1,304	2,788	81.90
Vested	(1,824)	(430)	—	(2,254)	51.20
Cancelled	(306)	(133)	(128)	(567)	64.06
RSUs and PSUs outstanding, December 31, 2017	3,465	227	3,562	7,254	72.05
Granted	**1,464**	**—**	**1,261**	**2,725**	**101.85**
Performance adjustment	**—**	**—**	**1,250**	**1,250**	**69.27**
Vested	**(1,487)**	**(136)**	**(2,500)**	**(4,123)**	**67.33**
Cancelled	**(319)**	**(91)**	**(151)**	**(561)**	**78.82**
RSUs and PSUs outstanding, December 31, 2018	**3,123**	**—**	**3,422**	**6,545**	**$ 86.32**

As of December 31, 2018, the unrecognized compensation cost related to RSUs and PSUs was $304 million.

NOTE 3 — ACQUISITIONS AND DISPOSITIONS

During 2018, we paid $792 million to acquire two hospital facilities and $461 million to acquire nonhospital health care entities. During 2017, we paid $1.000 billion to acquire eight hospital facilities and $212 million to acquire nonhospital health care entities. During 2016, we paid $343 million to acquire three hospital facilities and $233 million to acquire nonhospital health care entities. Purchase price amounts have been allocated to the related assets acquired and liabilities assumed based upon their respective fair values. The purchase price paid in excess of the fair value of identifiable net assets of these acquired entities aggregated $636 million, $693 million and $41 million in 2018, 2017 and 2016, respectively. The consolidated financial statements include the accounts and operations of the acquired entities subsequent to the respective acquisition dates. The pro forma effects of these acquired entities on our results of operations for periods prior to the respective acquisition dates were not significant.

During 2018, we received proceeds of $758 million and recognized a net pretax gain of $353 million ($265 million after tax) related to the sale of two hospital facilities from our American Group (Oklahoma market). During 2018, we also received proceeds of $50 million and recognized a net pretax gain of $75 million ($59 million after tax) related to sales of real estate and other investments. During 2017, we received proceeds of $25 million and recognized a net pretax gain of $8 million ($5 million after tax) related to sales of real estate and other investments. During 2016, we received proceeds of $26 million and recognized a net pretax gain of $23 million ($19 million after tax) related to sales of real estate and other investments.

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4 — INCOME TAXES

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

	2018	2017	2016
Current:			
Federal	**$759**	$1,067	$1,129
State	**149**	120	125
Foreign	**23**	19	37
Deferred:			
Federal	**9**	423	75
State	**13**	3	(5)
Foreign	**(7)**	6	17
	$946	$1,638	$1,378

The 2017 Tax Cuts and Jobs Act ("Tax Act") significantly revised U.S. corporate income taxes, including lowering the statutory corporate tax rate from 35% to 21% beginning in 2018, imposing a mandatory one-time transition tax on undistributed foreign earnings and creating a new U.S. minimum tax on earnings of foreign subsidiaries. Our provision for income taxes for the year ended December 31, 2018 included tax benefits of $613 million (including $67 million related to the remeasurement of certain deferred tax assets and liabilities) related to the reduction in our effective tax rate under the Tax Act. We completed our analysis of the impact of the Tax Act during the fourth quarter of 2018, reducing our provision for income taxes for the year ended December 31, 2018 by $67 million related to a remeasurement of certain deferred tax assets and liabilities for which we were unable to make reasonable estimates in 2017. For the year ended, December 31, 2017, a provisional amount of $301 million related to the remeasurement of our deferred tax assets and liabilities for which we were then able to make reasonable estimates was recorded as a component of our provision for income taxes. During 2017 we also reclassified a provisional amount of $127 million from our deferred tax liabilities for the one-time transition tax, based on our estimated undistributed post-1986 foreign earnings and profits. Because we had previously recorded U.S. taxes on these earnings, the transition tax liability, which is payable over an 8-year period, did not affect our 2017 provision for income taxes. Adjustments during 2018 to the provisional amounts recorded in 2017 were not significant.

Legislation or any additional guidance issued by federal and state taxing authorities or other standard-setting bodies related to the Tax Act may require us to make further adjustments to federal, state, and foreign tax assets and liabilities recorded as of December 31, 2018 and could materially impact our provision for income taxes and effective tax rate in the periods in which they are made.

During 2018, we recorded a reduction to our provision for income taxes of $28 million for tax credits related to certain 2017 hurricane-related expenses. Our provision for income taxes for the years ended December 31, 2018, 2017 and 2016 included tax benefits of $124 million, $82 million and $162 million, respectively, related to the settlement of employee equity awards. During 2016, the IRS completed its examination of our 2011 and 2012 tax years, resolving all outstanding federal tax issues. We reduced our provision for income taxes for the year ended December 31, 2016 by $51 million, including interest (net of tax), as a result of this resolution. Our foreign pretax income was $86 million, $91 million and $149 million for the years ended December 31, 2018, 2017 and 2016, respectively.

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4 — INCOME TAXES (continued)

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

	2018	2017	2016
Federal statutory rate	**21.0%**	35.0%	35.0%
State income taxes, net of federal tax benefit	**2.9**	2.2	2.1
Change in liability for uncertain tax positions	**(0.1)**	—	(1.0)
Tax benefit from settlements of employee equity awards	**(2.4)**	(2.0)	(3.6)
Impact of Tax Act on deferred tax balances	**(1.6)**	7.8	—
Other items, net	**0.2**	(0.5)	(0.2)
Effective income tax rate on income attributable to HCA Healthcare, Inc.	**20.0**	42.5	32.3
Income attributable to noncontrolling interests from consolidated partnerships	**(2.3)**	(5.1)	(3.6)
Effective income tax rate on income before income taxes	**17.7%**	37.4%	28.7%

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

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Depreciation and fixed asset basis differences	**$ —**	**$ 340**	$ —	$ 260
Allowances for professional liability and other risks	**355**	**—**	345	—
Accounts receivable	**274**	**—**	243	—
Compensation	**256**	**—**	263	—
Other	**424**	**491**	420	501
	$1,309	**$ 831**	$1,271	$ 761

At December 31, 2018, federal and state net operating loss carryforwards (expiring in years 2021 through 2037) available to offset future taxable income approximated $71 million and $94 million, respectively. Utilization of net operating loss carryforwards in any one year may be limited.

The following table summarizes the activity related to our unrecognized tax benefits (dollars in millions):

	2018	2017
Balance at January 1	**$399**	$377
Additions based on tax positions related to the current year	**22**	40
Additions for tax positions of prior years	**10**	11
Reductions for tax positions of prior years	**(14)**	(13)
Settlements	**(2)**	—
Lapse of applicable statutes of limitations	**(25)**	(16)
Balance at December 31	**$390**	$399

Our liability for unrecognized tax benefits was $435 million, including accrued interest of $48 million and excluding $3 million that was recorded as reductions of the related deferred tax assets, as of December 31, 2018 ($439 million, $44 million and $4 million, respectively, as of December 31, 2017). Unrecognized tax benefits of $137 million ($145 million as of December 31, 2017) would affect the effective rate, if recognized.

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 4 — INCOME TAXES (continued)

We are subject to examination by the IRS for tax years after 2014 as well as by state and foreign taxing authorities. Depending on the resolution of any federal, state and foreign tax disputes, the completion of examinations by federal, state or foreign taxing authorities, or the expiration of statutes of limitation for specific taxing jurisdictions, we believe it is reasonably possible that our liability for unrecognized tax benefits may significantly increase or decrease within the next 12 months. However, we are currently unable to estimate the range of any possible change.

NOTE 5 — EARNINGS PER SHARE

We compute basic earnings per share using the weighted average number of common shares outstanding. We compute diluted earnings per share using the weighted average number of common shares outstanding plus the dilutive effect of outstanding stock options, SARs, RSUs and PSUs, computed using the treasury stock method. During 2018, 2017 and 2016, we repurchased 14.070 million shares, 25.092 million shares and 36.325 million shares, respectively, of our common stock. The following table sets forth the computations of basic and diluted earnings per share for the years ended December 31, 2018, 2017 and 2016 (dollars and shares in millions, except per share amounts):

	2018	2017	2016
Net income attributable to HCA Healthcare, Inc.	**$ 3,787**	$ 2,216	$ 2,890
Weighted average common shares outstanding	**347.297**	362.305	383.591
Effect of dilutive incremental shares	**8.006**	9.916	12.260
Shares used for diluted earnings per share	**355.303**	372.221	395.851
Earnings per share:			
Basic earnings per share	**$ 10.90**	$ 6.12	$ 7.53
Diluted earnings per share	**$ 10.66**	$ 5.95	$ 7.30

NOTE 6 — INVESTMENTS OF INSURANCE SUBSIDIARIES

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

	2018			
		Unrealized Amounts		
	Amortized Cost	Gains	Losses	Fair Value
Debt securities	**$ 338**	**$ 5**	**$ (2)**	**$341**
Money market funds and other	**68**	**—**	**—**	**68**
	$ 406	**$ 5**	**$ (2)**	**409**
Amounts classified as current assets				**(47)**
Investment carrying value				**$362**

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NOTE 6 — INVESTMENTS OF INSURANCE SUBSIDIARIES (continued)

	2017			
		Unrealized Amounts		
	Amortized Cost	Gains	Losses	Fair Value
Debt securities	$ 361	$ 10	$ —	$371
Money market funds and other	101	—	—	101
	$ 462	$ 10	$ —	472
Amounts classified as current assets				(54)
Investment carrying value				$418

At December 31, 2018 and 2017, the investments of our insurance subsidiaries were classified as "available-for-sale." Changes in temporary unrealized gains and losses are recorded as adjustments to other comprehensive income (loss).

Scheduled maturities of investments in debt securities at December 31, 2018 were as follows (dollars in millions):

	Amortized Cost	Fair Value
Due in one year or less	$ 3	$ 3
Due after one year through five years	64	65
Due after five years through ten years	201	203
Due after ten years	70	70
	$ 338	$341

The average expected maturity of the investments in debt securities at December 31, 2018 was 6.2 years, compared to the average scheduled maturity of 10.5 years. Expected and scheduled maturities may differ because the issuers of certain securities have the right to call, prepay or otherwise redeem such obligations prior to their scheduled maturity date.

NOTE 7 — FINANCIAL INSTRUMENTS

Interest Rate Swap Agreements

We have entered into interest rate swap agreements to manage our 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-fixed interest rate swaps effectively convert variable rate obligations to fixed interest rate obligations. The interest payments under these agreements are settled on a net basis. The net interest payments, based on the notional amounts in these agreements, generally match the timing of the related liabilities, for the interest rate swap agreements which have been designated as cash flow hedges. The notional amounts of the swap agreements represent amounts used to calculate the exchange of cash flows and are not our assets or liabilities. Our credit risk related to these agreements is considered low because the swap agreements are with creditworthy financial institutions.

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 7 — FINANCIAL INSTRUMENTS (continued)

Interest Rate Swap Agreements (continued)

The following table sets forth our interest rate swap agreements, which have been designated as cash flow hedges, at December 31, 2018 (dollars in millions):

	Notional Amount	Maturity Date	Fair Value
Pay-fixed interest rate swaps	$ 2,000	December 2021	$ 55
Pay-fixed interest rate swaps	500	December 2022	8

During the next 12 months, we estimate $24 million will be reclassified from other comprehensive income ("OCI") and will reduce interest expense.

Derivatives — Results of Operations

The following table presents the effect of our interest rate swaps on our results of operations for the year ended December 31, 2018 (dollars in millions):

Derivatives in Cash Flow Hedging Relationships	Amount of Gain Recognized in OCI on Derivatives, Net of Tax	Location of Gain Reclassified from Accumulated OCI into Operations	Amount of Gain Reclassified from Accumulated OCI into Operations
Interest rate swaps	$ 18	Interest expense	$ 10

NOTE 8 — ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

Accounting Standards Codification 820, *Fair Value Measurements and Disclosures* ("ASC 820") emphasizes fair value is a market-based measurement, and fair value measurements should be determined based on the assumptions market participants would use in pricing assets or liabilities. ASC 820 utilizes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment.

Cash Traded Investments

Our cash traded investments are generally classified within Level 1 or Level 2 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 8 — ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (continued)

Cash Traded Investments (continued)

with reasonable levels of price transparency. Certain types of cash traded instruments are classified within Level 3 of the fair value hierarchy because they trade infrequently and therefore have little or no price transparency. The valuation of these securities involves the consideration of market factors and management's judgment.

Derivative Financial Instruments

We have entered into interest rate swap agreements to manage our exposure to fluctuations in interest rates. The valuation of these instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and implied volatilities. We incorporate credit valuation adjustments to reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements of these instruments. We determined the credit valuation adjustments were not significant to the overall valuation of our derivatives at December 31, 2018 and 2017.

The following tables summarize our assets and liabilities measured at fair value on a recurring basis as of December 31, 2018 and 2017, aggregated by the level in the fair value hierarchy within which those measurements fall (dollars in millions):

	December 31, 2018			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments of insurance subsidiaries:				
Debt securities	$ 341	$ —	$ 341	$ —
Money market funds and other	68	68	—	—
Investments of insurance subsidiaries	409	68	341	—
Less amounts classified as current assets	(47)	(47)	—	—
	$ 362	$ 21	$ 341	$ —
Interest rate swaps (Other)	$ 63	$ —	$ 63	$ —

HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 8 — ASSETS AND LIABILITIES MEASURED AT FAIR VALUE (continued)

	December 31, 2017			
		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Investments of insurance subsidiaries:				
Debt securities	$ 371	$ —	$ 371	$ —
Money market funds and other	101	101	—	—
Investments of insurance subsidiaries	472	101	371	—
Less amounts classified as current assets	(54)	(54)	—	—
	$ 418	$ 47	$ 371	$ —
Interest rate swaps (Other)	$ 50	$ —	$ 50	$ —

The estimated fair value of our long-term debt was $32.887 billion and $34.689 billion at December 31, 2018 and 2017, respectively, compared to carrying amounts, excluding net debt issuance costs, aggregating $32.978 billion and $33.222 billion, respectively. The estimates of fair value are generally based upon the quoted market prices or quoted market prices for similar issues of long-term debt with the same maturities.

NOTE 9 — LONG-TERM DEBT

A summary of long-term debt at December 31, including related interest rates at December 31, 2018, follows (dollars in millions):

	2018	2017
Senior secured asset-based revolving credit facility (effective interest rate of 4.0%)	**$ 3,040**	$ 3,680
Senior secured revolving credit facility	**—**	—
Senior secured term loan facilities (effective interest rate of 3.7%)	**3,801**	3,891
Senior secured notes (effective interest rate of 5.6%)	**13,800**	15,300
Other senior secured debt (effective interest rate of 5.6%)	**585**	599
Senior secured debt	**21,226**	23,470
Senior unsecured notes (effective interest rate of 6.3%)	**11,752**	9,752
Net debt issuance costs	**(157)**	(164)
Total debt (average life of 6.4 years, rates averaging 5.5%)	**32,821**	33,058
Less amounts due within one year	**788**	200
	$32,033	$32,858

During August 2018, we issued $2.000 billion aggregate principal amount of senior notes comprised of $1.000 billion aggregate principal amount of 5.375% notes due 2026 and $1.000 billion aggregate principal amount of 5.625% notes due 2028. We used the net proceeds for general corporate purposes, including funding

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NOTE 9 — LONG-TERM DEBT (continued)

the purchase of a hospital, and the redemption of all $1.500 billion aggregate principal amount of our existing 3.750% senior secured notes maturing in March 2019. The pretax loss on retirement of debt was $9 million.

Senior Secured Credit Facilities And Other Senior Secured Debt

We have entered into the following senior secured credit facilities: (i) a $3.750 billion asset-based revolving credit facility maturing on June 28, 2022 with a borrowing base of 85% of eligible accounts receivable, subject to customary reserves and eligibility criteria ($3.040 billion outstanding at December 31, 2018) (the "ABL credit facility"); (ii) a $2.000 billion senior secured revolving credit facility maturing on June 28, 2022 (none outstanding at December 31, 2018 without giving effect to certain outstanding letters of credit); (iii) a $1.155 billion senior secured term loan A-5 facility maturing on June 10, 2020; (iv) a $1.489 billion senior secured term loan B-10 facility maturing on March 13, 2025; and (v) a $1.157 billion senior secured term loan B-11 facility maturing on March 18, 2023. We refer to the facilities described under (ii) through (v) above, collectively, as the "cash flow credit facility" and, together with the ABL credit facility, the "senior secured credit facilities."

Borrowings under the senior secured credit facilities bear interest at a rate equal to, at our option, either (a) a base rate determined by reference to the higher of (1) the federal funds rate plus 0.50% or (2) the prime rate of Bank of America or (b) a LIBOR rate for the currency of such borrowing for the relevant interest period, plus, in each case, an applicable margin. The applicable margin for borrowings under the senior secured credit facilities may be reduced subject to attaining certain leverage ratios.

The senior secured credit facilities contain a number of covenants that restrict, subject to certain exceptions, our (and some or all of our subsidiaries') ability to incur additional indebtedness, repay subordinated indebtedness, create liens on assets, sell assets, make investments, loans or advances, engage in certain transactions with affiliates, pay dividends and distributions, and enter into sale and leaseback transactions. In addition, we are required to satisfy and maintain a maximum total leverage ratio covenant under the cash flow credit facility and, in certain situations under the ABL credit facility, a minimum interest coverage ratio covenant.

Senior secured notes consists of (i) $3.000 billion aggregate principal amount of 6.50% first lien notes due 2020; (ii) $1.350 billion aggregate principal amount of 5.875% first lien notes due 2022; (iii) $1.250 billion aggregate principal amount of 4.75% first lien notes due 2023; (iv) $2.000 billion aggregate principal amount of 5.00% first lien notes due 2024; (v) $600 million aggregate principal amount of 4.25% first lien notes due 2019; (vi) $1.400 billion aggregate principal amount of 5.25% first lien notes due 2025; (vii) $1.500 billion aggregate principal amount of 5.25% first lien notes due 2026; (viii) $1.200 billion aggregate principal amount of 4.50% first lien notes due 2027; and (ix) $1.500 billion aggregate principal amount of 5.50% first lien notes due 2047. Capital leases and other secured debt totaled $585 million at December 31, 2018.

We use interest rate swap agreements to manage the variable rate exposure of our debt portfolio. At December 31, 2018, we had entered into effective interest rate swap agreements, in a total notional amount of $2.500 billion, in order to hedge a portion of our exposure to variable rate interest payments associated with the senior secured credit facilities. The effect of the interest rate swaps is reflected in the effective interest rates for the senior secured credit facilities.

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 9 — LONG-TERM DEBT (continued)

Senior Unsecured Notes

Senior unsecured notes consist of (i) $10.891 billion aggregate principal amount of senior notes with maturities ranging from 2021 to 2033; (ii) an aggregate principal amount of $125 million medium-term notes maturing 2025; and (iii) an aggregate principal amount of $736 million debentures with maturities ranging from 2023 to 2095.

General Debt Information

The senior secured credit facilities and senior secured notes are fully and unconditionally guaranteed by substantially all existing and future, direct and indirect, 100% owned material domestic subsidiaries that are "Unrestricted Subsidiaries" under our Indenture (the "1993 Indenture") dated December 16, 1993 (except for certain special purpose subsidiaries that only guarantee and pledge their assets under our ABL credit facility).

All obligations under the ABL credit facility, and the guarantees of those obligations, are secured, subject to permitted liens and other exceptions, by a first-priority lien on substantially all of the receivables of the borrowers and each guarantor under such ABL credit facility (the "Receivables Collateral").

All obligations under the cash flow credit facility and the guarantees of such obligations are secured, subject to permitted liens and other exceptions, by:

- a first-priority lien on the capital stock owned by HCA Inc., or by any U.S. guarantor, in each of their respective first-tier subsidiaries;
- a first-priority lien on substantially all present and future assets of HCA Inc. and of each U.S. guarantor other than (i) "Principal Properties" (as defined in the 1993 Indenture), (ii) certain other real properties and (iii) deposit accounts, other bank or securities accounts, cash, leaseholds, motor-vehicles and certain other exceptions; and
- a second-priority lien on certain of the Receivables Collateral.

Our senior secured notes and the related guarantees are secured by first-priority liens, subject to permitted liens, on our and our subsidiary guarantors' assets, subject to certain exceptions, that secure our cash flow credit facility on a first-priority basis and are secured by second-priority liens, subject to permitted liens, on our and our subsidiary guarantors' assets that secure our ABL credit facility on a first-priority basis and our other cash flow credit facility on a second-priority basis.

Maturities of long-term debt in years 2020 through 2023, excluding amounts under the ABL credit facility, are $4.188 billion, $1.086 billion, $3.452 billion and $3.806 billion, respectively.

NOTE 10 — CONTINGENCIES

We operate 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 us. We are also 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 us which may not be covered by insurance. We are also subject to claims by various taxing authorities for additional taxes and related interest and penalties. The resolution of any such lawsuits, claims or legal and regulatory proceedings could have a material, adverse effect on our results of operations, financial position or liquidity.

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 10 — CONTINGENCIES (continued)

Government Investigations, Claims and Litigation

Health care companies are subject to numerous investigations by various governmental agencies. Under the federal False Claims Act ("FCA"), private parties have the right to bring *qui tam*, or "whistleblower," suits against companies that submit false claims for payments to, or improperly retain overpayments from, the government. Some states have adopted similar state whistleblower and false claims provisions. Certain of our individual facilities have received, and from time to time, other facilities may receive, government inquiries from, and may be subject to investigation by, federal and state agencies. Depending on whether the underlying conduct in these or future inquiries or investigations could be considered systemic, their resolution could have a material, adverse effect on our results of operations, financial position or liquidity.

Texas operates a state Medicaid program pursuant to a waiver from CMS under Section 1115 of the Social Security Act ("Program"). The Program includes uncompensated-care pools; payments from these pools are intended to defray the uncompensated costs of services provided by our and other hospitals to Medicaid eligible or uninsured individuals. Separately, we and other hospitals provide charity care services in several communities in the state. The Civil Division of the U.S. Department of Justice and the U.S. Attorney's Office for the Southern District of Texas have requested information about whether the Program as operated in Harris County complies with the laws and regulations applicable to provider related donations. The Company is cooperating with this request. We believe that our participation is and has been consistent with the requirements of the Program. However, at this time, we cannot predict what effect, if any, the request or resulting claims under the federal FCA, other statutes, regulations or laws, could have on the Company.

NOTE 11 — LEASES

We lease medical office buildings and certain equipment under operating lease agreements. Commitments relating to noncancellable operating leases for each of the next five years and thereafter are as follows (dollars in millions):

For the Year Ended December 31,	
2019	$ 320
2020	304
2021	256
2022	203
2023	154
Thereafter	1,007
	2,244
Less sublease income	(25)
	$2,219

NOTE 12 — CAPITAL STOCK

The amended and restated certificate of incorporation authorizes the Company to issue up to 1,800,000,000 shares of common stock, and our amended and restated by-laws set the number of directors constituting the board of directors of the Company at not less than three members, the exact number to be determined from time to time by resolution adopted by the affirmative vote of a majority of the total number of directors then in office.

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12 — CAPITAL STOCK (continued)

Share Repurchase Transactions

During 2018, we repurchased 14.070 million shares of our common stock at an average price of $108.74 per share through market purchases pursuant to the $2.0 billion October 2017 authorization. At December 31, 2018, we had $272 million of repurchase authorization available under the October 2017 authorization.

During October 2017, our board of directors authorized a share repurchase program for up to $2 billion of our outstanding common stock. During 2017, we repurchased 25.092 million shares of our common stock at an average price of $81.73 per share through market purchases pursuant to the $2.0 billion November 2016 (which was completed during the fourth quarter of 2017) and the $2 billion October 2017 share repurchase programs. At December 31, 2017, we had $1.802 billion of repurchase authorization available under the October 2017 authorization.

During November 2016, our board of directors authorized a share repurchase program for up to $2 billion of our outstanding common stock. During May 2016, the Company repurchased 9.361 million shares of its common stock beneficially owned by affiliates of Kohlberg Kravis Roberts & Co. at a purchase price of $80.12 per share, the closing price of the Company's common stock on the New York Stock Exchange on May 10, 2016, less a discount of 1%. During 2016, we also repurchased 26.964 million shares of our common stock at an average price of $74.20 per share through market purchases, resulting in total repurchases of 36.325 million shares of our common stock at an average price of $75.72 per share for the year ended December 31, 2016 pursuant to the $3 billion October 2015 (which was completed during the fourth quarter of 2016) and the $2 billion November 2016 share repurchase programs. At December 31, 2016, we had $1.853 billion of repurchase authorization available under the November 2016 authorization.

NOTE 13 — EMPLOYEE BENEFIT PLANS

We maintain defined contribution benefit plans that are available to employees who meet certain minimum requirements. Certain of the plans require that we match specified percentages of participant contributions up to certain maximum levels (generally, 100% of the first 3% to 9%, depending upon years of vesting service, of compensation deferred by participants). The cost of these plans totaled $499 million for 2018, $471 million for 2017 and $444 million for 2016. Our contributions are funded periodically during the applicable or following year.

We maintain the noncontributory, nonqualified Restoration Plan to provide certain retirement benefits for eligible employees. Eligibility for the Restoration Plan is based upon earning eligible compensation in excess of the Social Security Wage Base and attaining 1,000 or more hours of service during the plan year. Company credits to participants' account balances (the Restoration Plan is not funded) depend upon participants' compensation, years of vesting service and certain IRS limitations related to the HCA 401(k) plan. Benefits expense under this plan was $22 million for 2018, $40 million for 2017 and $20 million for 2016. Accrued benefits liabilities under this plan totaled $205 million at December 31, 2018 and $201 million at December 31, 2017.

We maintain a Supplemental Executive Retirement Plan ("SERP") for certain executives (the SERP is not funded). The plan is designed to ensure that upon retirement the participant receives the value of a prescribed life annuity from the combination of the SERP and our other benefit plans. Benefits expense under the plan was $26 million for 2018, $28 million for 2017 and $22 million for 2016. Accrued benefits liabilities under this plan totaled $195 million at December 31, 2018 and $223 million at December 31, 2017.

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 13 — EMPLOYEE BENEFIT PLANS (continued)

We maintain defined benefit pension plans which resulted from certain hospital acquisitions in prior years. Benefits expense under these plans was $9 million for 2018, $14 million for 2017, and $21 million for 2016. Accrued benefits liabilities under these plans totaled $68 million at December 31, 2018 and $118 million at December 31, 2017.

NOTE 14 — SEGMENT AND GEOGRAPHIC INFORMATION

We operate in one line of business, which is operating hospitals and related health care entities. We operate in two geographically organized groups: the National and American Groups. At December 31, 2018, the National Group included 88 hospitals located in Alaska, California, Florida, southern Georgia, Idaho, Indiana, northern Kentucky, Nevada, New Hampshire, South Carolina, Utah and Virginia, and the American Group included 85 hospitals located in Colorado, northern Georgia, Kansas, southern Kentucky, Louisiana, Mississippi, Missouri, Tennessee and Texas. We also operate six hospitals in England, and these facilities are included in the Corporate and other group.

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 14 — SEGMENT AND GEOGRAPHIC INFORMATION (continued)

Adjusted segment EBITDA is defined as income before depreciation and amortization, interest expense, gains on sales of facilities, losses on retirement of debt, legal claim benefits, income taxes and net income attributable to noncontrolling interests. We use 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 our revenues, equity in earnings of affiliates, adjusted segment EBITDA, depreciation and amortization, assets and goodwill and other intangible assets are summarized in the following table (dollars in millions):

	For the Years Ended December 31,		
	2018	**2017**	**2016**
Revenues:			
National Group	**$22,581**	$20,772	$19,845
American Group	**21,959**	20,912	19,670
Corporate and other	**2,137**	1,930	1,975
	$46,677	$43,614	$41,490
Equity in earnings of affiliates:			
National Group	**$ (4)**	$ (21)	$ (20)
American Group	**(40)**	(37)	(38)
Corporate and other	**15**	13	4
	$ (29)	$ (45)	$ (54)
Adjusted segment EBITDA:			
National Group	**$ 4,980**	$ 4,600	$ 4,565
American Group	**4,593**	4,231	4,173
Corporate and other	**(624)**	(598)	(520)
	$ 8,949	$ 8,233	$ 8,218
Depreciation and amortization:			
National Group	**$ 946**	$ 867	$ 806
American Group	**1,027**	986	908
Corporate and other	**305**	278	252
	$ 2,278	$ 2,131	$ 1,966

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 14 — SEGMENT AND GEOGRAPHIC INFORMATION (continued)

	For the Years Ended December 31, 2018	2017	2016
Adjusted segment EBITDA	**$ 8,949**	$ 8,233	$ 8,218
Depreciation and amortization	**2,278**	2,131	1,966
Interest expense	**1,755**	1,690	1,707
Gains on sales of facilities	**(428)**	(8)	(23)
Losses on retirement of debt	**9**	39	4
Legal claim benefits	**—**	—	(246)
Income before income taxes	**$ 5,335**	$ 4,381	$ 4,810

	December 31, 2018	2017	2016
Assets:			
National Group	**$14,839**	$13,097	$12,320
American Group	**19,122**	18,136	16,208
Corporate and other	**5,246**	5,360	5,230
	$39,207	$36,593	$33,758

	National Group	American Group	Corporate and Other	Total
Goodwill and other intangible assets:				
Balance at December 31, 2015	$ 1,481	$ 4,638	$ 612	$6,731
Acquisitions	—	33	8	41
Foreign currency translation, amortization and other	(23)	(10)	(35)	(68)
Balance at December 31, 2016	1,458	4,661	585	6,704
Acquisitions	19	612	62	693
Foreign currency translation, amortization and other	(3)	(8)	8	(3)
Balance at December 31, 2017	1,474	5,265	655	7,394
Acquisitions	**132**	**504**	**—**	**636**
Foreign currency translation, amortization and other	**(9)**	**(40)**	**(28)**	**(77)**
Balance at December 31, 2018	**$ 1,597**	**$ 5,729**	**$ 627**	**$7,953**

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 15 — OTHER COMPREHENSIVE LOSS

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

	Unrealized Gains on Available-for-Sale Securities	Foreign Currency Translation Adjustments	Defined Benefit Plans	Change in Fair Value of Derivative Instruments	Total
Balances at December 31, 2015	$ 13	$ (74)	$ (135)	$ (69)	$(265)
Unrealized losses on available-for-sale securities, net of $3 income tax benefit	(6)	—	—	—	(6)
Foreign currency translation adjustments, net of $87 income tax benefit	—	(137)	—	—	(137)
Defined benefit plans, net of $13 income tax benefit	—	—	(22)	—	(22)
Change in fair value of derivative instruments, net of $8 of income taxes	—	—	—	12	12
Expense reclassified into operations from other comprehensive income, net of $7 and $40, respectively, income tax benefits	—	—	11	69	80
Balances at December 31, 2016	7	(211)	(146)	12	(338)
Unrealized gains on available-for-sale securities	1	—	—	—	1
Foreign currency translation adjustments, net of $35 of income taxes	—	62	—	—	62
Defined benefit plans, net of $10 income tax benefit	—	—	(33)	—	(33)
Change in fair value of derivative instruments, net of $4 of income taxes	—	—	—	7	7
Expense (income) reclassified into operations from other comprehensive income, net of $1 of income taxes and $7 and $7 income tax benefits, respectively	(1)	—	11	13	23
Balances at December 31, 2017	7	(149)	(168)	32	(278)
Unrealized losses on available-for-sale securities, net of $2 income tax benefit	**(5)**	**—**	**—**	**—**	**(5)**
Foreign currency translation adjustments, net of $8 income tax benefit	**—**	**(63)**	**—**	**—**	**(63)**
Defined benefit plans, net of $10 of income taxes	**—**	**—**	**34**	**—**	**34**
Change in fair value of derivative instruments, net of $5 of income taxes	**—**	**—**	**—**	**18**	**18**
Expense (income) reclassified into operations from other comprehensive income, net of $5 income tax benefits and $2 of income taxes, respectively	**—**	**—**	**16**	**(8)**	**8**
Reclassification of stranded tax effects	**1**	**(71)**	**(30)**	**5**	**(95)**
Balances at December 31, 2018	**$ 3**	**$ (283)**	**$ (148)**	**$ 47**	**$(381)**

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 16 — ACCRUED EXPENSES

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

	2018	2017
Professional liability risks	**$ 466**	$ 429
Defined contribution benefit plan	**459**	67
Interest	**429**	406
Taxes other than income	**308**	299
Other	**962**	782
	$2,624	$1,983

NOTE 17 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION AND OTHER COLLATERAL-RELATED INFORMATION

HCA Inc. is a 100% owned direct subsidiary of HCA Healthcare, Inc. On December 6, 2012, HCA Healthcare, Inc. issued $1.000 billion aggregate principal amount of 6.25% senior unsecured notes due 2021. These notes are senior unsecured obligations and are not guaranteed by any of our subsidiaries.

The senior secured credit facilities and senior secured notes described in Note 9 are jointly and severally, and fully and unconditionally guaranteed by substantially all existing and future, direct and indirect, 100% owned material domestic subsidiaries that are “Unrestricted Subsidiaries” under our Indenture dated December 16, 1993 (except for certain special purpose subsidiaries that only guarantee and pledge their assets under our ABL credit facility).

Our condensed consolidating balance sheets at December 31, 2018 and 2017 and condensed consolidating statements of comprehensive income and cash flows for each of the three years in the period ended December 31, 2018, segregating HCA Healthcare, Inc. issuer, HCA Inc. issuer, the subsidiary guarantors, the subsidiary non-guarantors and eliminations, follow.

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 17 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION AND OTHER COLLATERAL-RELATED INFORMATION (continued)

HCA HEALTHCARE, INC.
CONDENSED CONSOLIDATING COMPREHENSIVE INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2018
(Dollars in millions)

	HCA Healthcare, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Condensed Consolidated
Revenues	$ —	$ —	$ 27,482	$ 19,195	$ —	$ 46,677
Salaries and benefits	—	—	12,287	9,138	—	21,425
Supplies	—	—	4,560	3,164	—	7,724
Other operating expenses	8	—	4,463	4,137	—	8,608
Equity in earnings of affiliates	(3,688)	—	(7)	(22)	3,688	(29)
Depreciation and amortization	—	—	1,335	943	—	2,278
Interest expense (income)	64	3,580	(1,635)	(254)	—	1,755
Gains on sales of facilities	—	—	(357)	(71)	—	(428)
Losses on retirement of debt	—	9	—	—	—	9
Management fees	—	—	(639)	639	—	—
	(3,616)	3,589	20,007	17,674	3,688	41,342
Income (loss) before income taxes	3,616	(3,589)	7,475	1,521	(3,688)	5,335
Provision (benefit) for income taxes	(171)	(834)	1,714	237	—	946
Net income (loss)	3,787	(2,755)	5,761	1,284	(3,688)	4,389
Net income attributable to noncontrolling interests	—	—	99	503	—	602
Net income (loss) attributable to HCA Healthcare, Inc.	$ 3,787	$ (2,755)	$ 5,662	$ 781	$ (3,688)	$ 3,787
Comprehensive income (loss) attributable to HCA Healthcare, Inc.	$ 3,779	$ (2,745)	$ 5,712	$ 713	$ (3,680)	$ 3,779

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 17 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION AND OTHER COLLATERAL-RELATED INFORMATION (continued)

HCA HEALTHCARE, INC.
CONDENSED CONSOLIDATING COMPREHENSIVE INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2017
(Dollars in millions)

	HCA Healthcare, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Condensed Consolidated
Revenues	$ —	$ —	$ 25,774	$ 17,840	$ —	$ 43,614
Salaries and benefits	—	—	11,619	8,440	—	20,059
Supplies	—	—	4,286	3,030	—	7,316
Other operating expenses	6	—	4,249	3,796	—	8,051
Equity in earnings of affiliates	(2,476)	—	(6)	(39)	2,476	(45)
Depreciation and amortization	—	—	1,237	894	—	2,131
Interest expense (income)	64	3,088	(1,309)	(153)	—	1,690
Gains on sales of facilities	—	—	(2)	(6)	—	(8)
Losses on retirement of debt	—	39	—	—	—	39
Management fees	—	—	(621)	621	—	—
	(2,406)	3,127	19,453	16,583	2,476	39,233
Income (loss) before income taxes	2,406	(3,127)	6,321	1,257	(2,476)	4,381
Provision (benefit) for income taxes	190	(1,154)	2,293	309	—	1,638
Net income (loss)	2,216	(1,973)	4,028	948	(2,476)	2,743
Net income attributable to noncontrolling interests	—	—	108	419	—	527
Net income (loss) attributable to HCA Healthcare, Inc.	$ 2,216	$ (1,973)	$ 3,920	$ 529	$ (2,476)	$ 2,216
Comprehensive income (loss) attributable to HCA Healthcare, Inc.	$ 2,276	$ (1,953)	$ 3,898	$ 591	$ (2,536)	$ 2,276

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 17 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION AND OTHER COLLATERAL-RELATED INFORMATION (continued)

HCA HEALTHCARE, INC.
CONDENSED CONSOLIDATING COMPREHENSIVE INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2016
(Dollars in millions)

	HCA Healthcare, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Condensed Consolidated
Revenues	$ —	$ —	$ 24,427	$ 17,063	$ —	$ 41,490
Salaries and benefits	—	—	10,971	7,926	—	18,897
Supplies	—	—	4,090	2,843	—	6,933
Other operating expenses	6	—	3,912	3,578	—	7,496
Equity in earnings of affiliates	(2,738)	—	(7)	(47)	2,738	(54)
Depreciation and amortization	—	—	1,141	825	—	1,966
Interest expense (income)	64	2,756	(970)	(143)	—	1,707
Losses (gains) on sales of facilities	—	—	4	(27)	—	(23)
Losses on retirement of debt	—	4	—	—	—	4
Legal claim benefits	—	(246)	—	—	—	(246)
Management fees	—	—	(588)	588	—	—
	(2,668)	2,514	18,553	15,543	2,738	36,680
Income (loss) before income taxes	2,668	(2,514)	5,874	1,520	(2,738)	4,810
Provision (benefit) for income taxes	(222)	(928)	2,133	395	—	1,378
Net income (loss)	2,890	(1,586)	3,741	1,125	(2,738)	3,432
Net income attributable to noncontrolling interests	—	—	93	449	—	542
Net income (loss) attributable to HCA Healthcare, Inc.	$ 2,890	$ (1,586)	$ 3,648	$ 676	$ (2,738)	$ 2,890
Comprehensive income (loss) attributable to HCA Healthcare, Inc.	$ 2,817	$ (1,505)	$ 3,637	$ 533	$ (2,665)	$ 2,817

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 17 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION AND OTHER COLLATERAL-RELATED INFORMATION (continued)

**HCA HEALTHCARE, INC.
CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2018
(Dollars in millions)**

	HCA Healthcare, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Condensed Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	$ —	$ —	$ 174	$ 328	$ —	$ 502
Accounts receivable, net	—	—	3,964	2,825	—	6,789
Inventories	—	—	1,178	554	—	1,732
Other	—	—	669	521	—	1,190
	—	—	5,985	4,228	—	10,213
Property and equipment, net	—	—	12,450	7,307	—	19,757
Investments of insurance subsidiaries	—	—	—	362	—	362
Investments in and advances to affiliates	33,166	—	29	203	(33,166)	232
Goodwill and other intangible assets	—	—	5,724	2,229	—	7,953
Other	478	64	35	113	—	690
	$ 33,644	$ 64	$ 24,223	$ 14,442	$ (33,166)	$ 39,207
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY						
Current liabilities:						
Accounts payable	$ —	$ —	$ 1,721	$ 856	$ —	$ 2,577
Accrued salaries	—	—	998	582	—	1,580
Other accrued expenses	142	403	905	1,174	—	2,624
Long-term debt due within one year	—	696	55	37	—	788
	142	1,099	3,679	2,649	—	7,569
Long-term debt, net	996	30,544	212	281	—	32,033
Intercompany balances	36,951	(6,789)	(28,415)	(1,747)	—	—
Professional liability risks	—	—	—	1,275	—	1,275
Income taxes and other liabilities	505	—	223	520	—	1,248
	38,594	24,854	(24,301)	2,978	—	42,125
Stockholders' (deficit) equity attributable to HCA Healthcare, Inc.	(4,950)	(24,790)	48,437	9,519	(33,166)	(4,950)
Noncontrolling interests	—	—	87	1,945	—	2,032
	(4,950)	(24,790)	48,524	11,464	(33,166)	(2,918)
	$ 33,644	$ 64	$ 24,223	$ 14,442	$ (33,166)	$ 39,207

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 17 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION AND OTHER COLLATERAL-RELATED INFORMATION (continued)

HCA HEALTHCARE, INC.
CONDENSED CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2017
(Dollars in millions)

	HCA Healthcare, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Condensed Consolidated
ASSETS						
Current assets:						
Cash and cash equivalents	$ 1	$ —	$ 112	$ 619	$ —	$ 732
Accounts receivable, net	—	—	3,693	2,808	—	6,501
Inventories	—	—	1,030	543	—	1,573
Other	—	—	663	508	—	1,171
	1	—	5,498	4,478	—	9,977
Property and equipment, net	—	—	11,110	6,785	—	17,895
Investments of insurance subsidiaries	—	—	—	418	—	418
Investments in and advances to affiliates	29,581	—	22	177	(29,581)	199
Goodwill and other intangible assets	—	—	4,893	2,501	—	7,394
Other	510	50	47	103	—	710
	$ 30,092	$ 50	$ 21,570	$ 14,462	$ (29,581)	$ 36,593
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY						
Current liabilities:						
Accounts payable	$ —	$ —	$ 1,793	$ 813	$ —	$ 2,606
Accrued salaries	—	—	862	507	—	1,369
Other accrued expenses	29	378	536	1,040	—	1,983
Long-term debt due within one year	—	97	64	39	—	200
	29	475	3,255	2,399	—	6,158
Long-term debt, net	995	31,367	307	189	—	32,858
Intercompany balances	35,322	(9,742)	(25,228)	(352)	—	—
Professional liability risks	—	—	—	1,198	—	1,198
Income taxes and other liabilities	552	—	357	465	—	1,374
	36,898	22,100	(21,309)	3,899	—	41,588
Stockholders' (deficit) equity attributable to HCA Healthcare, Inc.	(6,806)	(22,050)	42,755	8,876	(29,581)	(6,806)
Noncontrolling interests	—	—	124	1,687	—	1,811
	(6,806)	(22,050)	42,879	10,563	(29,581)	(4,995)
	$ 30,092	$ 50	$ 21,570	$ 14,462	$ (29,581)	$ 36,593

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 17 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION AND OTHER COLLATERAL-RELATED INFORMATION (continued)

HCA HEALTHCARE, INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Dollars in millions)

	HCA Healthcare, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Condensed Consolidated
Cash flows from operating activities:						
Net income (loss)	$ 3,787	$ (2,755)	$ 5,761	$ 1,284	$ (3,688)	$ 4,389
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:						
Change in operating assets and liabilities	—	23	(178)	188	—	33
Depreciation and amortization	—	—	1,335	943	—	2,278
Income taxes	74	—	—	—	—	74
Gains on sales of facilities	—	—	(357)	(71)	—	(428)
Losses on retirement of debt	—	9	—	—	—	9
Amortization of debt issuance costs	—	31	—	—	—	31
Share-based compensation	—	—	268	—	—	268
Equity in earnings of affiliates	(3,688)	—	—	—	3,688	—
Other	91	—	25	(9)	—	107
Net cash provided by (used in) operating activities	264	(2,692)	6,854	2,335	—	6,761
Cash flows from investing activities:						
Purchase of property and equipment	—	—	(2,008)	(1,565)	—	(3,573)
Acquisition of hospitals and health care entities	—	—	(897)	(356)	—	(1,253)
Disposal of hospitals and health care entities	—	—	770	38	—	808
Change in investments	—	—	12	45	—	57
Other	—	—	(9)	69	—	60
Net cash used in investing activities	—	—	(2,132)	(1,769)	—	(3,901)
Cash flows from financing activities:						
Issuance of long-term debt	—	2,000	—	—	—	2,000
Net change in revolving bank credit facilities	—	(640)	—	—	—	(640)
Repayment of long-term debt	—	(1,590)	(72)	(42)	—	(1,704)
Distributions to noncontrolling interests	—	—	(83)	(358)	—	(441)
Payment of debt issuance costs	—	(25)	—	—	—	(25)
Payment of cash dividends	(487)	—	—	—	—	(487)
Repurchases of common stock	(1,530)	—	—	—	—	(1,530)
Changes in intercompany balances with affiliates, net	2,004	2,947	(4,505)	(446)	—	—
Other	(252)	—	—	4	—	(248)
Net cash (used in) provided by financing activities	(265)	2,692	(4,660)	(842)	—	(3,075)
Effect of exchange rate changes on cash and cash equivalents	—	—	—	(15)	—	(15)
Change in cash and cash equivalents	(1)	—	62	(291)	—	(230)
Cash and cash equivalents at beginning of period	1	—	112	619	—	732
Cash and cash equivalents at end of period	$ —	$ —	$ 174	$ 328	$ —	$ 502

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 17 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION AND OTHER COLLATERAL-RELATED INFORMATION (continued)

HCA HEALTHCARE, INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Dollars in millions)

	HCA Healthcare, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Condensed Consolidated
Cash flows from operating activities:						
Net income (loss)	$ 2,216	$ (1,973)	$ 4,028	$ 948	$ (2,476)	$ 2,743
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:						
Change in operating assets and liabilities	—	(193)	(219)	116	—	(296)
Depreciation and amortization	—	—	1,237	894	—	2,131
Income taxes	433	—	—	—	—	433
Gains on sales of facilities	—	—	(2)	(6)	—	(8)
Losses on retirement of debt	—	39	—	—	—	39
Amortization of debt issuance costs	—	31	—	—	—	31
Share-based compensation	—	—	270	—	—	270
Equity in earnings of affiliates	(2,476)	—	—	—	2,476	—
Other	78	—	—	5	—	83
Net cash provided by (used in) operating activities	251	(2,096)	5,314	1,957	—	5,426
Cash flows from investing activities:						
Purchase of property and equipment	—	—	(1,681)	(1,334)	—	(3,015)
Acquisition of hospitals and health care entities	—	—	(26)	(1,186)	—	(1,212)
Disposal of hospitals and health care entities	—	—	14	11	—	25
Change in investments	—	—	(1)	(72)	—	(73)
Other	—	—	—	(4)	—	(4)
Net cash used in investing activities	—	—	(1,694)	(2,585)	—	(4,279)
Cash flows from financing activities:						
Issuance of long-term debt	—	1,500	—	2	—	1,502
Net change in revolving bank credit facilities	—	760	—	—	—	760
Repayment of long-term debt	—	(628)	(77)	(48)	—	(753)
Distributions to noncontrolling interests	—	—	(140)	(308)	—	(448)
Payment of debt issuance costs	—	(26)	—	—	—	(26)
Repurchases of common stock	(2,051)	—	—	—	—	(2,051)
Changes in intercompany balances with affiliates, net	1,867	490	(3,404)	1,047	—	—
Other	(66)	—	—	21	—	(45)
Net cash (used in) provided by financing activities	(250)	2,096	(3,621)	714	—	(1,061)
Change in cash and cash equivalents	1	—	(1)	86	—	86
Cash and cash equivalents at beginning of period	—	—	113	533	—	646
Cash and cash equivalents at end of period	$ 1	$ —	$ 112	$ 619	$ —	$ 732

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HCA HEALTHCARE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 17 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION AND OTHER COLLATERAL-RELATED INFORMATION (continued)

HCA HEALTHCARE, INC.
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Dollars in millions)

	HCA Healthcare, Inc. Issuer	HCA Inc. Issuer	Subsidiary Guarantors	Subsidiary Non-Guarantors	Eliminations	Condensed Consolidated
Cash flows from operating activities:						
Net income (loss)	$ 2,890	$ (1,586)	$ 3,741	$ 1,125	$ (2,738)	$ 3,432
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:						
Change in operating assets and liabilities	(25)	39	(139)	167	—	42
Depreciation and amortization	—	—	1,141	825	—	1,966
Income taxes	123	—	—	—	—	123
Losses (gains) on sales of facilities	—	—	4	(27)	—	(23)
Losses on retirement of debt	—	4	—	—	—	4
Legal claim benefits	—	(246)	—	—	—	(246)
Amortization of debt issuance costs	1	33	—	—	—	34
Share-based compensation	—	—	251	—	—	251
Equity in earnings of affiliates	(2,738)	—	—	—	2,738	—
Other	71	—	—	(1)	—	70
Net cash provided by (used in) operating activities	322	(1,756)	4,998	2,089	—	5,653
Cash flows from investing activities:						
Purchase of property and equipment	—	—	(1,554)	(1,206)	—	(2,760)
Acquisition of hospitals and health care entities	—	—	(199)	(377)	—	(576)
Disposal of hospitals and health care entities	—	—	10	16	—	26
Change in investments	—	—	(15)	79	—	64
Other	—	—	—	6	—	6
Net cash used in investing activities	—	—	(1,758)	(1,482)	—	(3,240)
Cash flows from financing activities:						
Issuance of long-term debt	—	5,400	—	—	—	5,400
Net change in revolving bank credit facilities	—	(110)	—	—	—	(110)
Repayment of long-term debt	—	(4,358)	(74)	(43)	—	(4,475)
Distributions to noncontrolling interests	—	—	(64)	(370)	—	(434)
Payment of debt issuance costs	—	(40)	—	—	—	(40)
Repurchases of common stock	(2,751)	—	—	—	—	(2,751)
Changes in intercompany balances with affiliates, net	2,532	864	(3,149)	(247)	—	—
Other	(103)	—	—	5	—	(98)
Net cash (used in) provided by financing activities	(322)	1,756	(3,287)	(655)	—	(2,508)
Change in cash and cash equivalents	—	—	(47)	(48)	—	(95)
Cash and cash equivalents at beginning of period	—	—	160	581	—	741
Cash and cash equivalents at end of period	$ —	$ —	$ 113	$ 533	$ —	$ 646

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NOTE 17 — SUPPLEMENTAL CONDENSED CONSOLIDATING FINANCIAL INFORMATION AND OTHER COLLATERAL-RELATED INFORMATION (continued)

Healthtrust, Inc. — The Hospital Company ("Healthtrust") is the first-tier subsidiary of HCA Inc. The common stock of Healthtrust has been pledged as collateral for the senior secured credit facilities and senior secured notes described in Note 9. Rule 3-16 of Regulation S-X under the Securities Act requires the filing of separate financial statements for any affiliate of the registrant whose securities constitute a substantial portion of the collateral for any class of securities registered or being registered. We believe the separate financial statements requirement applies to Healthtrust due to the pledge of its common stock as collateral for the senior secured notes. Due to the corporate structure relationship of HCA and Healthtrust, HCA's operating subsidiaries are also the operating subsidiaries of Healthtrust. The corporate structure relationship, combined with the application of push-down accounting in Healthtrust's consolidated financial statements related to HCA's debt and financial instruments, results in the consolidated financial statements of Healthtrust being substantially identical to the consolidated financial statements of HCA. The consolidated financial statements of HCA and Healthtrust present the identical amounts for revenues, expenses, net income, assets, liabilities, total stockholders' deficit, net cash provided by operating activities, net cash used in investing activities and net cash used in financing activities. Certain individual line items in the HCA consolidated statements of stockholders' deficit and cash flows are combined into one line item in the Healthtrust consolidated statements of stockholder's deficit and cash flows.

Reconciliations of the HCA Healthcare, Inc. Consolidated Statements of Stockholders' Deficit and Consolidated Statements of Cash Flows presentations to the Healthtrust, Inc. — The Hospital Company Consolidated Statements of Stockholder's Deficit presentations for the years ended December 31, 2018, 2017 and 2016 are as follows (dollars in millions):

	2018	2017	2016
Presentation in HCA Healthcare, Inc. Consolidated Statements of Stockholders' Deficit:			
Repurchases of common stock	**$(1,530)**	$(2,051)	$(2,751)
Share-based benefit plans	**115**	281	233
Cash dividends declared ($1.40 per share)	**(496)**	—	—
Other	**(12)**	(10)	(2)
Presentation in Healthtrust, Inc. — The Hospital Company Consolidated Statements of Stockholder's Deficit:			
Distributions to HCA Healthcare, Inc., net of contributions from HCA Healthcare, Inc.	**$(1,923)**	$(1,780)	$(2,520)
Presentation in HCA Healthcare, Inc. Consolidated Statements of Cash Flows (cash flows from financing activities):			
Repurchases of common stock	**$(1,530)**	$(2,051)	$(2,751)
Payment of cash dividends	**(487)**	—	—
Presentation in Healthtrust, Inc. — The Hospital Company Consolidated Statements of Cash Flows (cash flows from financing activities):			
Cash distributions to HCA Healthcare, Inc.	**$(2,017)**	$(2,051)	$(2,751)

Due to the consolidated financial statements of Healthtrust being substantially identical to the consolidated financial statements of HCA, except for the items presented in the table above, the separate consolidated financial statements of Healthtrust are not presented.

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HCA HEALTHCARE, INC.
QUARTERLY CONSOLIDATED FINANCIAL INFORMATION
(UNAUDITED)
(Dollars in millions, except per share amounts)

	2018			
	First	**Second**	**Third**	**Fourth**
Revenues	**$11,423**	**$11,529**	**$11,451**	**$12,274**
Net income	**$ 1,282(a)**	**$ 966(b)**	**$ 896(c)**	**$ 1,245(d)**
Net income attributable to HCA Healthcare, Inc.	**$ 1,144(a)**	**$ 820(b)**	**$ 759(c)**	**$ 1,064(d)**
Basic earnings per share	**$ 3.26**	**$ 2.35**	**$ 2.20**	**$ 3.09**
Diluted earnings per share	**$ 3.18**	**$ 2.31**	**$ 2.15**	**$ 3.01**

	2017			
	First	**Second**	**Third**	**Fourth**
Revenues	$10,623	$10,733	$10,696	$11,562
Net income	$ 777(e)	$ 795(f)	$ 530(g)	$ 641(h)
Net income attributable to HCA Healthcare, Inc.	$ 659(e)	$ 657(f)	$ 426(g)	$ 474(h)
Basic earnings per share	$ 1.78	$ 1.79	$ 1.18	$ 1.34
Diluted earnings per share	$ 1.74	$ 1.75	$ 1.15	$ 1.30

(a) First quarter results include $305 million of gains on sales of facilities (See Note 3 of the notes to consolidated financial statements).
(b) Second quarter results include $8 million of gains on sales of facilities (See Note 3 of the notes to consolidated financial statements).
(c) Third quarter results include $5 million of gains on sales of facilities (See Note 3 of the notes to consolidated financial statements) and $7 million of losses on retirement of debt (See Note 9 of the notes to consolidated financial statements).
(d) Fourth quarter results include $6 million of gains on sales of facilities (See Note 3 of the notes to consolidated financial statements).
(e) First quarter results include $1 million of gains on sales of facilities (See Note 3 of the notes to consolidated financial statements).
(f) Second quarter results include $1 million of gains on sales of facilities (See Note 3 of the notes to consolidated financial statements).
(g) Third quarter results include $4 million of gains on sales of facilities (See Note 3 of the notes to consolidated financial statements) and $25 million of losses on retirement of debt.
(h) Fourth quarter results include $1 million of losses on sales of facilities (See Note 3 of the notes to consolidated financial statements).