



Figure 1: 4Q13 Earnings Variance table

HCA Holdings, Inc. Quarterly Variance Report (\$ in MM)				
4Q13 Income Statement	DB Estimate	Consensus	Actual	Variance (1)
Cash revenue	\$8,889	\$8,822	\$8,836	0.2%
YoY % growth	5.4%	4.6%	4.8%	16 bps
Adjusted EBITDA	\$1,685	\$1,647	\$1,714	4.1%
YoY % growth	4.9%	2.5%	6.7%	418 bps
HITECH payments	(60)	NA	(50)	-16.7%
Diluted EPS, excl. one-time charges	\$0.89	\$0.86	\$0.92	8.0%
YoY % growth	-3.0%	-7.1%	0.4%	746 bps
4Q13 Margin Analysis	DB Estimate	Consensus	Actual	Variance
Adjusted EBITDA margin	19.0%	18.7%	19.4%	73 bps
Salaries and benefits ratio	45.7%	NA	44.9%	-84 bps
Supplies ratio	17.8%	NA	17.7%	-8 bps
Other operating expenses ratio	18.3%	NA	18.6%	24 bps
Bad debt ratio	11.1%	NA	11.3%	23 bps
4Q13 Revenue Metrics	DB Estimate	Consensus	Actual	Variance
SS revenue growth	3.5%	NA	3.8%	25 bps
SS admissions growth	0.5%	NA	-1.8%	-230 bps
SS adjusted admissions growth	1.0%	NA	-1.0%	-200 bps
SS rev per adjusted admission growth	2.5%	NA	4.8%	230 bps

Notes:

(1). Variance is calculated Actual vs. Consensus, unless Consensus is NA

Source: Deutsche Bank, company research, Thomson Reuters

Results review in brief

Revenue trends

Q4 revenues were \$8.836 billion vs. \$8.822 billion / DBE \$8.889 billion. Q4 revenue growth was +4.8% yoy, with SS growth +3.8% driven by SS adj. admit of -1.0%, SS inpatient admissions -1.8%, and better SS revenue per adj. admit of +4.8% yoy (vs. Q3'2013 +3.4%). Pricing growth was driven by acuity (+3%) and payor mix. HCA indicated that Q4 admissions declines were driven primarily by a reduction in pulmonary admissions due to the lighter flu season (-9% yoy), and short-stay admissions due to implementation of the two-midnight rule (Medicare -12% yoy; other payors -4% yoy). Mgt noted that Medicare one-day stays accounted for 50 bps of total admissions declines as a result of the two-midnight rule.