FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(MARK ONE)
(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2000

OR

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

For the transition period from ....to..........
Commission file number 1-10765

UNIVERSAL HEALTH SERVICES, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	23-2077891
(State or other jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

UNIVERSAL CORPORATE CENTER
367 SOUTH GULPH ROAD
KING OF PRUSSIA, PENNSYLVANIA 19406
(Address of principal executive office) (Zip Code)

Registrant's telephone number, including area code (610) 768-3300

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Common shares outstanding, as of October 31, 2000:

Class A	1,978,312
Class B	27,655,865
Class C	204,028
Class D	22,841

UNIVERSAL HEALTH SERVICES, INC.

I N D E X

PART I. FINANCIAL INFORMATION

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(000s omitted except per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
Net revenues	$ 561,790	$ 489,828	$ 1,627,622	$ 1,522,990
Operating charges:				
Salaries, wages and benefits	219,371	196,523	632,902	591,772
Other operating expenses	132,123	116,183	369,669	347,425
Supplies expense	74,780	70,677	221,295	213,177
Provision for doubtful accounts	49,221	44,926	136,084	125,997
Depreciation and amortization	28,475	26,695	84,278	80,870
Lease and rental expense	12,482	12,219	36,351	36,771
Interest expense, net	6,994	6,503	21,514	19,551
	523,446	473,726	1,502,093	1,415,563
Income before minority interests and income taxes	38,344	16,102	125,529	107,427
Minority interests in earnings (losses) of consolidated entities	3,172	(579)	9,686	6,172
Income before income taxes	35,172	16,681	115,843	101,255
Provision for income taxes	12,837	5,887	41,570	37,409
Net income	$22,335	$ 10,794	$ 74,273	$ 63,846
Earnings per common share - basic	$0.75	$0.34	$2.46	$2.01
Earnings per common share - diluted	$0.72	$0.34	$2.39	$1.97
Weighted average number of common shares - basic	29,893	31,425	30,201	31,697
Weighted average number of common share equivalents	3,951	626	1,818	670
Weighted average number of common shares and equivalents - diluted	33,844	32,051	32,019	32,367

See accompanying notes to these condensed consolidated financial statements.

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(000s omitted, unaudited)

	September 30, 2000	December 31, 1999
Assets		
Current assets:		
Cash and cash equivalents	$ 5,975	$ 6,181
Accounts receivable, net	349,006	307,294
Supplies	43,404	41,173
Deferred income taxes	26,924	26,768
Other current assets	26,948	21,833
Total current assets	452,257	403,249
Property and equipment	1,316,325	1,173,427
Less: accumulated depreciation	(495,147)	(437,837)
	821,178	735,590
Funds restricted for construction	39,961	41,463
	861,139	777,053
Other assets:		
Excess of cost over fair value of net assets acquired	316,681	276,031
Deferred charges	17,514	10,870
Other	53,578	30,770
	387,773	317,671
	$ 1,701,169	$ 1,497,973
Liabilities and Stockholders' Equity		
Current liabilities:		
Current maturities of long-term debt	$ 559	$ 3,506
Accounts payable and accrued liabilities	235,534	213,694
Federal and state taxes	6,126	-----
Total current liabilities	242,219	217,200
Other noncurrent liabilities	76,781	73,705
Minority interest	119,979	115,635
Long-term debt, net of current maturities	533,110	419,203
Deferred income taxes	38,116	30,619
Common stockholders' equity:		
Class A Common Stock, 2,023,566 shares outstanding in 2000, 2,030,566 in 1999	20	20
Class B Common Stock, 27,497,716 shares outstanding in 2000, 28,392,100 in 1999	275	284
Class C Common Stock, 204,593 shares outstanding in 2000, 204,593 in 1999	2	2
Class D Common Stock, 22,967 shares outstanding in 2000, 24,857 in 1999	-----	-----
Capital in excess of par, net of deferred compensation of $587 in 2000 and $116 in 1999	133,434	158,345
Retained earnings	557,233	482,960
	690,964	641,611
	$ 1,701,169	$ 1,497,973

See accompanying notes to these condensed consolidated financial statements.

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(000s omitted - unaudited)

	Nine Months Ended September 30, 2000	1999
Cash Flows from Operating Activities:		
Net income	$74,273	$63,846
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation & amortization	84,278	80,870
Minority interests in earnings of consolidated entities	9,686	6,172
Changes in assets & liabilities, net of effects from acquisitions and dispositions:		
Accounts receivable	(20,233)	(15,731)
Accrued interest	(3,770)	(3,380)
Accrued and deferred income taxes	20,321	(5,969)
Other working capital accounts	14,174	34,200
Other assets and deferred charges	(11,985)	(2,930)
Increase in working capital accounts at purchased facilities	(12,279)	----
Other	985	2,176
Accrued insurance expense, net of commercial premiums paid	6,473	6,963
Payments made in settlement of self-insurance claims	(8,005)	(9,314)
Net cash provided by operating activities	153,918	156,903
Cash Flows from Investing Activities:		
Property and equipment additions, net	(71,583)	(48,546)
Acquisition of businesses	(139,020)	(31,588)
Investment in business	(12,277)	----
Proceeds received from divestitures, net	5,753	15,431
Net cash used in investing activities	(217,127)	(64,703)
Cash Flows from Financing Activities:		
Additional borrowings, net of financing costs	242,628	----
Reduction of long-term debt	(142,737)	(19,504)
Distributions to minority partners	(4,447)	(11,891)
Issuance of common stock	3,544	1,490
Repurchase of common shares	(35,985)	(56,467)
Net cash provided by (used in) financing activities	63,003	(86,372)
(Decrease) Increase in cash and cash equivalents	(206)	5,828
Cash and cash equivalents, Beginning of Period	6,181	1,260
Cash and cash equivalents, End of Period	$5,975	$7,088
Supplemental Disclosures of Cash Flow Information:		
Interest paid	$22,081	$22,931
Income taxes paid, net of refunds	$21,276	$43,469

See accompanying notes to these condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) General

The consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission and reflect all adjustments which, in the opinion of the Company, are necessary to fairly present results for the interim periods. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the accompanying disclosures are adequate to make the information presented not misleading. It is suggested that these financial statements be read in conjunction with the financial statements, accounting policies and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1999. Certain prior year amounts have been reclassified to conform with current year financial presentation.

(2) Other Noncurrent and Minority Interest Liabilities

Other noncurrent liabilities include the long-term portion of the Company's professional and general liability, compensation reserves, and pension liability.

The minority interest liability consists primarily of a 27.5% outside ownership interest in three acute care facilities located in Las Vegas, Nevada and a 20% outside ownership in an acute care facility located in Washington D.C.

(3) Commitments and Contingencies

Under certain agreements, the Company has committed or guaranteed an aggregate of $57 million related principally to the Company's self-insurance programs and as support for various debt instruments and loan guarantees, including a $40 million surety bond related to the Company's 1997 acquisition of an 80% interest in The George Washington University Hospital.

During the fourth quarter of 1999, the Company made a decision to close/sell one of its specialized women's centers and in January of 2000, a temporary injunction was issued preventing closure until a trial on the merits which began on October 24, 2000. The Company is involved in litigation with respect to this facility in which the plaintiffs are seeking monetary damages as well as specific performance of a lease agreement. During the fourth quarter of 1999, the Company recorded a $5.3 million charge to reduce the carrying value of the facility to its estimated realizable value of approximately $9 million, based on an independent appraisal, and may incur additional charges in the event it is unable to close or sell the facility for a significant period of time or suffers an unfavorable outcome from this litigation.

(4) Acquisitions

During the third quarter of 2000, the Company paid a combined purchase price of $139 million to acquire the assets and operations of the following facilities (the purchase of the Charter Behavioral Health Systems facilities and the hospital in Enid, Oklahoma excluded working capital): (i) 12 behavioral health businesses and operating assets from Charter Behavioral Health Systems and Crescent Real Estate Funding VII LP consisting of 1,400 licensed beds; (ii) a 277-bed acute care facility located in Enid, Oklahoma, and; (iii) a 77-bed acute care facility located in Eagle Pass, Texas. Subject to the terms of the purchase agreement of the facility located in Eagle Pass, Texas, the Company expects to build a replacement hospital within five years.

During the second quarter of 2000, Meridell Achievement Center, Inc., a subsidiary of the Company, exercised its option pursuant to its lease with Universal Health Realty Income Trust, to purchase the leased property upon the December 31, 2000 expiration of the initial lease term. The purchase price, which is based on the fair market value of the property as defined in the lease, will be $5,450,000.

Subsequent to the end of the third quarter of 2000, the Company executed a purchase agreement to acquire the assets and operations of a 96-bed acute care facility located in Murrieta, California. The transaction, which is subject to normal regulatory approvals, is expected to be completed in December, 2000. Also subsequent to the third quarter of 2000, the Company executed a definitive purchase agreement to acquire the assets of two behavioral health care facilities located in Boston, Massachusetts for approximately $6 million. The Company expects these purchase transactions to be completed on or around December 31, 2000.

(5) New Accounting Pronouncement

In June 1999, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 137, "Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of SFAS No. 133", which deferred the effective date of SFAS No. 133 for one year.

The Statement establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The Statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of the transactions that receive hedge accounting.

The Company will be required to adopt SFAS No. 133 effective as of January 1, 2001 and has not yet quantified the impact of adopting this statement on its financial statements. Further, the Company has not determined the method of adoption of SFAS No. 133. However, SFAS No. 133 could increase the volatility in earnings and other comprehensive income.

(6) Segment Reporting

The Company's reportable operating segments consist of acute care services and behavioral health care services. The "Other" segment column below includes centralized services including information services, purchasing, reimbursement, accounting, taxation, legal, advertising, design and construction, and patient accounting. Also included are the operating results of the Company's other operating entities including the outpatient surgery and radiation therapy centers and specialized women's health centers. The chief operating decision making group for the Company's acute care services and behavioral health care services is comprised of the Company's President and Chief Executive Officer, and the lead executives of each of the Company's two primary operating segments. The lead executive for each operating segment also manages the profitability of each respective segment's various hospitals. The operating segments are managed separately because each operating segment represents a business unit that offers different types of healthcare services. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

	Three Months Ended September 30, 2000			
	Acute Care Services	Behavioral Health Services	Other	Total Consolidated
	(Dollar amounts in thousands)			
Gross inpatient revenues	$ 776,568	$152,508	$ 4,826	$ 933,902
Gross outpatient revenues	$ 280,121	$ 27,673	$ 27,392	$ 335,186
Total net revenues	$ 453,817	$ 91,694	$ 16,279	$ 561,790
EBITDAR (A)	$ 82,504	$ 16,534	($12,743)	$ 86,295
Total assets as of 9/30/00	$1,294,626	$241,453	$ 165,090	$1,701,169
Licensed beds	5,053	2,944	--------	7,997
Available beds	4,264	2,856	--------	7,120
Patient days	246,407	162,422	--------	408,829
Admissions	52,184	13,456	--------	65,640
Average length of stay	4.7	12.1	--------	6.2

	Three Months Ended September 30, 1999			
	Acute Care Services	Behavioral Health Services	Other	Total Consolidated
	(Dollar amounts in thousands)			
Gross inpatient revenues	$ 653,539	$107,534	$ 7,644	$ 768,717
Gross outpatient revenues	$ 237,090	$ 22,717	$ 27,430	$ 287,237
Total net revenues	$ 400,630	$ 68,388	$ 20,810	$ 489,828
EBITDAR (A)	$ 59,658	$ 10,640	($8,779)	$ 61,519
Total assets as of 9/30/99	$1,197,631	$156,121	$131,574	$1,485,326
Licensed beds	4,794	2,066	--------	6,860
Available beds	4,091	2,051	--------	6,142
Patient days	231,624	115,783	--------	347,407
Admissions	50,563	9,622	--------	60,185
Average length of stay	4.6	12.0	--------	5.8

	Nine Months Ended September 30, 2000			
	Acute Care Services	Behavioral Health Services	Other	Total Consolidated
	(Dollar amounts in thousands)			
Gross inpatient revenues	$2,309,343	$390,140	$ 16,172	$2,715,655
Gross outpatient revenues	$ 811,114	$ 71,938	$ 86,670	$ 969,722
Total net revenues	$1,334,552	$240,745	$ 52,325	$1,627,622
EBITDAR (A)	$ 251,715	$ 45,402	($29,445)	$ 267,672
Total assets as of 9/30/00	$1,294,626	$241,453	$ 165,090	$1,701,169
Licensed beds	4,908	2,349	--------	7,257
Available beds	4,175	2,310	--------	6,485
Patient days	754,973	406,177	--------	1,161,150
Admissions	159,151	34,192	--------	193,343
Average length of stay	4.7	11.9	--------	6.0

	Nine Months Ended September 30, 1999			
	Acute Care Services	Behavioral Health Services	Other	Total Consolidated
	(Dollar amounts in thousands)			
Gross inpatient revenues	$2,042,486	$303,900	$ 20,180	$2,366,566
Gross outpatient revenues	$ 710,450	$ 73,288	$ 79,045	$ 862,783
Total net revenues	$1,264,206	$198,925	$ 59,859	$1,522,990
EBITDAR (A)	$ 236,595	$ 35,303	($27,279)	$ 244,619
Total assets as of 9/30/99	$1,197,631	$156,121	$ 131,574	$1,485,326
Licensed beds	4,811	1,947	--------	6,758
Available beds	4,101	1,932	--------	6,033
Patient days	719,504	327,778	--------	1,047,282
Admissions	152,729	28,155	--------	180,884
Average length of stay	4.7	11.6	--------	5.8

(A) EBITDAR - Earnings before interest, income taxes, depreciation, amortization, lease & rental and minority interest expense.

(7) Earnings Per Share Data ("EPS")

The following table sets forth the computation of basic and diluted earnings per share for the periods indicated.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2000	1999	2000	1999
	In thousands, except per share data			
Basic:				
Net income	$22,335	$10,794	$74,273	$63,846
Average shares outstanding	29,893	31,425	30,201	31,697
Basic EPS	$ 0.75	$ 0.34	$ 2.46	$ 2.01
Diluted:				
Net income	$22,335	$10,794	$74,273	$63,846
Add discounted convertible debenture interest, net of income tax effect	1,970	-------	2,208	-------
Totals	$24,305	$10,794	$76,481	$63,846
Average shares outstanding	29,893	31,425	30,201	31,697
Net effect of dilutive stock options and grants based on the treasury stock method	662	626	582	670
Assumed conversion of discounted convertible debentures	3,289	-------	1,236	-------
Totals	33,844	32,051	32,019	32,367
Diluted EPS	$ 0.72	$ 0.34	$ 2.39	$ 1.97

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF OPERATIONS AND FINANCIAL CONDITION

Forward-Looking Statements

The matters discussed in this report as well as the news releases issued from time to time by the Company include certain statements containing the words "believes", "anticipates", "intends", "expects" and words of similar import, which constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance achievements of the Company or industry results to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the following: that the majority of the Company's revenues are produced by a small number of its total facilities; possible changes in the levels and terms of reimbursement for the Company's charges by government programs, including Medicare or Medicaid or other third party payors; industry capacity; demographic changes; existing laws and government regulations and changes in or failure to comply with laws and governmental regulations; the ability to enter into managed care provider agreements on acceptable terms; liability and other claims asserted against the Company; competition; the loss of significant customers; technological and pharmaceutical improvements that increase the cost of providing, or reduce the demand for healthcare; the ability to attract and retain qualified personnel, including physicians, the ability of the Company to successfully integrate its recent acquisitions; the Company's ability to finance growth on favorable terms and, other factors referenced in the Company's 1999 Form 10-K or herein. Given these uncertainties, prospective investors are cautioned not to place undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future events or developments.

Results of Operations

Net revenues increased 15% to $562 million for the three months ended September 30, 2000 as compared to $490 million in the same prior year period and increased 7% to $1.628 billion for the nine months ended September 30, 2000 as compared to $1.523 billion during the comparable 1999 nine month period. The $72 million increase in net revenues during the three month period ended September 30, 2000 as compared to the comparable prior year period was due primarily to: (i) a $47 million or 10% increase in revenues generated at the Company's acute care and behavioral health care facilities owned in both periods, and; (ii) $27 million of revenues generated at two acute care and twelve behavioral health care facilities acquired during the third quarter of 2000. The $105 million increase in net revenues during the nine month period ended September 30, 2000 as compared to the comparable prior year period was due primarily to: (i) a $66 million or 5% increase in revenues generated at the Company's acute care and behavioral health care facilities owned in both periods, and; (ii) $39 million of revenues generated at two acute care and twelve behavioral health care facilities acquired during the third quarter of 2000 and three behavioral health care facilities acquired during the second quarter of 1999.

Earnings before interest, income taxes, depreciation, amortization and lease and rental expense (before deducting minority interests in earnings of consolidated entities) ("EBITDAR") increased 40% to $86 million for the three month period ended September 30, 2000 from $62 million in the comparable prior year quarter and increased 9% to $268 million during the nine month period ended September 30, 2000 as compared to $245 million during the comparable 1999 nine month period. Overall operating margins were 15.4% in the 2000 third quarter as compared to 12.6% in the 1999 third quarter and were 16.4% for the nine month period ended September 30, 2000 as compared to 16.1% during the nine month period ended September 30, 1999.

Acute Care Services

Net revenues from the Company's acute care hospitals, ambulatory treatment centers and specialized women's health centers accounted for 83% and 85% of consolidated net revenues for quarters ended September 30, 2000 and 1999, respectively, and 85% and 86% for the nine month periods ended September 30, 2000 and 1999, respectively. Net revenues at the Company's acute care facilities owned in both quarters ended September 30, 2000 and 1999 increased 10% in the 2000 third quarter as compared to the comparable 1999 quarter. Admissions to the Company's acute care facilities owned in both quarters increased 1% during the quarter ended September 30, 2000 over the comparable 1999 quarter and patient days at these facilities increased 4% for the three months ended September 30, 2000 as compared to the comparable prior year quarter. The average length of stay at the acute care facilities owned during both periods increased 3% to 4.7 days for the three month period ended September 30, 2000 as compared to 4.6 days in the comparable prior year quarter. The increase in the net revenues at facilities owned in both three month periods ended September 30, 2000 and 1999 was due primarily to an increase in prices charged to private payors including health maintenance organizations and preferred provider organizations as well as an increase in net revenues at the Company's acute care facilities located in Las Vegas, Nevada and Amarillo, Texas.

Net revenues at the Company's acute care facilities owned in both nine month periods ended September 30, 2000 and 1999 increased 4% in the 2000 nine month period as compared to the comparable 1999 period. Admissions to the Company's acute care facilities owned in both nine month periods increased 3% during the nine month period ended September 30, 2000 over the comparable 1999 period and patient days at these facilities increased 4% for the nine month ended September 30, 2000 as compared to the comparable prior year period. The average length of stay at the acute care facilities owned during both nine month periods increased to 4.8 days in the 2000 period as compared to 4.7 days during the 1999 period.

The Company's facilities have experienced an increase in inpatient acuity and intensity of services as less intensive services shift from an inpatient basis to an outpatient basis due to technological and pharmaceutical improvements and continued pressures by payors, including Medicare, Medicaid and managed care companies to reduce admissions and lengths of stay. To accommodate the increased utilization of outpatient services, the Company has expanded or redesigned several of its outpatient facilities and services. Gross outpatient revenues at the Company's acute care facilities owned during the three month periods ending September 30, 2000 and 1999 increased 16% in the third quarter of 2000 as compared to the comparable 1999 quarter and comprised 27% of the Company's acute care gross patient revenue in the each of the quarters ended September 30, 2000 and 1999. Gross outpatient revenues at these facilities increased 13% during the nine month period ended September 30, 2000 as compared to the comparable prior year period and comprised 26% of the Company's acute care gross patient revenue in each of the nine month periods ended September 30, 2000 and 1999. Despite the increase in patient volume at the Company's facilities, inpatient utilization continues to be negatively affected by payor-required, pre-admission authorization and by payor pressure to maximize outpatient and alternative healthcare delivery services for less acutely ill patients. Additionally, the hospital industry in the United States as well as the Company's acute care facilities continue to have significant unused capacity which has created substantial competition for patients. The Company expects the increased competition, admission constraints and payor pressures to continue. The increase in net revenue as discussed above includes the effect of lower payments from the government under the Medicare program as a result of the Balanced Budget Act of 1997 ("BBA-97") (see General Trends for additional disclosure).

At the Company's acute care facilities, operating expenses, (salaries, wages and benefits, other operating expenses, supplies expense and provision for doubtful accounts) as a percentage of net revenues were 81.8% and 85.1% for the three months ended September 30, 2000 and 1999, respectively, and 81.1% and 81.3% for the nine months ended September 30, 2000 and 1999, respectively. Operating margins (EBITDAR) at these facilities were 18.2% and 14.9% during the quarters ended September 30, 2000 and 1999, respectively, and 18.9% and 18.7% during the nine month periods ended September 30, 2000 and 1999, respectively. The increase in operating margins during the three month period ended September 30, 2000 as compared to the comparable prior year period was due primarily to increased profitability at the Company's three acute care facilities located in Las Vegas, Nevada and increased prices charged to private payors including health maintenance organizations and preferred provider organizations. Partially offsetting the increased operating margins at the Company's acute care facilities were reductions to net revenues stemming from BBA-97 and Medicaid program redesigns by Texas and South Carolina which reduced the Company's Medicaid disproportionate share reimbursements by approximately $11 million annually beginning in the third quarter of 1999 (see General Trends for additional disclosure). Despite the improvement in operating margins during the third quarter of 2000, as compared to the comparable prior year period, pressure on operating margins may continue due to, among other things, the changes in the Medicare payments mandated by BBA-97 which became effective on October 1, 1997, reductions in Medicaid disproportionate share reimbursements and the continuing industry-wide trend towards managed care which limits the Company's ability to increase its prices.

Behavioral Health Services

Net revenues from the Company's behavioral health services facilities accounted for 16% and 14% of consolidated net revenues for the three month periods ended September 30, 2000 and 1999, respectively, and 15% and 13% for the nine month periods ended September 30, 2000 and 1999, respectively. The increase during the three and nine month periods as compared to the comparable prior year periods was due primarily to the purchase of twelve behavioral health facilities during the third quarter of 2000. Net revenues at the Company's behavioral health services facilities owned in both periods increased 6% during the three month period ended September 30, 2000 as compared to the comparable prior year quarter. Admissions and patient days at these facilities increased 8% and 6%, respectively, during the three month period ended September 30, 2000 as compared to the comparable prior year quarter. The average length of stay at the behavioral health services facilities owned in both periods decreased 2% to 11.8 days during the 2000 third quarter as compared to 12.0 days in the comparable prior year period.

Net revenues at the Company's behavioral health services facilities owned in both nine month periods increased 6% during the nine month period ended September 30, 2000 as compared to the comparable prior year period. Admissions and patient days at these facilities increased 5% and 4%, respectively, during the nine month period ended September 30, 2000 as compared to the comparable prior year period. The average length of stay at the behavioral health services facilities owned in both periods remained unchanged at 11.6 days in each period.

At the Company's behavioral health care facilities, operating expenses (salaries, wages and benefits, other operating expenses, supplies expense and provision for doubtful accounts) as a percentage of net revenues were 82.0% and 84.4% for the three month periods ended September 30, 2000 and 1999, respectively, and 81.1% and 82.3% for the nine month periods ended September 30, 2000 and 1999, respectively. Operating margins (EBITDAR) at these facilities were 18.0% and 15.6% during the three months periods ended September 30, 2000 and 1999, respectively, and 18.9% and 17.7% during the nine month periods ended September 30, 2000 and 1999, respectively.

Other Operating Results

The Company recorded minority interest in the earnings (losses) of consolidated entities amounting to $3.2 million and ($600,000) for the three months ended September 30, 2000 and 1999, respectively, and $9.7 million and $6.2 million for the nine month periods ended September 30, 2000 and 1999, respectively. The minority interest recorded during both periods consists primarily of the minority ownership's share of the net income of four acute care facilities, three of which are located in Las Vegas, Nevada and one located in Washington, D.C. The change during the three and nine month periods ended September 30, 2000 as compared to the comparable prior year periods was due primarily to improvement in the unfavorable operating performance trends experienced during 1999 at the Company's acute care facilities located in Las Vegas, Nevada.

Interest expense increased 8% or $491,000 for the three months ended September 30, 2000 and 10% or $2.0 million for the nine months ended September 30, 2000, over the comparable prior year periods, due primarily to: (i) increased borrowings used to finance the acquisition of twelve behavioral health care facilities and two acute care facilities during the third quarter of 2000; (ii) increased borrowings used to finance various repurchases of the Company's common stock during 1999 and the nine months of 2000, and; (iii) an increase in the net average cost of borrowings on the Company's floating rate debt.

The effective tax rate was 36% and 35% for the three months ended September 30, 2000 and 1999, respectively, and 36% and 37% for the nine month periods ended September 30, 2000 and 1999, respectively.

General Trends
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A significant portion of the Company's revenue is derived from fixed payment services, including Medicare and Medicaid which accounted for 43% and 45% of the Company's net patient revenues during the three month periods ended September 30, 2000 and 1999, respectively, and 44% and 45% of the Company's net patient revenues during the nine month periods ended September 30, 2000 and 1999, respectively. The Medicare program reimburses the Company's hospitals primarily based on established rates by a diagnosis related group for acute care hospitals and by a cost based formula for behavioral health facilities. Historically, rates paid under Medicare's prospective payment system ("PPS") for inpatient services have increased, however, these increases have been less than cost increases. Pursuant to the terms of BBA-97, there were no increases in the rates paid to hospitals for inpatient care through September 30, 1998 and reimbursement for bad debt expenses and capital costs as well as other items have been reduced. Inpatient operating payment rates increased 0.5% for the period of October 1, 1998 through September 30, 1999, however, the modest rate increase was less than inflation and was more than offset by the negative impact of converting reimbursement on skilled nursing facility patients from a cost based reimbursement to a prospective payment system and from lower DRG payments on certain patient transfers mandated by BBA-97. Inpatient operating payment rates were increased 1.1% for the period of October 1, 1999 through September 30, 2000, however, the modest increase was less than inflation and is expected to be more than offset by the negative impact of increasing the qualification threshold for additional payments for treating costly inpatient cases (outliers). Members Congress and the President are discussing the terms of a Balanced Budget Refinement Act which may provide for increases in Medicare reimbursements to health care providers, including hospitals. Since the terms of this package have not been finalized and approved, the Company can not estimate the impact of the Balanced Budget Refinement Act on its future results of operations. Payments for Medicare outpatient services historically have been paid based on costs, subject to certain adjustments and limits. BBA-97 requires that payment for those services be converted to PPS, which was implemented on August 1, 2000. The implementation of outpatient PPS has not had a material impact on the Company's results of operations.

The healthcare industry is subject to numerous laws and regulations which include, among other things, matters such as government healthcare participation requirements, various licensure and accreditations, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government action has increased with respect to investigations and/or allegations concerning possible violations of fraud and abuse and false claims statutes and/or regulations by healthcare providers. Providers that are found to have violated these laws and regulations may be excluded from participating in government healthcare programs, subjected to fines or penalties or required to repay amounts received from government for previously billed patient services. While management of the Company believes its policies, procedures and practices comply with governmental regulations, no assurance can be given that the Company will not be subjected to governmental inquiries or actions.

In Texas, a law has been passed which mandates that the state senate apply for a waiver from current Medicaid regulations to allow the state to require that certain Medicaid participants be serviced through managed care providers. The Company is unable to predict whether Texas will be granted such a waiver or the effect on the Company's business of such a waiver. Upon meeting certain conditions and serving a disproportionately high share of Texas' and South Carolina's low income patients, five of the Company's facilities located in Texas (including one purchased during the third quarter of 2000) and one facility located in South Carolina became eligible and received additional reimbursement from each state's disproportionate share hospital fund. Beginning in the third quarter of 1999, as a result of reductions stemming from BBA-97 and program redesigns by the two states, the Company's Medicaid disproportionate share reimbursements were been reduced by approximately $11 million annually (based on each state's fiscal years covering the period of July, 1999 through August, 2000). Included in the

Company's financial results was an aggregate of $7.6 million and $8.9 million for the three month periods ended September 30, 2000 and 1999, respectively, and $22.9 million and $29.3 million for the nine month periods ended September 30, 2000 and 1999, respectively, recorded in conection with these programs. South Carolina's program has been renewed for the 2001 fiscal year and although the Company has received notification of renewal for the Texas Medicaid disproportionate share program, the Company has filed an appeal to have the level of reimbursement reviewed. Assuming a favorable ruling on its Texas appeal, the Company estimates that the combined Medicaid disproportionate share payments from South Carolina and Texas will be reduced by approximately $3 million to $4 million annually (based on each state's fiscal year covering the period of July, 2000 through August, 2001). If the Company is unsuccessful in its appeal, the reduction in the Texas Medicaid disproportionate share program (for the fiscal year of September, 2000 through August, 2001), could have a material adverse effect on the Company's future results of operations. Further reductions in reimbursements or failure to renew these programs, which are scheduled to terminate in the third quarter of 2001, could have a material adverse effect on the Company's future results of operations.

In addition to the Medicare and Medicaid programs, other payors, including managed care companies, continue to actively negotiate the amounts they will pay for services performed. Approximately 36% and 35% of the Company's net patient revenues for the three month periods ended September 30, 2000 and 1999, respectively, and 34% and 32% of the Company's net patient revenues for the nine month periods ended September 30, 2000 and 1999, respectively, were generated from managed care companies, which includes health maintenance organizations and preferred provider organizations. In general, the Company expects the percentage of its business from managed care programs to grow. The consequent growth in managed care networks and the resulting impact of these networks on the operating results of the Company's facilities vary among the markets in which the Company operates.

Health Insurance Portability and Accountability Act of 1996

Regulations related to the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") are expected to impact the Company and others in the healthcare industry by:

- Establishing standardized code sets for financial and clinical electronic data interchange ("EDI") transactions to enable more efficient flow of information. Currently there is no common standard for the transfer of information between the constituents in healthcare and therefore providers have had to conform to each standard utilized by every party with which they interact. The goal of HIPAA is to create one common national standard for EDI and once the HIPAA regulation takes effect, payors will be required to accept the national standard employed by providers.

- Mandating the adoption of security standards to preserve the confidentiality of health information that identifies individuals. Currently there is no recognized healthcare standard that includes all the necessary components to protect the data integrity and confidentiality of a patient's personal health record. The Department of Health and Human Services, with assistance from standard development organizations and business interests, is currently developing the standard.

- Creating unique identifiers for the four constituents in healthcare: payors, providers, patients and employers. HIPAA will mandate the need for the unique identifiers for healthcare providers in an effort to ease the administrative challenge of maintaining and transmitting clinical data across disparate episodes of patient care.

The Secretary of the Department of Health and Human Services issued some of the new HIPAA regulations in the third quarter of 2000 related to administrative simplification with the requirement that these guidelines be implemented within two years of their release. Non-compliance may result in fines, loss of accreditation and/or threat of civil litigation. This HIPAA assessment is based on information currently available to the Company and the Company has begun preliminary planning for implementation of the necessary changes required pursuant to the terms of HIPAA. However, the Company can not currently estimate the implementation cost of the

HIPAA related modifications and consequently can give no assurance that issues related to HIPAA will not have a material adverse effect on the Company's financial condition or results of operations.

Liquidity and Capital Resources

Net cash provided by operating activities was $154 million during the nine months ended September 30, 2000 and $157 million during the comparable prior year period. Included in the net $3 million decrease during the 2000 nine month period as compared to the 1999 comparable period was: (i) $30 million of unfavorable working capital changes; (ii) combined working capital balance as of September 30, 2000 of $12 million accumulated at twelve behavioral health care facilities and one acute care facility purchased during the third quarter of 2000 (working capital for these facilities was not included in the purchase transactions); (iii) a $22 million reduction in net income taxes paid, and; (iv) a $17 million increase in net income plus the addback of depreciation and amortization expense and minority interest in earnings of consolidated entities. The unfavorable change in other working capital accounts was due primarily to unfavorable timing of accrued compensation disbursements during the first nine months of 2000 as compared to the comparable prior year period. The $22 million reduction in net income taxes paid is due to anticipation of higher tax benefits from employee stock option exercises and the decrease in deferred taxes attributable to the prior year's overpayment.

During the first nine months of 2000, the Company spent approximately $72 million to finance capital expenditures as compared to $49 million in the prior year's comparable period. In addition, the Company spent $139 million to acquire the assets and operations of twelve behavioral health care facilities and two acute care hospitals and $12 million to acquire a minority ownership equity interest in Broadlane, an e-commerce marketplace for the purchase and sale of health care supplies, equipment and services to the healthcare industry. Also during the first nine months of 2000, the Company received net proceeds of $6 million resulting from: (i) the divestiture of a 49% equity interest in a limited liability company that operated a specialized women's health center in Oklahoma, (ii) its ownership interest in two physician practices located in Oklahoma, and; (iii) the divestiture of the real estate assets of a behavioral health facility located in Florida.

During 1998 and 1999, the Company's Board of Directors approved stock purchase programs authorizing the Company to purchase up to six million shares of its outstanding Class B Common Stock on the open market at prevailing market prices or in negotiated transactions off the market. Pursuant to the terms of these programs, the Company purchased 580,500 shares at an average purchase price of $42.90 per share ($24.9 million in the aggregate) during 1998, 2,028,379 shares at an average purchase price of $35.10 per share ($71.2 million in the aggregate) during 1999 and 1,204,000 shares at an average purchase price of $29.89 per share ($36.0 million in the aggregate) during the first nine months of 2000. Since inception of the stock purchase program in 1998 through September 30, 2000, the Company purchased a total of 3,812,879 shares at an average purchase price of $34.65 per share ($132.1 million in the aggregate).

During the second quarter of 2000, the Company issued discounted convertible debentures that are due in 2020 ("Debentures"). The Debentures, which had an aggregate issue price of $250 million or $587 million aggregate principal amount at maturity, were issued at a price of $425.90 per $1,000 principal amount of Debenture. The Debentures will pay cash interest on the principal amount at the rate of 0.426% per annum, resulting in a yield to maturity of 5.0%. The Debentures will be convertible at the option of the holders thereof into 5.6024 shares of the Company's Common Stock per $1,000 face amount of Debenture (equivalent at issuance to $76.02 per share of common stock). The securities were not registered or required to be registered under the Securities Act of 1933 (the "Securities Act") and were sold in the United States in a private placement under Rule 144A under the Securities Act, and were not offered or sold in the United States absent registration or an applicable exemption from registration requirements. Pursuant to an agreement with the holders of the debentures, the debentures and the underlying Class B Common Stock were registered for resale under the securities act. The Company used the net proceeds generated from the Debenture issuance to repay debt which was reborrowed to finance the previously disclosed acquisitions, (see Note 4 to the Condensed Consolidated Financial Statements) and for other general corporate purposes.

As of September 30, 2000, the Company had $357 million of unused borrowing capacity under the terms of its $400 million revolving credit agreement which matures in July 2002 and provides for interest at the Company's option at the prime rate, certificate of deposit plus 3/8% to 5/8%, Euro-dollar plus 1/4% to 1/2% or money market. A facility fee ranging from 1/8% to 3/8% is required on the total commitment. The margins over the certificate of deposit, the Euro-dollar rates and the facility fee are based upon the Company's leverage ratio. As of September 30, 2000, the Company had $10 million of unused borrowing capacity under the terms of its $100 million, annually renewable, commercial paper program. A large portion of the Company's accounts receivable are pledged as collateral to secure this program. This annually renewable program, which began in 1993, is scheduled to expire or be renewed on October 30th of each year. The commercial paper program has been renewed for the period of October 31, 2000 through October 30, 2001. The Company's total debt as a percentage of total capitalization was 44% at September 30, 2000 and 40% at December 31, 1999.

The Company expects to finance all capital expenditures and acquisitions with internally generated funds, borrowed funds and issuance of securities. Additional borrowed funds may be obtained either through refinancing the existing revolving credit agreement, the commercial paper facility or the issuance of long-term securities.

PART II. OTHER INFORMATION

UNIVERSAL HEALTH SERVICES, INC. AND SUBSIDIARIES

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There are no material changes in quantitative and qualitative disclosures in 2000 other than the changes as described below. Reference is made to Item 7 in the Annual Report on Form 10-K for the year ended December 31, 1999.

During the second quarter of 2000, the Company entered into a five year interest rate swap having a notional principal amount of $135 million whereby the Company pays a floating rate and the counter-party pays the Company a fixed rate of 8.75%. The counter-party has the right to cancel the swap at any time during the swap term with thirty days notice. Simultaneously, the Company entered into a fixed rate swap having a notional principal amount of $135 million whereby the Company pays a fixed rate of 6.76% and receives a floating rate from the counter-party. The Company also reduced the maturity date of interest rate swaps totaling $75 million notional principal from August, 2010 to August, 2005.

The table box below presents updated information about the Trust's interest rate swap agreements as of June 30, 2000, including the swap agreements with a notional principal amount of $75 million, which became effective subsequent to the end of the second quarter of 2000.

	Maturity Date, Fiscal Year Ending December 31					
(Dollars in thousands)	2001	2002	2003	2004	2005	Total
Interest rate swaps:						
Pay fixed/receive variable						
notional amount					$135,000	$135,000
Average pay rate					6.761%	
Average receive rate					3 Month LIBOR	
Pay variable/receive fixed						
notional amounts					$135,000(a)	$135,000
Average pay rate					3 Month LIBOR & spread	
Average receive rate					8.75%	
Pay fixed/receive variable						
notional amounts					$75,000	$ 75,000
Average pay rate					6.70%	
Average receive rate					3 Month LIBOR	

(a) Counter party has the right to cancel at any time within 30 days notice

Item 6. Exhibits and Reports on Form 8-k

(a) Exhibits:

27. Financial Data Schedule

(b) Reports on Form 8-K
None

All other items of this Report are inapplicable.

Signature

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Universal Health Services, Inc.
(Registrant)

Date: November 13, 2000

/s/ Kirk E. Gorman

Kirk E. Gorman, Senior Vice President and
Chief Financial Officer

(Principal Financial Officer and
Duly Authorized Officer).

5
1,000
U.S. DOLLARS

9-MOS
DEC-31-2000
JAN-01-2000
SEP-30-2000
1
5,975
0
349,006
0
43,404
452,257
1,356,286
495,147
1,701,169
242,219
533,110
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0
297
690,667
1,701,169
0
1,627,622
0
1,223,866
130,315
136,084
21,514
115,843
41,570
74,273
0
0
0
74,273
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$2.39