



Health Management
Associates, Inc.



2005 Annual Report



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Health Management Associates, Inc.

(NYSE: HMA) is a premier operator of acute care, non-urban hospitals located throughout the United States but primarily in the Southeast and Southwest. HMA focuses on non-urban America because many of those communities are underserved medically, have populations that are growing faster than the national average, and offer competitive advantages compared to major urban areas.

HMA is a turnaround specialist for non-urban hospitals. It acquires and then revitalizes hospitals in growing communities with populations of 30,000 to 400,000 that have a clear demographic need. Ideally, these hospitals are also located in states with Certificate of Need regulations, have an established physician base, and are available at reasonable prices.

HMA's strategy is to:

- Provide dynamic leadership;
- Invest capital to bring hospital facilities and medical equipment up to the most modern standards;
- Recruit physicians, including specialists, that expand a hospital's breadth of services in response to community needs; and
- Introduce proven hospital practices that improve the quality of care during a patient's stay and optimize the utilization of resources.

This strategy has proven extremely successful. Since 1991, HMA has acquired 49 hospitals, increasing its total hospital count, as of December 1, 2005, to 58 in 16 states and its licensed beds from 1,593 to 8,405. From 1991 through fiscal year end 2005, HMA's total revenue rose more than 14-fold to \$3.6 billion from \$245 million, while net income increased nearly 29-fold to \$353 million from \$12 million.

At fiscal year end 2005, HMA common stock was owned by approximately 1,400 shareholders of record, including several hundred institutional investors. More than 4.1 million shares were owned by HMA's employees in the 401(k) plan, which reflects the confidence HMA employees have in management and the future of the company. HMA currently pays a quarterly dividend of six cents per common share.

Financial Highlights

(in thousands, except per share amounts)

Years ended September 30,	2005	2004	% Change
Operating Data			
Total revenue ^(a)	\$ 3,588,822	\$ 3,174,832	+ 13.0
Costs and expenses ^(a)	3,020,410	2,642,685	+ 14.3
Income before income taxes ^(a)	565,286	526,431	+ 7.4
Net income	353,077	325,099	+ 8.6
Net income per share:			
Basic	\$1.44	\$1.34	+ 7.5
Diluted	\$1.42	\$1.32	+ 7.6
<hr/>			
September 30,	2005	2004	% Change
Year-end Data			
Total assets	\$ 3,988,171	\$ 3,482,182	+ 14.5
Long-term debt	999,987	935,260	+ 6.9
Stockholders' equity	2,289,459	1,978,010	+ 15.7
Book value per common share	\$9.35	\$8.12	+ 15.1
Number of employees	31,000	28,000	+ 10.7

(a) from continuing operations

Report to Shareholders

Placing quality first remains the decisive factor behind HMA's seventeen consecutive years of growth.

The fundamentals of our business remain strong. We have increased revenue and earnings for the 17th year in a row. Compared to fiscal year 2004, fiscal year 2005's total revenue rose 13.0% to \$3.6 billion. Net income increased 8.6% to \$353 million, and diluted net income per share advanced to \$1.42 from \$1.32.

Hurricanes once again impacted our operations during fiscal year 2005, as several storms caused disruptions at our hospitals located in Mississippi and Florida. Revenue and earnings would have been higher except for business interruptions and damages sustained from these hurricanes. Net income was reduced by \$6.9 million during the fourth quarter of 2005 as a result of damages and expenses incurred to keep our hospitals operational. In the wake of these storms, our employees and physicians once again rose to meet the challenge, by making personal sacrifices to tend to the needs of our patients during the storms and be leaders for the recovery efforts after the storms. We are very proud and grateful for their continued hard work and dedication.

Business Analysis

Several challenges continue to present opportunities for improvement within the hospital industry and for HMA. Despite our improved operating performance, the numbers of uninsured and underinsured patients continue to rise. As a result, charity care and indigent write-offs increased in fiscal year 2005 and approximated 4.4% of our gross revenue compared with 4.0% in fiscal year 2004.

Our local hospital business office personnel continue to focus on both improving the qualification process for third party reimbursement programs such as Medicaid, and improving up-front cash collections. With approximately 38% of state governments now seeking legislation to assist the uninsured with obtaining insurance, we expect to see continued progress in the reduction of uninsured patient volumes.

Competition from physicians' practices is the other challenge being faced by the hospital industry. Increasing physician practice expenses in the face of diminishing reimbursement has led many physicians to perform outpatient procedures in their own offices. We understand their needs and are committed to re-establishing the historical mutually beneficial relationship between doctors and hospitals. Where possible, we can and will help our physicians by sharing health care operational knowledge to benefit their practices. The key to success for HMA and our physicians is communication and relationship building. We are confident that by working together we can reach solutions that recognize and respect our longstanding tradition of mutual dependence and support of one another.

Acquisitions

Acquisitions remain an important element in our overall growth strategy. During fiscal year 2005, we acquired five hospitals. These hospitals collectively added 795 licensed beds and approximately \$300 million in annual net revenue. All five hospitals met or exceeded management's expectations during fiscal year 2005.

Already in fiscal 2006, we have announced the signing of a definitive agreement to acquire an 80% controlling interest in our first joint venture with a not-for-profit hospital, the Orlando Regional St. Cloud Hospital. We've also signed a purchase agreement for a non-urban hospital in Northeast Georgia and completed the acquisition of a rural hospital in Amory, Mississippi. These acquisitions will enable us to serve additional communities and allow HMA to continue to grow.

We believe that the hospital acquisition environment continues to be active, and before fiscal 2006 ends, we expect to acquire several additional hospitals. There are many faith-based, not-for-profit hospitals that need additional financial resources to continue their mission,



Joseph V. Vumbacco, President & CEO (left) , and William J. Schoen, Chairman

however, they are reluctant to be acquired for fear of losing their local identity. We believe HMA's decentralized management philosophy complements that local identity and promotes the mission of delivering high quality health care close to home.

Stock Repurchase

On August 3, 2005, our Board of Directors authorized the repurchase of up to 10 million shares of our common stock. By November 14, 2005, we had repurchased the entire amount.

Dividend Increase

Our Board of Directors increased the quarterly cash dividend for the second year in a row — this time by 50%, from four cents to six cents per common share, beginning with the dividend that was payable November 29, 2005 to shareholders of record as of November 4, 2005.

New President

On November 17, 2005, we announced the addition of Burke W. Whitman to our senior management team, effective January 1, 2006. Mr. Whitman will join us as President and Chief Operating Officer. Joseph V. Vumbacco, who will continue to serve as our CEO, will also become our Vice Chairman. We anticipate that our total revenue will exceed \$4 billion in fiscal year 2006, and we believed additional senior leadership was needed to assist with that growth. Mr.

Whitman has a wealth of industry knowledge and is a Lieutenant Colonel in the United States Marine Corps reserves, having just returned from a tour of duty in Iraq.

Outlook for Fiscal Year 2006

The outlook for our hospital operations is encouraging. We believe that the opportunity to make attractive acquisitions continues unabated, and that the need for more medical services increases each year as the U.S. population ages. We are committed to delivering high quality health care at our hospitals. We will continue to recruit needed physicians, invest in state-of-the-art technology and improve the management of our resources. In doing so, we believe that ongoing improvements to our same hospital operations as well as our disciplined approach to strategic acquisitions will continue to produce outstanding results for our shareholders and the communities we serve.

Sincerely,

William J. Schoen, Chairman

Joseph V. Vumbacco, President and CEO

Naples, Florida
December 13, 2005

Year in Review

Record revenue and earnings for the 17th consecutive year • Five hospitals acquired • New replacement hospital opened • Over \$273 million invested in refurbishments and purchases of medical equipment • Continued community involvement

Drive for Quality

Delivering high quality health care underlies HMA's success in non-urban hospital operations. This drive for quality is evidenced by HMA's disciplined acquisition program, active physician recruitment, and significant financial investments that are used to rebuild, renovate and equip the hospitals HMA acquires. Since our inception 28 years ago, HMA has invested more than \$3 billion to acquire and modernize hospitals, build new facilities and equip them with cutting edge medical technology.

Doctors: The Critical Element

What matters most is the dedication and expertise of the physicians and surgeons who have built their practices around HMA's hospitals. HMA celebrates a mutually beneficial relationship. Doctors

Acquisitions are a key driver for growth. Each hospital acquisition provides HMA with the opportunity to expand revenue through the addition of needed services and the reduction of patient outmigration to nearby urban medical centers. HMA hospitals that have been owned for several years provide the earnings and the cash flow to internally fund the bulk of HMA's acquisitions.

secure HMA's patients, and in turn, HMA makes its hospitals an attractive venue that enables physicians to perform at their very best.

Decentralized Management

HMA's day-to-day hospital management is highly decentralized, allowing local leadership teams the flexibility to make necessary operational decisions.

Supporting this decentralized environment is HMA's centralized, proprietary Pulse System® that provides every HMA hospital and the corporate office with a backbone of financial and clinical information technology. This system differentiates HMA within the hospital industry, particularly among hospital management companies.

Since acquisitions are an integral part of HMA's growth strategy, HMA's decentralized management structure has often proved the decisive factor in enabling us to make an acquisition. Many times the seller is concerned about losing the local "feel" of the hospital to a distant owner. HMA's operating philosophy takes this into consideration. In fact, HMA insists that a local board of trustees be established, comprised of members from the community and the medical staff, and that the acquired hospital's local leadership – its chief executive officer, chief financial officer and chief nursing officer – live in the community and run the hospital's day-to-day operations.

HMA believes that the most successful health care is delivered locally. HMA believes that centralized management slows the decision-making process and limits the entrepreneurial advantages of local leadership.

Communication among sister hospitals is also encouraged so that "best practices" can be exchanged. Our corporate office offers the local hospitals additional resources and expertise.

2005 compared with 2004

Consolidated total revenue, which includes the revenue of the five hospitals acquired during fiscal year 2005, increased \$414 million, or 13%, to \$3.6 billion compared



▲ Secretary/technicians Paulette Trimble and Jolillian Bell are photographed in Rankin Medical Center's emergency room in Brandon, MS. With them are Hoyet Hand, RN (background), and Mark Wilson, M.D., gastroenterologist.

A wide variety of specialists are available to meet the continuing needs of patients who require emergency admission. More than half of all inpatient admissions are the result of a first contact in the emergency room.

◀ Jeannie McGinnis, RN, (left) Director of Surgical Services; and Dr. Jeffrey Mathews, general surgeon, at HMA's hospital in Lebanon, TN.

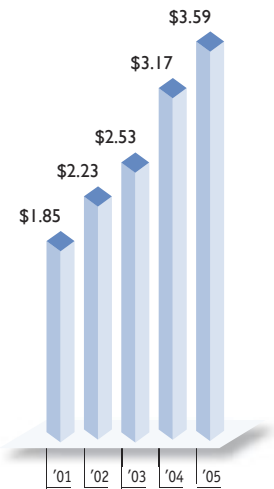


Bryan Smith, M.D., general surgeon at Venice Regional Medical Center, performs a peripheral angioplasty with the assistance of Mike Rodriguez, a registered cardiovascular invasive specialist with the Cardiac Cath lab team.

with \$3.2 billion for fiscal year 2004. Total revenue for fiscal 2005 included \$34.3 million from gains on sales of assets and insurance recoveries related to hurricanes that made U.S. landfall in fiscal year 2004.

Net income increased approximately 9% to \$353 million, and HMA's industry leading net income margin was approximately 10%, meaning nearly 10 cents of every revenue dollar was returned to HMA's bottom line, allowing for reinvestment back into HMA's hospitals.

TOTAL REVENUE*
(In billions)



* from continuing operations

Hospital Operations

Total admissions from continuing operations for fiscal year 2005, which include the results of the hospitals acquired during the year, rose 7.0% to more than 301,000, and adjusted admissions, which factor in outpatient activity, grew 9.2% to more than 498,000. Continuing operations does not include the results of Williamson Memorial Hospital, located in Williamson, West Virginia, which has been reclassified as an asset held for sale, while HMA negotiates its sale. Total patient days increased by nearly 75,000, or 5.8%, and emergency room (ER) visits experienced an 8.1% increase to 1.2 million visits.

Continuing hospital operations for same hospitals (hospitals which HMA has owned for at least one year) were negatively affected by the impact of hurricanes during the fourth quarter of fiscal year 2005, but nonetheless showed growth. HMA continues to add needed services and equipment to reduce the outmigration of patients to urban medical centers. Same hospital admissions from continuing operations grew slightly during fiscal year 2005, while same hospital adjusted admissions and ER visits from continuing operations grew by roughly 8,000 admissions, or 2.0%, and nearly 16,400 visits, or 1.6%, respectively.

Statistical data for HMA hospitals in operation for at least one year is shown in the following table:



Michelle Kraut, radiologist, at HMA's University Medical Center in Lebanon, TN. University Medical Center opened a state-of-the-art digital Cath Lab last year. It is able to perform transesophageal echocardiograms, which use sound waves to take pictures of the heart. The center also offers diagnostic arteriograms, which study the blood's flow through a patient's arteries.

Same Hospitals*			
FY ended Sept. 30,	2005	2004	
Occupancy rate	46.8%	47.3%	
Patient days	1,059,666	1,061,891	
Admissions	247,590	247,452	
Adjusted admissions	402,684	394,830	
Avg. length of stay	4.3	4.3	
Total surgeries	221,595	211,420	

*from continuing operations

As a result of effective physician recruitment, and despite increased competition from physicians, same hospital surgeries from continuing operations increased 4.8%. These same hospital volumes helped generate same hospital net revenue growth from continuing operations of 3.8%.

Increased physician competition is a relatively recent trend among hospitals, and it is driven by a persistent rise in physician expenses and doctors' inability to increase their professional charges because of government limitations on Medicare reimbursements and limits set by health insurance companies.

The rise in surgeries performed at HMA's hospitals is directly related to an increase in the number of physicians with additional medical specialties. This trend is the result of ongoing physician recruiting. ER visits expanded significantly during the 2005 fourth quarter. This increase was due largely to traumas suffered from the



Highly personalized patient care and attention to the details have resulted in outstanding reviews by patients following their discharge from our hospitals.



Dr. Ken Ball, hospitalist, with a patient at the Rankin Medical Center. Hospitalists are growing in popularity, as they streamline patients’ plans of care during their hospital stay. Rankin Medical Center recently added two hospitalists to its program who specialize in internal medicine and pediatrics to their program.

many hurricanes and tropical storms that ravaged Florida and Mississippi, states in which HMA operates many hospitals. HMA’s Biloxi Regional Medical Center (Biloxi, MS) was the only hospital that remained open in the area following Hurricane Katrina, and its emergency room experienced a 50% increase in patient visits during September 2005.

Strong Financial Position

HMA’s balance sheet continues to be one of the most conservative and strongest in the industry—70% equity and 30% debt at the end of fiscal year 2005. Borrowings at fiscal year-end included \$60 million against a \$600 million unsecured line of credit. During fiscal year 2005, stockholders’ equity increased to \$2,289 million from \$1,978 million, and cash flow from operations continued to improve. Cash flow from continuing operations grew 23.3% for fiscal year 2005, reflecting HMA’s focus on cash collections. HMA’s cash collections exceeded 100% of net patient service revenue for the year, net of bad debt expense, confirming that HMA’s net patient service revenue has been recorded properly.

Favorable Market Dynamics

A number of factors drive the demand for health care services:

- Medical care is an increasing element of the human condition. Regardless of economic trends, as the population ages, health care needs increase.
- Increasing tendencies toward unhealthy lifestyles and dietary habits continue to create medical need.
- Health care is locally driven as patients want to be treated close to home whenever possible. The issue typically is whether such health care demand can be met locally.

HMA’s hospitals stand ready to fill these needs. Furthermore, these factors favor HMA and have largely shaped its acquisition strategy.

Acquisitions-2005

HMA was built on acquisitions, and fiscal year 2005 was no exception. HMA acquired five hospitals, and each achieved or exceeded its targeted goals.

Fiscal year 2005 began with an acquisition on its very first day. October 1, 2004, witnessed the addition of the 82-bed Chester Regional Medical Center, located in Chester, South Carolina. Chester Regional is the primary hospital provider in Chester County, a growing, non-urban area located in north-central South Carolina, which is home to approximately 35,000 residents.

On February 1, 2005, HMA completed



Mary Ramsey, a Rankin Medical Center technologist (foreground), reviews a patient's image in a new GE remote digital radiography room. In the background is technologist Ray Willis with a patient.

a transaction to acquire three hospitals from Bon Secours Health System, Inc. The acquired hospitals were the 312-bed Venice Regional Medical Center, located in Venice, Florida, the 212-bed Peace River Regional Medical Center, located in Port Charlotte, Florida and the 133-bed Mountain View Regional Medical Center in Norton, Virginia.

Venice Regional Medical Center is located in Sarasota County in southwest Florida and has been serving the Venice area since 1951. It is a full service medical center, and the services it provides include the delivery of open-heart surgical services. With a medical staff of more than 175 active physicians, Venice Regional has been recognized in the past by Solucient, Inc., a nationally recognized health care rating agency, as a Top 100 Stroke and Orthopedic hospital.

Peace River Regional Medical Center is located in Charlotte County in southwest Florida, and has been serving the area since 1962. Peace River is a general acute-care hospital with a new 17,000 square foot emergency room, the county's only obstetrics unit and a complement of more than 215 active physicians.

Mountain View Regional Medical Center is located in the southwestern corner of Virginia and serves Wise County and

the surrounding area of approximately 130,000 residents. Mountain View has been serving the area since 1948.

The 56-bed Bartow Regional Medical Center was acquired by HMA on April 1, 2005. Located in central Florida, Bartow Regional is situated in one of the fastest growing areas of the country. Bartow Regional's proximity to HMA's Heart of Florida Regional Medical Center, located in Greater Haines City, Florida, establishes an effective local health care network for physicians and patients in the surrounding area.

By making capital investments and adding needed medical specialties via physician recruitment of both family practice physicians and specialists, HMA is able to address the health care needs of each hospital's community and substantially revitalize the hospital's patient volumes, and subsequently its revenue. By introducing a disciplined and effective decentralized management style, HMA believes it is able



The key to success for HMA hospitals and their physicians is communication and relationship building.

to improve each hospital's operations, reduce expenses, and improve the quality of health care. As a result, HMA's purchase price for an acquisition is generally recouped within four to five years.

Fiscal year 2005's acquisition pace has continued into fiscal year 2006. By November 2005, HMA had executed an agreement to acquire a controlling interest in HMA's first ever joint venture with a not-for-profit hospital operator.

HMA has signed a definitive agreement to acquire an 80% controlling interest in the 84-bed Orlando Regional St. Cloud Hospital in St. Cloud, Florida. Orlando Regional Healthcare, a not-for-profit entity, will retain a 20% ownership interest. This transaction marks HMA's first joint venture with a not-for-profit entity, and the transaction is expected to be completed in the near future. HMA is excited about this joint venture, as it has partnered with a nationally recognized health system in Orlando Regional. This purchase structure also offers HMA additional flexibility with future acquisitions by allowing HMA to configure transactions with the best structure for both the buyer and the seller.

HMA has also agreed to acquire Barrow Community Hospital in Winder, Georgia, and Gilmore Memorial Hospital in Amory, Mississippi. Barrow Community is a fully accredited, general acute-care hospital with 56 licensed beds. Barrow Community is located in the 24th fastest growing county in the United States, and it is approximately 40 miles east of Atlanta and 20 miles north of HMA's Walton Regional Medical Center in Monroe, Georgia. The execution and closing of this acquisition is subject to the review and approval of the Georgia Attorney General's office pursuant to applicable state law.

Effective December 1, 2005, HMA completed the transaction to acquire Gilmore Memorial Hospital. Gilmore Memorial operates 95 licensed beds in Amory, Mississippi, which is approximately 30 miles southeast of Tupelo. Gilmore Memorial is a classic HMA acquisition. It is a stand alone non-urban hospital that enjoys both strong community support and has an excellent medical staff and dedicated employees. The hospital has been in operation since 1916.

HMA believes that the acquisition opportunities remain plentiful. HMA has identified approximately 300 viable acquisition candidates throughout the country, with the majority of those

hospitals located in the Southeast and Southwest.

Nature of Acquisitions

Typically, HMA acquires underperforming, financially troubled hospitals in non-urban settings. The most attractive candidates are local hospitals that are losing patients to larger city hospitals because the local hospital lacks the resources to recruit the necessary physicians or keep current with advances in medical technology.

HMA prefers to buy hospitals in areas with expanding populations of 30,000 to 400,000. Ideally, these hospitals are the preferred providers in their communities, which are characterized by an above-average percentage of aging retirees.

Near-Medicare and Medicare aged residents require substantially more health care than the population as a whole. For that reason, many HMA hospitals are located in the non-urban areas of the Sunbelt states, as such regions represent attractive, affordable locations for retirees.

HMA's acquisition of underperforming hospitals has an impact on its operating margins while operating strategies are implemented over the first four years. During those first four years, HMA works diligently to improve the appearance, reputation and operations of the acquired hospital, with the ultimate goal of revitalizing the hospital into a thriving, expanding regional medical center.

Even before acquiring a hospital, HMA evaluates what capital needs the hospital may have, what renovations are needed to improve patient flow, and how it can make the hospital more accessible to both physicians and patients. Upon completing an acquisition, putting those plans into action is the first step in restoring a community's confidence in its local hospital. Simultaneously, HMA recruits physicians with medical specialties either in great need or previously unavailable in that community. The absence of comprehensive medical services is most often the root cause of the acquired hospital's financial difficulties. This factor forces many local residents to seek health care at the nearest urban hospital, which in turn, negatively impacts the local hospital's operations and value to its community.

In fiscal year 2005, HMA recruited 389 physicians to meet the needs of its communities, and HMA expects to recruit even more physicians during fiscal year 2006.



Emergency medicine physician, Scott Fell, D.O., checks the ear of a young patient as the child's mother watches. Emergency room physicians at Venice Regional Medical Center see between 27,000 and 30,000 patients each year.

Modern Systems

In addition to bringing modern medical equipment to each acquired hospital and recruiting physicians with needed medical specialties, HMA also installs time-tested and highly efficient operating systems and programs. HMA is able to simultaneously reduce hospital operating costs considerably and improve the level of care.

All HMA hospitals operate under a common propriety management information platform called the Pulse System®. The Pulse System® provides HMA's local hospital management teams with detailed, uniform information needed to improve the quality and efficiency of delivering health care. This system provides accounting, business office and certain clinical programs that bring order to a hospital's operations and promote the efficient use of hospital resources. The Pulse System® becomes operational in each hospital on the same day that hospital is acquired. Its introduction enables HMA to quickly and thoroughly integrate each acquired hospital. This practice promotes uniformity in accounting and consistent comparisons across sister hospitals to allow benchmarking. Even modest variations from the norm



Director of Easy Street Rehab at Venice Regional Medical Center, Liz Wetzel, works with a patient as he relearns mobility following an injury. Through the simulated living environment of Easy Street, patients learn to cope with the activities of daily living similar to the ones they will face when they leave the hospital. Such activities might include climbing stairs, stepping off a curb, getting into an automobile, shopping for groceries and preparing a meal.

become readily apparent, enabling local hospital management to effectively apply resources that have the most beneficial impact.

Apart from instituting a common management information system, HMA also installs three highly successful programs that materially improve the delivery of health care at its hospitals. These signature programs are Nurse First, ProMed and MedKey™.

Nurse First places special emphasis on ER patients, as they usually comprise approximately half of all HMA hospital admissions. In the non-urban and rural areas we serve, many residents do not have a family physician, so they seek their care through an HMA emergency room. Therefore, it is critically important that these patients' first HMA encounter is positive. Qualified nurses with extensive emergency medical expertise and a compassionate manner are given special training in ER duties. Nurse First helps reduce ER waiting times by determining those patients that require more immediate attention. As HMA's reputation spreads among its communities, HMA believes that additional local residents come to the ER as a first source for their health care.

ProMed is a computer-accessed diagnostic tool that helps doctors assess a patient's condition, formulate a diagnosis and suggest a course of treatment. When

combined with the Nurse First program, HMA's hospitals have been able to meet and often exceed the internal goal of providing an emergency room encounter in two hours or less, which is 50 to 75 percent better than the national average of five to six hours.

MedKey™ is a bar-coded identification card that HMA's hospitals provide to local residents, free of charge. The card contains relevant patient information that streamlines the admission and registration process, virtually eliminating the process of filling out forms. By improving the registration process, MedKey™ cards can ultimately help speed the medical treatment. At year end, more than 1.5 million MedKey™ cards were in use.

Physician Recruiting

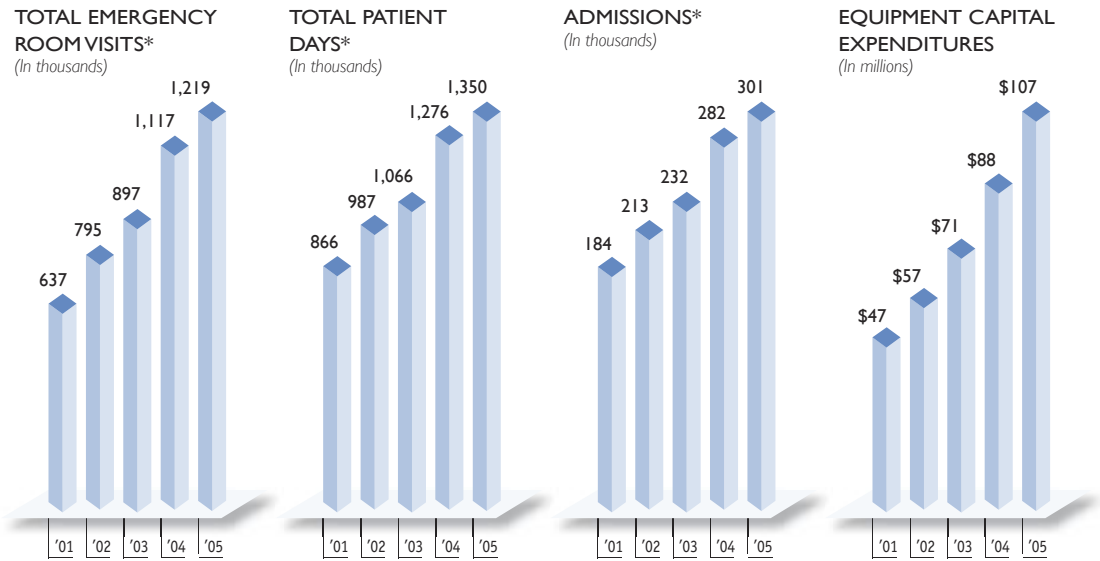
In concert with each hospital's current medical staff, HMA recruits family practice physicians or physicians with specialties and sub-specialties that are currently needed or unavailable at that hospital. Recruited physicians provide services that are needed in the community and allow patients to utilize their local community hospital for treatment. One of the most attractive benefits of joining the medical staff at an HMA hospital is the facilities' modernization and the high quality medical equipment available for patient care.





Rankin Medical Center’s hospital administrators interact daily to foster a collaborative environment for patient care. Shown are Jerry Sheppard, M.D., hospitalist; Davis A. Richards III, CEO; and Blair Faulkner, M.D., general surgeon.

Below left: Dr. Roger McKinney, family practitioner, and Jennifer Harris, phlebotomist, visit a patient at the University Medical Center in Lebanon, TN.



* from continuing operations

Because HMA provides physicians with the state-of-the-art tools they need to practice the kind of medicine for which they have been trained, physicians are likely to seek out HMA. Benefits our non-urban hospitals provide include an opportunity to live in less stressful, smaller communities with less congestion and crime compared to larger urban markets. Further, managed care penetration is not as prevalent, providing for attractive reimbursement possibilities for both physicians and hospitals. During fiscal year 2005, we recruited 6.9% more physicians to our hospitals than we did the prior fiscal year. In the past five fiscal years, we have successfully recruited over a thousand physicians. At year's end, the number of practicing physicians on staff at our hospitals was approximately 9,000.

Awards and Accreditations

Quality is the driving force behind every facet of HMA's operations, and HMA pursues unaffiliated third-party professionals to validate both how well HMA hospitals meet national accreditation standards and how well HMA hospitals meet or exceed the expectations of its physicians and their patients.

HMA is able to successfully recruit a wide variety of physician specialists because its hospitals have modern medical equipment that enable them to practice cutting edge medicine.

Last year, several HMA hospitals received national recognition from unaffiliated hospital information and evaluation service companies. These included:

- Harton Regional Medical Center's Chest Pain Center (Tullahoma, TN) was designated an accredited facility by the Society of Chest Pain Centers, a prestigious national organization promoting the rapid diagnosis and treatment of chest pain. This recognition means that Harton Regional meets or exceeds an extensive set of stringent criteria for treating chest pain patients.
- Lancaster Regional Medical Center (Lancaster, PA) was awarded the Gold Seal of Approval™ and achieved Disease Specific Care Certification from the Joint Commission on Accreditation of Healthcare Organizations, or JCAHO.
- Rankin Medical Center (Brandon, MS) was awarded a three-year term of

accreditation in mammography by the American College of Radiology, or ACR. The ACR awards accreditation to facilities for the achievement of high practice standards after a peer-review evaluation of its practice. Rankin's mammography unit averages about 2,600 mammograms a year.

- Upstate Carolina Medical Center (Gaffney, SC) was recently recognized as one of the top ranked Community Value hospitals in the U.S. by Cleverley & Associates of Columbus, OH, a leading health care financial consulting firm specializing in operational benchmarking and performance enhancing strategies. Upstate Carolina also received JCAHO accreditation during fiscal year 2005. The accreditation was highlighted by the JCAHO's inspection team's praise that Upstate Carolina was the first hospital surveyed by that team in 2005 that did not receive a single requirement for improvement.

- Seven Rivers Regional Medical Center (Crystal River, FL) ranked second-lowest in Florida for Caesarean deliveries according to the Agency for Health Care Administration (AHCA). AHCA's report showed Seven Rivers' Caesarean rate at 18.8% of total deliveries – well below Florida's 32.7% overall state average. Seven Rivers also received recognition from the American Heart Association as a "Get With The Guidelines" — Coronary Artery Disease hospital for the second year in a row.

- Peace River Regional Medical Center (Port Charlotte, FL) scored among the Top 5% of all hospitals nationally for overall clinical excellence as determined by HealthGrades™, a leading source for health care quality. Peace River performed at an exceptionally high level, having earned the maximum 5-Star rating in 12 of 13 clinical areas, making Peace River one of the highest rated hospitals in the State of Florida.

Patient Satisfaction

While awards and recognitions from independent accrediting agencies are important, HMA believes it is also extremely important to determine exactly what patients think about its hospitals and the care and service they render. Consequently, HMA asks its patients to provide their thoughts and observations regarding the quality of care they receive. Each discharged patient is given a detailed questionnaire that covers a wide variety of hospital

services, including the admissions process, the time spent with nurses, responses to their concerns, and the quality of food, to name just a few. Last year, HMA's patients gave our hospitals an average score of 96 on a 100-point basis. These opinion surveys serve as a quality check for every hospital. Any deviation is noted in a timely manner and, where necessary, corrective action is taken immediately. In fact, these appraisals are monitored more closely by senior management than nearly any other statistical quality data provided.

Replacement and *de novo* Hospitals

On October 2, 2005, HMA opened the new Brooksville Regional Medical Center in Brooksville, Florida. It replaced an aging facility acquired out of bankruptcy several years ago. The new, 183,000 square foot facility is equipped with much of the world's finest medical equipment and represents an investment of more than \$50 million.



▲ A technician analyzes a blood sample at the Spring Hill Regional Hospital, Spring Hill, FL.

▼ Pat McFarland, RN, left, with Dr. Darlene Fogg, OB/GYN (foreground) at HMA's recently-acquired hospital in Lebanon, Tennessee.



Brooksville Regional is a thriving medical center located in the heart of a growth corridor north of Tampa.

Construction is nearing completion on the new Carlisle Regional Medical Center replacement hospital, in Carlisle, Pennsylvania. HMA acquired Carlisle Regional in 2001 and assumed the previous owner's efforts to build a replacement hospital. Expected to be completed during the second fiscal quarter of 2006, the new Carlisle Regional will encompass 232,000 square feet and provide the residents of Carlisle and the surrounding community with state-of-the-art medical care.

Ground has been broken, and steel is being erected in Naples, Florida, as construction progresses on the new 100-bed Collier Regional Medical Center. Collier County is one of the fastest growing areas of the country and is in great need of an additional hospital to provide access and choice for patients and physicians alike. Completion is expected in the fall of 2006.

Capital Expenditures

During fiscal year 2005, HMA invested \$615 million to purchase five hospitals, construct replacement hospitals, upgrade facilities and add equipment in virtually every HMA hospital. Most of those capital expenditures were financed internally through cash flow generated from operations. Some of last year's major capital expenditures were as follows:

- Biloxi Regional Medical Center (Biloxi, MS) opened a state-of-the-art Wound Care and Hyperbaric Center in D'Iberville, MS. Biloxi

Regional also became the first site on the Mississippi Gulf Coast to begin performing a new laser treatment for enlarged prostate called the GreenLight PVP™ Laser Procedure.

- Central Mississippi Medical Center (Jackson, MS) opened a Balance and Hearing Center. The first of its kind in the State of Mississippi, this center offers both comprehensive diagnostics and treatment options. Central Mississippi also added a Positron Emission Tomography (PET) scanner to improve the diagnosis, staging, and treatment of cancer. This new technology allows more precise determination of whether a cancer has spread and, if so, how extensively. It is also useful in determining whether a cancer has responded to radiation or chemotherapy.

- Davis Regional Medical Center (Statesville, NC) opened a new 5,000 square foot Imaging Center with state-of-the-art MRI and CT systems. Outpatient registration and waiting areas were doubled in size to better accommodate patients. Davis Regional also acquired a GE LightSpeed 16 computer tomography (CT) system that provides highly-detailed images of the human body in a matter of seconds.

- The Medical Center of Southeastern Oklahoma (Durant, OK) completed the construction/renovation of its Progressive Care Unit. This unit is a step-down facility where patients can go after being discharged from the Intensive Care Unit. The 12-bed, 6,700 square foot patient wing includes comfortable rooms, a new nursing station, new monitoring equipment and a large visitors' lounge.

- Franklin Regional Medical Center (Louisburg, NC) opened an expanded surgical department. The project represents a significant commitment to the community. It expanded and/or renovated 7,710 square feet of space and will facilitate a 50% increase in major surgical capacity and a 100% increase in endoscopic capacity.

- Lake Norman Regional Medical Center (Mooresville, NC) opened a new sleep medicine outpatient facility. The center includes four fully-furnished bedroom suites for overnight sleep studies. Registered polysomnograph technicians and respiratory therapists conduct sleep medicine studies to diagnose patients with potential sleep apnea, insomnia, restless leg syndrome, and periodic leg movements. Lake Norman Regional also opened an 11,000 square



Rankin Medical Center staff includes (clockwise, starting center) David Flemming, M.D., Internal Medicine; Amber Cox, medical technologist and blood bank supervisor; Amy Rogers, utilization review; Suzanna Rula, RD; and Ray Willis, Rankin's Employee of the Year.



Jane Maharry, RT, and Dr. Mark Benak, General Surgeon, prepare a patient for a CT Scan at the Walton Medical Center in Monroe, Georgia. CT Scanners are now installed in most HMA hospitals.

foot outpatient imaging center. This center, the second of its kind in North Carolina, includes the latest MRI technology from Siemens Medical Solutions.

- Northwest Mississippi Regional Medical Center (Clarksdale, MS) acquired a LightSpeed 16 computer tomography (CT) system.
- Heart of Lancaster Regional Medical Center (Lancaster, PA) installed the daVinci Computer Enhanced Surgical System, one of the most technologically advanced surgical systems in the world. The system can be used in mitral valve surgeries as well as heart bypass and other cardiothoracic procedures. It can also be used for general, urological, gynecological and bariatric surgery.
- Paul B. Hall Regional Medical Center (Paintsville, KY) installed Dictaphone's new medical dictation/transcription system, a system likely to become the industry standard for hospitals nationwide. This system provides the ultimate in high-efficiency patient information management.
- Poplar Bluff Regional Medical Center (Poplar Bluff, MO) began a new laser procedure called "cool laser." It helps clear obstructions from leg arteries common with Critical Limb Ischemia (CLI), the most

severe form of Peripheral Arterial Disease, which is common in people with diabetes. The laser procedure has a 95% limb salvage rate.



Jeannie Farley, Director of Volunteer Services and Patient Representative; Suzanne Walaseh, Volunteer; Dorothy Ashe, Volunteer; and Robert Lowe II, Director of Health Information Management, in the newly-remodeled reception center at the University Medical Center in Lebanon, TN.

- Sandhills Regional Medical Center (Hamlet, NC) opened a 1,600 square foot Partial Hospital & Intensive Outpatient service called "Options." This is a day hospital program offered through the Behavioral Health Institute.
- Seven Rivers Regional's Rehab & Wound Center (Crystal River, FL) added a hyperbaric chamber. It is 30 feet long, six feet wide and holds up to 12 patients. The chamber is designed with patient comfort and convenience in mind. It includes a large-screen television and entertainment system, temperature control and rest room facilities.
- The Medical Center of Mesquite (Mesquite, TX) opened a new wound care and hyperbaric center. It is the hospital's first stand alone outpatient clinic dedicated to advanced wound care and comprises six specialty exam rooms and two hyperbaric monoplace chambers.
- Twin Rivers Regional Medical Center (Kennett, MO) and Kennett City, Light, Gas and Water partnered together to install high-tech equipment to improve community medical services. The power company ran fiber cable to the hospital, allowing the Radiology Department to move images faster, reducing the turnaround time of radiology readings from one hour to 10 minutes.
- University Medical Center (Lebanon, TN) opened a state-of-the-art digital Cath Lab. A highlight of the new center is the ability to perform transesophageal echocardiograms, which use sound waves to take pictures of the heart. The center also offers diagnostic arteriograms, in which fluids that can be seen with an X-ray are pumped into the arteries and then studied as they move through the body.
- Walton Regional Medical Center (Monroe, GA) signed an option agreement to purchase 60 acres of land on which a replacement hospital is expected to be built.
- Yakima Regional Medical & Cardiac Center (Yakima, WA) opened a new emergency room. This new emergency department includes 10,000 square feet of new space and 7,000 square feet of remodeled space. This renovation expanded the existing space from nine semi-private rooms to 21 all new, private treatment rooms.

Service Innovations

In addition to new hospitals, brick and mortar renovations and new equipment purchases, our hospitals also added the following health care services last year:

- Harton Regional Medical Center (Tullahoma, TN) unveiled a new and convenient dining option for hospital guests. "At Your Service" allows visitors to order meals directly from patients' rooms and to dine with them.
- Sandhills Regional Medical Center (Hamlet, NC) launched an ER 15-Minute Guarantee. It is a promise that a Triage Nurse will see patients within 15 minutes of their arrival in the ER. If the Sandhills ER does not meet the guarantee, it will make a contribution in that patient's name to a local charity.
- Twin Rivers Regional Medical Center (Kennett, MO) began a new MedKey™ program, which streamlines its registration process and provides patients with savings at area businesses. Currently, 31 businesses have agreed to be MedKey™ vendors and offer benefits to MedKey™ cardholders.



◀ **Emergency room physician, Dr. Bruce Sabatino, assesses a patient with a rapid heart rate requiring urgent medical care. Nurses Mary Flemming (foreground) and Massah Walker give IV fluids to treat and stabilize this patient at HMA's Walton Regional Medical Center in Monroe, Georgia.**

Drs. Bhavin Jani, Internal Medicine, and Joe Gaskins, OB/GYN, outside a patient's room at Walton Regional Medical Center in Monroe, Georgia.

This hospital is a 77-bed acute care facility with a 58-bed nursing home. It is located approximately 45 miles east of Atlanta. It serves a population of 67,000 with a diverse economic base, including industrial, agriculture, small business and health care.

HMA acquired this hospital in September 2003, and recently signed an option to purchase 60 acres of nearby land on which it expects to build a replacement hospital.



Community Benefit

HMA's acquisitions often add significantly to a community's tax rolls as once tax subsidized hospitals become taxpayers under HMA's ownership.

In addition, HMA typically expands employment and revitalizes the local economic base through new physician recruitment and introduction of related health care businesses.

Within several years, an HMA hospital often becomes one of the largest employers and charitable contributors in the community. HMA employees also become active in their communities, often sponsoring various free health programs, serving on local community boards, and working with many worthy charities and organizations.

- HMA's nursing vacancy and turnover rates are lower than national averages as a result of strong nursing leadership, continuing education programs, increased recognition and improved working environments.



HMA—The Good Citizen

Within a short time following an acquisition, a local HMA hospital typically expands employment and becomes one of the community's largest taxpayers as well as a major contributor to local charities.

Supporting Local Charities

- Last year, the Yakima Regional Medical & Cardiac Center (Yakima, WA) presented the first installment of its \$10 million gift over 10 years to the newly established Yakima Valley Community Foundation.
- Millions of dollars have also been raised by many of HMA's other hospitals, including \$80,000 for heart research by Natchez Community Hospital (Natchez, MS) in its annual Mis-Lou Heart Walk.
- Other HMA hospitals involved in heart-walks and Relay for Life walks in their local communities included our Midwest Regional Medical Center (Midwest City, OK), Poplar Bluff Regional Medical Center (Poplar Bluff, MO), Twin Rivers Regional Medical Center (Kennett, MO) and Central Mississippi Medical Center (Jackson, MS).
- HMA's corporate office (Naples, FL) also participates in several local charity walks and is an active participant in building local Habitat for Humanity homes.
- Lancaster Regional Medical Center (Lancaster, PA) donated to *Think First of Lancaster County*, a local chapter dedicated to educating the public to "Think First: Leading injury prevention through education, research and policy."
- Major financial support has been provided to the March of Dimes campaign by employees of Davis Regional Medical Center (Statesville, NC), HMA's corporate staff (Naples, FL), and Biloxi Regional Medical Center (Biloxi, MS).
- Biloxi Regional also made a \$10,000 donation to the St. Vincent de Paul Community Pharmacy.
- River Oaks Health System (Flowood, MS) was named a top fund-raising team for the 2005 March of Dimes WalkAmerica, raising more than \$17,500 for that charity.
- Employees of Midwest Regional Medical Center (Midwest City, OK), Riverview Regional Medical Center (Gadsden, AL), Sebastian River Medical Center (Sebastian, FL), Sandhills Regional Medical Center (Hamlet, NC), Upstate Carolina Medical Center (Gaffney, SC), and HMA's corporate office were all major supporters of and active fundraisers for the American Cancer Society's Relay for Life program.
- Santa Rosa Medical Center (Milton, FL) was recognized as the top fundraiser for Santa Rosa County in the Santa Rosa County Relay for Life.
- Fishermen's Hospital's (Marathon, FL) Relay for Life team successfully raised \$13,500 for the American Cancer Society.
- The Highlands Regional Medical Center (Sebring, FL) Auxiliary and River Oaks Health System (Flowood, MS) made sizable donations for hurricane and tsunami relief efforts.
- Twin Rivers Regional Medical Center (Kennett, MO) and Franklin Regional Medical Center (Louisburg, NC) made major contributions to their local United Way campaigns.
- Riverview Regional Medical Center (Gadsden, AL) hosted its first annual Diabetes Walk and raised over \$20,000.
- Poplar Bluff Regional Medical Center (Poplar Bluff, MO) partnered with the Boys and Girls Club of Poplar Bluff to host the inaugural Christmas Tree Gala on December 10, 2004. A live tree auction raised nearly \$8,000 for the club.
- Employees of Pasco Regional Medical Center (Dade City, FL) and their friends and family members raised \$1,500 for the American Cancer Society in its "Making Strides Against Breast Cancer" Walk.
- Midwest Regional Medical Center (Midwest City, OK) was the leading sponsor of The Renaissance Run. The Run raised over \$17,000 and will help local non-profit organizations with program funding and related materials.

Hurricane Katrina

On August 29, 2005, Biloxi Regional Medical Center (Biloxi, MS) was hit by Hurricane Katrina, with maximum sustained winds of 115 miles an hour, and a tidal storm surge of 23.5 feet. Katrina's impact caused widespread destruction of Biloxi's infrastructure as well as the infrastructure of neighboring communities. Nearly 40% of Biloxi Regional's employees suffered substantial damage to their homes, and nearly 30% of the active medical staff had their homes completely destroyed. Biloxi Regional remained open throughout the storm and is beginning to return



HMA celebrated the groundbreaking of the new 100-bed Collier Regional Medical Center on September 8, 2005. Located in Naples, Florida, Collier Regional is expected to be completed in the fall of 2006. Collier Regional will provide additional access and choice to the physicians and patients of Collier County.

to pre-storm volumes. Community-wide disaster assistance has poured in from across the country, and the rebuilding process is underway throughout the Mississippi Gulf Coast.

HMA was prepared for the hurricane recovery process. A mobile emergency generator capable of powering the entire medical center was in place before the hurricane hit. HMA also provided potable water trucks, ice, food, and fuel. HMA preemptively had emergency construction workers in the hospital to minimize the impact from blown out windows and damaged roofing. HMA had a very positive influence on the entire Biloxi community, providing the emergency shelter for hospital employees and physicians, housing and feeding FEMA workers, and providing essential public health services. In addition, employees at Biloxi Regional even assisted the city in restoring essential functions such as water and sewer services.

The outpouring of support from sister HMA hospitals actually began before the storm had subsided, with nurses, physicians, and volunteers descending on Biloxi to help. Sister HMA hospitals also provided numerous truckloads of relief supplies and important cash donations. The heroics of our employees and physicians who treated patients in our hospital during the storm were matched only by

the gracious, unfailing generosity of HMA's sister hospitals' employees and physicians who rushed to provide aid during the recovery. Those recovery efforts continue today...THANK YOU. ■



Melody Trimble, Chief Executive Officer of Venice Regional Medical Center, reviews construction plans with the hospital's Chief of Staff, Juan Nunez, M.D. Venice Regional was acquired by HMA in February 2005. Since then, the exterior of the hospital has been refaced, emergency services expanded, and virtually all inpatient units renovated.