

COMMUNITY HEALTH SYSTEMS INC
Form 10-Q
July 27, 2012
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2012

Commission file number 001-15925

COMMUNITY HEALTH SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware
*(State or other jurisdiction of
incorporation or organization)*

4000 Meridian Boulevard

Franklin, Tennessee
(Address of principal executive offices)

13-3893191
(I.R.S. Employer

Identification Number)

37067

(Zip Code)

615-465-7000

(Registrant's telephone number)

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 No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 19, 2012, there were outstanding 90,963,226 shares of the registrant's Common Stock, \$0.01 par value.

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For the Three and Six Months Ended June 30, 2012

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	June 30,	December 31,
	2012	2011
ASSETS		
<i>Current assets</i>		
Cash and cash equivalents	\$ 115,109	\$ 129,865
Patient accounts receivable, net of allowance for doubtful accounts of \$2,105,051 and \$1,891,334 at June 30, 2012 and December 31, 2011, respectively	2,055,292	1,834,167
Supplies	358,597	346,611
Prepaid income taxes	16,721	101,389
Deferred income taxes	89,797	89,797
Prepaid expenses and taxes	126,883	112,613
Other current assets	234,764	231,647
Total current assets	2,997,163	2,846,089
<i>Property and equipment</i>		
Property and equipment	9,808,757	9,369,528
Less accumulated depreciation and amortization	(2,760,532)	(2,513,552)
Property and equipment, net	7,048,225	6,855,976
<i>Goodwill</i>		
Goodwill	4,372,993	4,264,845
<i>Other assets, net</i>		
Other assets, net	1,454,625	1,241,930
Total assets	\$ 15,873,006	\$ 15,208,840
LIABILITIES AND EQUITY		
<i>Current liabilities</i>		
Current maturities of long-term debt	\$ 83,877	\$ 63,706
Accounts payable	770,450	748,997
Accrued interest	82,742	110,121
Accrued liabilities	962,056	988,315
Total current liabilities	1,899,125	1,911,139
<i>Long-term debt</i>		
Long-term debt	9,241,489	8,782,798
<i>Deferred income taxes</i>		
Deferred income taxes	704,725	704,725

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<i>Other long-term liabilities</i>	998,984	949,990
<i>Total liabilities</i>	12,844,323	12,348,652
<i>Redeemable noncontrolling interests in equity of consolidated subsidiaries</i>	367,909	395,743
<i>EQUITY</i>		
<i>Community Health Systems, Inc. stockholders' equity</i>		
Preferred stock, \$.01 par value per share, 100,000,000 shares authorized; none issued	-	-
Common stock, \$.01 par value per share, 300,000,000 shares authorized; 91,917,432 shares issued and 90,941,883 shares outstanding at June 30, 2012, and 91,547,079 shares issued and 90,571,530 shares outstanding at December 31, 2011	919	915
Additional paid-in capital	1,101,224	1,086,008
Treasury stock, at cost, 975,549 shares at June 30, 2012 and December 31, 2011	(6,678)	(6,678)
Accumulated other comprehensive loss	(159,546)	(184,479)
Retained earnings	1,660,163	1,501,330
Total Community Health Systems, Inc. stockholders' equity	2,596,082	2,397,096
<i>Noncontrolling interests in equity of consolidated subsidiaries</i>	64,692	67,349
<i>Total equity</i>	2,660,774	2,464,445
<i>Total liabilities and equity</i>	\$ 15,873,006	\$ 15,208,840

See accompanying notes to the condensed consolidated financial statements.

Table of Contents**COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME***(in thousands, except share and per share data)**(Unaudited)*

	Three Months Ended		Six Months Ended	
	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
Operating revenues (net of contractual allowances and discounts)	\$ 3,746,428	\$ 3,433,829	\$ 7,529,919	\$ 6,787,881
Provision for bad debts	503,454	433,002	989,910	832,971
<i>Net operating revenues</i>	3,242,974	3,000,827	6,540,009	5,954,910
<i>Operating costs and expenses:</i>				
Salaries and benefits	1,497,446	1,384,096	3,022,421	2,763,463
Supplies	489,729	449,279	988,308	907,096
Other operating expenses	736,225	654,737	1,445,168	1,269,530
Electronic health records incentive reimbursement	(16,802)	-	(42,970)	-
Rent	66,463	62,431	133,687	125,601
Depreciation and amortization	179,801	161,376	354,155	319,531
Total operating costs and expenses	2,952,862	2,711,919	5,900,769	5,385,221
<i>Income from operations</i>	290,112	288,908	639,240	569,689
<i>Interest expense, net</i>	151,607	163,230	303,782	326,448
<i>Loss from early extinguishment of debt</i>	-	-	63,429	-
<i>Equity in earnings of unconsolidated affiliates</i>	(13,181)	(12,017)	(25,194)	(30,151)
<i>Income from continuing operations before income taxes</i>	151,686	137,695	297,223	273,392
<i>Provision for income taxes</i>	49,519	44,821	95,338	88,913
<i>Income from continuing operations</i>	102,167	92,874	201,885	184,479
<i>Discontinued operations, net of taxes:</i>				
Income (loss) from operations of entities sold	-	235	(466)	(1,443)
Impairment of hospitals sold	-	(39,562)	-	(47,930)
Loss on sale, net	-	-	-	(3,234)
<i>Loss from discontinued operations, net of taxes</i>	-	(39,327)	(466)	(52,607)
<i>Net income</i>	102,167	53,547	201,419	131,872
Less: Net income attributable to noncontrolling interests	18,808	18,158	42,586	35,159
Net income attributable to Community Health Systems, Inc.	\$ 83,359	\$ 35,389	\$ 158,833	\$ 96,713

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Basic earnings (loss) per share attributable to Community Health Systems, Inc. common stockholders(1):

Continuing operations	\$	0.94	\$	0.82	\$	1.79	\$	1.64
Discontinued operations		-		(0.43)		(0.01)		(0.58)
Net income	\$	0.94	\$	0.39	\$	1.79	\$	1.06

Diluted earnings (loss) per share attributable to Community Health Systems, Inc. common stockholders(1):

Continuing operations