

PROMISES MADE... PROMISES KEPT

2001

CHS

Community Health  
Systems, Inc.  
*2001 Annual Report*

## Company Profile

Community Health Systems, Inc., located in the Nashville suburb of Brentwood, Tennessee, is a leading operator of general acute care hospitals in non-urban communities throughout the country. Through its subsidiaries, the company currently owns, leases or operates 59 hospitals in 20 states. Its hospitals offer a broad range of inpatient medical and surgical services, outpatient treatment and skilled nursing care.

Shares in Community Health Systems, Inc. are traded on the New York Stock Exchange under the symbol “CYH.”

*Alabama*

Woodland Community Hospital, Cullman  
Parkway Medical Center, Decatur  
Lakeview Community Hospital, Eufaula  
South Baldwin Regional Medical Center, Foley  
L.V. Stabler Memorial Hospital, Greenville  
Hartselle Medical Center, Hartselle  
Edge Regional Hospital, Troy

*Arizona*

Western Arizona Regional Medical Center,  
Bullhead City  
Payson Regional Medical Center, Payson

*Arkansas*

Harris Hospital, Newport  
Helena Regional Medical Center, Helena \*  
Randolph County Medical Center, Pocahontas

*California*

Barstow Community Hospital, Barstow  
Fallbrook Hospital, Fallbrook  
Watsonville Community Hospital, Watsonville

*Florida*

North Okaloosa Medical Center, Crestview

*Georgia*

Berrien County Hospital, Nashville  
Fannin Regional Hospital, Blue Ridge

*Illinois*

Crossroads Community Hospital, Mt. Vernon  
Gateway Regional Medical Center, Granite City \*  
Marion Memorial Hospital, Marion  
Red Bud Regional Hospital, Red Bud

*Kentucky*

Parkway Regional Hospital, Fulton  
Three Rivers Medical Center, Louisa  
Kentucky River Medical Center, Jackson

*Louisiana*

Byrd Regional Hospital, Leesville  
Sabine Medical Center, Many  
River West Medical Center, Plaquemine

*Mississippi*

King's Daughters Hospital, Greenville

*Missouri*

Northeast Regional Medical Center, Kirksville  
Moberly Regional Medical Center, Moberly

*New Mexico*

Mimbres Memorial Hospital, Deming  
Northeastern Regional Hospital, Las Vegas  
Eastern New Mexico Medical Center, Roswell

*North Carolina*

Martin General Hospital, Williamston

*Pennsylvania*

Berwick Hospital, Berwick  
Brandywine Hospital, Coatesville  
Easton Hospital, Easton  
Jennersville Regional Hospital, West Grove

*South Carolina*

Marlboro Park Hospital, Bennettsville  
Chesterfield General Hospital, Cheraw  
Springs Memorial Hospital, Lancaster

*Tennessee*

Cleveland Community Hospital, Cleveland  
Lakeway Regional Hospital, Morristown  
Scott County Hospital, Oneida  
White County Community Hospital, Sparta

*Texas*

Big Bend Regional Medical Center, Alpine  
Scenic Mountain Medical Center, Big Spring  
Northeast Medical Center, Bonham  
Cleveland Regional Medical Center, Cleveland  
Lake Granbury Medical Center, Granbury  
Hill Regional Hospital, Hillsboro  
Highland Medical Center, Lubbock  
South Texas Regional Medical Center,  
Jourdanton

*Utah*

Tooele Valley Regional Medical Center, Tooele

*Virginia*

Greensville Memorial Hospital, Emporia  
Southampton Memorial Hospital, Franklin  
Russell County Medical Center, Lebanon

*Wyoming*

Evanston Regional Hospital, Evanston

*\* acquired in the first quarter of 2002*

Community Health  
Systems is devoted  
through services, quality  
and innovation to  
providing continued  
healthcare leadership in  
the communities we serve.

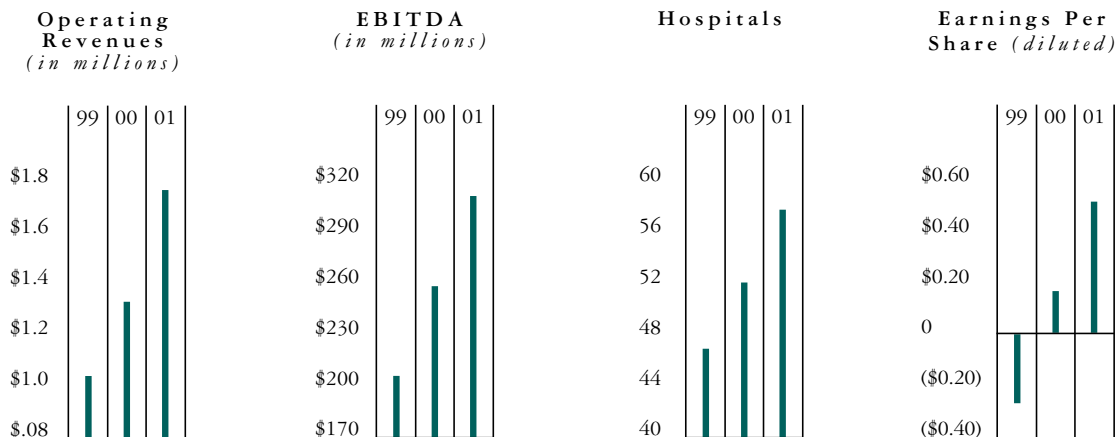
*Financial Highlights* / COMMUNITY HEALTH SYSTEMS

	Year Ended December 31,	
	2001	2000*
<i>(In thousands, except per share amounts)</i>		
<b>Operating Results</b>		
Net operating revenues	\$1,693,625	\$1,337,501
EBITDA	308,711	252,736
Income before extraordinary item	48,551	9,569
Net income	44,743	9,569
Income per share before extraordinary item:		
Basic	0.55	0.14
Diluted	0.54	0.14
Net income per share:		
Basic	0.51	0.14
Diluted	0.50	0.14
Weighted average number of shares outstanding:		
Basic	88,382	67,610
Diluted	90,251	69,187

	As of December 31,	
	2001	2000
<b>Balance Sheet Data</b>		
Working capital	\$ 194,987	\$ 167,704
Total assets	2,460,664	2,213,837
Long-term debt	980,083	1,201,590
Stockholders' equity	1,115,665	756,174

	Year Ended December 31,					
	Consolidated			Same Store		
	2001	2000*	% Change	2001	2000*	% Change
<b>Selected Operating Data</b>						
Number of hospitals	57	52		52	52	
Licensed beds	5,391	4,688		4,625	4,688	
Beds in service	4,139	3,587		3,560	3,587	
Admissions	169,574	143,310	18.3%	148,675	143,062	3.9%
Adjusted admissions	311,238	262,419	18.6%	273,700	261,933	4.5%
Patient days	643,229	548,827	17.2%	559,226	547,881	2.1%
Average length of stay (days)	3.8	3.8		3.8	3.8	
Occupancy rate (beds in service)	46.7%	44.6%		45.9%	44.7%	
Net operating revenues	\$ 1,693,625	\$ 1,337,501	26.6%	\$ 1,468,544	\$ 1,330,795	10.4%
EBITDA as a % of total net operating revenue	18.2%	18.9%		19.1%	18.6%	

\* 2000 includes one more business day in the year ended December 31, 2000 due to leap year.





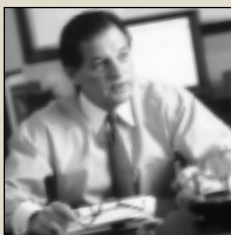
Dear Shareholders:

We are very pleased to report that 2001 was an outstanding year for Community Health Systems. We not only demonstrated strong execution in meeting our strategic objectives, but we exceeded expectations in nearly every respect. More importantly, we are extremely proud to be able to share our success with communities across the country, and to deliver greater value to our shareholders. The measure of our success in 2001 is demonstrated by these key accomplishments:

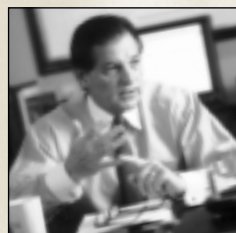
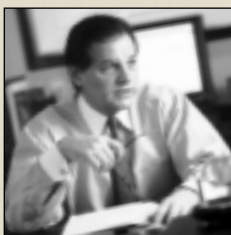
- We reported record financial results with \$1.7 billion in revenues and \$309 million in EBITDA, representing 27% and 22% increases, respectively, over the prior year. Net income was \$44.7 million, or \$0.50 per share, in 2001, compared with \$9.6 million, or \$0.14 per share, in 2000.
- We achieved greater than 18% annual growth in both admissions and adjusted admissions (factors in outpatient business) on a consolidated hospital basis.
- We recruited 378 physicians, compared with 305 for the prior year, reflecting our commitment to improve the quality and scope of healthcare services in the communities we serve.
- We invested over \$93 million in hospital replacement projects, renovations and equipment improvements, and completed 10 emergency room projects, enhancing the delivery of healthcare in the communities we serve.
- We acquired five hospitals, expanding our asset base to 57 hospitals in 20 states at year-end, making us the most active acquirer in the non-urban sector of the hospital industry. In January and March of 2002, we purchased two additional facilities bringing the total to 59 hospitals.

Our outstanding performance reflects the strength of our proven operating model with centralization and standardization throughout our hospital network. This was evidenced by our excellent same-store (hospitals owned during the last 12 months) growth metrics, a critical measure of success in our industry. On a same-store basis, revenues increased by over 10%, admissions increased 4%, and adjusted admissions increased nearly 5% over the prior year. Other key utilization statistics, including emergency room visits and surgical procedures, also improved, again validating the strength of our business model. More importantly, it demonstrates that our hospitals are successful in meeting the healthcare needs of the communities they serve.

In 2001, we continued to build the solid financial platform to sustain our growth. In the fourth quarter we completed a public offering of 12 million shares of common stock and the sale of \$288 million of convertible subordinated notes, raising approximately \$585 million in net proceeds. As a result, we were able to significantly reduce our debt and we entered 2002 with a very attractive 48% debt-to-capital ratio and over \$300 million available on our line of credit. As of December 31, 2001, our balance sheet reflects \$195 million in working



WE BELIEVE THAT TO BE TRULY SUCCESSFUL, WE MUST BE FULLY ACCOUNTABLE TO THE COMMUNITIES WE SERVE, AND ULTIMATELY HAVE A POSITIVE INFLUENCE ON THE HEALTH OF EVEN GREATER NUMBERS OF PEOPLE.



**WAYNE. T. SMITH**  
CHAIRMAN OF THE BOARD  
PRESIDENT AND CHIEF EXECUTIVE OFFICER



capital, \$980 million in long-term debt, and approximately \$2.5 billion in total assets, providing the financial flexibility to continue to pursue our growth strategy.

Community Health Systems has continued to set a high standard for success in our industry with our ability to selectively acquire hospitals. We exceeded our projected target of acquisitions in 2001 with the addition of five new hospitals, all of which fit our criteria as the sole provider in their respective communities. We expect to achieve continued profitable growth with the effective assimilation of these acquired hospitals into our system. In addition, we remain confident about our future growth opportunities in what we view as a very acquisition-friendly environment. We have already completed two acquisitions this year, making us confident that we will reach our goal to acquire an additional three to four hospitals in 2002. Our growing recognition in the marketplace as the acquirer of choice reflects our steadfast commitment to our reputation for promises made, promises kept.

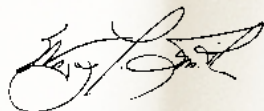
WE NOT ONLY DEMONSTRATED STRONG EXECUTION IN MEETING OUR  
STRATEGIC AND FINANCIAL OBJECTIVES IN 2001, BUT WE EXCEEDED  
EXPECTATIONS IN NEARLY EVERY RESPECT.

One of the most critical elements to success in our business is effective physician recruitment. We recognize that the most fundamental relationship in delivering healthcare services is the one between patient and physician. As we acquire hospitals and enter new communities, we also focus on bringing in new physicians, including specialists, to increase the level of intensity of healthcare services in the community. Above all, our highest priority is providing superior quality healthcare and we are committed to enhancing the experience a patient receives in one of our hospitals. More importantly, we want to ensure they can receive the highest level of care possible without having to leave their community. In the hospital management industry, there are many benchmarks for success. However, we believe that to be truly successful, we must be fully accountable to the communities we serve, and ultimately have a positive influence on the health of even greater numbers of people.

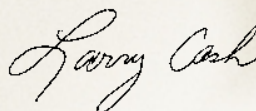
Our achievements to date have extended our role as a leading provider of quality healthcare in the non-urban market. We have an enviable advantage in the marketplace with a high quality asset portfolio, a compelling operating strategy, and a highly motivated management team capable of leveraging these attributes with a focus on success. We also recognize that it takes many talented and dedicated people working together to accomplish the remarkable milestones that Community Health Systems has achieved. We thank all of our employees, and associated physicians and medical staffs for their dedicated efforts and contributions to an incredible year.

We are most excited about the momentum we are building and believe that the greatest opportunities for Community Health Systems are still ahead. Our goal is to turn these future opportunities into greater value for our shareholders. We appreciate your interest and the trust you have placed in us through your investment in Community Health Systems and we hope that you will continue to be a part of our future.

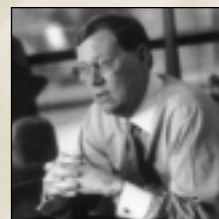
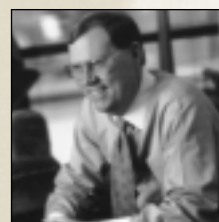
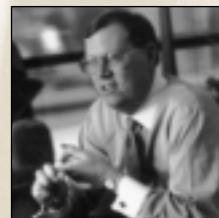
Sincerely,



Wayne T. Smith  
Chairman of the Board  
President and Chief Executive Officer



W. Larry Cash  
Executive Vice President  
Chief Financial Officer



**W. LARRY CASH**  
EXECUTIVE VICE PRESIDENT  
CHIEF FINANCIAL OFFICER

## Board of Directors

Wayne T. Smith <sup>(1)</sup>  
Chairman of the Board  
President and Chief Executive  
Officer

Sheila P. Burke <sup>(3)</sup>  
Under Secretary for American  
Museums and National Programs  
at the Smithsonian Institution

W. Larry Cash  
Executive Vice President  
and Chief Financial Officer

Robert J. Dole  
Former U.S. Senator  
Former Senate Majority Leader

J. Anthony Forstmann <sup>(2)</sup>  
Managing Director  
J.A. Forstmann

Theodore J. Forstmann <sup>(1)</sup>  
Senior Founding Partner  
Forstmann Little & Co.

Dale F. Frey <sup>(3)</sup>  
Former Chairman and  
President  
General Electric Investment Corp

Sandra J. Horbach <sup>(1)</sup>  
General Partner  
Forstmann Little & Co.

Harvey Klein, M.D.  
Professor of Clinical Medicine  
Cornell University Medical  
College

Thomas H. Lister  
General Partner  
Forstmann Little & Co.

Michael A. Miles <sup>(1) (2) (3)</sup>  
Former Chairman and  
Chief Executive Officer  
Philip Morris

<sup>(1)</sup> Member of the Executive  
Committee

<sup>(2)</sup> Member of the  
Compensation Committee

<sup>(3)</sup> Member of the Audit and  
Compliance Committee

## Officers

Wayne T. Smith  
Chairman of the Board  
President and Chief Executive  
Officer

W. Larry Cash  
Executive Vice President  
and Chief Financial Officer

David L. Miller  
Senior Vice President –  
Group Operations

Gary D. Newsome  
Senior Vice President –  
Group Operations

Michael T. Portacci  
Senior Vice President –  
Group Operations

John A. Fromhold  
Vice President –  
Group Operations

Robert E. Hardison  
Senior Vice President –  
Acquisitions and Development

Carolyn S. Lipp  
Senior Vice President – Quality  
and Resource Management

Martin G. Schweinhart  
Senior Vice President –  
Operations

Rachel A. Seifert  
Senior Vice President, Secretary  
and General Counsel

T. Mark Buford  
Vice President and Corporate  
Controller

James W. Doucette  
Vice President and Treasurer

Kenneth D. Hawkins  
Vice President – Acquisitions

Robert A. Horrar  
Vice President – Administration

Linda K. Parsons  
Vice President – Human  
Resources

J. Gary Seay  
Vice President – Information  
Systems

Gerald A. Weissman  
Vice President – Medical Staff  
Development

This Annual Report contains forward looking statements made pursuant to the "safe-harbor" provisions of the Private Securities Litigation Reform Act of 1995. Important factors that could cause our actual results to differ materially from the results contemplated by the forward looking statements are contained in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") and included with this Annual Report and in subsequent filings with the SEC.

*Corporate Information* / COMMUNITY HEALTH SYSTEMS

**Corporate Office**

Community Health Systems, Inc.  
155 Franklin Road, Suite 400  
Brentwood, Tennessee 37027  
615.373.9600  
www.chs.net

**Form 10-K/Investor Contact**

A copy of the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission, may be obtained from the Company at no charge. Requests for the Annual Report on Form 10-K and other investor information should be directed to Investor Relations at the Company's corporate office.

**Registrar and Transfer Agent**

Mellon Investor Services LLC  
600 North Pearl Street,  
Suite 1010  
Dallas, Texas 75201  
214.922.4400

**Independent Auditors**

Deloitte & Touche LLP  
Nashville, Tennessee

**Annual Shareholders' Meeting**

The annual meeting of shareholders will be held on Tuesday, May 21, 2002, at 8:30 a.m. local time at J.P. Morgan Chase & Co., 270 Park Avenue, 11th Floor - Room C, New York, New York.

**Common Stock Information**

The Company's common stock trades on the New York Stock Exchange under the symbol CYH. As of March 22, 2002, Community Health Systems had approximately 6,411 beneficial holders of its common stock. Of that total, 61 were stockholders of record. To date, the Company has not paid cash dividends on its common stock.

The following table sets forth the high and low sales price information as reported by the New York Stock Exchange during the period indicated.

**Stock Price**

2001	High	Low
First Quarter	\$35.45	\$22.20
Second Quarter	\$30.75	\$21.25
Third Quarter	\$34.38	\$26.85
Fourth Quarter	\$29.85	\$22.40
<u>2000*</u>		
Second Quarter	\$16.31	\$13.00
Third Quarter	\$32.50	\$15.63
Fourth Quarter	\$37.20	\$24.25

*\* No public market for the stock prior to June 9, 2000*



C O M M U N I T Y   H E A L T H   S Y S T E M S ,   I N C .

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[www.chs.net](http://www.chs.net)