


Annual Report To Shareholders

**Community
Health Systems, Inc.**

2005


BRINGING
HEALTHCARE
CLOSE TO HOME



COMPANY PROFILE

Located in the Nashville, Tennessee, suburb of Brentwood, Community Health Systems is a leading operator of general acute care hospitals in non-urban communities throughout the country. Through its subsidiaries, the Company owned, leased or operated 70 hospitals in 21 states, as of December 31, 2005. 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."



Hospital Locations as

ALABAMA

Hartselle Medical Center, Hartselle
L.V. Stabler Memorial Hospital, Greenville
Parkway Medical Center, Decatur
South Baldwin Regional Medical Center, Foley
Woodland Medical Center, Cullman

ARIZONA

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

ARKANSAS

Harris Hospital, Newport
Helena Regional Medical Center, Helena

CALIFORNIA

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

FLORIDA

Lake Wales Medical Center, Lake Wales
North Okaloosa Medical Center, Crestview

GEORGIA

Fannin Regional Hospital, Blue Ridge

ILLINOIS

Crossroads Community Hospital, Mt. Vernon
Galesburg Cottage Hospital, Galesburg
Gateway Regional Medical Center, Granite City
Heartland Regional Medical Center, Marion
Red Bud Regional Hospital, Red Bud

KENTUCKY

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

LOUISIANA

Byrd Regional Hospital, Leesville
River West Medical Center, Plaquemine

MISSOURI

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

NEW JERSEY


Memorial Hospital of Salem County, Salem

NEW MEXICO

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

NORTH CAROLINA

Martin General Hospital, Williamston



of December 31, 2005

PENNSYLVANIA

Berwick Hospital, Berwick
Brandywine Hospital, Coatesville
Chestnut Hill Hospital, Philadelphia
Easton Hospital, Easton
Jennersville Regional Hospital, West Grove
Lock Haven Hospital, Lock Haven
Phoenixville Hospital, Phoenixville
Pottstown Memorial Medical Center, Pottstown
Sunbury Community Hospital, Sunbury

SOUTH CAROLINA

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

TENNESSEE

Bedford County Medical Center, Shelbyville
Bradley Memorial Hospital, Cleveland
Cleveland Community Hospital, Cleveland
Dyersburg Regional Medical Center, Dyersburg
Haywood Park Community Hospital,
Brownsville
Henderson County Community Hospital,
Lexington
Lakeway Regional Hospital, Morristown
McNairy Regional Hospital, Selmer
McKenzie Regional Hospital, McKenzie
Regional Hospital of Jackson, Jackson
Volunteer Community Hospital, Martin
White County Community Hospital, Sparta

TEXAS

Big Bend Regional Medical Center, Alpine
Cleveland Regional Medical Center, Cleveland
Hill Regional Hospital, Hillsboro
Lake Granbury Medical Center, Granbury
Laredo Medical Center, Laredo
Scenic Mountain Medical Center, Big Spring
South Texas Regional Medical Center,
Jourdanton

UTAH

Mountain West Medical Center, Tooele

VIRGINIA

Russell County Medical Center, Lebanon
Southampton Memorial Hospital, Franklin
Southern Virginia Regional Medical Center,
Emporia
Southside Regional Medical Center, Petersburg

WEST VIRGINIA

Plateau Medical Center, Oak Hill

WYOMING

Evanston Regional Hospital, Evanston

FINANCIAL HIGHLIGHTS

Operating Revenues (in millions)		Hospitals		Income Per Share from Continuing Operations (diluted)	
05	\$ 3,738	05	70	05	\$ 2.02
04	\$ 3,204	04	66	04	\$ 1.62
03	\$ 2,677	03	64	03	\$ 1.33

		Year Ended December 31,	
(In thousands, except per share amounts)		2005	2004 ^(a)
Operating Results			
Net operating revenues		\$ 3,738,320	\$ 3,203,507
Income from continuing operations		\$ 190,138	\$ 162,357
Income per share from continuing operations			
Basic		\$ 2.15	\$ 1.70
Diluted		\$ 2.02	\$ 1.62
Weighted average number of shares outstanding:			
Basic		88,601	95,644
Diluted		98,580 ^(b)	105,864 ^(b)

(a) Pursuant to Statement of Financial Accounting Standards ("SFAS") No. 144, the Company has restated its quarter and year ended December 31, 2004, financial statements and statistical results to reflect the reclassification as discontinued operations, the sale of four hospitals during the first quarter of 2005, one of which was designated as being held-for-sale as of December 31, 2004, the termination of one hospital's lease during the first quarter of 2005, and the addition of one hospital as being held-for-sale during the second quarter of 2005. Two hospitals were previously classified as discontinued operations in 2004.

(b) Adjusted to include assumed exercise of employee stock options and assumed conversion of convertible notes. A portion of the convertible notes were called for redemption during the quarter ended December 31, 2005, and the remaining convertible notes were redeemed during the quarter ending March 31, 2006. As a result, 8,569,593 shares of common stock of the Company were issued upon conversion of the outstanding notes and \$0.4 million of the notes were redeemed in exchange for cash.

		As of December 31,	
		2005	2004
Balance Sheet Data			
Working capital		\$ 476,806	\$ 453,090
Total assets		3,934,218	3,632,608
Long-term debt		1,648,500	1,804,868
Stockholders' equity		1,564,577	1,239,991

		Year Ended December 31,					
		Consolidated			Same Store		
		2005	2004	% Change	2005	2004	% Change
Selected Operating Data							
Number of hospitals		70	66		66	66	
Licensed beds		7,974	7,358		7,315	7,358	
Beds in service		6,476	5,960		5,991	5,960	
Admissions		291,633	267,390	9.1%	272,887	267,390	2.1%
Adjusted admissions		538,445	493,776	9.0%	502,449	493,776	1.8%
Patient days		1,204,001	1,091,889	10.3%	1,118,614	1,091,889	2.4%
Average length of stay (days)		4.1	4.1		4.1	4.1	
Occupancy rate (average beds in service)		52.9%	51.2%		52.6%	51.2%	
Net operating revenues		\$ 3,738,320	\$ 3,203,507	16.7%	\$ 3,486,508	\$ 3,199,284	9.0%
Net inpatient revenue as a % of total net operating revenues		50.9%	50.5%		51.1%	50.6%	
Net outpatient revenue as a % of total net operating revenues		47.8%	48.1%		47.8%	48.2%	

LETTER TO SHAREHOLDERS

We are pleased to report that Community Health Systems extended its record of profitable growth in 2005. Our focus on operational excellence and commitment to enhancing the level of healthcare in communities across the nation reflect the underlying values that have shaped our continued success. These same values have served to consistently position the Company at the top of our industry as a leading operator of non-urban hospitals.

During 2005, Community Health Systems achieved a number of accomplishments and continued to set a high standard for success. With over 16 percent annual revenue growth resulting in record revenues of \$3.7 billion, net income from continuing operations up 17 percent and earnings per share from continuing operations up 24.7 percent, we again demonstrated our ability to meet our financial targets in 2005, while selectively acquiring new hospitals and building the foundation for future success. The consolidated financial results for 2005 also reflect strong volume trends with a 9.1 percent increase in total admissions and a 9.0 percent increase in adjusted admissions, which factor in outpatient visits, compared with 2004. In addition to our strong organic growth, we acquired five new hospitals in 2005 while at the same time optimizing our hospital portfolio through selected divestitures. Finally, we delivered another year of improved earnings to our shareholders as net income increased 10.6 percent to \$167.5 million, or \$1.79 per share (diluted), compared with \$151.4 million, or \$1.51 per share (diluted), for 2004.

These results confirm our ability to execute and demonstrate a strong commitment to continually raising our standards of performance. The key drivers for success in our business are readily apparent – an effective centralized and standardized operating platform, a disciplined acquisition strategy, a strong asset base, a successful physician recruitment program and a favorable reputation in the marketplace. However, we believe the true measure of our success is best reflected in the communities we serve. As we continue to focus on our mission to build a solid network of non-urban hospitals and enhance the level of healthcare in each of these communities, we meet our ultimate objective of bringing healthcare close to home – where it should be.

Our success in the marketplace has continued to gain national recognition. Notably, for the third year in a row, Community Health Systems was included in Forbes Magazine's prestigious ranking of its "Platinum 400," an annual listing of the best big companies in America, which was published on January 9, 2006. Inclusion in this prestigious listing is drawn from more than 1,000 publicly traded companies in 26 sectors with revenues of at least \$1 billion. The companies are then judged against their peers for sales and earnings per share growth as well as return on capital in both the past year and previous five years. We are delighted to again join the ranks of this select group of companies that excel in their respective industries. Forbes' selection of us is a testament to the strength of our business, the successful execution of our strategy and the shared vision of everyone associated with our hospitals across the country.

Each Community Health Systems hospital benefits from our platform of standardized and centralized business practices. As we have continued to



W. LARRY CASH
*Executive Vice President
and Chief Financial Officer*

WAYNE T. SMITH
*Chairman of the Board,
President and Chief
Executive Officer*

Above all, well-managed community hospitals are vital to keeping quality healthcare close to home.

acquire new facilities and assimilate them into our system, we have realized greater operating efficiencies while driving up volumes and improving revenues. Additionally, we have consistently improved the overall profitability of these hospitals. At the same time, we have created an opportunity to capture services that were previously sent out of the market. Our same-store growth metrics are a key indicator that this operating strategy is working. On a same-store basis, net operating revenues increased 9.0 percent, admissions increased 2.1 percent and adjusted admissions increased 1.8 percent in 2005 compared with the same metrics a year ago.

At Community Health Systems, we are mindful of the critical role that hospitals play in the local community, not only as a provider of essential healthcare services, but as one of the largest employers and as a valuable resource for social and economic development. Above all, well-managed community hospitals are vital to keeping quality healthcare close to home. Therefore, we make it a top priority to work closely with the community to create a mutually beneficial partnership that maintains local involvement while providing the necessary resources to expand the level and scope of essential healthcare services, recruit physicians and enhance technology.

The acquisition of a new hospital is only the first step for Community Health Systems. As we enter a new market, we view each acquisition as an investment in the facility – and more importantly – an investment in the community at large. In 2005, we invested \$200 million in capital projects designed to improve hospital services and the level of care provided at our facilities across the country. These initiatives strategically position our hospitals to meet the increase in patient demand that we expect to see in many of the communities we serve.

Our acquisition pace has been exceptionally strong and we continued to extend our market reach in 2005 with the addition of five new hospitals. We have established a track record for not only finding hospitals that fit our criteria, but we have been highly successful in assimilating these facilities into our system with solid results. As a partner in the local community, we recognize that the success of our business is not measured strictly in financial terms. We believe we have built trust with our community partners and with that trust comes a responsibility to ensure that our hospitals achieve or maintain their position as the health care provider of choice in their respective markets. Our proven ability to deliver on our promises and foster positive community relations has continued to be a distinct competitive advantage for Community Health Systems. Looking ahead, we see a growing number of hospitals that want a proven operator to provide the resources that will enable them to deliver quality healthcare close to home. We believe our track record is the best indicator for our future success and we will continue to look for opportunities to selectively acquire new hospitals and extend our value proposition to more communities. While our acquisition strategy is obviously a key driver of our growth, we should note that our existing portfolio of hospitals also represents substantial growth potential for Community Health Systems.

During 2005, Community Health Systems continued building a culture that attracts and retains dedicated healthcare professionals who share our commitment to the communities we serve. We recognize that both successful physician recruitment and clinical mix improvement are key elements to keeping healthcare close to home. Our aggressive physician recruitment efforts have played an important role in our continued success and we successfully recruited 534 new physicians in our markets in 2005. Over 60 percent of these new physicians are specialists, which is critical to our ability to expand clinical services in both new and existing markets. We continue to seek out practitioners in their respective fields who not only improve the level of care in our hospitals, but also become an integral part of the community at large. These physicians have enabled Community Health Systems hospitals to provide a continuum of quality, cost-effective healthcare and meet our primary objective to keep more patients and revenues within the local community.

We are very proud of our accomplishments over the past year and look forward to moving the Company forward in meeting the challenges of the future. We recognize that our ability to sustain our success depends on the dedication and commitment of everyone associated with Community Health Systems – from our board of directors to the many physicians, nurses and other employees who are essential to our mission. We also know that the people in the communities we serve each and every day are the cornerstone of the Company's success and our future, and we are grateful for the trust they have placed in us.

As we enter our seventh year as a public company, we are ever mindful of the need to balance our enthusiasm for our business and the communities we serve with our objective to build enduring value for our shareholders. We expect to continue our growth in 2006, demonstrating our belief in the opportunities before us and our confidence in executing our strategy.

Thank you for the support your investment provides.

Sincerely,



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



W. Larry Cash
Executive Vice President and Chief Financial Officer

Board of Directors and Officers / Community Health Systems, Inc.

Board of Directors

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

W. Larry Cash
*Executive Vice President
and Chief Financial Officer*

John A. Clerico⁽¹⁾
*Co-founder and Chairman
ChartMark Investments, Inc.*

Dale F. Frey^{(2) (3)}
*Former Chairman and President
General Electric Investment Corp.*

John A. Fry^{(1) (3)}
*President
Franklin & Marshall College*

Harvey Klein, M.D.⁽³⁾
*Professor of Clinical Medicine
Cornell University Medical
College*

Julia B. North^{(2) (3)}
*Former President – Consumer
Services
BellSouth Telecommunications*

H. Mitchell Watson, Jr.^{(1) (2)}
*Former President
Sigma Group of America*

- (1) Member of the Audit and Compliance Committee
- (2) Member of the Compensation Committee
- (3) Member of the Governance and Nominating Committee



Standing, left to right, Wayne T. Smith, John A. Clerico, Harvey Klein, H. Mitchell Watson, W. Larry Cash
Seated, left to right, John A. Fry, Julia B. North, Dale F. Frey

Officers

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

W. Larry Cash
*Executive Vice President
and Chief Financial Officer*

William S. Hussey
*Senior Vice President – Group
Operations*

David L. Miller
*Senior Vice President – Group
Operations*

Gary D. Newsome
*Senior Vice President – Group
Operations*

Michael T. Portacci
*Senior Vice President – Group
Operations*

Kenneth D. Hawkins
*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*

Larry M. Carlton
*Vice President – Revenue
Management*

James W. Doucette
Vice President and Treasurer

Robert A. Horrar
*Vice President –
Administration*

Robert O. Horrar
*Vice President – Business
Development*

Tim G. Marlette
*Vice President and Chief
Purchasing Officer*

Linda K. Parsons
*Vice President – Human
Resources*

J. Gary Seay
*Vice President and Chief
Information Officer*

Kathie G. Thomas
*Vice President – Home Health
Group*

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, Inc.

Corporate Office

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(615) 465-7000
www.chs.net

Registrar and Transfer Agent

Mellon Investor Services LLC
480 Washington Boulevard
29th Floor
Jersey City, New Jersey 07310
(201) 680-5287

Common Stock Information

The Company's common stock trades on the New York Stock Exchange under the symbol CYH. As of March 31, 2006, Community Health Systems had approximately 42,400 beneficial holders of its common stock. Of that total, 56 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

2005	High	Low
First Quarter	\$36.33	\$26.96
Second Quarter	\$38.60	\$33.14
Third Quarter	\$39.52	\$32.65
Fourth Quarter	\$40.72	\$35.62

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 or at www.chs.net.

Independent Registered

Public Accounting Firm
Deloitte & Touche LLP
Nashville, Tennessee

Annual Shareholders' Meeting

The annual meeting of shareholders will be held on Tuesday, May 23, 2006, at 8:00 a.m. local time at The St. Regis Hotel, La Maisonette I, 2 East 55th Street, New York, New York.

2004	High	Low
First Quarter	\$30.87	\$25.86
Second Quarter	\$29.03	\$23.48
Third Quarter	\$27.87	\$23.21
Fourth Quarter	\$28.54	\$25.51

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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