UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2023

or

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

For the transition period from _____ to _____

Commission file number 001-15925

COMMUNITY HEALTH SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**13-3893191**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*
4000 Meridian Boulevard Franklin, Tennessee	**37067**
(Address of principal executive offices)	*(Zip Code)*

615-465-7000

(Registrant's telephone number)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $.01 par value	CYH	New York Stock Exchange

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 ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☑ No ☐

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

Large accelerated filer ☐	Accelerated filer ☑	Smaller reporting company ☐
Non-accelerated filer ☐		Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 April 25, 2023, there were outstanding 136,742,427 shares of the Registrant's Common Stock, $0.01 par value.

Community Health Systems, Inc.
Form 10-Q
For the Three Months Ended March 31, 2023

COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF LOSS
(In millions, except share and per share data)
(Unaudited)

	Three Months Ended March 31,	
	2023	**2022**
Net operating revenues	$ 3,108	$ 3,111
Operating costs and expenses:		
Salaries and benefits	1,365	1,325
Supplies	507	499
Other operating expenses	835	853
Lease cost and rent	81	77
Pandemic relief funds	—	(47)
Depreciation and amortization	132	128
Impairment and (gain) loss on sale of businesses, net	(22)	6
Total operating costs and expenses	2,898	2,841
Income from operations	210	270
Interest expense, net	207	217
Loss from early extinguishment of debt	—	5
Equity in earnings of unconsolidated affiliates	(3)	(5)
Income before income taxes	6	53
Provision for income taxes	26	23
Net (loss) income	(20)	30
Less: Net income attributable to noncontrolling interests	31	31
Net loss attributable to Community Health Systems, Inc. stockholders	$ (51)	$ (1)
Loss per share attributable to Community Health Systems, Inc. stockholders:		
Basic	$ (0.40)	$ (0.01)
Diluted	$ (0.40)	$ (0.01)
Weighted-average number of shares outstanding:		
Basic	129,688,917	127,818,209
Diluted	129,688,917	127,818,209

See accompanying notes to the condensed consolidated financial statements.

COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In millions)
(Unaudited)

	Three Months Ended March 31,	
	2023	**2022**
Net (loss) income	$ (20)	$ 30
Other comprehensive income (loss), net of income taxes:		
Net change in fair value of available-for-sale debt securities, net of tax	3	(8)
Other comprehensive income (loss)	3	(8)
Comprehensive (loss) income	(17)	22
Less: Comprehensive income attributable to noncontrolling interests	31	31
Comprehensive loss attributable to Community Health Systems, Inc. stockholders	$ (48)	$ (9)

See accompanying notes to the condensed consolidated financial statements.

COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except share data)
(Unaudited)

	March 31, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 144	$ 118
Patient accounts receivable	2,043	2,040
Supplies	345	353
Prepaid income taxes	79	99
Prepaid expenses and taxes	276	237
Other current assets	227	235
Total current assets	3,114	3,082
Property and equipment	9,560	9,639
Less accumulated depreciation and amortization	(4,305)	(4,274)
Property and equipment, net	5,255	5,365
Goodwill	4,051	4,166
Deferred income taxes	49	49
Other assets, net	2,154	2,007
Total assets	$ 14,623	$ 14,669
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Current maturities of long-term debt	$ 39	$ 21
Current operating lease liabilities	138	148
Accounts payable	712	773
Accrued liabilities:		
Employee compensation	596	637
Accrued interest	184	189
Other	463	418
Total current liabilities	2,132	2,186
Long-term debt	11,696	11,614
Deferred income taxes	351	354
Long-term operating lease liabilities	588	605
Other long-term liabilities	647	644
Total liabilities	15,414	15,403
Redeemable noncontrolling interests in equity of consolidated subsidiaries	561	541
STOCKHOLDERS' DEFICIT		
Community Health Systems, Inc. stockholders' deficit:		
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; 136,749,427 shares issued and outstanding at March 31, 2023, and 134,703,717 shares issued and outstanding at December 31, 2022	1	1
Additional paid-in capital	2,054	2,084
Accumulated other comprehensive loss	(18)	(21)
Accumulated deficit	(3,482)	(3,431)
Total Community Health Systems, Inc. stockholders' deficit	(1,445)	(1,367)
Noncontrolling interests in equity of consolidated subsidiaries	93	92
Total stockholders' deficit	(1,352)	(1,275)
Total liabilities and stockholders' deficit	$ 14,623	$ 14,669

See accompanying notes to the condensed consolidated financial statements.

COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Three Months Ended March 31,	
	2023	**2022**
Cash flows from operating activities:		
Net (loss) income	$ (20)	$ 30
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	132	128
Deferred income taxes	7	22
Stock-based compensation expense	6	5
Impairment and (gain) loss on sale of businesses, net	(22)	6
Loss from early extinguishment of debt	—	5
Other non-cash expenses, net	42	45
Changes in operating assets and liabilities, net of effects of acquisitions and divestitures:		
Patient accounts receivable	(2)	(17)
Supplies, prepaid expenses and other current assets	(50)	(40)
Accounts payable, accrued liabilities and income taxes	(32)	(23)
Other	(56)	(60)
Net cash provided by operating activities	5	101
Cash flows from investing activities:		
Acquisitions of facilities and other related businesses	(8)	(1)
Purchases of property and equipment	(122)	(97)
Proceeds from disposition of hospitals and other ancillary operations	92	2
Proceeds from sale of property and equipment	5	—
Purchases of available-for-sale debt securities and equity securities	(26)	(31)
Proceeds from sales of available-for-sale debt securities and equity securities	61	24
Purchases of investments in unconsolidated affiliates	(5)	(4)
Increase in other investments	(16)	(14)
Net cash used in investing activities	(19)	(121)
Cash flows from financing activities:		
Repurchase of restricted stock shares for payroll tax withholding requirements	(4)	(8)
Deferred financing costs and other debt-related costs	—	(73)
Proceeds from noncontrolling investors in joint ventures	2	1
Redemption of noncontrolling investments in joint ventures	(1)	—
Distributions to noncontrolling investors in joint ventures	(44)	(29)
Other borrowings	29	27
Issuance of long-term debt	—	1,535
Proceeds from ABL Facility	815	—
Repayments of long-term indebtedness	(757)	(1,480)
Net cash provided by (used in) financing activities	40	(27)
Net change in cash and cash equivalents	26	(47)
Cash and cash equivalents at beginning of period	118	507
Cash and cash equivalents at end of period	$ 144	$ 460
Supplemental disclosure of cash flow information:		
Interest payments	$ (197)	$ (242)
Income tax payments, net	$ —	$ (2)

See accompanying notes to the condensed consolidated financial statements.

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements of Community Health Systems, Inc. (the "Parent" or "Parent Company") and its subsidiaries (the "Company") as of March 31, 2023 and December 31, 2022 and for the three-month periods ended March 31, 2023 and 2022, have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). In the opinion of management, such information contains all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for such periods. All intercompany transactions and balances have been eliminated. The results of operations for the three months ended March 31, 2023, are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2023. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements. Actual results could differ from these estimates under different assumptions or conditions.

Certain information and disclosures normally included in the notes to the consolidated financial statements have been condensed or omitted as permitted by the rules and regulations of the Securities and Exchange Commission (the "SEC"). The Company believes the disclosures are adequate to make the information presented not misleading. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2022, contained in the Company's Annual Report on Form 10-K filed with the SEC on February 17, 2023 ("2022 Form 10-K").

Noncontrolling interests in less-than-wholly-owned consolidated subsidiaries of the Parent are presented as a component of total equity in the condensed consolidated balance sheets to distinguish between the interests of the Parent Company and the interests of the noncontrolling owners. Noncontrolling interests that are redeemable or may become redeemable at a fixed or determinable price at the option of the holder or upon the occurrence of an event outside of the control of the Company are presented in mezzanine equity in the condensed consolidated balance sheets.

Substantially all of the Company's operating costs and expenses are "cost of revenue" items. Operating costs that could be classified as general and administrative by the Company include the Company's corporate office costs at its Franklin, Tennessee office, which were $61 million and $63 million for the three months ended March 31, 2023 and 2022, respectively.

Throughout these notes to the unaudited condensed consolidated financial statements, Community Health Systems, Inc., and its consolidated subsidiaries are referred to on a collective basis as the "Company." This drafting style is not meant to indicate that the publicly traded Parent or any particular subsidiary of the Parent owns or operates any asset, business, or property. The hospitals, operations and businesses described in this filing are owned and operated, and management services provided, by distinct and indirect subsidiaries of Community Health Systems, Inc.

Revenue Recognition.

Net Operating Revenues

Net operating revenues are recorded at the transaction price estimated by the Company to reflect the total consideration due from patients and third-party payors in exchange for providing goods and services in patient care. These services are considered to be a single performance obligation and have a duration of less than one year. Revenues are recorded as these goods and services are provided. The transaction price, which involves significant estimates, is determined based on the Company's standard charges for the goods and services provided, with a reduction recorded for price concessions related to third party contractual arrangements as well as patient discounts and other patient price concessions. During each of the three month periods ended March 31, 2023 and 2022, the impact of changes to the inputs used to determine the transaction price was considered immaterial.

Currently, several states utilize supplemental reimbursement programs for the purpose of providing reimbursement to providers that is not specifically tied to an individual's care, some of which offsets a portion of the cost of providing care to Medicaid and indigent patients. These programs are designed with input from the Centers for Medicare & Medicaid Services ("CMS") and are funded with a combination of state and federal resources, including, in certain instances, fees or taxes levied on the providers. Under these supplemental programs, the Company recognizes revenue and related expenses in the period in which amounts are estimable and payment is reasonably assured. Reimbursement under these programs is reflected in net operating revenues. Taxes or other program-related costs are reflected in other operating expenses.

The Company's net operating revenues during the three months ended March 31, 2023 and 2022 have been presented in the following table based on an allocation of the estimated transaction price with the patient between the primary patient classification of insurance coverage (in millions):

	Three Months Ended March 31,	
	2023	2022
Medicare	$ 649	$ 668
Medicare Managed Care	543	513
Medicaid	423	467
Managed Care and other third-party payors	1,469	1,420
Self-pay	24	43
Total	$ 3,108	$ 3,111

Patient Accounts Receivable

Patient accounts receivable are recorded at net realizable value based on certain assumptions determined by each payor. For third-party payors including Medicare, Medicare Managed Care, Medicaid and Managed Care, the net realizable value is based on the estimated contractual reimbursement percentage, which is based on current contract prices or historical paid claims data by payor. For self-pay accounts receivable, which includes patients who are uninsured and the patient responsibility portion for patients with insurance, the net realizable value is determined using estimates of historical collection experience without regard to aging category. These estimates are adjusted for estimated conversions of patient responsibility portions, expected recoveries and any anticipated changes in trends.

Patient accounts receivable can be impacted by the effectiveness of the Company's collection efforts. Additionally, significant changes in payor mix, business office operations, economic conditions or trends in federal and state governmental healthcare coverage could affect the net realizable value of accounts receivable. The Company also continually reviews the net realizable value of accounts receivable by monitoring historical cash collections as a percentage of trailing net operating revenues, as well as by analyzing current period net operating revenues and admissions by payor classification, days revenue outstanding, the composition of self-pay receivables between pure self-pay patients and the patient responsibility portion of third-party insured receivables, the impact of recent acquisitions and dispositions and the impact of current macroeconomic conditions and other events.

Final settlements for some payors and programs are subject to adjustment based on administrative review and audit by third parties. As a result of these final settlements, the Company has recorded amounts due to third-party payors of $120 million and $101 million as of March 31, 2023 and December 31, 2022, respectively, and these amounts are included in accrued liabilities-other in the accompanying condensed consolidated balance sheets. Amounts due from third-party payors were $103 million and $97 million as of March 31, 2023 and December 31, 2022, respectively, and are included in other current assets in the accompanying condensed consolidated balance sheets. Substantially all Medicare and Medicaid cost reports are final settled through 2018.

Charity Care

In the ordinary course of business, the Company renders services to patients who are financially unable to pay for hospital care. The Company's policy is to not pursue collections for such amounts; therefore, the related charges for those patients who are financially unable to pay and that otherwise do not qualify for reimbursement from a governmental program are not reported in net operating revenues, and are thus classified as charity care. The Company determines amounts that qualify for charity care based on the patient's household income relative to the federal poverty level guidelines, as established by the federal government.

These charity care services are estimated to be $326 million and $363 million for the three months ended March 31, 2023 and 2022, respectively, representing the value (at the Company's standard charges) of these charity care services that are excluded from net operating revenues. The estimated cost incurred by the Company to provide these charity care services to patients who are unable to pay was approximately $38 million and $41 million during the three months ended March 31, 2023 and 2022, respectively. The estimated cost of these charity care services was determined using a ratio of cost to gross charges and applying that ratio to the gross charges associated with providing care to charity patients for the period.

Accounting for the Impairment or Disposal of Long-Lived Assets. During the three months ended March 31, 2023, the Company recorded a net gain of approximately $22 million, comprised of a gain of $25 million related to the sale of a hospital on January 1,

2023, offset by an approximate $3 million impairment charge recorded to reduce the carrying value of several assets that were idled, disposed of or held-for-sale.

During the three months ended March 31, 2022, the Company recorded an impairment charge of approximately $6 million related to a hospital that had been classified as held-for-sale based on the difference between the carrying value of the hospital disposal group compared to the estimated fair value less costs to sell.

The Company will continue to evaluate the potential for impairment of the long-lived assets of hospitals and other held-and-used businesses as well as evaluate offers for potential sales, as applicable. Based on such analysis, additional impairment charges may be recorded in the future.

2. ACCOUNTING FOR STOCK-BASED COMPENSATION

Stock-based compensation awards have been granted under the Community Health Systems, Inc. Amended and Restated 2009 Stock Option and Award Plan, which was amended and restated as of March 17, 2021 and approved by the Company's stockholders at the annual meeting of stockholders held on May 11, 2021 (the "2009 Plan"). In addition, at the annual meeting of stockholders to be held on May 9, 2023 (the "2023 Annual Meeting"), the Company's stockholders will be voting on whether or not to approve the further amendment and restatement of the 2009 Plan (the "Amended 2009 Plan"), which was approved by the board of directors on March 22, 2023.

The 2009 Plan provides for the grant of incentive stock options intended to qualify under Section 422 of the Internal Revenue Code ("IRC") and for the grant of stock options which do not so qualify, stock appreciation rights, restricted stock, restricted stock units ("RSUs"), performance-based shares or units and other share awards. Persons eligible to receive grants under the 2009 Plan include the Company's directors, officers, employees and consultants. To date, all options granted under the 2009 Plan have been "nonqualified" stock options for tax purposes. Generally, these options vest in one-third increments on each of the first three anniversaries of the option grant date and expire on the tenth anniversary of the option grant date. The exercise price of all options granted under the 2009 Plan is equal to the fair value of the Company's common stock on the option grant date. As of March 31, 2023, 1,560,708 shares of unissued common stock were reserved for future grants under the 2009 Plan. In addition, if the Amended 2009 Plan is approved by the Company's stockholders at the 2023 Annual Meeting, then 7,500,000 additional shares of unissued common stock will be reserved for future grants under the Amended 2009 Plan.

The following table reflects the impact of total compensation expense related to stock-based equity plans on the reported operating results for the respective periods (in millions):

	Three Months Ended March 31,	
	2023	2022
Effect on income before income taxes	$ (6)	$ (5)
Effect on net loss	$ (5)	$ (4)

At March 31, 2023, $49 million of unrecognized stock-based compensation expense related to outstanding unvested stock options, restricted stock and restricted stock units (the terms of which are summarized below) was expected to be recognized over a weighted-average period of 26 months. Of that amount, $8 million relates to outstanding unvested stock options expected to be recognized over a weighted-average period of 26 months and $41 million relates to outstanding unvested restricted stock and restricted stock units expected to be recognized over a weighted-average period of 26 months. There were no modifications to awards during the three months ended March 31, 2023 and 2022.

The fair value of stock options was estimated using the Black Scholes option pricing model with the following assumptions and weighted-average fair values during the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31,	
	2023	2022
Expected volatility	87.3%	84.3% - 87.5%
Expected dividends	—	—
Expected term	6 years	3 - 6 years
Risk-free interest rate	4.2%	1.5% - 1.6%

In determining the expected term, the Company examined concentrations of option holdings and historical patterns of option exercises and forfeitures, as well as forward-looking factors, in an effort to determine if there were any discernable employee populations. From this analysis, in determining the expected term for the three months ended March 31, 2023, the Company identified one population, consisting of persons receiving grants of stock options. Additionally, in determining the expected term for the three months ended March 31, 2022, two populations were identified, one consisting of certain senior executives who have since retired, and the other consisting of substantially all other recipients.

The expected volatility rate was estimated based on historical volatility. In determining expected volatility, the Company also reviewed the market-based implied volatility of actively traded options of its common stock and determined that historical volatility utilized to estimate the expected volatility rate did not differ significantly from the implied volatility.

The expected term computation is based on historical exercise and cancellation patterns and forward-looking factors, where present, for each population identified. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of the grant. The pre-vesting forfeiture rate is based on historical rates and forward-looking factors for each population identified. The Company adjusts the estimated forfeiture rate to its actual experience.

Options outstanding and exercisable under the 2009 Plan as of March 31, 2023, and changes during the three-month period following December 31, 2022, was as follows (in millions, except share and per share data):

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value as of March 31, 2023
Outstanding at December 31, 2022	2,831,751	$ 7.32		
Granted	814,000	6.15		
Exercised	(8,334)	4.97		
Forfeited and cancelled	—	—		
Outstanding at March 31, 2023	3,637,417	$ 7.06	8.1 years	$ —
Exercisable at March 31, 2023	2,078,661	$ 6.46	7.2 years	$ —

The weighted-average grant date fair value of stock options granted during the three months ended March 31, 2023 and 2022 was $4.61 and $7.25, respectively. The aggregate intrinsic value (calculated as the number of in-the-money stock options multiplied by the difference between the Company's closing stock price on the last trading day of the reporting period ($4.90) and the exercise price of the respective stock options) in the table above represents the amount that would have been received by the option holders had all option holders exercised their options on March 31, 2023. This amount changes based on the market value of the Company's common stock. The aggregate intrinsic value of options exercised was less than $1 million during both of the three months ended March 31, 2023 and 2022. The aggregate intrinsic value of options vested and expected to vest approximates that of the outstanding options.

The Company has also awarded restricted stock under the 2009 Plan to employees of certain subsidiaries. With respect to time-based vesting restricted stock that has been awarded under the 2009 Plan, the restrictions on these shares have generally lapsed in one-third increments on each of the first three anniversaries of the award date. In addition, certain of the restricted stock awards granted to the Company's senior executives have contained performance objectives required to be met in addition to any time-based vesting requirements. If the applicable performance objectives are not attained, these awards will be forfeited in their entirety. For performance-based awards, the performance objectives are measured cumulatively over a three-year period. If the applicable target

performance objective is met at the end of the three-year period, then the restricted stock award subject to such performance objective will vest in full on the third anniversary of the award date. Additionally, for these performance-based awards, based on the level of achievement for the applicable performance objective within the parameters specified in the award agreement, the number of shares to be issued in connection with the vesting of the award may be adjusted to decrease or increase the number of shares specified in the original award. Notwithstanding the above-mentioned performance objectives and vesting requirements, the restrictions with respect to restricted stock granted under the 2009 Plan may lapse earlier in the event of death, disability, change in control of the Company or, other than for performance-based awards, termination of employment by the Company for any reason other than for cause of the holder of the restricted stock. On March 1, 2023, restricted stock awards subject to performance objectives granted on March 1, 2020 vested at 100% of the shares originally granted based on the Company's cumulative performance compared to objectives for the 2020 through 2022 performance period. Restricted stock awards subject to performance objectives that have not yet been satisfied are not considered outstanding for purposes of determining diluted earnings per share unless the performance objectives have been satisfied on the basis of results through the end of each respective reporting period.

Restricted stock outstanding under the 2009 Plan as of March 31, 2023, and changes during the three-month period following December 31, 2022, was as follows:

	Shares	Weighted-Average Grant Date Fair Value
Unvested at December 31, 2022	5,541,065	$ 8.53
Granted	2,651,000	6.14
Vested	(2,076,569)	6.77
Forfeited	(10,001)	9.31
Unvested at March 31, 2023	6,105,495	8.09

RSUs have been granted to the Company's non-management directors under the 2009 Plan. Each of the Company's then serving non-management directors received grants under the 2009 Plan of 29,268 RSUs and 17,682 RSUs with a grant date of March 1, 2023 and 2022, respectively. Both the March 2023 and 2022 grants had a grant date fair value of approximately $180,000. In addition to the grants set forth above, on March 1, 2023, the non-employee Chairman of the Board of Directors was awarded an additional RSU grant of 43,089 RSUs with a grant date fair value of approximately $265,000 as additional compensation for serving as chairman of the Board of Directors. Vesting of these RSUs occurs in one-third increments on each of the first three anniversaries of the award date or upon the director's earlier cessation of service on the board, other than for cause. Each non-management director may elect, prior to the beginning of the calendar year in which the award is granted, to defer the receipt of shares of the Company's common stock issuable upon vesting until either his or her (i) separation from service with the Company or (ii) attainment of an age specified in advance by the non-management director. A total of four directors elected to defer the receipt of RSUs granted on March 1, 2023 to a future date and a total of three directors elected to defer the receipt of RSUs granted on March 1, 2022 to a future date.

RSUs outstanding under the 2009 Plan as of March 31, 2023, and changes during the three-month period following December 31, 2022, was as follows:

	Shares	Weighted-Average Grant Date Fair Value
Unvested at December 31, 2022	512,360	$ 7.54
Granted	365,037	6.15
Vested	(95,577)	7.92
Forfeited	—	—
Unvested at March 31, 2023	781,820	6.84

3. ACQUISITIONS AND DIVESTITURES

Acquisitions

The Company accounts for all transactions that represent business combinations using the acquisition method of accounting, where the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquired entity are recognized and measured at their fair values on the date the Company obtains control in the acquiree. Such fair values that are not finalized for

reporting periods following the acquisition date are estimated and recorded as provisional amounts. Adjustments to these provisional amounts during the measurement period (defined as the date through which all information required to identify and measure the consideration transferred, the assets acquired, the liabilities assumed and any noncontrolling interests has been obtained, limited to one year from the acquisition date) are recorded when identified. Goodwill is determined as the excess of the fair value of the consideration conveyed in the acquisition over the fair value of the net assets acquired.

During the three months ended March 31, 2023, one or more subsidiaries of the Company paid approximately $8 million to acquire the operating assets and related businesses of certain physician practices, clinics, ambulatory surgery centers and other ancillary businesses that operate within the communities served by the Company's affiliated hospitals. In connection with these acquisitions, the Company allocated the purchase price to property and equipment, working capital and goodwill.

Divestitures

The following table provides a summary of hospitals that the Company divested during the three months ended March 31, 2023 and the year ended December 31, 2022:

Hospital	Buyer	City, State	Licensed Beds	Effective Date
2023 Divestiture:				
Greenbrier Valley Medical Center	Vandalia Health, Inc.	Ronceverte, WV	122	January 1, 2023
2022 Divestiture:				
AllianceHealth Seminole	SSM HealthCare of Oklahoma, Inc.	Seminole, OK	32	July 1, 2022

On December 30, 2022, the Company entered into a definitive agreement for the sale of substantially all of the assets of Plateau Medical Center (25 licensed beds) in Oak Hill, West Virginia, to a subsidiary of Vandalia Health, Inc. This hospital was classified as held-for-sale as of March 31, 2023. This disposition was completed on April 1, 2023, as further described in Note 13.

On February 28, 2023, the Company entered into a definitive agreement for the sale of substantially all of the assets of Lake Norman Regional Medical Center (123 licensed beds) in Mooresville, North Carolina, and Davis Regional Medical Center (144 licensed beds) in Statesville, North Carolina, to Novant Health, Inc. These hospitals were classified as held-for-sale as of March 31, 2023.

On March 2, 2023, the Company entered into a contribution and membership purchase agreement for the sale of a majority interest in Lutheran Rehabilitation Hospital (36 licensed beds) in Fort Wayne, Indiana, to Select Medical Corporation. This hospital was classified as held-for-sale as of March 31, 2023.

The following table discloses amounts included in the condensed consolidated balance sheets for the hospitals classified as held-for-sale as of March 31, 2023 and December 31, 2022 (in millions). Other assets, net, primarily includes the net property and equipment and goodwill for the hospitals held-for-sale. No divestitures or potential divestitures meet the criteria for reporting as a discontinued operation as of March 31, 2023 or December 31, 2022.

	March 31, 2023	December 31, 2022
Other current assets	$ 9	$ 6
Other assets, net	312	132
Accrued liabilities	(18)	(4)

4. GOODWILL

The changes in the carrying amount of goodwill for the three months ended March 31, 2023 are as follows (in millions):

Balance, as of December 31, 2022		
Goodwill	$	6,980
Accumulated impairment losses		(2,814)
		4,166
Goodwill acquired as part of acquisitions during current year		6
Goodwill allocated to hospitals divested or held-for-sale		(121)
Balance, as of March 31, 2023		
Goodwill		6,865
Accumulated impairment losses		(2,814)
	$	4,051

Goodwill is allocated to each identified reporting unit, which is defined as an operating segment or one level below the operating segment (referred to as a component of the entity). Management has determined that the Company's operating segment meets the criteria to be classified as a reporting unit. At March 31, 2023, after giving effect to the 2023 acquisition and divestiture activity, the Company had approximately $4.1 billion of goodwill recorded.

Goodwill is evaluated for impairment annually and when an event occurs or circumstances change that, more likely than not, reduce the fair value of the reporting unit below its carrying value. The Company performed its last annual goodwill impairment evaluation during the fourth quarter of 2022 using an October 31, 2022 measurement date, which indicated no impairment.

The Company estimates the fair value of the reporting unit using both a discounted cash flow model as well as a market multiple model. The cash flow forecasts are adjusted by an appropriate discount rate based on the Company's estimate of a market participant's weighted-average cost of capital. These models are both based on the Company's best estimate of future revenues and operating costs and are reconciled to the Company's consolidated market capitalization, with consideration of the amount a potential acquirer would be required to pay, in the form of a control premium, in order to gain sufficient ownership to set policies, direct operations and control management decisions.

The determination of fair value in the Company's goodwill impairment analysis is based on an estimate of fair value for the reporting unit utilizing known and estimated inputs at the evaluation date. Some of those inputs include, but are not limited to, the most recent price of the Company's common stock and fair value of long-term debt, the Company's recent financial results, estimates of future revenue and expense growth, estimated market multiples, expected capital expenditures, income tax rates, costs of invested capital and a discount rate.

Future estimates of fair value could be adversely affected if the actual outcome of one or more of the assumptions described above changes materially in the future, including as a result of any decline in the Company's stock price and the fair value of its long-term debt, an increase in the volatility of the Company's stock price and the fair value of its long-term debt, lower-than-expected hospital volumes and/or net operating revenues, higher market interest rates, increased operating costs or other adverse impacts on the Company's financial results. Such changes impacting the calculation of fair value could result in a material impairment charge in the future.

The determination of fair value of the Company's hospital operations reporting unit as part of its goodwill impairment measurement represents a Level 3 fair value measurement in the fair value hierarchy due to its use of internal projections and unobservable measurement inputs.

5. INCOME TAXES

The total amount of unrecognized benefit that would affect the effective tax rate, if recognized, was $11 million at March 31, 2023. A total of less than $1 million of interest and penalties is included in the amount of the liability for uncertain tax positions at March 31, 2023. It is the Company's policy to recognize interest and penalties related to unrecognized benefits in its condensed consolidated statements of loss as income tax expense.

It is possible the amount of unrecognized tax benefit could change in the next 12 months as a result of a lapse of the statute of limitations and settlements with taxing authorities; however, the Company does not anticipate the change will have a material impact on the Company's condensed consolidated results of operations or financial position.

The Company's income tax return for the 2014, 2015 and 2018 tax years remain under examination by the Internal Revenue Service. The Company believes the result of this examination will not be material to its consolidated results of operations or consolidated financial position. The Company has extended the federal statute of limitations through December 31, 2023 for Community Health Systems, Inc. for the tax period ended December 31, 2018.

The Company's provision for income taxes was $26 million and $23 million for the three months ended March 31, 2023 and 2022, respectively. The Company's effective tax rates were 433.3% and 43.4% for the three months ended March 31, 2023 and 2022, respectively. The increase in the provision for income taxes for the three months ended March 31, 2023, compared to the same period in 2022 was primarily due to an increase in non-deductible interest for 2023 compared to 2022. The difference in the Company's effective tax rate for the three months ended March 31, 2023, compared to the same period in 2022 is due to the aforementioned increase in the provision for income taxes and the decline in income before taxes.

Cash paid for income taxes, net of refunds received, resulted in a net payment of less than $1 million and approximately $2 million during the three months ended March 31, 2023 and 2022, respectively.

6. LONG-TERM DEBT

Long-term debt, net of unamortized debt issuance costs and discounts or premiums, consists of the following (in millions):

	March 31, 2023	December 31, 2022
8% Senior Secured Notes due 2026	$ 2,101	$ 2,101
8% Senior Secured Notes due 2027	700	700
5⅝% Senior Secured Notes due 2027	1,900	1,900
6⅞% Senior Notes due 2028	756	756
6% Senior Secured Notes due 2029	900	900
5¼% Senior Secured Notes due 2030	1,535	1,535
4¾% Senior Secured Notes due 2031	1,058	1,058
6⅞% Junior-Priority Secured Notes due 2029	1,386	1,386
6⅛% Junior-Priority Secured Notes due 2030	1,232	1,232
ABL Facility	125	53
Finance lease and financing obligations	377	380
Other	53	36
Less: Unamortized deferred debt issuance costs and note premium	(388)	(402)
Total debt	11,735	11,635
Less: Current maturities	(39)	(21)
Total long-term debt	$ 11,696	$ 11,614

Pursuant to the asset-based loan (ABL) credit agreement, the lenders have extended to CHS/Community Health Systems, Inc. ("CHS") a revolving asset-based loan facility (the "ABL Facility"). The maximum aggregate principal amount under the ABL Facility is $1.0 billion, subject to borrowing base capacity. At March 31, 2023, the Company had outstanding borrowings of $125 million and approximately $792 million of additional borrowing capacity (after taking into consideration the $83 million of outstanding letters of credit) under the ABL Facility. The issued letters of credit were primarily in support of potential insurance-related claims and certain bonds.

The ABL Facility contains customary representations and warranties, subject to limitations and exceptions, and customary covenants restricting the Company's ability, subject to certain exceptions, to, among other things (1) declare dividends, make distributions or redeem or repurchase capital stock, (2) prepay, redeem or repurchase other debt, (3) incur liens or grant negative pledges, (4) make loans and investments and enter into acquisitions and joint ventures, (5) incur additional indebtedness or provide certain guarantees, (6) engage in mergers, acquisitions and asset sales, (7) conduct transactions with affiliates, (8) alter the nature of the Company's, CHS' or the guarantors' businesses, (9) grant certain guarantees with respect to physician practices, (10) engage in sale and leaseback transactions or (11) change the Company's fiscal year. The Company is also required to comply with a consolidated fixed coverage ratio, upon certain triggering events described below, and various affirmative covenants. The consolidated

fixed charge coverage ratio is calculated as the ratio of (x) consolidated EBITDA (as defined in the ABL Facility) less capital expenditures to (y) the sum of consolidated interest expense (as defined in the ABL Facility), scheduled principal payments, income taxes and restricted payments made in cash or in permitted investments. For purposes of calculating the consolidated fixed charge coverage ratio, the calculation of consolidated EBITDA as defined in the ABL Facility is a trailing 12-month calculation that begins with the Company's consolidated net income, with certain adjustments for interest, taxes, depreciation and amortization, net income attributable to noncontrolling interests, stock compensation expense, restructuring costs, and the financial impact of other non-cash or non-recurring items recorded during any such 12-month period. The consolidated fixed charge coverage ratio is a required covenant only in periods where the total borrowings outstanding under the ABL Facility reduce the amount available in the facility to less than the greater of (i) $95 million or (ii) 10% of the calculated borrowing base. As a result, in the event the Company has less than $95 million available under the ABL Facility, the Company would need to comply with the consolidated fixed charge coverage ratio. At March 31, 2023, the Company is not subject to the consolidated fixed charge coverage ratio as such triggering event had not occurred during the twelve months ended March 31, 2023.

The Company paid interest of $197 million and $242 million on borrowings during the three months ended March 31, 2023 and 2022, respectively.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments has been estimated by the Company using available market information as of March 31, 2023 and December 31, 2022, and valuation methodologies considered appropriate. The estimates presented in the table below are not necessarily indicative of amounts the Company could realize in a current market exchange (in millions):

	March 31, 2023		December 31, 2022	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:				
Cash and cash equivalents	$ 144	$ 144	$ 118	$ 118
Investments in equity securities	78	78	107	107
Available-for-sale debt securities	180	180	179	179
Trading securities	5	5	5	5
Liabilities:				
8% Senior Secured Notes due 2026	2,084	2,032	2,083	1,917
8% Senior Secured Notes due 2027	694	678	693	631
5⅝% Senior Secured Notes due 2027	1,836	1,672	1,833	1,633
6⅞% Senior Notes due 2028	749	474	749	389
6% Senior Secured Notes due 2029	866	759	865	751
5¼% Senior Secured Notes due 2030	1,450	1,200	1,448	1,166
4¾% Senior Secured Notes due 2031	1,054	787	1,053	766
6⅞% Junior-Priority Secured Notes due 2029	1,285	864	1,282	720
6⅛% Junior-Priority Secured Notes due 2030	1,165	750	1,164	615
ABL Facility and other debt	174	174	85	85

The carrying value of the Company's long-term debt in the above table is presented net of unamortized deferred debt issuance costs. The estimated fair value is determined using the methodologies discussed below in accordance with accounting standards related to the determination of fair value based on the U.S. GAAP fair value hierarchy as discussed in Note 8. The estimated fair value for financial instruments with a fair value that does not equal its carrying value is considered a Level 1 valuation. The Company utilizes the market approach and obtains indicative pricing through publicly available subscription services such as Bloomberg to determine fair values where relevant.

Cash and cash equivalents. The carrying amount approximates fair value due to the short-term maturity of these instruments (less than three months).

Investments in equity securities. Estimated fair value is based on closing price as quoted in public markets.

Available-for-sale debt securities. Estimated fair value is based on closing price as quoted in public markets or other various valuation techniques.

Trading securities. Estimated fair value is based on closing price as quoted in public markets.

Senior Notes, Senior Secured Notes and Junior-Priority Secured Notes. Estimated fair value is based on the closing market price for these notes.

ABL Facility and other debt. The carrying amount of the ABL Facility and all other debt approximates fair value due to the nature of these obligations.

8. FAIR VALUE

Fair Value Hierarchy

Fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the Company utilizes the U.S. GAAP fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumption about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The inputs used to measure fair value are classified into the following fair value hierarchy:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the Company's own assumptions.

In instances where the determination of the fair value hierarchy measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment of factors specific to the asset or liability. Transfers between levels within the fair value hierarchy are recognized by the Company on the date of the change in circumstances that requires such transfer. There were no transfers between levels during the three-month periods ended March 31, 2023 or 2022.

The following table sets forth, by level within the fair value hierarchy, the financial assets and liabilities recorded at fair value on a recurring basis as of March 31, 2023 and December 31, 2022 (in millions):

	March 31, 2023	Level 1	Level 2	Level 3
Investments in equity securities	$ 78	$ 78	$ —	$ —
Available-for-sale debt securities	180	—	180	—
Trading securities	5	—	5	—
Total assets	$ 263	$ 78	$ 185	$ —

	December 31, 2022	Level 1	Level 2	Level 3
Investments in equity securities	$ 107	$ 107	$ —	$ —
Available-for-sale debt securities	179	—	179	—
Trading securities	5	—	5	—
Total assets	$ 291	$ 107	$ 184	$ —

Investments in Equity Securities, Available-for-Sale Debt Securities and Trading Securities

Investments in equity securities classified as Level 1 are measured using quoted market prices. Level 2 available-for-sale debt securities and trading securities primarily consist of bonds and notes issued by the United States government and its agencies and domestic and foreign corporations. The estimated fair values of these securities are determined using various valuation techniques, including a multi-dimensional relational model that incorporates standard observable inputs and assumptions such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids/offers and other pertinent reference data.

9. LEASES

The Company utilizes operating and finance leases for the use of certain hospitals, medical office buildings, and medical equipment. The components of lease cost and rent expense for the three months ended March 31, 2023 and 2022 are as follows (in millions):

	Three Months Ended March 31,	
Lease Cost	**2023**	**2022**
Operating lease cost:		
Operating lease cost	$ 55	$ 51
Short-term rent expense	22	23
Variable lease cost	5	4
Sublease income	(1)	(1)
Total operating lease cost	$ 81	$ 77
Finance lease cost:		
Amortization of right-of-use assets	$ 3	$ 3
Interest on finance lease liabilities	3	4
Total finance lease cost	$ 6	$ 7

Supplemental balance sheet information related to leases was as follows (in millions):

	Balance Sheet Classification	March 31, 2023	December 31, 2022
Operating Leases:			
Operating lease right-of-use assets	Other assets, net	$ 712	$ 738
Finance Leases:			
Finance lease right-of-use assets	*Property and equipment*		
	Land and improvements	$ —	$ —
	Buildings and improvements	261	261
	Equipment and fixtures	11	12
	Property and equipment	272	273
	Less accumulated depreciation and amortization	(58)	(56)
	Property and equipment, net	$ 214	$ 217
Current finance lease liabilities	Current maturities of long-term debt	$ 2	$ 3
Long-term finance lease liabilities	Long-term debt	219	220

Supplemental cash flow information related to leases for the three months ended March 31, 2023 and 2022 is as follows (in millions):

	Three Months Ended March 31,	
Cash flow information	**2023**	**2022**
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases (1)	$ 52	$ 50
Operating cash flows from finance leases	3	4
Financing cash flows from finance leases	1	6
Right-of-use assets obtained in exchange for new finance lease liabilities	—	31
Right-of-use assets obtained in exchange for new operating lease liabilities	24	69

(1) Included in the change in other operating assets and liabilities in the condensed consolidated statements of cash flows.

10. STOCKHOLDERS' DEFICIT

Authorized capital shares of the Company include 400,000,000 shares of capital stock consisting of 300,000,000 shares of common stock and 100,000,000 shares of preferred stock. Each of the aforementioned classes of capital stock has a par value of $0.01 per share. Shares of preferred stock, none of which were outstanding as of March 31, 2023, may be issued in one or more series having such rights, preferences and other provisions as determined by the Board of Directors without approval by the holders of common stock.

The Company is a holding company which operates through its subsidiaries. The ABL Facility and the indentures governing each series of the Company's outstanding notes contain various covenants under which the assets of the subsidiaries of the Company are subject to certain restrictions relating to, among other matters, dividends and distributions, as referenced in the paragraph below.

The ABL Facility and the indentures governing each series of the Company's outstanding notes restrict the Company's subsidiaries from, among other matters, paying dividends and making distributions to the Company, which thereby limits the Company's ability to pay dividends and/or repurchase stock. As of March 31, 2023, under the most restrictive test in these agreements (and subject to certain exceptions), the Company has approximately $300 million of capacity to pay permitted dividends and/or repurchase shares of stock or make other restricted payments.

The following schedule presents the reconciliation of the carrying amount of total equity, equity attributable to the Company's stockholders, and equity attributable to noncontrolling interests as of March 31, 2023, and during the three-month period following December 31, 2022 (in millions):

		Community Health Systems, Inc. Stockholders					
	Redeemable Noncontrolling Interest	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss (Income)	Accumulated Deficit	Noncontrolling Interest	Total Stockholders' Deficit
Balance, December 31, 2022	$ 541	$ 1	$ 2,084	$ (21)	$ (3,431)	$ 92	$ (1,275)
Comprehensive income (loss)	21	—	—	3	(51)	11	(37)
Distributions to noncontrolling interests	(33)	—	—	—	—	(11)	(11)
Purchases of subsidiary shares from noncontrolling interests	(1)	—	—	—	—	—	—
Contributions from noncontrolling interests	1	—	—	—	—	1	1
Adjustment to redemption value of redeemable noncontrolling interests	32	—	(32)	—	—	—	(32)
Cancellation of restricted stock for tax withholdings on vested shares	—	—	(4)	—	—	—	(4)
Share-based compensation	—	—	6	—	—	—	6
Balance, March 31, 2023	$ 561	$ 1	$ 2,054	$ (18)	$ (3,482)	$ 93	$ (1,352)

The following schedule presents the reconciliation of the carrying amount of total equity, equity attributable to the Company's stockholders, and equity attributable to the noncontrolling interests as of March 31, 2022, and during the three-month period following December 31, 2021 (in millions):

		Community Health Systems, Inc. Stockholders					
	Redeemable Noncontrolling Interest	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss (Income)	Accumulated Deficit	Noncontrolling Interest	Total Stockholders' Deficit
Balance, December 31, 2021	$ 480	$ 1	$ 2,118	$ (14)	$ (3,477)	$ 82	$ (1,290)
Comprehensive income (loss)	16	—	—	(8)	(1)	15	6
Distributions to noncontrolling interests	(12)	—	—	—	—	(17)	(17)
Purchases of subsidiary shares from noncontrolling interests	1	—	(1)	—	—	—	(1)
Contributions from noncontrolling interests	1	—	—	—	—	—	—
Adjustment to redemption value of redeemable noncontrolling interests	7	—	(7)	—	—	—	(7)
Cancellation of restricted stock for tax withholdings on vested shares	—	—	(8)	—	—	—	(8)
Share-based compensation	—	—	5	—	—	—	5
Balance, March 31, 2022	$ 493	$ 1	$ 2,107	$ (22)	$ (3,478)	$ 80	$ (1,312)

The following schedule discloses the effects of changes in the Company's ownership interest in its less-than-wholly-owned subsidiaries on Community Health Systems, Inc. stockholders' deficit (in millions):

	Three Months Ended March 31,	
	2023	2022
Net loss attributable to Community Health Systems, Inc. stockholders	$ (51)	$ (1)
Transfers to the noncontrolling interests:		
Net increase (decrease) in Community Health Systems, Inc. paid-in-capital for purchase of subsidiary partnership interests	—	(1)
Net transfers to the noncontrolling interests	—	(1)
Change to Community Health Systems, Inc. stockholders' deficit from net loss attributable to Community Health Systems, Inc. stockholders and transfers to noncontrolling interests	$ (51)	$ (2)

11. EARNINGS PER SHARE

The following table sets forth the components of the denominator for the computation of basic and diluted earnings per share for net loss attributable to Community Health Systems, Inc. stockholders:

	Three Months Ended March 31,	
	2023	2022
Weighted-average number of shares outstanding — basic	129,688,917	127,818,209
Effect of dilutive securities:		
Restricted stock awards	—	—
Employee stock options	—	—
Other equity-based awards	—	—
Weighted-average number of shares outstanding — diluted	129,688,917	127,818,209

The Company generated a loss attributable to Community Health Systems, Inc. stockholders for both of the three-month periods ended March 31, 2023 and 2022, so the effect of dilutive securities is not considered because their effect would be antidilutive. If the Company had generated income during both of the three months ended March 31, 2023 and 2022, the effect of restricted stock awards, employee stock options, and other equity-based awards on the diluted shares calculation would have been an increase of 468,193 shares and 2,198,436 shares, respectively.

	Three Months Ended March 31,	
	2023	2022
Dilutive securities outstanding not included in the computation of earnings per share because their effect is antidilutive:		
Employee stock options and restricted stock awards	5,889,077	1,367,000

12. CONTINGENCIES

The Company is a party to various legal, regulatory and governmental proceedings incidental to its business. Based on current knowledge, management does not believe that loss contingencies arising from pending legal, regulatory and governmental matters will have a material adverse effect on the condensed consolidated financial position or liquidity of the Company. However, in light of the inherent uncertainties involved in pending legal, regulatory and governmental matters, some of which are beyond the Company's control, and the very large or indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could be material to the Company's results of operations or cash flows for any particular reporting period.

With respect to all legal, regulatory and governmental proceedings, the Company considers the likelihood of a negative outcome. If the Company determines the likelihood of a negative outcome with respect to any such matter is probable and the amount of the loss can be reasonably estimated, the Company records an accrual for the estimated loss for the expected outcome of the matter. If the likelihood of a negative outcome with respect to material matters is reasonably possible and the Company is able to determine an estimate of the possible loss or a range of loss, whether in excess of a related accrued liability or where there is no accrued liability, the Company discloses the estimate of the possible loss or range of loss. However, the Company is unable to estimate a possible loss or range of loss in some instances based on the significant uncertainties involved in, and/or the preliminary nature of, certain legal, regulatory and governmental matters.

Probable Contingencies

Caleb Padilla, individually and on behalf of all others similarly situated v Community Health Systems, Inc., Wayne T. Smith, Larry Cash, and Thomas J. Aaron. This purported federal securities class action was filed in the United States District Court for the Middle District of Tennessee on May 30, 2019. It seeks class certification on behalf of purchasers of the Company's common stock between February 20, 2017 and February 27, 2018 and alleges misleading statements resulted in artificially inflated prices for the Company's common stock. On November 20, 2019, the District Court appointed Arun Bhattacharya and Michael Gaviria as lead plaintiffs in the case. The lead plaintiffs filed a consolidated class complaint on January 21, 2020. The Company filed a motion to dismiss the consolidated class complaint on March 23, 2020, and the District Court denied that motion on August 17, 2022. The Company has reached a tentative settlement of this matter, which is subject to the Court's approval. The hearing to determine the Court's preliminary approval of the settlement has not yet been set.

The table below presents a reconciliation of the beginning and ending liability balances (in millions) during the three months ended March 31, 2023, with respect to the Company's determination of the contingencies of the Company in respect of which an accrual has been recorded.

Summary of Recorded Amounts

	Probable Contingencies
Balance as of December 31, 2022	$ 11
Expense	9
Reserve for insured claim	4
Cash payments	—
Balance as of March 31, 2023	$ 24

In accordance with applicable accounting guidance, the Company establishes a liability for litigation, regulatory and governmental matters for which, based on information currently available, the Company believes that a negative outcome is known or is probable and the amount of the loss is reasonably estimable. For all such matters (whether or not discussed in this contingencies footnote), such amounts have been recorded in other accrued liabilities in the condensed consolidated balance sheets and are included in the table above. Due to the uncertainties and difficulty in predicting the ultimate resolution of these contingencies, the actual amount could differ from the estimated amount reflected as a liability in the condensed consolidated balance sheets.

13. SUBSEQUENT EVENTS

The Company has evaluated all material events occurring subsequent to the balance sheet date for events requiring disclosure or recognition in the condensed consolidated financial statements.

On April 1, 2023, the Company completed the sale of substantially all of the assets of Plateau Medical Center (25 licensed beds) in Oak Hill, West Virginia, to a subsidiary of Vandalia Health, Inc. pursuant to the terms of a definitive agreement which was entered into on December 30, 2022, as amended. The net proceeds from this sale of approximately $92 million were received at a preliminary closing on March 31, 2023.

On April 3, 2023, the Company entered into a definitive agreement for the sale of substantially all of the assets of Medical Center of South Arkansas (166 licensed beds) in El Dorado, Arkansas to affiliates of SARH Holdings, Inc.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

You should read this discussion together with our condensed consolidated financial statements and the accompanying notes included herein.

Throughout this Form 10-Q, we refer to Community Health Systems, Inc., or the Parent Company, and its consolidated subsidiaries in a simplified manner and on a collective basis, using words like "we," "our," "us" and the "Company". This drafting style is suggested by the Securities and Exchange Commission, or SEC, and is not meant to indicate that the publicly traded Parent Company or any particular subsidiary of the Parent Company owns or operates any asset, business or property. The hospitals, operations and businesses described in this filing are owned and operated by distinct and indirect subsidiaries of Community Health Systems, Inc.

Executive Overview

We are one of the nation's largest healthcare companies. Our affiliates are leading providers of healthcare services, developing and operating healthcare delivery systems in 44 distinct markets across 15 states. As of March 31, 2023, our subsidiaries own or lease 79 affiliated hospitals, with approximately 13,000 beds, and operate more than 1,000 sites of care, including physician practices, urgent care centers, freestanding emergency departments, occupational medicine clinics, imaging centers, cancer centers and ambulatory surgery centers. We generate revenues by providing a broad range of general and specialized hospital healthcare services and outpatient services to patients in the communities in which we are located. We are paid for our services by governmental agencies, private insurers and directly by the patients we serve.

Economic conditions in the United States continue to be challenging in various respects, and the United States economy continues to experience significant inflationary pressures, elevated interest rates, challenging labor market conditions, and disruptions to supply networks. Taking into account these factors, we have incurred, and may continue to incur, increased expenses arising from factors such as wage inflation for permanent employees, increased rates for and utilization of temporary contract labor (including contract nursing personnel) and increased rates for outsourced medical specialists. While we have implemented cost containment and other measures to try to counteract these developments, we may continue to be unable to fully offset the impact of these factors on the operation of our business.

If economic conditions in the United States significantly deteriorate and/or negative public health conditions related to the COVID-19 pandemic reemerge, any such developments could materially and adversely affect our results of operations, financial position, and/or our cash flows.

Acquisition and Divestiture Activity

During the three months ended March 31, 2023, we paid approximately $8 million to acquire the operating assets and related businesses of certain physician practices, clinics, ambulatory surgery centers and other ancillary businesses that operate within the communities served by our hospitals. We allocated the purchase price to property and equipment, working capital and goodwill.

During the three months ended March 31, 2023, we completed the divestiture of one hospital, Greenbrier Valley Medical Center (122 licensed beds) in Ronceverte, West Virginia, to a subsidiary of Vandalia Health, Inc. pursuant to the terms of a definitive agreement which was entered into on September 14, 2022, as amended. This hospital represented annual net operating revenues in 2022 of approximately $84 million and we received total net proceeds of approximately $85 million at a preliminary closing on December 30, 2022 in connection with this disposition.

The following table provides a summary of hospitals that we divested during the three months ended March 31, 2023 and the year ended December 31, 2022:

Hospital	Buyer	City, State	Licensed Beds	Effective Date
2023 Divestiture:				
Greenbrier Valley Medical Center	Vandalia Health, Inc.	Ronceverte, WV	122	January 1, 2023
2022 Divestiture:				
AllianceHealth Seminole	SSM HealthCare of Oklahoma, Inc.	Seminole, OK	32	July 1, 2022

In addition, on April 1, 2023, we completed the sale of substantially all of the assets of Plateau Medical Center (25 licensed beds) in Oak Hill, West Virginia, to subsidiaries of Vandalia Health, Inc. pursuant to the terms of a definitive agreement which was entered into on December 30, 2022, as amended. The net proceeds from this sale of approximately $92 million were received at a preliminary closing on March 31, 2023

In addition to hospitals divested in 2022 and in 2023 through the date of this filing as noted above, we have entered into definitive agreements to sell a total of four hospitals. The following sets forth the definitive agreements to sell hospitals that we have entered into since January 1, 2023:

- On February 28, 2023, we entered into a definitive agreement for the sale of substantially all of the assets of Lake Norman Regional Medical Center (123 licensed beds) in Mooresville, North Carolina, and Davis Regional Medical Center (144 licensed beds) in Statesville, North Carolina, to Novant Health, Inc.
- On March 2, 2023, we entered into a contribution and membership purchase agreement for the sale of a majority interest in Lutheran Rehabilitation Hospital (36 licensed beds) in Fort Wayne, Indiana, to Select Medical Corporation.
- On April 3, 2023, we entered into a definitive agreement for the sale of substantially all of the assets of Medical Center of South Arkansas (166 licensed beds) in El Dorado, Arkansas to affiliates of SARH Holdings, Inc.

There can be no assurance that these potential divestitures subject to definitive agreements will be completed, or if they are completed, the ultimate timing of the completion of the divestitures.

Moreover, we may give consideration to divesting certain additional hospitals and non-hospital businesses. Generally, these hospitals and non-hospital businesses are not in one of our strategically beneficial services areas, are less complementary to our business strategy and/or have lower operating margins. In addition, we continue to receive interest from potential acquirers for certain of our hospitals and non-hospital businesses. As such, we may sell additional hospitals and/or non-hospital businesses if we consider any such disposition to be in our best interests. We expect proceeds from any such divestitures to be used for general corporate purposes (including potential debt repayments and/or debt repurchases) and capital expenditures.

Overview of Operating Results

Net operating revenues decreased from $3.111 billion for the three months ended March 31, 2022 to $3.108 billion for the three months ended March 31, 2023. On a same-store basis, net operating revenues for the three months ended March 31, 2023 increased $51 million.

We had a net loss of $20 million during the three months ended March 31, 2023, compared to net income of $30 million for the same period in 2022. Net loss for the three months ended March 31, 2023 included the following:

- an after-tax charge of $8 million for expense related to government and other legal matters and related costs,
- an after-tax benefit of $14 million for the gain related to the sale of a hospital partially offset by impairment of long-lived assets that were idled, disposed or held-for-sale, and
- an after-tax charge of $1 million for restructuring charges related to the closure of businesses as well as service line closures and consolidations at certain hospitals.

Net income for the three months ended March 31, 2022 included the following:

- an after-tax charge of $14 million for loss from early extinguishment of debt, and
- an after-tax charge of $5 million for the impairment of long-lived assets of a hospital held-for-sale based on its estimated fair value.

Consolidated inpatient admissions for the three months ended March 31, 2023, increased 1.2%, compared to the same period in 2022. Consolidated adjusted admissions for the three months ended March 31, 2023, increased 5.8%, compared to the same period in 2022. Same-store inpatient admissions for the three months ended March 31, 2023, increased 4.8%, compared to the same period in 2022, and same-store adjusted admissions for the three months ended March 31, 2023, increased 9.4%, compared to the same period in 2022.

Self-pay revenues represented approximately 0.8% and 1.4% of net operating revenues for the three months ended March 31, 2023 and 2022, respectively. The amount of foregone revenue related to providing charity care services as a percentage of net operating revenues was approximately 10.5% and 11.7% for the three months ended March 31, 2023 and 2022, respectively. Direct and indirect costs incurred in providing charity care services as a percentage of net operating revenues was approximately 1.2% and 1.3% for the three months ended March 31, 2023 and 2022, respectively.

Overview of Legislative and Other Governmental Developments

The healthcare industry is subject to changing political, regulatory, and economic influences that may affect our business. In recent years, the U.S. Congress and certain state legislatures have introduced and passed a large number of proposals and legislation affecting the healthcare system, including laws intended to impact access to health insurance and reduce healthcare costs and government spending. The most prominent of these efforts, the Affordable Care Act, affects how healthcare services are covered, delivered and reimbursed, and expanded health insurance coverage through a combination of public program expansion and private sector health insurance reforms. The Affordable Care Act has been, and continues to be, subject to legislative and regulatory changes and court challenges. For example, effective January 1, 2019, the financial penalty associated with the mandate that most individuals enroll in a health insurance plan was effectively eliminated. However, some states have imposed individual health insurance mandates, and other states have explored or offer public health insurance options. To increase access to health insurance during the COVID-19 pandemic, the American Rescue Plan Act of 2021, or the ARPA, enhanced subsidies for individuals eligible to purchase coverage through Affordable Care Act marketplaces. The Inflation Reduction Act, enacted in August 2022, extends these enhanced subsidies through 2025. In addition, in 2020, the Families First Coronavirus Response Act required states to maintain continuous Medicaid enrollment to receive a temporary increase in federal funds for Medicaid expenditures. However, this “continuous coverage” requirement expired on April 1, 2023, and the increase in federal funding will be phased out through calendar year 2023, which could lead to Medicaid coverage disruptions and dis-enrollments of Medicaid enrollees. These and other changes and initiatives may impact the number of individuals that elect to obtain public or private health insurance or the scope of such coverage, if purchased.

Of critical importance to us is the potential impact of any changes specific to the Medicaid program, including the funding and expansion provisions of the Affordable Care Act and subsequent legislation or agency initiatives. Historically, the states with the greatest reductions in the number of uninsured adult residents have expanded Medicaid. A number of states have opted out of the Medicaid coverage expansion provisions, but could ultimately decide to expand their programs at a later date. Of the 16 states in which we operated hospitals as of March 31, 2023, 10 states have taken action to expand their Medicaid programs. The other six states have not, including Florida, Alabama, Tennessee, Mississippi and Texas, where we operated a significant number of hospitals as of March 31, 2023. Some states use, or have applied to use, waivers granted by CMS to implement expansion, impose different eligibility or enrollment conditions, or otherwise implement programs that vary from federal standards.

Other recent reform initiatives and proposals at the federal and state levels include those focused on price transparency and limiting out-of-network charges, which may impact prices, our competitive position and the relationships between hospitals, insurers, patients, and ancillary providers (such as anesthesiologists, radiologists, and pathologists). For example, the No Surprises Act imposes various requirements on providers and health plans intended to prevent “surprise” medical bills. Among other restrictions and requirements, the law prohibits providers from charging patients an amount beyond the in-network cost sharing amount for services rendered by out-of-network providers, subject to limited exceptions. For services for which balance billing is prohibited (even when no balance billing occurs), the No Surprises Act includes provisions that may limit the amounts received by out-of-network providers from health plans, and also establishes a dispute resolution process (through a final rule that is currently subject to litigation) for providers and payors to handle payment disputes that cannot be resolved through direct negotiations. Additionally, in connection with requirements that providers provide, in advance of the date of the scheduled item or service or upon request, a good faith estimate of expected charges to uninsured or self-pay patients for scheduled items and services, such patients may invoke a patient-provider dispute resolution process established by regulation to challenge charges in certain circumstances.

Other trends toward transparency and value-based purchasing may impact the competitive position and patient volumes of providers. For example, the CMS Care Compare website makes available to the public certain data that hospitals submit in connection with Medicare reimbursement claims, including hospital performance data on quality measures and patient satisfaction. In addition, Medicare reimbursement for hospitals is adjusted based on quality and efficiency measures, and CMS currently administers various accountable care organizations and bundled payment demonstration projects. The CMS Innovation Center has highlighted the need to accelerate the movement to value-based care and drive broader system transformation.

In response to the COVID-19 pandemic, federal and state governments have passed legislation, promulgated regulations, and taken other administrative actions intended to assist healthcare providers in providing care to COVID-19 and other patients during the public health emergency and to provide financial relief. Primary legislative sources of COVID-19 relief have included the Coronavirus Aid, Relief and Economic Security Act, or the CARES Act, the Paycheck Protection Program and Health Care Enactment Act, or the PPPHCE Act, the Consolidated Appropriations Act, 2021, or the CAA, and the ARPA. Together, these stimulus laws authorized over $186 billion in funding to be distributed through the Public Health and Social Services Emergency Fund, or the PHSSEF, to eligible healthcare providers, including public entities and Medicare- and/or Medicaid-enrolled providers. PHSSEF payments were intended to compensate healthcare providers for lost revenues and incremental expenses incurred in response to the COVID-19 pandemic and are not required to be repaid, provided that recipients attest to and comply with certain terms and conditions, including limitations on balance billing, not using PHSSEF funds to reimburse expenses or losses that other sources have been or are obligated to reimburse and audit and reporting requirements.

The CARES Act and related legislation include other provisions offering financial relief, including through Medicare and Medicaid payment adjustments, such as a 20% add-on to the inpatient PPS DRG rate for COVID-19 patients and delays of scheduled reductions to Medicaid DSH reductions. In addition, Congress temporarily suspended the Medicare sequestration payment adjustment, which would have otherwise reduced payments to Medicare providers by 2% as required by the BCA. The sequestration adjustment, which was phased back in during 2022, has been extended through the first six months of 2032. The ARPA, in addition to providing funding for healthcare providers, increased the federal budget deficit in a manner that triggers an additional statutorily mandated sequestration under the PAYGO Act. As a result, an additional Medicare spending reduction of up to 4% was required to take effect in January 2022. However, Congress has delayed implementation of this payment reduction until 2025.

We did not receive or recognize any significant level of payments or benefits under the CARES Act and other existing COVID-19 related stimulus and relief legislation during the three months ended March 31, 2023, and do not expect to receive or recognize any significant level of payments or benefits under the CARES Act and other existing legislation related to COVID-19 in future periods.

Beyond financial assistance, federal and state governments have enacted legislation and established regulations intended to temporarily ease legal and regulatory burdens on healthcare providers during the COVID-19 pandemic. These measures include temporary relief from Medicare conditions of participation requirements for healthcare providers, temporary relaxation of licensure requirements for healthcare professionals, temporary relaxation of privacy restrictions for telehealth remote communications, promoting use of telehealth by temporarily expanding the scope of services for which Medicare reimbursement is available, and limited waivers of fraud and abuse laws for activities related to COVID-19 during the public health emergency period. As the United States has experienced a moderation of COVID-19 infection and related hospitalization rates in comparison to earlier periods, federal and state governments have reduced or terminated certain temporary measures that were previously implemented.

The COVID-19 pandemic continues to evolve, and there is uncertainty regarding the ultimate impact to our business of governmental efforts to assist healthcare providers responding to and otherwise affected by the COVID-19 pandemic. Some of the measures allowing for flexibility in delivery of care and various financial supports for healthcare providers are available only until funds expire or for the duration of the federal public health emergency, while other measures will continue for a limited time after the public health emergency ends. The current public health emergency declaration expires May 11, 2023, and the presidential administration indicated that the public health emergency will not be further extended. Termination of the public health emergency may impact our operations and financial results. Further, there can be no assurance that the terms of provider relief funding or other programs will not change or be interpreted in ways that affect our funding or eligibility to participate or our ability to comply with applicable requirements and retain amounts received. We continue to assess the potential impact of the CARES Act and other stimulus and relief legislation and the impact of other laws, regulations, and guidance related to COVID-19 on our business, results of operations, financial condition and cash flows.

In June 2022, the U.S. Supreme Court ruled in *American Hospital Association v. Becerra*, a case on the 340B Drug Pricing Program that could impact Medicare reimbursement to us, both in respect of past periods and future periods. The 340B program allows certain non-profit healthcare organizations that care for many uninsured and low-income patients to purchase outpatient drugs from pharmaceutical manufacturers at discounted rates. Our hospitals do not participate in the 340B program. In 2018, HHS implemented a payment policy that reduced Medicare payments to 340B hospitals for most drugs obtained at 340B-discounted rates. These payment cuts resulted in increased payments for non-340B hospitals, including our facilities. In *Becerra*, the U.S. Supreme Court determined that HHS unlawfully reduced reimbursement rates for 340B hospitals. On January 10, 2023, the United States District Court for the District of Columbia declined to order HHS to pay 340B hospitals the difference between the rates under the 2018 payment policy and what should have been paid, instead allowing HHS to propose an appropriate remedy to address the underpayments to 340B hospitals that resulted from the policy. HHS has not yet announced its proposed remedy. If it is determined that budget neutrality applies to the remedy for past payment years, entities that operate non-340B hospitals such as us may be required to repay previously received payments, which could have a material adverse impact on our financial results in any future reporting period in which such future repayments are recognized or paid. For calendar year 2023, CMS finalized the payment rate for drugs acquired through the 340B program in light of the U.S. Supreme Court decision and, to achieve budget neutrality in light of the payment rate change, implemented a reduction of approximately 3.1% to payment rates for non-drug services under the outpatient PPS for calendar year 2023. Future Medicare payment policies could further decrease the reimbursement received for outpatient drugs and services by entities that operate non-340B hospitals, which would adversely impact our results on a prospective basis.

As a result of our current levels of cash, available borrowing capacity, long-term outlook on our debt repayments, the refinancing of certain of our notes, proceeds from any potential future dispositions of hospitals or other investments such as our minority equity interests in various businesses, as applicable, and the continued projection of our ability to generate cash flows, we anticipate that we will be able to invest the necessary capital in our business over the next 12 months and for the foreseeable future thereafter. We believe there continues to be ample opportunity to strengthen our market share in substantially all of our markets by decreasing the need for patients to travel outside their communities for healthcare. Furthermore, we will continue to strive to improve operating efficiencies and procedures in order to improve the performance of our hospitals.

Sources of Revenue

The following table presents the approximate percentages of net operating revenues by payor source for the periods indicated. The data for the periods presented are not strictly comparable due to the effect that businesses acquired, sold, closed or opened during each of the respective periods, as applicable, have had on these statistics.

	Three Months Ended March 31,	
	2023	**2022**
Medicare	20.9%	21.5%
Medicare Managed Care	17.5	16.5
Medicaid	13.6	15.0
Managed Care and other third-party payors	47.2	45.6
Self-pay	0.8	1.4
Total	100.0%	100.0%

As shown above, we receive a substantial portion of our revenues from the Medicare, Medicare Managed Care, and Medicaid programs. Included in Managed Care and other third-party payors is operating revenues from insurance companies with which we have insurance provider contracts, insurance companies for which we do not have insurance provider contracts, workers' compensation carriers and non-patient service revenue, such as rental income and cafeteria sales. In the future, we generally expect the portion of revenues received from the Medicare, including Medicare Managed Care, and Medicaid programs to increase over the long-term due to the general aging of the population and other factors, including health reform initiatives. There has been a trend toward increased enrollment in Medicare Managed Care and Medicaid managed care programs, which may adversely affect our operating revenue. We may also be impacted by regulatory requirements imposed on insurers, such as minimum medical-loss ratios and specific benefit requirements. Furthermore, in the normal course of business, managed care programs, insurance companies and employers actively negotiate the amounts paid to hospitals. Our relationships with payors may be impacted by price transparency initiatives and out-of-network billing restrictions, including those in the No Surprises Act, which took effect January 1, 2022. There can be no assurance that we will retain our existing reimbursement arrangements or that third-party payors will not attempt to further reduce the rates they pay for our services.

Net operating revenues include amounts estimated by management to be reimbursable by Medicare and Medicaid under prospective payment systems and provisions of cost-based reimbursement and other payment methods. In addition, we are reimbursed by non-governmental payors using a variety of payment methodologies. Amounts we receive for the treatment of patients covered by

Medicare, Medicaid and non-governmental payors are generally less than our standard billing rates. We account for the differences between the estimated program reimbursement rates and our standard billing rates as contractual allowance adjustments, which we deduct from gross revenues to arrive at net operating revenues. Final settlements under some of these programs are subject to adjustment based on administrative review and audit by third parties. We account for adjustments to previous program reimbursement estimates as contractual allowance adjustments and report them in the periods that such adjustments become known. Contractual allowance adjustments related to final settlements and previous program reimbursement estimates impacted net operating revenues by an insignificant amount in each of the three-month periods ended March 31, 2023 and 2022.

The payment rates under the Medicare program for hospital inpatient and outpatient acute care services are based on prospective payment systems, which depend upon a patient's diagnosis or the clinical complexity of services provided to a patient, among other factors. These rates are indexed for inflation annually, although increases have historically been less than actual inflation. On August 10, 2022, CMS published the final rule to increase this index by 4.1% for hospital inpatient acute care services that are reimbursed under the prospective payment system for federal fiscal year 2023 (which began October 1, 2022). Together with other changes to payment policies, payment rates for hospital inpatient acute care services are expected to increase approximately 4.3%. Hospitals that do not submit required patient quality data are subject to a reduction in payments. We are complying with this data submission requirement. Payments may also be affected by various other adjustments, including those that depend on patient-specific or hospital specific factors. For example, the "two midnight rule" establishes admission and medical review criteria for inpatient services limiting when services to Medicare beneficiaries are payable as inpatient hospital services. Reductions in the rate of increase or overall reductions in Medicare reimbursement may cause a decline in the growth of our net operating revenues.

Payment rates under the Medicaid program vary by state. In addition to the base payment rates for specific claims for services rendered to Medicaid enrollees, several states utilize supplemental reimbursement programs to make separate payments that are not specifically tied to an individual's care, some of which offset a portion of the cost of providing care to Medicaid and indigent patients. These programs are designed with input from CMS and are funded with a combination of state and federal resources, including, in certain instances, fees or taxes levied on the providers. The programs are generally authorized for a specified period of time and require CMS's approval to be extended. We are unable to predict whether or on what terms CMS will extend the supplemental programs in the states in which we operate. Under these supplemental programs, we recognize revenue and related expenses in the period in which amounts are estimable and payment is reasonably assured. Reimbursement under these programs is reflected in net operating revenues and included as Medicaid revenue in the table above, and fees, taxes or other program related costs are reflected in other operating expenses.

Results of Operations

Our hospitals and other sites of care offer a broad variety of inpatient and outpatient medical and surgical services. These include general acute care, emergency room, general and specialty surgery, critical care, internal medicine, obstetrics, diagnostic services, psychiatric and rehabilitation services. Utilization of services and our results of operations are dependent on a multitude of factors including seasonal fluctuations in demand. Historically, the strongest demand for hospital services generally occurs during the winter months and the weakest demand generally occurs during the summer months.

The following tables summarize, for the periods indicated, selected operating data.

	Three Months Ended March 31,	
	2023	**2022**
Operating results, as a percentage of net operating revenues:		
Net operating revenues	100.0%	100.0%
Operating expenses (a)	(89.7)	(87.0)
Depreciation and amortization	(4.2)	(4.1)
Impairment and (gain) loss on sale of businesses, net	0.7	(0.2)
Income from operations	6.8	8.7
Interest expense, net	(6.7)	(7.0)
Loss from early extinguishment of debt	—	(0.2)
Equity in earnings of unconsolidated affiliates	0.1	0.2
Income before income taxes	0.2	1.7
Provision for income taxes	(0.8)	(0.7)
Net (loss) income	(0.6)	1.0
Less: Net income attributable to noncontrolling interests	(1.0)	(1.0)
Net loss attributable to Community Health Systems, Inc. stockholders	(1.6)%	0.0%

	Three Months Ended March 31,	
	2023	2022
Percentage (decrease) increase from prior year:		
Net operating revenues	(0.1)%	3.3%
Admissions (b)	1.2	(1.7)
Adjusted admissions (c)	5.8	2.2
Average length of stay (d)	(9.8)	2.0
Net loss attributable to Community Health Systems, Inc. stockholders	(5,000.0)	98.4
Same-store percentage increase (decrease) from prior year (e):		
Net operating revenues	1.7%	3.8%
Admissions (b)	4.8	(0.3)
Adjusted admissions (c)	9.4	3.2

(a) Operating expenses include salaries and benefits, supplies, other operating expenses, and lease cost and rent, net of the reduction in operating expenses resulting from the recognition of pandemic relief funds.
(b) Admissions represents the number of patients admitted for inpatient treatment.
(c) Adjusted admissions is a general measure of combined inpatient and outpatient volume. We computed adjusted admissions by multiplying admissions by gross patient revenues and then dividing that number by gross inpatient revenues.
(d) Average length of stay represents the average number of days inpatients stay in our hospitals.
(e) Excludes information for businesses sold or closed during each of the respective periods, as applicable.

Items (b) through (e) are metrics used to manage our performance. These metrics provide useful insight to investors about the volume and acuity of services we provide, which aid in evaluating our financial results.

Three Months Ended March 31, 2023 Compared to Three Months Ended March 31, 2022

Net operating revenues decreased to $3.108 billion for the three months ended March 31, 2023, compared to $3.111 billion for the same period in 2022. Net operating revenues on a same-store basis from hospitals that were operated throughout both periods increased $51 million, or 1.7%, during the three months ended March 31, 2023, compared to the same period in 2022. On a period-over-period basis, the increase in net operating revenues was primarily attributable to higher inpatient and outpatient volumes and higher reimbursement rates, partially offset by lower acuity and unfavorable changes in payor mix. Non-same-store net operating revenues decreased $54 million during the three months ended March 31, 2023, compared to the same period in 2022. On a consolidated basis, inpatient admissions increased by 1.2% and adjusted admissions increased by 5.8% during the three months ended March 31, 2023, compared to the same period in 2022. On a same-store basis, net operating revenues per adjusted admission decreased 7.1%, while inpatient admissions increased by 4.8% and adjusted admissions increased by 9.4% for the three months ended March 31, 2023, compared to the same period in 2022.

Operating costs and expenses, as a percentage of net operating revenues, increased from 91.3% during the three months ended March 31, 2022 to 93.2% during the three months ended March 31, 2023. Operating costs and expenses, excluding depreciation and amortization and impairment and (gain) loss on sale of businesses, as a percentage of net operating revenues, increased from 87.0% for the three months ended March 31, 2022 to 89.7% for the three months ended March 31, 2023. Salaries and benefits, as a percentage of net operating revenues, increased from 42.6% for the three months ended March 31, 2022 to 43.9% for the three months ended March 31, 2023, primarily due to wage increases driven by inflation and current competitive labor market conditions. Supplies, as a percentage of net operating revenues, increased from 16.0% for the three months ended March 31, 2022 to 16.3% for the three months ended March 31, 2023. Other operating expenses, as a percentage of net operating revenues, decreased from 27.4% for the three months ended March 31, 2022 to 26.9% for the three months ended March 31, 2023, primarily due to lower costs for contract labor partially offset by higher costs for professional liability insurance and higher rates paid for outsourced medical specialists. Lease cost and rent, as a percentage of net operating revenues, increased from 2.5% for the three months ended March 31, 2022 to 2.6% for the three months ended March 31, 2023. Pandemic relief funds, as a percentage of net operating revenues, were 0.0% for the three months ended March 31, 2023, compared to (1.5)% for the same period in 2022.

Depreciation and amortization, as a percentage of net operating revenues, increased to 4.2% for the three months ended March 31, 2023 from 4.1% for the three months ended March 31, 2022.

Impairment and (gain) loss on sale of businesses, net was a gain of $22 million for the three months ended March 31, 2023, compared to expense of $6 million for the same period in 2022. The gain in 2023 and the expense in 2022 related primarily to divestitures during each respective period as discussed more specifically under “Acquisition, Divestiture and Closure Activity” herein.

Interest expense, net, decreased by $10 million to $207 million for the three months ended March 31, 2023, compared to $217 million for the same period in 2022 due primarily to financing activities in 2022.

There was no loss from early extinguishment of debt recognized during the three months ended March 31, 2023, compared to a loss from early extinguishment of debt of $5 million in the same period in 2022.

Equity in earnings of unconsolidated affiliates, as a percentage of net operating revenues, decreased to (0.1)% for the three months ended March 31, 2023 from (0.2)% for the three months ended March 31, 2022.

The net results of the above-mentioned changes resulted in income before income taxes decreasing $47 million to $6 million for the three months ended March 31, 2023 from $53 million for the three months ended March 31, 2022.

Our provision for income taxes for the three months ended March 31, 2023 and 2022 was $26 million and $23 million, respectively, and the effective tax rates were 433.3% and 43.4% for the three months ended March 31, 2023 and 2022, respectively. The increase in the provision for income taxes for the three months ended March 31, 2023, compared to the same period in 2022 was due to an increase in non-deductible interest for the three months ended March 31, 2023 compared to the same period in 2022. The difference in our effective tax rate for the year ended March 31, 2023, compared to the same period in 2022 was due to the aforementioned increase in the provision for income taxes and the decline in income before taxes.

Net loss, as a percentage of net operating revenues, was (0.6)% for the three months ended March 31, 2023, compared to net income of 1.0% for the same period in 2022.

Net income attributable to noncontrolling interests as a percentage of net operating revenues was 1.0% for both the three months ended March 31, 2023 and 2022.

Net loss attributable to Community Health Systems, Inc. stockholders was $(51) million for the three months ended March 31, 2023, compared to $(1) million for the same period in 2022.

Liquidity and Capital Resources

Net cash provided by operating activities decreased $96 million, from approximately $101 million for the three months ended March 31, 2022, to approximately $5 million for the three months ended March 31, 2023. Cash paid for interest was $197 million during the three months ended March 31, 2023, compared to $242 million for the same period in 2022. Cash paid for income taxes, net of refunds received, resulted in a net payment of less than $1 million and $2 million during the three months ended March 31, 2023 and 2022, respectively.

Net cash used in investing activities was approximately $19 million for the three months ended March 31, 2023, compared to approximately $121 million for the same period in 2022, a decrease of $102 million. Net cash used in investing activities during the three months ended March 31, 2023 was primarily impacted by an increase of $7 million in cash paid for acquisitions of facilities and other related businesses, an increase of $25 million in cash used for the purchase of property and equipment, an increase of $2 million in cash used to purchase other investments and an increase of $1 million in cash used to purchase investments in unconsolidated affiliates. These increased uses of cash were partially offset by an increase of $5 million in cash proceeds from the sale of property and equipment, an increase of $42 million in cash from the net impact of the purchases and sales of available-for-sale debt and equity securities and an increase of $90 million in cash proceeds from dispositions of hospitals and other ancillary operations.

Our net cash provided by financing activities was approximately $40 million for the three months ended March 31, 2023, compared to net cash used in financing activities of approximately $27 million for the same period in 2022, a change of $67 million. This was primarily due to the net effect of our debt borrowings and repayments during the three months ended March 31, 2023 compared to 2022.

Liquidity

Net working capital was approximately $982 million at March 31, 2023 and $896 million at December 31, 2022, respectively. Net working capital increased by approximately $86 million between December 31, 2022 and March 31, 2023. The increase is primarily due to the increase in cash and prepaid expenses and taxes and decreases in accounts payable and accrued liabilities for employee

compensation during the three months ended March 31, 2023, partially offset by a decrease in prepaid income taxes and an increase in other accrued liabilities and current maturities of long-term debt.

In addition to cash flows from operations, available sources of capital include amounts available under the asset-based loan (ABL) credit agreement, or the ABL Credit Agreement, as amended and restated on November 22, 2021, and anticipated access to public and private debt markets as well as proceeds from the disposition of hospitals or other investments such as our minority equity interests in various businesses, as applicable.

Pursuant to the ABL Credit Agreement, the lenders have extended to CHS/Community Health Systems, Inc., or CHS, a revolving asset-based loan facility, or ABL Facility. The maximum aggregate amount under the ABL Facility is $1.0 billion, subject to borrowing base capacity. At March 31, 2023, we had outstanding borrowings of $125 million and approximately $792 million of additional borrowing capacity (after taking into consideration $83 million of outstanding letters of credit) under the ABL Facility. The issued letters of credit were primarily in support of potential insurance-related claims and certain bonds. Principal amounts outstanding under the ABL Facility, if any, will be due and payable in full on November 22, 2026.

Additional Liquidity Information

Our ability to meet the restricted covenants and financial ratios and tests in the ABL Facility and the indentures governing our outstanding notes can be affected by events beyond our control, and we cannot assure you that we will meet those tests. A breach of any of these covenants could result in a default under the ABL Facility and/or the indentures that govern our outstanding notes. Upon the occurrence of an event of default under the ABL Facility or indentures that govern our outstanding notes, all amounts outstanding under the ABL Facility and the indentures that govern our outstanding notes may become immediately due and payable and all commitments under the ABL Facility to extend further credit may be terminated.

As of March 31, 2023, approximately $39 million of our outstanding debt of approximately $11.7 billion is due within the next 12 months.

Net proceeds from divestitures, if any, are expected to be used for general corporate purposes (including potential debt repayments and/or debt repurchases) and capital expenditures.

As previously discussed, we may require an increased level of working capital if we experience extended billing and collection cycles resulting from ongoing negative economic conditions, which may impact service mix, revenue mix, payor mix and patient volumes, as well as our ability to collect outstanding receivables. A material increase in the amount or deterioration in the collectability of accounts receivable would adversely affect our cash flows and results of operations, requiring an increased level of working capital.

We believe that internally generated cash flows and current levels of availability for additional borrowing under the ABL Facility, as well as our continued access to the capital markets, will be sufficient to finance acquisitions, capital expenditures, working capital requirements, and any debt repurchases or other debt repayments we may elect to make or be required to make through the next 12 months and the foreseeable future thereafter. However, ongoing negative economic conditions (including inflationary conditions and elevated interest rate levels) have resulted in, and may continue to result in, significant disruptions of financial and capital markets, which could reduce our ability to access capital and negatively affect our liquidity in the future. Moreover, we do not expect to receive or recognize any significant level of payments or benefits under the CARES Act and other existing legislation in future periods.

We may elect from time to time to purchase our outstanding debt in open market purchases, privately negotiated transactions or otherwise. Any such debt repurchases will depend upon prevailing market conditions, our liquidity requirements, contractual restrictions, applicable securities law requirements and other factors.

There have been no material changes outside of the ordinary course of business to our upcoming cash obligations during the three months ended March 31, 2023, from those disclosed under “Capital Resources” in Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K filed with the SEC on February 17, 2023, or 2022 Form 10-K.

Capital Resources

Cash expenditures for purchases of facilities and other related businesses were approximately $8 million for the three months ended March 31, 2023, compared to $1 million for the same period in 2022. Our expenditures for the three months ended March 31, 2023 and 2022 were primarily related to physician practices, clinics, ambulatory surgery centers and other ancillary businesses.

Excluding the cost to construct replacement and de novo hospitals, our cash expenditures for routine capital for the three months ended March 31, 2023 totaled $118 million compared to $64 million in 2022. These capital expenditures related primarily to the purchase of additional equipment, minor renovations and information systems infrastructure. Costs to construct replacement hospitals totaled less than $1 million and $12 million for the three months ended March 31, 2023 and 2022, respectively. During the three months ended March 31, 2023 and 2022, we also had cash expenditures of $4 million and $21 million, respectively, that represent both planning and construction costs primarily for de novo hospitals.

Pursuant to a hospital purchase agreement from our March 1, 2016 acquisition of Northwest Health - Starke, formerly known as Starke Hospital, we committed to build a replacement facility in Knox, Indiana. Construction of the replacement facility for Northwest Health - Starke is required to be completed within five years of the date we enter into a new lease with Starke County, Indiana, the hospital lessor, or in the event we do not enter into a new lease with Starke County, construction shall be completed by September 30, 2026. We have not entered into a new lease with the lessor for Northwest Health - Starke and currently anticipate completing construction of the Northwest Health - Starke replacement facility in 2026.

Reimbursement, Legislative and Regulatory Changes

Ongoing legislative and regulatory efforts, and judicial interpretations, could reduce or otherwise adversely affect the payments we receive from Medicare and Medicaid and other payors. Within the statutory framework of the Medicare and Medicaid programs, there are substantial areas subject to administrative rulings, interpretations and discretion, and which are at times subject to court challenges, which may further affect payments made under those programs. Further, the federal and state governments might, in the future, reduce the funds available under those programs, require repayment of previously received funds or require more stringent utilization and quality reviews of hospital facilities. Additionally, there may be a continued rise in managed care programs and additional restructuring of the financing and delivery of healthcare in the United States. These events could cause our future financial results to be adversely impacted. We cannot estimate the impact of Medicare and Medicaid reimbursement changes that have been enacted or are currently or may in the future be under consideration. We cannot predict whether additional reimbursement reductions will be made or whether any such changes or other restructuring of the financing and delivery of healthcare would have a material adverse effect on our business, financial conditions, results of operations, cash flow, capital resources and liquidity.

Critical Accounting Policies

The discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amount of assets and liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of our condensed consolidated financial statements. Actual results may differ from these estimates under different assumptions or conditions.

Critical accounting policies are defined as those policies that involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on the financial condition or results of operations of the registrant. We believe that our critical accounting policies are limited to those described below. The following information should be read in conjunction with our significant accounting policies included in Note 1 of the Notes to the Consolidated Financial Statements included under Part II, Item 8 of our 2022 Form 10-K.

Revenue Recognition

Net operating revenues include amounts estimated by management to be reimbursable by Medicare and Medicaid under prospective payment systems and provisions of cost-reimbursement and other payment methods. In addition, we are reimbursed by non-governmental payors using a variety of payment methodologies. Amounts we receive for treatment of patients covered by these programs are generally less than the standard billing rates. Explicit price concessions are recorded for contractual allowances that are calculated and recorded through a combination of internally- and externally-developed data collection and analysis tools to automate the monthly estimation of required contractual allowances. Within these automated systems, payors' historical paid claims data and contracted amounts are utilized to calculate the contractual allowances. This data is updated on a monthly basis. All hospital contractual allowance calculations are subjected to monthly review by management to ensure reasonableness and accuracy. We account for the differences between the estimated program reimbursement rates and the standard billing rates as contractual allowance adjustments, which is one component of the deductions from gross revenues to arrive at net operating revenues. The process of estimating contractual allowances requires us to estimate the amount expected to be received based on payor contract provisions. The key assumption in this process is the estimated contractual reimbursement percentage, which is based on payor classification, historical paid claims data and, when applicable, application of the expected managed care plan reimbursement based on contract terms.

Due to the complexities involved in these estimates, actual payments we receive could be different from the amounts we estimate and record. If the actual contractual reimbursement percentage under government programs and managed care contracts differed by 1% at March 31, 2023 from our estimated reimbursement percentage, net loss for the three months ended March 31, 2023 would have changed by approximately $95 million, and net accounts receivable at March 31, 2023 would have changed by $122 million. Final settlements under some of these programs are subject to adjustment based on administrative review and audit by third parties. We account for adjustments to previous program reimbursement estimates as contractual allowance adjustments and report them in the periods that such adjustments become known. Contractual allowance adjustments related to final settlements and previous program reimbursement estimates impacted net operating revenues by an insignificant amount for the three-month periods ended March 31, 2023 and 2022.

Patient Accounts Receivable

Substantially all of our accounts receivable are related to providing healthcare services to patients at our hospitals and affiliated businesses. Collection of these accounts receivable is our primary source of cash and is critical to our operating performance. Our primary collection risks relate to uninsured patients and outstanding patient balances for which the primary insurance payor has paid some but not all of the outstanding balance, with the remaining outstanding balance (generally deductibles and co-payments) owed by the patient. For all procedures scheduled in advance, our policy is to verify insurance coverage prior to the date of the procedure. Insurance coverage is not verified in advance of procedures for walk-in and emergency room patients.

We estimate any adjustments to the transaction price for implicit price concessions by reserving a percentage of all self-pay accounts receivable without regard to aging category, based on collection history, adjusted for expected recoveries and any anticipated changes in trends. Our ability to estimate the transaction price and any implicit price concessions is not impacted by not utilizing an aging of our net accounts receivable as we believe that substantially all of the risk exists at the point in time such accounts are identified as self-pay. The percentage used to reserve for all self-pay accounts is based on our collection history. We believe that we collect substantially all of our third-party insured receivables, which include receivables from governmental agencies.

Patient accounts receivable can be impacted by the effectiveness of our collection efforts and, as described in our significant accounting policies included in Note 1 of the Notes to Condensed Consolidated Financial Statements included under Part I, Item 1 of this Form 10-Q, numerous factors may affect the net realizable value of accounts receivable. If the actual collection percentage differed by 1% at March 31, 2023 from our estimated collection percentage as a result of a change in expected recoveries, net loss for the three months ended March 31, 2023 would have changed by $38 million, and net accounts receivable at March 31, 2023 would have changed by $48 million. We also continually review our overall reserve adequacy by monitoring historical cash collections as a percentage of trailing net operating revenues, as well as by analyzing current period net operating revenues and admissions by payor classification, days revenue outstanding, the composition of self-pay receivables between pure self-pay patients and the patient responsibility portion of third-party insured receivables and the impact of recent acquisitions and dispositions.

Our policy is to write-off gross accounts receivable if the balance is under $10.00 or when such amounts are placed with outside collection agencies. We believe this policy accurately reflects our ongoing collection efforts and is consistent with industry practices. We had approximately $1.7 billion at both March 31, 2023 and December 31, 2022, being pursued by various outside collection agencies. We expect to collect less than 4%, net of estimated collection fees, of the amounts being pursued by outside collection agencies. As these amounts have been written-off, they are not included in our accounts receivable. Collections on amounts previously written-off are recognized as a recovery of net operating revenues when received. However, we take into consideration estimated collections of these future amounts written-off in determining the implicit price concessions used to measure the transaction price for the applicable portfolio of patient accounts receivable.

All of the following information is derived from our hospitals, excluding clinics, unless otherwise noted.

Patient accounts receivable from our hospitals represent approximately 99% of our total consolidated accounts receivable.

Days revenue outstanding, adjusted for the impact of receivables for state Medicaid supplemental payment programs and divested facilities, was 56 days at both March 31, 2023 and December 31, 2022.

Total gross accounts receivable (prior to allowance for contractual adjustments and implicit price concessions) was approximately $16.8 billion and $15.9 billion as of March 31, 2023 and December 31, 2022, respectively. The approximate percentage of total gross accounts receivable (prior to allowance for contractual adjustments and implicit price concessions) summarized by aging categories is as follows:

As of March 31, 2023:

	% of Gross Receivables			
Payor	**0 - 90 Days**	**90 - 180 Days**	**180 - 365 Days**	**Over 365 Days**
Medicare	12%	—%	—%	—%
Medicare Managed Care	17%	3%	3%	1%
Medicaid	7%	1%	1%	1%
Managed Care and other third-party payors	18%	3%	2%	2%
Self-Pay	6%	5%	9%	9%

As of December 31, 2022:

	% of Gross Receivables			
Payor	**0 - 90 Days**	**90 - 180 Days**	**180 - 365 Days**	**Over 365 Days**
Medicare	11%	1%	—%	—%
Medicare Managed Care	15%	3%	3%	1%
Medicaid	7%	1%	1%	1%
Managed Care and other third-party payors	18%	3%	3%	2%
Self-Pay	7%	6%	8%	9%

The approximate percentage of total gross accounts receivable (prior to allowances for contractual adjustments and implicit price concessions) summarized by payor is as follows:

	March 31, 2023	**December 31, 2022**
Insured receivables	71.5%	69.5%
Self-pay receivables	28.5	30.5
Total	100.0%	100.0%

The combined total at our hospitals and clinics for the estimated implicit price concessions for self-pay accounts receivable and allowances for other self-pay discounts and contractuals, as a percentage of gross self-pay receivables, was approximately 91% at both March 31, 2023 and December 31, 2022. If the receivables that have been written-off, but where collections are still being pursued by outside collection agencies, were included in both the allowances and gross self-pay receivables specified above, the percentage of combined allowances to total self-pay receivables would have been 93% at both March 31, 2023 and December 31, 2022.

Goodwill

At March 31, 2023, we had approximately $4.1 billion of goodwill recorded, all of which resides at our hospital operations reporting unit. Goodwill represents the excess of the fair value of the consideration conveyed in an acquisition over the fair value of net assets acquired. Goodwill is evaluated for impairment annually and when an event occurs or circumstances change that, more likely than not, reduce the fair value of the reporting unit below its carrying value. We performed our last annual goodwill impairment evaluation during the fourth quarter of 2022 using the October 31, 2022 measurement date, which indicated no impairment.

The determination of fair value in our goodwill impairment analysis is based on an estimate of fair value for the hospital operations reporting unit utilizing known and estimated inputs at the evaluation date. Some of those inputs include, but are not limited to, the most recent price of our common stock and fair value of our long-term debt, our recent financial results, estimates of future revenue and expense growth, estimated market multiples, expected capital expenditures, income tax rates, costs of invested capital and a discount rate.

Future estimates of fair value could be adversely affected if the actual outcome of one or more of the assumptions described above changes materially in the future, including as a result of any decline in or volatility of our stock price and the fair value of our long-term debt, lower than expected hospital volumes and/or net operating revenues, higher market interest rates, increased operating costs

or other adverse impacts on our financial results. Such changes impacting the calculation of our fair value could result in a material impairment charge in the future.

Professional Liability Claims

As part of our business of providing healthcare services, we are subject to legal actions alleging liability on our part. We accrue for losses resulting from such liability claims, as well as loss adjustment expenses that are out-of-pocket and directly related to such liability claims. These direct out-of-pocket expenses include fees of outside counsel and experts. We do not accrue for costs that are part of our corporate overhead, such as the costs of our in-house legal and risk management departments. The losses resulting from professional liability claims primarily consist of estimates for known claims, as well as estimates for incurred but not reported claims. The estimates are based on specific claim facts, our historical claim reporting and payment patterns, the nature and level of our hospital operations, and actuarially determined projections. The actuarially determined projections are based on our actual claim data, including historic reporting and payment patterns which have been gathered over the life of the Company. As discussed below, since we purchase excess insurance on a claims-made basis that transfers risk to third-party insurers, the estimated liability for professional and general liability claims does include an amount for the losses covered by our excess insurance. We also record a receivable for the expected reimbursement of losses covered by our excess insurance. Since we believe that the amount and timing of our future claims payments are reliably determinable, we discount the amount we accrue for losses resulting from professional liability claims.

The net present value of the projected payments was discounted using a weighted-average risk-free rate of approximately 3.8% at both March 31, 2023 and December 31, 2022. This liability is adjusted for new claims information in the period such information becomes known to us. Professional liability expense includes the losses resulting from professional liability claims and loss adjustment expense, as well as excess insurance premiums, and is presented within other operating expenses in the accompanying condensed consolidated statements of loss.

Our processes for obtaining and analyzing claims and incident data are standardized across all of our businesses and have been consistent for many years. We monitor the outcomes of the medical care services that we provide and for each reported claim, we obtain various information concerning the facts and circumstances related to that claim. In addition, we routinely monitor current key statistics and volume indicators in our assessment of utilizing historical trends. The average lag period between claim occurrence and payment of a final settlement is between three and four years, although the facts and circumstances of individual claims could result in the timing of such payments being different from this average. Since claims are paid promptly after settlement with the claimant is reached, settled claims represent approximately less than 1% of the total liability at the end of any period.

For purposes of estimating our individual claim accruals, we utilize specific claim information, including the nature of the claim, the expected claim amount, the year in which the claim occurred and the laws of the jurisdiction in which the claim occurred. Once the case accruals for known claims are determined, information is stratified by loss layers and retentions, accident years, reported years and geography. Several actuarial methods are used against this data to produce estimates of ultimate paid losses and reserves for incurred but not reported claims. Each of these methods uses our company-specific historical claims data and other information. Company-specific data includes information regarding our business, including historical paid losses and loss adjustment expenses, historical and current case loss reserves, actual and projected hospital statistical data, a variety of hospital census information, employed physician information, professional liability retentions for each policy year, geographic information and other data. Significant assumptions are made on the basis of the aforementioned information in estimating reserves for incurred but not reported claims. A 1% change in assumptions for either severity or frequency as of March 31, 2023 would have increased or decreased the reserve between $5 million to $15 million.

Based on these analyses, we determine our estimate of the professional liability claims. The determination of management’s estimate, including the preparation of the reserve analysis that supports such estimate, involves subjective judgment of management. Changes in reserve data or the trends and factors that influence reserve data may signal fundamental shifts in our future claim development patterns or may simply reflect single-period anomalies. Even if a change reflects a fundamental shift, the full extent of the change may not become evident until years later. Moreover, since our methods and models use different types of data and we select our liability from the results of all of these methods, we typically cannot quantify the precise impact of such factors on our estimates of the liability. Due to our standardized and consistent processes for handling claims and the long history and depth of our company-specific data, our methodologies have historically produced reliably determinable estimates of ultimate paid losses. Management considers any changes in the amount and pattern of its historical paid losses up through the most recent reporting period to identify any fundamental shifts or trends in claim development experience in determining the estimate of professional liability claims. However, due to the subjective nature of this estimate and the impact that previously unforeseen shifts in actual claim experience can have, future estimates of professional liability could be adversely impacted when actual paid losses develop unexpectedly based on assumptions and settlement events that were not previously known or anticipated.

We are primarily self-insured for professional liability claims; however, we obtain excess insurance that transfers the risk of loss to a third-party insurer for claims in excess of our self-insured retentions. Our excess insurance is underwritten on a claims-made basis. For claims reported prior to June 1, 2002, substantially all of our professional and general liability risks were subject to a less than

$1 million per occurrence self-insured retention and for claims reported from June 1, 2002 through June 1, 2003, these self-insured retentions were $2 million per occurrence. Substantially all claims reported after June 1, 2003 and before June 1, 2005 are self-insured up to $4 million per claim. Substantially all claims reported on or after June 1, 2005 and before June 1, 2014 are self-insured up to $5 million per claim. Substantially all claims reported on or after June 1, 2014 and before June 1, 2018 are self-insured up to $10 million per claim. Substantially all claims reported on or after June 1, 2018 are self-insured up to $15 million per claim. Management, on occasion, has selectively increased the insured risk at certain hospitals based upon insurance pricing and other factors and may continue that practice in the future.

Excess insurance for all hospitals has been purchased through commercial insurance companies and generally covers us for liabilities in excess of the self-insured retentions. The excess coverage consists of multiple layers of insurance, the sum of which totals up to $95 million per occurrence and in the aggregate for claims reported on or after June 1, 2003, up to $145 million per occurrence and in the aggregate for claims reported on or after January 1, 2008, up to $195 million per occurrence and in the aggregate for claims reported on or after June 1, 2010, and up to at least $216 million per occurrence and in the aggregate for claims reported on or after June 1, 2015. In addition, for integrated occurrence professional liability claims, there is an additional $50 million of excess coverage for claims reported on or after June 1, 2014 and an additional $75 million of excess coverage for claims reported on or after June 1, 2015 through June 1, 2020. The $75 million in integrated occurrence coverage will also apply to claims reported between June 1, 2020 and June 1, 2023 for events that occurred prior to June 1, 2020 but which were not previously known or reported. For certain policy years prior to June 1, 2014, if the first aggregate layer of excess coverage becomes fully utilized, then the self-insured retention will increase to $10 million per claim for any subsequent claims in that policy year until our total aggregate coverage is met. Beginning June 1, 2018, this drop-down provision in the excess policies attaches over the $15 million per claim self-insured retention.

Effective June 1, 2014, the hospitals acquired from Health Management Associates, Inc., or HMA, were insured on a claims-made basis as described above and through commercial insurance companies as described above for substantially all claims reported on or after June 1, 2014 except for physician-related claims with an occurrence date prior to June 1, 2014. Prior to June 1, 2014, the former HMA hospitals obtained insurance coverage through a wholly-owned captive insurance subsidiary and a risk retention group subsidiary, or Insurance Subsidiaries, that are domiciled in the Cayman Islands and South Carolina, respectively. The Insurance Subsidiaries provided (i) claims-made coverage to all of the former HMA hospitals and (ii) occurrence-basis coverage to most of the physicians employed by the former HMA hospitals. The employed physicians not covered by the Insurance Subsidiaries generally maintained claims-made policies with unrelated third-party insurance companies. To mitigate the exposure of the program covering the former HMA hospitals and other healthcare facilities, the Insurance Subsidiaries bought claims-made reinsurance policies from unrelated third parties for claims above self-retention levels of $10 million or $15 million per claim, depending on the policy year.

There were no significant changes in our estimate of the reserve for professional liability claims during the three months ended March 31, 2023.

Income Taxes

We must make estimates in recording provision for income taxes, including determination of deferred tax assets and deferred tax liabilities and any valuation allowances that might be required against the deferred tax assets. We believe that future income will enable us to realize certain deferred tax assets, subject to the valuation allowance we have established.

The total amount of unrecognized benefit that would impact the effective tax rate, if recognized, was $11 million at March 31, 2023. A total of less than $1 million of interest and penalties is included in the amount of liability for uncertain tax positions at March 31, 2023. It is our policy to recognize interest and penalties related to unrecognized benefits in our condensed consolidated statements of loss as income tax expense.

It is possible the amount of unrecognized tax benefit could change in the next 12 months as a result of a lapse of the statute of limitations and settlements with taxing authorities; however, we do not anticipate the change will have a material impact on our consolidated results of operations or consolidated financial position.

Our federal income tax return for the 2014, 2015 and 2018 tax years are under examination by the Internal Revenue Service. We believe the result of this examination will not be material to our consolidated results of operations or consolidated financial position. In addition, we have extended our federal statute of limitations through December 31, 2023 for the tax period ended December 31, 2018.

FORWARD-LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. Statements that are predictive in nature, that depend upon or refer to future events or conditions or that include words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “estimates,” “thinks,” and similar expressions are forward-looking statements. These statements involve known and unknown risks, uncertainties, and other factors that may cause our actual results and performance to be materially different from any future results or performance expressed or implied by these forward-looking statements. A number of factors could affect the future results of the Company or the healthcare industry generally and could cause the Company’s expected results to differ materially from those expressed in this Form 10-Q. These factors include, among other things:

- general economic and business conditions, both nationally and in the regions in which we operate, including the current negative macroeconomic conditions, ongoing inflationary pressures that have significantly increased and may continue to significantly increase our expenses, the current high interest rate environment, ongoing challenging labor market conditions and labor shortages, and supply chain shortages and disruptions, including the current and/or potential future adverse impact of such economic conditions and other factors on our net operating revenues (including our service mix, revenue mix, payor mix and/or patient volumes) and our ability to collect outstanding receivables, as well as the potential impact on us of financial and capital market instability and/or disruptions to the banking system due to bank failures and other factors, including any potential impact on our ability to access and or obtain the return of cash and cash equivalents, and/or our ability to access credit, liquidity and capital market sources on acceptable terms or at all;
- the impact of current or future federal and state health reform initiatives, including the Affordable Care Act, and the potential for changes to the Affordable Care Act, its implementation or its interpretation (including through executive orders and court challenges);
- the extent to and manner in which states support increases, decreases or changes in Medicaid programs, implement health insurance exchanges or alter the provision of healthcare to state residents through legislation, regulation or otherwise;
- the future and long-term viability of health insurance exchanges and potential changes to the beneficiary enrollment process;
- risks associated with our substantial indebtedness, leverage and debt service obligations, including our ability to refinance such indebtedness on acceptable terms or to incur additional indebtedness, and our ability to remain in compliance with debt covenants;
- demographic changes;
- changes in, or the failure to comply with, federal, state or local laws or governmental regulations affecting our business;
- potential adverse impact of known and unknown legal, regulatory and governmental proceedings and other loss contingencies, including governmental investigations and audits, and federal and state false claims act litigation;
- our ability, where appropriate, to enter into and maintain provider arrangements with payors and the terms of these arrangements, which may be further affected by the increasing consolidation of health insurers and managed care companies and vertical integration efforts involving payors and healthcare providers;
- changes in, or the failure to comply with, contract terms with payors and changes in reimbursement policies or rates paid by federal or state healthcare programs or commercial payors;
- any security breaches, cyber-attacks, loss of data, other cybersecurity threats or incidents, and any actual or perceived failures to comply with legal requirements governing the privacy and security of health information or other regulated, sensitive or confidential information, or legal requirements regarding data privacy or data protection, and the impact of the security breach announced by us on February 13, 2023, including legal, reputational, and financial risks associated with this security breach, existing and/or any future litigation associated with this security breach, any potential regulatory inquiries to which we may become subject in connection with this security breach, and the extent of remediation and other additional costs that may be incurred by us in connection with this security breach;
- any potential impairments in the carrying value of goodwill, other intangible assets, or other long-lived assets, or changes in the useful lives of other intangible assets;
- changes in inpatient or outpatient Medicare and Medicaid payment levels and methodologies;
- the effects related to the implementation of the sequestration spending reductions pursuant to both the Budget Control Act of 2011 and the Pay-As-You-Go Act of 2010 and the potential for future deficit reduction legislation;

- increases in the amount and risk of collectability of patient accounts receivable, including decreases in collectability which may result from, among other things, self-pay growth and difficulties in recovering payments for which patients are responsible, including co-pays and deductibles;
- the efforts of insurers, healthcare providers, large employer groups and others to contain healthcare costs, including the trend toward value-based purchasing;
- the impact of competitive labor market conditions and the shortage of nurses, including in connection with our ability to hire and retain qualified nurses, physicians, other medical personnel and key management, and increased labor expenses as a result of such competitive labor market conditions, inflation and competition for such positions;
- any failure to obtain medical supplies or pharmaceuticals at favorable prices;
- liabilities and other claims asserted against us, including self-insured professional liability claims;
- competition;
- trends toward treatment of patients in less acute or specialty healthcare settings, including ambulatory surgery centers or specialty hospitals or via telehealth;
- changes in medical or other technology;
- changes in U.S. GAAP;
- the availability and terms of capital to fund any additional acquisitions or replacement facilities or other capital expenditures;
- our ability to successfully make acquisitions or complete divestitures, our ability to complete any such acquisitions or divestitures on desired terms or at all, the timing of the completion of any such acquisitions or divestitures, and our ability to realize the intended benefits from any such acquisitions or divestitures;
- the impact that changes in our relationships with joint venture or syndication partners could have on effectively operating our hospitals or ancillary services or in advancing strategic opportunities;
- our ability to successfully integrate any acquired hospitals and/or outpatient facilities, or to recognize expected synergies from acquisitions;
- the impact of severe weather conditions and climate change, as well as the timing and amount of insurance recoveries in relation to severe weather events;
- our ability to obtain adequate levels of insurance, including cyber, general liability, professional liability, and directors and officers liability insurance;
- timeliness of reimbursement payments received under government programs;
- effects related to pandemics, epidemics, or outbreaks of infectious diseases, including the coronavirus causing the disease known as COVID-19;
- developments related to COVID-19, including, without limitation, related to the length and severity of the pandemic and the spread of potentially more contagious and/or virulent forms of the virus, including variants of the virus for which currently available vaccines, treatments and tests may not be effective or authorized;
- any failure to comply with our obligations under license or technology agreements;
- challenging economic conditions in non-urban communities in which we operate;
- the concentration of our revenue in a small number of states;
- our ability to realize anticipated cost savings and other benefits from our current strategic and operational cost savings initiatives;
- any changes in or interpretations of income tax laws and regulations; and
- the risk factors set forth in our 2022 Form 10-K and our other public filings with the SEC.

Although we believe that these forward-looking statements are based upon reasonable assumptions, these assumptions are inherently subject to significant regulatory, economic and competitive uncertainties and contingencies, which are difficult or impossible to predict accurately and may be beyond our control. Accordingly, we cannot give any assurance that our expectations will in fact occur, and we caution that actual results may differ materially from those in the forward-looking statements. Given these uncertainties, prospective investors are cautioned not to place undue reliance on these forward-looking statements. These forward-looking statements are made as of the date of this filing. We undertake no obligation to revise or update any forward-looking statements, or to make any other forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3. ***Quantitative and Qualitative Disclosures about Market Risk***

During the three months ended March 31, 2023, there have been no material changes in the quantitative and qualitative disclosures set forth in Item 7A. Quantitative and Qualitative Disclosures about Market Risk in our 2022 Form 10-K.

Item 4. ***Controls and Procedures***

Our Chief Executive Officer and Chief Financial Officer, with the participation of other members of management, have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) under the Securities and Exchange Act of 1934, as amended, as of the end of the period covered by this report. Based on such evaluations, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective (at the reasonable assurance level) to ensure that the information required to be included in this report has been recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and to ensure that the information required to be included in this report was accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

There have been no changes in our internal control over financial reporting during the three months ended March 31, 2023 that have materially affected or are reasonably likely to materially affect our internal controls over financial reporting.

PART II OTHER INFORMATION

Item 1. ***Legal Proceedings***

From time to time, we receive inquiries or subpoenas from state regulators, state Medicaid Fraud Control units, fiscal intermediaries, CMS, the U.S. Department of Justice and other government entities regarding various Medicare and Medicaid issues. In addition to the matters discussed below, we are currently responding to subpoenas and administrative demands concerning (a) certain emergency care services provided at one of our Texas hospitals; (b) billing for certain behavioral health services performed at one of our Arkansas hospitals; and (c) billing for certain therapeutic drugs at a physician practice affiliated with one of our Pennsylvania hospitals. In addition, we are subject to other claims and lawsuits arising in the ordinary course of our business including lawsuits and claims related to billing and collection practices at our hospitals. Based on current knowledge, management does not believe that loss contingencies arising from pending legal, regulatory and governmental matters, including the matters described herein, will have a material adverse effect on the consolidated financial position or liquidity of the Company. However, in light of the inherent uncertainties involved in pending legal, regulatory and governmental matters, some of which are beyond our control, and the very large or indeterminate damages sought in some of these matters, an adverse outcome in one or more of these matters could be material to our results of operations or cash flows for any particular reporting period. Settlements of suits involving Medicare and Medicaid issues routinely require both monetary payments as well as corporate integrity agreements. Additionally, qui tam or "whistleblower" actions initiated under the FCA may be pending but placed under seal by the court to comply with the FCA's requirements for filing such suits. In September 2014, the Criminal Division of the U.S. Department of Justice announced that all qui tam cases will be shared with their Division to determine if a parallel criminal investigation should be opened. The Criminal Division has also frequently stated an intention to pursue corporations in criminal prosecutions, including in its most recent Memorandum dated September 15, 2022. From time to time, we detect issues of non-compliance with Federal healthcare laws pertaining to claims submission and reimbursement practices and/or financial relationships with physicians. We avail ourselves of various mechanisms to address potential overpayments arising out of these issues, including repayment of claims, rebilling of claims, and participation in voluntary disclosure protocols offered by CMS and the Office of Inspector General. Participating in voluntary repayments and voluntary disclosure protocols can have the potential for significant settlement obligations or even enforcement action.

The following legal proceedings are described in detail because, although certain legal proceedings may not be required to be disclosed in this Part II, Item 1 under SEC rules, due to the nature of the business of the Company, we believe that the following discussion of these matters may provide useful information to security holders. This discussion does not include claims and lawsuits covered by medical malpractice, general liability or employment practices insurance and risk retention programs, none of which claims or lawsuits would in any event be required to be disclosed in this Part II, Item 1 under SEC rules.

Shareholder Litigation

Caleb Padilla, individually and on behalf of all others similarly situated v Community Health Systems, Inc., Wayne T. Smith, Larry Cash, and Thomas J. Aaron. This purported federal securities class action was filed in the United States District Court for the Middle District of Tennessee on May 30, 2019. It seeks class certification on behalf of purchasers of our common stock between February 20, 2017 and February 27, 2018 and alleges misleading statements resulted in artificially inflated prices for our common stock. On November 20, 2019, the District Court appointed Arun Bhattacharya and Michael Gaviria as lead plaintiffs in the case. The lead plaintiffs filed a consolidated class complaint on January 21, 2020. The Company filed a motion to dismiss the consolidated class complaint on March 23, 2020, and the District Court denied that motion on August 17, 2022. We have reached a tentative settlement of this matter, which is subject to the Court's approval. The hearing to determine the Court's preliminary approval of the settlement has not yet been set.

Padilla Derivative Litigation. Four purported shareholder derivative cases have been filed in two District Courts relating to the factual allegations in the Padilla litigation; three of these cases have been consolidated in *In re Community Health Systems, Inc. Shareholder Derivative Litigation* and are pending in the United States District Court for the District of Delaware*;* namely, *Faisal Hussain v. Wayne T. Smith, et al*, filed August 12, 2019; *Susheel Tanjavoor v. Wayne T. Smith, et al.*, filed August 29, 2019; and *Kevin Aronson v. Wayne T. Smith, et al*, filed April 29, 2020. The fourth case, *Roger Trombley v. Wayne T. Smith, et al*, filed August 20, 2019, is pending in the United States District Court for the Middle District of Tennessee. All four cases seek relief derivatively and on behalf of Community Health Systems, Inc. against certain Company officers and directors based on alleged breaches of fiduciary duty, unjust enrichment, and other acts related to certain Company disclosures in 2017 and 2018 regarding the Company's adoption of Accounting Standards Update 2014-09, which the Company adopted effective January 1, 2018. Both cases are currently stayed by court order until the United States District Court for the Middle District of Tennessee rules on the defendants' motion for summary judgment, which has yet to be filed, in the *Padilla* action.

Qui Tam Litigation

U.S. ex rel Larry Bomar v. Bayfront HMA Medical Center, LLC, et al – On September 14, 2017, our former hospital in St. Petersburg, Florida received a civil investigative demand, or CID, from the United States Department of Justice for information concerning its historic participation in the Florida Low Income Pool Program. The Low Income Pool Program, or LIP, is a funding pool to support healthcare providers that provide uncompensated care to Florida residents who are uninsured or underinsured. The CID sought documentation related to agreements between the hospital and Pinellas County. On June 13, 2019, an additional ten of our affiliated hospitals in Florida received CIDs related to the same subject matter, along with two CIDs addressed to our affiliated management company and the Parent Company. We cooperated fully with the investigation. On September 15, 2021, the United States District Court for the Middle District of Florida ordered the unsealing of this *qui tam* complaint, which contains allegations related to the information sought in the September 14, 2017 CID. Specifically, the relator claims our former hospital in St. Petersburg – Bayfront Medical Center St. Petersburg – along with other, unaffiliated hospitals violated the False Claims Act by allegedly making certain contributions to a non-profit entity for the purpose of receiving supplemental Medicaid funding. The United States has declined to intervene in the case. We filed a motion to dismiss on November 23, 2021, which the District Court granted without prejudice on January 24, 2023. The relator filed a First Amended Complaint on February 14, 2023, our response to which was filed on February 28, 2023. That motion is pending. We believe this matter is without merit and are vigorously defending this case.

Commercial Litigation and Other Lawsuits

Thomas Mason, MD, Steven Folstad, MD and Mid-Atlantic Emergency Medical Associates, PA v Health Management Associates, LLC f/k/a Health Management Associates, Inc., Mooresville Hospital Management Associates d/b/a Lake Norman Regional Medical Center, Statesville HMA, LLC d/b/a Davis Regional Medical Center, Envision Healthcare Corporation f/k/a Emergency Medical Services Corporation, Emcare Holdings, Inc., and Emergency Medical Services, LP. This alleged wrongful retaliation case is filed in the United States District Court for the Western District of North Carolina. The plaintiffs allege their agreements with the defendants were terminated in retaliation for plaintiffs' alleged refusal to admit patients unnecessarily to the defendant hospitals or otherwise perform unnecessary diagnostic testing. The allegations of the complaint relate to time periods prior to the hospitals' affiliation with the Company. The plaintiffs filed a Third Amended Complaint on April 26, 2019. The defendants filed motions to dismiss, which were granted in part and denied in part on September 5, 2019. We believe these claims are without merit and are vigorously defending this case.

Tower Health, f/k/a Reading Health System, et al v CHS/Community Health Systems, Inc., et al. This breach of contract action is pending in the United States District Court for the Eastern District of Pennsylvania. The plaintiffs allege breaches of an asset purchase agreement in connection with the sale of Pottstown Memorial Medical Center. The alleged breaches regard plaintiffs' contention that the defendants failed to disclose certain conditions related to the physical plant of the hospital, along with various other alleged breaches of the asset purchase agreement. The plaintiffs filed an amended complaint on July 22, 2019. Trial for this matter began May 3, 2021, and closed on October 5, 2021. On September 6, 2022, the District Court issued a Memorandum Opinion denying all of Tower Health's claims and entering a judgment in favor of the Company. The district Court also awarded the Company its attorneys' fees and costs. On October 4, 2022, Tower Health filed a Rule 59 motion to alter or amend the District Court's judgment and a Rule 15 motion to amend its pleadings. The Company has filed oppositions to both motions and has separately moved for its attorney's fees. All three motions are pending. We believe Tower Health's post judgment motions are without merit and are vigorously defending this case.

Daniel H. Golden, as Litigation Trustee of the QHC Litigation Trust, and Wilmington Savings Fund Society, FSB, solely in its capacity as indenture trustee v Community Health Systems, Inc., et al. A complaint in this case was filed on October 25, 2021 in the United States Bankruptcy Court for the District of Delaware against various persons, including the Company, certain subsidiaries of the Company, certain former executive officers of the Company and Credit Suisse Securities (USA) LLC. Plaintiff Daniel H. Golden is the litigation trustee for a litigation trust which was formed under the plan of reorganization of Quorum Health Corporation, or QHC, and certain affiliated entities confirmed by order of the United States Bankruptcy Court for the District of Delaware wherein QHC and certain affiliated entities contributed various causes of action to such litigation trust. Plaintiff Wilmington Savings Fund Society is the indenture trustee for certain notes issued by QHC. The complaint seeks damages and other forms of recovery arising out of certain alleged actions taken by the Company and the other defendants in connection with the spin-off of QHC which was completed on April 29, 2016, and includes claims for unjust enrichment and for avoidance of certain transactions and payments by QHC to the Company connected with the spin-off, including the $1.21 billion special dividend paid by QHC to the Company as part of the spin-off transactions. We filed a motion to dismiss on January 14, 2022, and oral argument on that motion was heard on July 21, 2022. On March 16, 2023, the District Court granted in part and denied in part our motion to dismiss. We believe these claims are without merit and will vigorously defend this case.

Cybersecurity Event

As previously disclosed on a Current Report on Form 8-K filed by us on February 13, 2023, Fortra, LLC, a third-party vendor that provides a secure file transfer software platform utilized by our subsidiaries experienced a security breach whereby Protected Health Information ("PHI") (as defined by HIPAA) and Personal Information ("PI") of certain patients of our healthcare facilities and certain facilities for which we performed services were exposed to Fortra's attacker. Upon receiving notification of the security breach, we promptly launched an investigation, which has now been completed. This security breach has had no impact on any of our information systems, and we have not experienced a material interruption of business, including the delivery of patient care. With regard to the PHI and PI compromised by the Fortra breach, we currently estimate that approximately one million individuals may have been affected by this attack. We have provided notice to substantially all of the individuals affected by this attack, and have offered such individuals two years of credit monitoring and protection. We have provided notice of the breach to the Office for Civil Rights, and we are in the process of providing required notices to various State Attorneys General. During the three months ended March 31, 2023, we incurred, and we may continue to incur in the future, expenses and losses related to this incident, some of which may not be covered by our cyber/privacy liability insurance policies. While we are continuing to measure the impact of this security breach, including certain remediation expenses, existing litigation (as noted below) and/or possible future litigation that may be filed against us in connection with this event and other potential liabilities, this incident has not had, and we do not currently believe this incident will have, a material adverse effect on our business, operations, or financial results.

We are currently party to two practically identical lawsuits, *Kuffrey v. Community Health Systems, Inc. and CHSPSC, LLC* and *Martin v Community Health Systems, Inc. and CHSPSC, LLC*, both filed in the United States District Court for the Middle District of Tennessee, in which the plaintiffs seek to represent a purported class of individuals who are alleged victims of the Fortra breach.

Item 1A. Risk Factors

There have been no material changes with regard to the risk factors previously disclosed in the 2022 Form 10-K.

Item 2. Unregistered Sale of Equity Securities and Use of Proceeds

The following table contains information about our purchases of common stock during the three months ended March 31, 2023.

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b)	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs (b)
January 1, 2023 -				
January 31, 2023	11,865	$ 4.53	—	—
February 1, 2023 -				
February 28, 2023	791	5.62	—	—
March 1, 2023 -				
March 31, 2023	686,544	6.15	—	—
Total	699,200	$ 6.12	—	—

(a) 699,200 shares were withheld to satisfy the payment of tax obligations related to the vesting of restricted stock awards.
(b) We had no publicly announced repurchase programs for shares of our common stock during the three months ended March 31, 2023.

The ABL Facility and the indentures governing each series of our outstanding notes restrict our subsidiaries from, among other matters, paying dividends and making distributions to us, which thereby limits our ability to pay dividends and/or repurchase stock. As of March 31, 2023, under the most restrictive test in these agreements (and subject to certain exceptions), we have approximately $300 million of capacity to pay permitted dividends and/or repurchase shares of stock or make other restricted payments.

Item 3. Defaults Upon Senior Securities

None.

Item 4. *Mine Safety Disclosures*

Not applicable.

Item 5. *Other Information*

None.

Item 6. ***Exhibits***

No.		Description
2.1		Asset Purchase Agreement, dated as of February 28, 2023, by and between CHS/Community Health Systems, Inc. and Novant Health, Inc. (incorporated by reference to Exhibit 2.1 to Community Health Systems, Inc.'s Current Report on Form 8-K filed February 28, 2023 (No. 001-15925))
2.2		Asset Purchase Agreement, as amended, dated as of December 30, 2022, by and between CHS/Community Health Systems, Inc., CAMC Plateau Medical Center, Inc. and Vandalia Health, Inc. (incorporated by reference to Exhibit 2.1 to Community Health Systems, Inc.'s Current Report on Form 8-K filed April 3, 2023 (No. 001-15925))
10.1	†*	Form of Performance Based Restricted Stock Award Agreement (Senior Officers) for Community Health Systems, Inc. 2009 Stock Option and Award Plan (for awards granted on or after March 1, 2023)
10.2	†*	Community Health Systems Supplemental Executive Benefits, dated December 31, 2008, as amended and restated February 15, 2023
10.3	†*	Community Health Systems, Inc. 2019 Employee Performance Incentive Plan, as amended and restated February 15, 2023
31.1	*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	*	The following financial information from our quarterly report on Form 10-Q for the quarter ended March 31, 2023 and 2022, filed the SEC on May 2, 2023, formatted in Inline Extensible Business Reporting Language: (i) the condensed consolidated statements of loss for the three months ended March 31, 2023 and 2022, (ii) the condensed consolidated statements of comprehensive loss for the three months ended March 31, 2023 and 2022, (iii) the condensed consolidated balance sheets at March 31, 2023 and December 31, 2022, (iv) the condensed consolidated statements of cash flows for the three months ended March 31, 2023 and 2022, and (v) the notes to the condensed consolidated financial statements. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
104	*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.
** Furnished herewith.
† Indicates a management contract or compensatory plan or arrangement.

SIGNATURES

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

COMMUNITY HEALTH SYSTEMS, INC.
(Registrant)

By: /s/ Tim L. Hingtgen
Tim L. Hingtgen
Director and
Chief Executive Officer

By: /s/ Kevin J. Hammons
Kevin J. Hammons
President and
Chief Financial Officer

By: /s/ Jason K. Johnson
Jason K. Johnson
Senior Vice President and
Chief Accounting Officer

Date: May 2, 2023

PERFORMANCE BASED RESTRICTED STOCK AWARD AGREEMENT
(Senior Officers)

Community Health Systems, Inc.
2009 Stock Option and Award Plan

THIS AGREEMENT between you and Community Health Systems, Inc., a Delaware corporation (the "Company") governs an Award of the Company's Restricted Stock in the amount and on the date specified in your Award notification (the "Date of Grant").

WHEREAS, the Company has adopted the Community Health Systems, Inc. 2009 Stock Option and Award Plan (the "Plan") in order to provide additional incentive to certain employees and directors of the Company and its Subsidiaries;

WHEREAS, the Compensation Committee of the Company's Board of Directors (the "Committee") has determined to grant to you this Award of Restricted Stock as provided herein to encourage your efforts toward the continuing success of the Company; and

WHEREAS, the Committee has determined to condition the Award on the attainment of certain performance-based criteria to better align your economic interests with those of the other stockholders of the Company.

NOW, THEREFORE, the parties hereto agree as follows:

1. Grant of Restricted Stock.

1.1 The Company hereby grants to you this Award of Shares of Performance Based Restricted Stock in the number set out in an electronic notification by the Company's stock option plan administrator, as may be appointed from time to time (the "Plan Administrator"). The Shares of Performance Based Restricted Stock granted pursuant to this Award shall be issued in the form of a book entry of Shares in your name as soon as reasonably practicable after the Date of Grant and shall be subject to your (or your estate's, if applicable) acknowledgement and acceptance of this Agreement by electronic means to the Plan Administrator as provided in Section 9 hereof, or as you have been otherwise instructed.

1.2 This Agreement shall be construed in accordance and consistent with, and subject to, the provisions of the Plan (the provisions of which are hereby incorporated by reference) and, except as otherwise expressly set forth herein, the capitalized terms used in this Agreement shall have the same definitions as set forth in the Plan.

2. Restrictions on Transfer.

The Shares of Performance Based Restricted Stock issued under this Agreement may not be sold, transferred or otherwise disposed of and may not be pledged or otherwise hypothecated until the Restricted Period (as defined in Section 3) has expired and all restrictions on such Performance Based Restricted Stock shall have lapsed in the manner provided in Section 3, 4 or 5 hereof.

3. Performance Objectives; Lapse of Restrictions.

Except as otherwise provided in Sections 4 and 5 hereof, the "Restricted Period" with respect to the Performance Based Restricted Stock means the period beginning on the Date of Grant and expiring on the third anniversary of the Date of Grant, but only if (a) and to the extent the Company has achieved the performance targets set forth on Exhibit A (and the other terms and conditions set

forth herein have been met) as determined by the Committee, and (b) subject to Sections 4 or 5 hereof, you have remained in service with the Company (or any of its Affiliates) continuously until that date; provided, that if later, the Restricted Period shall end on the date on which the Committee's determination set forth in (a) above is effective. Any Shares of Performance Based Restricted Stock with respect to which the Restricted Period does not expire as provided above shall be canceled not later than the date on which such determination is effective.

4. Effect of Certain Terminations of Employment.

(a) If your employment terminates as a result of your death or Disability, in each case if such termination occurs on or after the Date of Grant, the target number of Shares of Performance Based Restricted Stock (as set forth in Exhibit A) which have not become vested in accordance with Section 3 or 5 hereof shall vest, and the restrictions thereon shall lapse as of the date of such termination.

(b) If your employment is terminated by your employer for any reason other than for Cause (but excluding, for purposes of clarity, any resignation of employment by you for any reason)(any such termination by your employer for any reason other than for Cause, an "Employer Without Cause Termination") prior to the first anniversary of the Date of Grant, the Award shall be forfeited and cancelled in its entirety as of the effective date of your termination.

(c) In the event of your Employer Without Cause Termination on or after the first anniversary of the Date of Grant but prior to the third anniversary of the Date of Grant, then the Restricted Period shall not end and your Award shall continue but only to the extent of the Prorated Award (as defined below) until such time as the Committee determines the extent to which the Performance Objectives set forth in Exhibit A have been attained, and to the extent attained, the Restricted Period as to the Prorated Award shall expire as provided in Section 3(a) above based on such level of attainment, without regard to Section 3(b); provided, however, that in the event that any Change in Control occurs following any such Employer Without Cause Termination but prior to the third anniversary of the Date of Grant, the Prorated Award will vest immediately prior to such Change in Control assuming achievement of such Performance Objectives at a 100% level, and there will not be any subsequent determination regarding the extent to which such Performance Objectives have been attained. Any portion of your Award in excess of the Prorated Award shall be forfeited and cancelled on the effective date of your termination. If the minimum Performance Objectives are not attained, the Award shall be forfeited and cancelled in its entirety. The "Prorated Award" shall be calculated as follows: (i) the target number of Shares of Performance Based Restricted Stock originally granted pursuant to this Award multiplied by (ii) the number of full calendar months completed during the Performance Period (as defined in Exhibit A) as of the effective date of your termination divided by thirty-six (36) and (iii) rounded to the nearest whole number of Shares of Performance Based Restricted Stock. For purposes of this Section 4(c), all references in Exhibit A to "the target number of Shares of PBRS granted hereunder" shall be deemed to refer to the target number of Shares of PBRS originally granted as adjusted pursuant to the Prorated Award calculation set forth in the immediately preceding sentence above.

5. Effect of Change in Control.

In the event of a Change in Control of the Company at any time on or after the Date of Grant and prior to any termination of your employment, the terms of the Plan shall control the vesting of any Shares of Performance Based Restricted Stock which have not become vested in accordance with Section 3 or 4 hereof.

6. Forfeiture of Performance Based Restricted Stock.

Upon the termination of your employment by you, the Company or its Subsidiaries for any reason other than those set forth in Section 4 hereof prior to such vesting upon the expiration of the Restricted Period, in addition to the circumstance described in Section 9(a) hereof, any and all Shares of Performance Based Restricted Stock which have not become vested in accordance with Section 3, 4 or 5 hereof shall be forfeited and shall revert to the Company.

7. Delivery of Restricted Stock.

7.1 Except as otherwise provided in Section 7.2 hereof, evidence of the book entry of Shares or, if requested by you prior to such lapse of restrictions, a stock certificate with respect to the Shares of Performance Based Restricted Stock for which the restrictions have lapsed pursuant to Section 3, 4 or 5 hereof, shall be delivered to you as soon as practicable following the date on which the restrictions on such Shares of Performance Based Restricted Stock have lapsed, free of all restrictions hereunder.

7.2 Evidence of the book entry of Shares with respect to Shares of Performance Based Restricted Stock in respect of which the restrictions have lapsed upon your death pursuant to Section 4 hereof or, if requested by the executors or administrators of your estate upon such lapse of restrictions, a stock certificate with respect to such Shares of Performance Based Restricted Stock, shall be delivered to the executors or administrators of your estate as soon as practicable following the Company's receipt of notification of your death, free of all restrictions hereunder. In the event of your death, all references herein to "you" shall also include your executors, administrators, heirs or assigns.

8. Dividends and Voting Rights.

Subject to Section 9(a) hereof, upon issuance of the Shares of Performance Based Restricted Stock, you shall have all of the rights of a stockholder with respect to such Shares, including the right to vote the Shares and to receive all dividends or other distributions paid or made with respect thereto; provided, however, that dividends or distributions declared or paid on the Performance Based Restricted Stock by the Company shall be deferred and reinvested in Shares of Performance Based Restricted Stock based on the Fair Market Value of a Share of the Company's common stock on the date such dividend or distribution is paid or made (provided that no fractional Shares will be issued), and the additional Shares of Performance Based Restricted Stock thus acquired shall be subject to the same restrictions on transfer and forfeiture and the same vesting schedule as the Performance Based Restricted Stock in respect of which such dividends or distributions were made.

9. Acknowledgement and Acceptance of Award Agreement.

(a) The Shares of Performance Based Restricted Stock granted to you pursuant to this Award shall be subject to your acknowledgement and acceptance of the Award and the terms of this Agreement to the Company or its Plan Administrator (including by electronic means, if so provided) no later than the earlier of (i) 180 days from the Date of Grant and (ii) the date that is immediately prior to the date that the Performance Based Restricted Stock vests pursuant to Section 4 or 5 hereof (the "Return Date"); provided that if you die before your Return Date, this requirement shall be deemed to be satisfied if the executor or administrator of your estate acknowledges and accepts this Agreement through the Company or its Plan Administrator no later than ninety (90) days following your death (the "Executor Return Date"). If this Agreement is not so acknowledged and accepted on or prior to your Return Date or the Executor Return Date, as applicable, the Award of Shares of Performance Based Restricted Stock evidenced by this Agreement shall be forfeited, and neither you nor your heirs, executors, administrators or successors shall have any rights with respect thereto.

(b) If this Agreement is so acknowledged and accepted on or prior to your Return Date or the Executor Return Date, as applicable, all dividends and other distributions paid or made with respect to the Shares of Performance Based Restricted Stock granted hereunder prior to your Return Date or the Executor Return Date shall be treated in the manner provided in Section 8 hereof.

10. No Right to Continued Employment.

Nothing in this Agreement or the Plan shall interfere with or limit in any way the right of the Company or its Subsidiaries to terminate your employment, nor confer upon you any right to continuing employment by the Company or any of its Subsidiaries or continuing service as a Board member.

11. Withholding of Taxes.

Prior to the delivery to you of a stock certificate or evidence of the book entry of Shares with respect to the Shares of Performance Based Restricted Stock in respect of which all restrictions have lapsed, you shall pay to the Company or the Company's Plan Administrator, the federal, state and local income taxes and other amounts as may be required by law to be withheld by the Company (the "Withholding Taxes") with respect to such Performance Based Restricted Stock. By acknowledging and accepting this Agreement in the manner provided in Section 9 hereof, you shall be deemed to elect to have the Company or the Plan Administrator withhold a portion of such Performance Based Restricted Stock having an aggregate Fair Market Value equal to the Withholding Taxes in satisfaction thereof, such election to continue in effect until you notify the Company or its Plan Administrator before such delivery that you shall satisfy such obligation in cash, in which event the Company or the Plan Administrator shall not withhold a portion of such Performance Based Restricted Stock as otherwise provided in this Section 11.

12. Acknowledgement that You Are Bound by the Plan.

By acknowledging and accepting this Award and the terms of this Agreement you hereby confirm the availability and your review of a copy of the Plan and the Prospectus, and other documents provided to you in connection with this Award by the Company or its Plan Administrator, and you agree to be bound by all the terms and provisions thereof.

13. Recoupment.

The Awards granted to you pursuant to this Agreement, and any prior awards granted to you under the Plan, shall be subject to forfeiture, repayment, reimbursement or other recoupment (i) to the extent provided in the Company's current Clawback Policy, as it may be amended from time to time (the "Current Clawback Policy"), (ii) to the extent that you in the future become subject to any other recoupment or clawback policy hereafter adopted by the Company, including any such policy (or amended version of the Current Clawback Policy) adopted by the Company to comply with the requirements of any applicable laws, rules or regulations, including pursuant to final Securities and Exchange Commission rules and/or New York Stock Exchange Listing Standards with respect to recoupment adopted in connection with the Dodd-Frank Wall Street Reform and Consumer Protection Act (such final rules and New York Stock Exchange listing standards, the "Dodd-Frank Clawback Requirements")(such policies referenced in clause (i) or this clause (ii), collectively, the "Policies"), and (iii) to the extent provided under any applicable laws and/or listing standards which impose mandatory recoupment, under circumstances set forth in such applicable laws and listing standards, including pursuant to the Dodd-Frank Clawback Requirements and the Sarbanes-Oxley Act of 2002.

The Company may utilize any method of recovery specified in the Policies in connection with any Award recoupment pursuant to the terms of the Policies.

14. Modification of Agreement.

This Agreement may be modified, amended, supplemented or terminated, and any terms or conditions may be waived, but only by a written instrument executed by both parties hereto; provided that the Company may modify, amend, supplement or terminate this Agreement in a writing signed by the Company without any further action by you if such modification, amendment, supplement or termination does not adversely affect your rights hereunder.

15. Severability.

Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

16. Governing Law.

The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Delaware without giving effect to the conflicts of laws principles thereof.

17. Successors in Interest.

This Agreement shall inure to the benefit of and be binding upon any successor to the Company. This Agreement shall inure to the benefit of your legal representatives. All obligations imposed upon the Company and all rights granted to you under this Agreement shall be binding upon the Company's successors and upon your heirs, executors, administrators and successors.

18. Resolution of Disputes.

Any dispute or disagreement which may arise under, or as a result of, or in any way relate to, the interpretation, construction or application of this Agreement shall first be referred to the Chief Executive Officer for informal resolution, and if necessary, referred to the Committee for its determination. Any determination made hereunder shall be final, binding and conclusive on you, your heirs, executors, administrators and successors, and the Company and its Subsidiaries for all purposes.

19. Entire Agreement.

This Agreement and the terms and conditions of the Plan constitute the entire understanding between you and the Company and its Subsidiaries, and supersede all other agreements, whether written or oral, with respect to the Award.

20. Headings.

The headings of this Agreement are inserted for convenience only and do not constitute a part of this Agreement.

21. Notice.

All notifications and other communications hereunder shall be in writing and, unless otherwise provided herein, shall be deemed to have been given when received by the party to whom such notice

is to be given at its address set forth below, or such other address for the party as shall be specified by notice given pursuant hereto:

(a) If to the Company, by regular mail to:

Community Health Systems, Inc.

4000 Meridian Boulevard

Franklin, TN 37067

Attention: General Counsel

(b) If to you or your legal representative, to such person at the address as reflected in the records of the Company.

22. Consent to Jurisdiction.

Each party hereby irrevocably and unconditionally consents to submit to the exclusive jurisdiction of the courts of the State of Tennessee and of the United States of America, in each case located in the County of Williamson, for any actions, suits or proceedings arising out of or relating to this Agreement, the Award or the Plan and the transactions contemplated hereby and thereby ("Litigation") (and agrees not to commence any Litigation except in any such court), and further agrees that service of process, summons, notice or document by U.S. certified mail to such party's respective address set forth in Section 21 hereof shall be effective service of process for any Litigation brought against such party in any such court. Each party hereby irrevocably and unconditionally waives any objection to the laying of venue of any litigation in the courts of the State of Tennessee or of the United States of America, in each case located in the County of Williamson, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any Litigation brought in any such court has been brought in an inconvenient forum.

23. Deemed Execution.

On the date of your electronic acceptance of the terms of the Award and this Agreement, this Agreement shall be deemed to have been executed and delivered by you and the Company.

COMMUNITY HEALTH SYSTEMS, INC.

SUPPLEMENTAL

EXECUTIVE

BENEFITS

Original Document Effective as of December 31, 2008
Amended and Restated as of April 1, 2015, December 11, 2019, February 16, 2021 and February 15, 2023

CHS

INTRODUCTION

This document outlines the supplemental benefits for eligible executive employees of affiliates of Community Health Systems, Inc. (the "Company"), including the hospital companies whose operating results are consolidated with the Company's operating results. Benefits are provided by the entity that employs the particular eligible executive (the "Employer"), provided, however, certain benefits are provided through group plans sponsored by the Employer or CHS/Community Health Systems, Inc.

Plan benefit categories are based upon your position with an affiliate of the Company. The following benefit categories are referenced throughout this summary:

Executive	Corporate Vice Presidents (includes Vice Presidents (Officer) (elected by the Board of Directors of the Company), Regional Presidents, and Vice Presidents (Non-Officer)) and above
Group l	Corporate Senior Directors/Directors Facility Chief Executive Officers
Group 2	Corporate Senior Managers/Managers/Supervisors Facility Chief Administrative Officers Facility Chief Financial Officers Facility Chief Nursing Officers Facility Chief Operating Officers Facility Assistant Chief Executive Officers Facility Assistant Chief Financial Officers Facility Assistant Chief Nursing Officers Facility Administrators/Assistant Administrators

Benefit category determination is the exclusive right of the Employer at its sole discretion.

As used in this document, "Cause" means gross neglect of duties, which gross neglect continues more than 30 days after receiving written notice from the chief executive officer of the Company, its board of directors, or other officers of the Company or Employer of the actions or inactions constituting gross neglect; insubordination; intentional misconduct or deliberate disruption of the workplace and working environment; conviction of a felony; dishonesty, embezzlement, theft, or fraud committed in connection with employment resulting in substantial financial harm to the Company; the issuance of any final order for your removal as an employee or representative of the Company or Employer by any state or federal regulatory agency; and your material breach of any duty owed to the Company or Employer, including without limitation the duty of loyalty. "Cause" shall not include ordinary negligence or failure to act, whether due to an error in judgment or otherwise, if you have exercised substantial efforts in good faith to perform the duties reasonably assigned or appropriate to your position.

SURVIVOR BENEFITS

Survivor benefits are life insurance proceeds intended to provide cash to your beneficiary(ies) in the event of your death. These Survivor Benefits are provided through group-term life insurance or a combination of group-term life insurance and individually-owned life insurance policies, as determined by the plan sponsor.

Amount of Benefit.

The **lesser** of $2 million or:

Executive	4X Base Salary
Group 1 (including Facility Chief Executive Officers)	3X Base Salary
Group 2	
Facility Chief Administrative Officers *Facility Chief Financial Officers* *Facility Chief Nursing Officers* *Facility Chief Operating Officers*	3X Base Salary
Corporate Senior Managers/Managers/Supervisors *Facility Assistant Chief Executive Officers* *Facility Assistant Chief Financial Officers* *Facility Assistant Chief Nursing Officers* *Facility Administrators/Assistant Administrators*	2X Base Salary

POST-TERMINATION BENEFITS

Post-termination benefits are generally designed to provide supplemental retirement benefits. Eligibility (dependent upon the design of the particular plan, as amended from time to time) may include (or have included in the past) one or more of the following:

- the Employer/Community Health Systems, Inc. Deferred Compensation Plan (Corporate Vice President (Non-Officer) and above);
- the CHS/Community Health Systems, Inc. Supplemental Executive Retirement Plan, as amended and restated January 1, 2009, as subsequently amended (Elected Officers (Vice President (Officer) and above));
- the CHS/Community Health Systems, Inc. 2018 Supplemental Executive Retirement Plan effective January 1, 2018, as subsequently amended (Elected Officers (Vice President (Officer) and above));
- matching contributions under the CHS/Community Health Systems, Inc. 401(k) Plan; and
- any other qualified or non-qualified retirement plan of the Company or any affiliate.

You should refer to the underlying policies and/or plan documents relating to these benefits to learn more about eligibility and your right to post-termination benefits under these policies and plans.

SEVERANCE BENEFITS

Payout upon Termination (Salary and Vacation Time).

In the event you are terminated from your employment by your Employer, without Cause, severance benefits of a multiple of your then base monthly salary will be paid to you based upon your position, as shown in the schedule below:

Benefits Category	*Severance Multiple*
CEO	24 months
President	24 months
Executive Vice President	24 months
Senior Vice President	12 months
Regional President	12 months
Vice President (Officer)	12 months
Vice President (Non-Officer)	9 months
Group 1 (Corporate Senior Director/Director & Facility CEO)	6 months
Group 2 (Corporate Senior Manager/ Manager/Supervisors & Other Facility Key Hospital Management positions as defined on Addendum – Severance Benefits – Benefits Categories)	3 months

The vacation time payout for elected officers (Vice President (Officer) and above) (for whom no accruals are maintained) shall be based upon a reasonable estimate, to be determined by Employer, of the vacation time taken during the twelve month period preceding the date of termination.

Additional Payments (to be made no later than March 15th of the year following termination)

In addition, if your employment is terminated without Cause, you will receive an additional amount of severance pay determined as follows:

Elected Officers (Vice President (Officer) and Above): the Employer shall pay the terminated individual, at the same time that the Employer makes annual bonus payments under the 2019 Employee Performance Incentive Plan (or any replacement or successor plan providing for similar benefits, collectively the "Incentive Plan") to other senior executives, a pro rata portion of the annual bonus that would have been paid to the terminated individual under the Incentive Plan in respect of the year in which the termination date occurred had the terminated individual remained employed through the applicable payment date under the Incentive Plan, calculated by multiplying such amount by a fraction, the numerator of which is the number of days in the year though the termination date and the denominator of which is 365.

Termination within First 12 Months of Employment

If your employment is terminated without Cause before completing 12 full months of employment, you will only receive one-half of the salary benefits provided for above and none of the bonus benefit. Severance payments will be in the form of a lump sum payment or salary continuation, as determined by Employer, and subject to withholdings and other deductions as described below.

COBRA Payment Limitation

In addition to the severance benefits described above, terminated eligible executive employees who elect continuation health coverage under COBRA will be required to pay only the equivalent of the *active employee premium* for this coverage for a period of time equal to the time period applicable to such employee based on the above chart, subject to the eligibility provisions of COBRA coverage. The difference in the COBRA premium paid and the active employee premium will be reimbursed to the terminated eligible executive employee upon receipt of payment confirmation for the full monthly COBRA premium.

Release.

As a condition of providing any payments and/or benefits described above, you will be required to execute a comprehensive full and final release agreement satisfactory to the Company and substantially in the form attached as Attachment 1, as amended from time to time.

Equity Awards.

The terms of vesting and (in the case of stock options) exercisability with respect to outstanding equity awards following the termination of employment will be governed by the applicable award agreements and the Company's 2009 Stock Option and Award Plan, as such plan is amended, restated and/or superseded from time to time.

ADDENDUM
Severance Benefits – Benefits Categories

To follow are the job titles associated with the benefits categories as outlined on page 3 (Severance Benefits):

Benefits Category	Associated Job Title(s)
CEO	Chief Executive Officer
President	President & Chief Financial Officer President of Clinical Operations & Chief Medical Officer
Executive VP	All Executive Vice President positions
Senior VP	All Senior Vice President positions
Regional President	All Regional Presidents
Vice President (Officer)	Vice President positions classified as Officer level (*i.e., elected by the Company Board of Directors*)
Vice President (Non-Officer)	All Vice President positions classified as Non-Officer level (*i.e., not elected by the Company Board of Directors*)
Group 1	Corporate Senior Director/Director level positions Facility Chief Executive Officer
Group 2	Corporate Senior Manager/Manager/Supervisor level positions Facility Key Hospital Management positions to include: Chief Administrative Officer, Chief Financial Officer, Chief Nursing Officer, Chief Operating Officer, Assistant Chief Executive Officer, Assistant Chief Financial Officer, Assistant Chief Nursing Officer, Administrator, Assistant Administrator

Attachment 1

RELEASE AGREEMENT

In consideration for Severance Benefits in the Supplemental Executive Benefits, _____(the "Employee") enters into this Agreement. The Parties to this Agreement acknowledge that the Employer of the Employee is an indirect subsidiary of Community Health Systems, Inc. and that the benefits of this Agreement inure to it and the other Released Parties, as defined below in Section 4.

1. Cessation of Employment. The Employee's employment with the Employer ceased on the date specified at the end of this Agreement; The Employee has no right to employment or to contract with the Released Parties in the future and if such an employ and/or contract is entered into it may be voided without any liability.

2. Consideration. The Employer agrees to pay the Employee a gross amount of $_____, which is ___ months of the Employee's current base salary, less applicable withholdings and deductions and in accordance with the Community Health Systems, Inc. Supplemental Benefits Plan (Supplemental Executive Benefits Plan consideration is guaranteed by CHS/Community Health Systems, Inc.).

Provided the Employee elects continuation coverage pursuant to the federal COBRA law, the Employee and the Employee's current dependents may continue to enroll in the Employer's group health insurances (medical, dental and/or vision). The Employee will pay the COBRA premium(s) and the Employer will reimburse the Employee the difference between the COBRA premium(s) and the premium(s) that the Employee would have paid had the Employee continued to be employed. This premium support is available through the elected COBRA period up to the later of the date specified in this Agreement or the date the Employee becomes eligible under a subsequent employers group health plan.

No Consideration shall be provided unless the Employee returns a signed copy of this Agreement, without proposing any changes to the Agreement, to the Employer, and any applicable revocation period under Section 4 has expired.

3. No Admission of Liability. This Agreement is not an admission by the Released Parties of any liability or any legal violation.

4. Release. The Employee, and on behalf of the Employee's heirs, executors, administrators, personal representatives, successors, assigns, agents, servants, and attorneys (the "Releasing Parties") releases and forever discharges, to the greatest extent permitted by law, the Employer, and any associated entities and persons including parent companies, subsidiaries, affiliates, successors, assigns, agents, management companies, servants, representatives, shareholders, lenders, members, directors, officers, staff members, and employees (the "Released Parties") from any and all claims, causes of action, liabilities, covenants, agreements, obligations, damages, and/or demands of every nature, character, and description, without limitation in law, equity, or otherwise, which the Employee had, has, or may have (except as provided in this Section),

whether known or unknown, including under the Age Discrimination in Employment Act ("ADEA"), Title VII of the Civil Rights Act, Equal Pay Act, Family and Medical Leave Act, Employee Retirement Income Security Act (unless vested), Genetic Information Nondiscrimination Act, Americans with Disabilities Act, Worker Adjustment Retraining and Notification Act, or other federal, state or local laws and regulations, and any claim for wrongful discharge, breach of contract, retaliation, infliction of emotional distress, or any other right or claim arising from or relating in any way to the Employee's employment with the Company and/or the or cessation of that employment (collectively, the "Claims"), including all attorneys' fees, costs, and expenses in connection with the Claims but excluding Claims under the Fair Labor Standards Act ("FLSA") (as defined below).

The Employee agrees to waive any rights under any progressive discipline, grievance, and open door policies. The Employee warrants that the Employee knows of no facts that would serve as the basis for any of the Claims or legal violations. The Employee agrees the intent of this Section is to waive and release any and all claims, causes of action, liabilities, covenants, agreements, obligations, damages and/or demands of every nature, character, and description, without limitation in law, equity, or otherwise, which the Employee had, has, or hereafter may have (except as provided in this Section), known or unknown, against any of the Released Parties for any liability, whether vicarious, derivative, direct, or indirect; including any claims for damages (actual or punitive), back wages, future wages, commission payments, bonuses (target or other bonuses), reinstatement, accrued vacation, stock options (unless vested), past and future employee benefits (except any vested entitlement) including contributions to the Company's employee benefit plans, compensatory damages, penalties, equitable relief, attorneys' fees, costs of court, interest, and any and all other loss, expense, or damage of any kind related in any way to the Employee's employment or separation.

As of the last payroll date prior to this Agreement, the Employee: (1) acknowledges having received all wages (including unpaid time and overtime) due under the Fair Labor Standards Act (as well as under any similar state or local laws referred to as the "FLSA"); and (2) does not claim that the Employer has violated or denied any of the Employee's rights under the FLSA. The Employee and the Releasing Parties release and forever discharge, to the maximum extent permitted by law, the Employer and the other Released Parties from any FLSA claim(s), including attorneys' fees, costs, liquidated damages and expenses incurred by the Releasing Parties in connection with such claim. If legally required, the Employee also agrees to enter into any waiver, settlement or other agreement related to the FLSA claim(s).

5. Employee Age 40 or Over at Time of Acceptance - Review and Revocation Period. The Employee is advised to consult an attorney before signing this Agreement. The Employee has up to 21 days to review this offer of Agreement, sign it, and return it. By signing below, the Employee acknowledges having had the opportunity to read and review this Agreement, seek legal advice, and to voluntarily, without coercion, agree to it with the understanding of its significance and the consequences of its terms. Regardless, the Employee does not waive any rights or Claims under the ADEA that may arise after the date the Agreement is effective. If the Employee signs this Agreement, the Employee has seven (7) days to revoke the Agreement; if revoked, the Agreement shall be null and void, and the Employee must return any payments and other consideration provided under this Agreement. If the Employee does not revoke this Agreement, it

shall be in full force and effect, and each party shall be obligated to its terms. The parties agree any changes made to this offer of Agreement (material or immaterial) will not restart or require another 21-day period for consideration by the Employee.

6. Indemnification. The Employee agrees to not directly or indirectly initiate or fiscally benefit from any legally releasable Claim(s) against the Released Parties. And the Employee agrees to indemnify the Released Parties for all attorney's fees and expenses incurred by the Released Parties in defending such Claim(s) and in enforcing this Agreement.

7. Nondisparagement. The Employee shall not engage in any conduct, verbal or otherwise, to disparage or harm the Released Parties' reputations. Such conduct shall include, but not be limited to, any negative remarks made orally or in writing by the Employee about the Released Parties.

8. Confidentiality of the Agreement. The Employee agrees that all terms of this Agreement are confidential. The Employee shall not discuss or disclose the terms of this Agreement to any entity or individual, including present or former employees of the Released Parties, the only exceptions being the Employee's attorney, spouse, or personal accountant/tax adviser (this does not waive the Employee's right to file a charge or communicate with the Equal Employment Opportunity Commission or any other government agency).

9. Company Property and Confidential Information. The Employee has returned or will return within three (3) calendar days of the Separation Date all property and information, including originals and/or copies of documents relating to the business of the Released Parties. The Employee shall not directly or indirectly disclose to anyone, or use for the Employee's own benefit or the benefit of anyone other than the Company, any "confidential information" received through the Employee's employment. Company confidential information includes its business plans and files; management information; patient data; and any other related proprietary information. The Employee may use the Employee's general knowledge of the industry for the Employee's own benefit and occupation and may fully and fairly compete with the Company. If it appears the Employee will be compelled by law or judicial process to disclose any confidential information, the Employee shall immediately notify the Company in writing upon the Employee's receipt of a subpoena or other legal process.

10. Compliance Disclosure. In connection with the separation of the Employee's employment, and pursuant to the Compliance Program and Code of Conduct, the Employee represents and warrants to the Released Parties that the Employee has complied with the Compliance Program and the Code of Conduct at all times, and the Employee has disclosed in writing to the Corporate Compliance Officer any and all instances of known or suspected violations of laws, rules, regulations, or corporate policy by the Released Parties. The Employee agrees to actively cooperate with the Released Parties on any questions relating to the Employee's employment and compliance. Further, the Employee represents and warrants that the Employee has not brought and has no intention to bring any whistleblower or similar suits or claims (which terms shall include, but not be limited to, a qui tam action under the Federal False Claims Act and similar federal, state and local laws, rules and regulations) or disclosures to any governmental agency that would subject the Released Parties to any liability. The Employee also represents and

warrants that the Employee knows of no facts that would give rise to any such whistleblower or similar lawsuits, claims, or disclosures to any governmental agency; provided that the foregoing is not intended and shall not be construed as limiting the right of the Employee to bring whistleblower or similar lawsuits or claims or to make such disclosures to any governmental agency. In the event the representations and warranties contained herein become inaccurate or untrue, the Employee agrees to notify the Corporate Compliance Officer, in writing, of the necessary corrections to make the representations and warranties accurate and true, prior to initiating any whistleblower or similar lawsuits, claims, or disclosures to any governmental agency. The Employee also agrees to indemnify the Released Parties against and hold the Released Parties harmless from any loss, cost, damage, or penalty incurred by the Released Parties as a result of any inaccuracy in or breach of the representations, warranties, or agreements contained herein.

11. Intellectual Property. Intellectual Property or "IP" means any invention, modification, discovery, design, development, improvement, process, software program, work of authorship, documentation, formula, data, design, graphic, user interface, workflow, technique, know-how, trade secret, trademark, logo, slogan, trade dress, idea, or other intellectual property right whatsoever or any interest therein, whether or not patentable or registrable under copyright, trademark, or similar protections.

All IP the Employee solely or jointly conceived, created, discovered, developed, or reduced to practice during the Employee's employment that (i) is or was related to the Company's business, including any planned or reasonably anticipated future business, (ii) was developed, in whole or in part, using the Company's time or its equipment, supplies, facilities, or confidential information, or (iii) resulted from any work the Employee performed for the Company, together with the related goodwill and benefits (collectively "Company IP"), are the Company's exclusive proprietary and confidential information, and constitute works made for hire. The Employee hereby assigns to the Company all rights the Employee has, may have, or may acquire in the Company IP without additional compensation and warrants that the Employee has disclosed to the Company all Company IP and related information. The Employee agrees to perform all acts deemed necessary or desirable by the Company to permit and assist it in perfecting and enforcing the full benefits, enjoyment, rights, and title throughout the world in the Company IP, including, without limitation, execution of documents, assistance or cooperation in the registration and enforcement thereof. If the Company is unable to secure the Employee's signature to any document required to apply for or execute any IP registration application or related documents (including improvements, renewals, extensions, continuations, divisions and continuations in part), the Employee permanently appoints the Company and its authorized representatives as the Employee's agents and attorneys-in-fact to execute and file said documents and to do all other lawful acts to pursue IP or other rights with the same legal effect as if executed by the Employee.

12. Miscellaneous Provisions. This Agreement is executed and delivered in the state of the Company's principal location. The laws of such state apply, except for any rule of construction under which a contract may be construed against the drafter. Venue for any claim arising out of or related to this Agreement is in the jurisdiction of the Company's principal offices. This is the entire agreement and understanding of the parties with respect to the subject matter. It supersedes all prior agreements and understandings of the parties; it may not be altered or amended except by mutual agreement evidenced by a writing signed by both parties and specifically identified as an

amendment to this Agreement. No provisions of this Agreement are waived unless in writing and signed by both parties. This Agreement binds the parties and their respective heirs, executors, administrators, representatives, successors, and assigns. Neither party has made representations that are not contained herein on which either party relied upon in entering into this Agreement. Both parties have read and fully understand this Agreement and voluntarily enter into it. If any part of this Agreement is deemed to be unenforceable by a court of competent jurisdiction, except Section 6 in its entirety, then such part shall be severed from the Agreement and the rest of the Agreement shall remain in full force and effect. As to any unenforceable part, except Section 4 in its entirety, such court shall have the power to add or delete in its discretion any language necessary to make such provision enforceable to the maximum extent permitted by law, in which case such provision or part thereof shall not be severed, and the parties expressly agree to be bound by any such court reformed provision. Furthermore, if the release provided for in Section 4 of this Agreement is deemed to be void or otherwise unenforceable in its entirety by any court of competent jurisdiction, then the Employee shall not be entitled to consideration under this Agreement and shall immediately return/rescind such consideration and the Company will have a right to cease consideration and seek restitution, recoupment, and setoff for the recovery of any such consideration. This Agreement's headings and captions are for convenience only and are not to be used in construing or interpreting this Agreement. The term "including" is used to list items by way of example and does not limit any term or provision. References to the singular and plural tenses are interchangeable.

13. Date of Cessation of Employment: _____

[Signature page follows]

SIGNATURES:

EMPLOYEE SIGNATURE: _____

EMPLOYEE NAME: _____

DATE SIGNED: _____

WITNESS' SIGNATURE: _____

Employer to sign after employee returns Accepted Unchanged Offer

EMPLOYER: _____

By: _____

Name: _____

Title: _____

DATE SIGNED: _____

For convenience, this Agreement may be signed and electronically transmitted between the Parties and be as effective as a signed, paper agreement.

BENEFIT GUARANTOR: CHS/COMMMUNITY HEALTH SYSTEMS, INC.

By: _____

Name: _____

Title _____

DATE SIGNED: _____

COMMUNITY HEALTH SYSTEMS, INC.

2019 EMPLOYEE PERFORMANCE INCENTIVE PLAN

January 1, 2019
(as amended and restated February 15, 2023)

Table of Contents

COMMUNITY HEALTH SYSTEMS, INC.
2019 EMPLOYEE PERFORMANCE INCENTIVE PLAN
(AS AMENDED AND RESTATED FEBRUARY 15, 2023

ARTICLE I

PURPOSE

The purpose of the Community Health Systems 2019 Employee Performance Incentive Plan (the "**Plan**") is to promote the interests of Community Health Systems, Inc. and its subsidiaries and affiliates (together, the "**Company**") and its stockholders by providing additional compensation as incentive to certain employees of the Company or its subsidiaries and affiliates who contribute materially to the success of the Company.

ARTICLE II

DEFINITIONS

The following terms when used in the Plan shall, for the purposes of the Plan, have the following meanings:

2.1 **"Award"** shall mean bonus incentive compensation paid in cash.

2.2 **"Beneficiary"** means the person, persons or estate entitled to receive payment under the Plan following a Participant's death.

2.3 **"Board"** shall mean the Board of Directors of the Company.

2.4 **"Cause"** shall mean the Participant's (i) intentional failure to perform reasonably assigned duties, (ii) dishonesty or willful misconduct in the performance of duties, (iii) involvement in a transaction in connection with the performance of duties to the Company which transaction is adverse to the interests of the Company and which is engaged in for personal profit or (iv) willful violation of any law, rule or regulation in connection with the performance of duties (other than traffic violations or similar offenses).

2.5 **"Code"** shall mean the Internal Revenue Code of 1986, as amended.

2.6 **"Committee"** means the Compensation Committee of the Board.

2.7 **"Company"** shall have the meaning set forth in Article I.

2.8 **"Determination Date"** means the date on which the Performance Goals are set which shall be at a time when the outcome of the Performance Goals are substantially uncertain.

2.9 **"Deferred Bonus Award"** shall mean any Award whose payment has been designated by the Plan Administrator or Committee to be deferred as set forth in Section 5.2.

2.10 **"Fiscal Year"** shall mean the Company's accounting year of 12 months commencing on January 1st of each year and ending the following December 31st, or such other accounting period as may be established by the Board.

2.11 **"Mid-Year Participant"** shall mean any Participant in the Plan who does not commence participation on the first day of the Fiscal Year.

2.12 **"Operating Unit"** shall mean any hospital or group of hospitals, clinic or group of clinics, medical office building or group of medical office buildings, nursing facility or group of nursing facilities, any other operating unit designated by the Plan Administrator or the Committee (as applicable) or any combination of any of the foregoing.

2.13 **"Participant"** shall mean an employee of the Company as may be designated by the Plan Administrator to participate in the Plan with respect to each Fiscal Year.

2.14 **"Participation Period"** shall mean the period of time during which an individual is actually a Participant in the Plan for any Fiscal Year.

2.15 **"Performance Objective"** shall mean one or more performance goals based on the criteria described in Section 4.3 and established as described herein with respect to an individual Participant for the Fiscal Year.

2.16 **"Plan"** shall have the meaning set forth in Article I.

2.17 **"Plan Administrator"** shall have the meaning set forth in Section 3.1.

2.18 **"Pro-Rata Award"** shall have the meaning set forth in Section 5.8.

2.19 **"Qualifying Termination"** shall mean the termination of the Participant's employment due to death, disability, termination without Cause, and, if such Participant is a party to a change in control agreement with the Company and "good reason" is defined in the change in control agreement, a termination by the Participant for "good reason" as such term is defined in the Participant's change in control agreement.

2.20 **"Regulations"** shall have the meaning set forth in Section 3.3.

2.21 **"Section 409A"** shall mean Section 409A of the Code and the applicable Treasury Regulations and guidance promulgated thereunder.

2.22 **"Treasury Regulation"** shall mean a regulation promulgated by the United States Department of the Treasury**.**

ARTICLE III

ADMINISTRATION

3.1 The Plan shall be administered by the Committee (the **"Plan Administrator"**), except as otherwise provided herein.

3.2 Subject to the terms of the Plan and applicable law, the Committee may delegate to one or more officers of the Company , or to a committee of such officers, the authority, subject to such terms and limitations as the Committee shall determine, (i) to grant Awards (including the determination of the matters described in Section 4.1) to or to cancel, modify or waive rights with respect to, or (ii) to alter, discontinue, suspend or terminate Awards held by Participants who are not officers or directors of the Company for purposes of Section 16 of the Securities Exchange Act of 1934, or who are otherwise not subject to such provision. References to the Plan Administrator in the Plan shall include, with respect to Awards described in this Section 3.2, such officers to whom the Committee has delegated such authority.

3.3 The Plan Administrator may, from time to time, (i) adopt rules and regulations (**"Regulations"**) for carrying out the provisions and purposes of the Plan and make such determinations, not inconsistent with the terms of the Plan, as the Plan Administrator shall deem appropriate, and (ii) alter, amend or revoke any Regulation so adopted.

3.4 The interpretation and construction of any provision of the Plan by the Plan Administrator shall be final and conclusive.

3.5 No member of the Board, including members of the Committee, nor any officers to whom authority is delegated pursuant to Section 3.2 of the Plan, shall be liable for any action, failure to act, determination or interpretation made in good faith with respect to this Plan or any transaction hereunder or for any action, failure to act, determination or interpretation made by another member, officer, agent or employee of the Board, the Committee or the Company in administering this Plan. The Company hereby agrees to indemnify each member of the Board, including members of the Committee, and the Chief Executive Officer and the Chief Financial Officer of the Company, for all costs and expenses and, to the extent permitted by applicable law, any liability incurred in connection with defending against, responding to, negotiating for the settlement of or otherwise dealing with any claim, cause of action or dispute of any kind arising by reason of an event(s) described in the immediately preceding sentence.

ARTICLE IV

PERFORMANCE INCENTIVE AWARDS

4.1 For each Fiscal Year of the Company, the Plan Administrator shall determine the following:

(a) The employees who will participate in the Plan for such Fiscal Year;

(b) The basis(es) for determining the amount of the Awards to such Participants;

(c) The Performance Objectives applicable to an Award; and

(d) Whether the Award will be a Deferred Bonus Award.

The basis(es) for determining the amount of the Awards shall be dependent upon the attainment by the Company of specified Performance Objectives, as further described in Section 4.3. The Plan Administrator shall decide at the time of the grant of an Award whether the Award will be a Deferred Bonus Award subject to the provisions set forth in Section 5.2.

Participants may be granted more than one Award in respect of any Fiscal Year, which Awards may be subject to the attainment of different Performance Objectives or may be subject to different payment criteria (e.g., a Deferred Bonus Award may be granted in addition to an Award that is not a Deferred Bonus Award and may be subject to the same or different Performance Objectives).

4.2 The Plan Administrator shall establish in writing one or more Performance Objectives based on the criteria described in Section 4.3 of the Plan no later than the Determination Date. In establishing Performance Objectives, the Plan Administrator shall also

state the method for computing the amount of the Award payable to the Participant if a Performance Objective(s) is attained. No Award shall be paid to a Participant unless the Plan Administrator determines that the Performance Objectives applicable to the Participant have been achieved.

4.3 Performance criteria for Awards under the Plan shall be one or more of the following Performance Objectives:

(1) Financial Performance Criteria:

a. Earnings per share;

b. Continuing operations earnings per share;

c. Operating income;

d. Gross income;

e. Net income (before or after taxes);

f. Cash flows from operating activities or free cash flow;

g. Gross profit;

h. Gross profit return on investment;

i. Gross margin return on investment;

j. Gross margin;

k. Operating margin;

l. Working capital;

m. Earnings before interest and taxes;

n. Earnings before interest, tax, depreciation and amortization (“EBITDA”), adjusted EBITDA, and EBITDA-based goals, including (without limitation) EBITDA target, divisional hospital EBITDA, adjusted or modified EBITDA, EBITDA margin, and EBITDA margin improvement;

o. Return on equity;

p. Return on assets;

q. Return on capital;

r. Return on invested capital;

s. Net revenues;

t. Divisional hospital revenue;

u. Gross revenues;

v. Revenue growth;

w. Annual recurring revenues;

x. Recurring revenues;

y. Service revenues;

z. License revenues;

aa. Cash receipts targets;

bb. Sales or market share;

cc. Total shareholder return;

dd. Total shareholder return percentile rank target;

ee. Non-self pay admissions growth;

ff. Division hospital non-self pay admissions growth;

gg. Economic value added;

hh. Specified objectives with regard to limiting the level of increase in all or a portion of the Company's bank debt or other long-term or short-term public or private debt or other similar financial obligations of the Company, which may be calculated net of cash balances and/or other offsets and adjustments as may be established by the Committee in its sole discretion;

ii. Bad debt expense;

jj. Uncompensated care expense;

kk. The fair market value or trading price of a share of stock;

ll. Valuations or trading prices of other securities issued by the Company or its subsidiaries;

mm. Days net revenue in net patient accounts receivable;

nn. The growth in the value of an investment in the stock assuming the reinvestment of dividends; and/or

oo. Reduction in operating expenses.

(2) Qualitative Performance Criteria:

a. Physician and mid-level provider recruitment;

b. Capital expenditures;

c. Capital expenditures within the established capital budget;

d. Overall clinical compliance;

e. Clinic operating results;

f. Physician practice (clinic) operations improvement;

g. Meaningful use reimbursement;

h. Peer group performance in volume, revenue, earnings growth, and stock price appreciation;

i. Key operating statistics;

j. Case/resource management program;.

k. Productivity management;

l. Quality indicators/clinical compliance;

m. Patient safety;

n. Operating expenses per equivalent patient day;

  i. Operating expenses are all income statement expenses excluding rent, depreciation, amortization, management fee expense and interest expense;

  ii. Equivalent patient days is a method of adjusting the number of patient days to compensate for outpatient service rendered;

o. Performance improvements;

p. Adjusted admissions growth;

q. Exceeding industry performance; and/or

r. Discretionary. An amount equal to a specified percentage of each Participant's salary or a lump sum amount may be awarded based upon other criteria that recognize accomplishments of a Participant during the year. Focus will be on quality, service, regulatory compliance, and accomplishment of specific unique projects, among other items.

The Plan Administrator may define such Performance Objectives with reference to generally accepted accounting principles (**"GAAP"**) where applicable, or may adopt such definitions or modifications of GAAP as it deems appropriate. Performance Objectives may be set at a specific level or may be expressed as relative to prior performance or to the performance of one or more other entities or external indices and may be expressed in terms of a progression within a specified range. Performance Objectives may also be based upon individual Participant performance goals, as determined by the Plan Administrator in its sole discretion. The Plan Administrator may at the time Performance Objectives are determined for a Fiscal Year, or at any time prior to the final determination of Awards in respect of that Fiscal Year, provide for the manner in which performance will be measured against the Performance Objectives to reflect the impact of (i) any stock dividend or split, recapitalization, combination or exchange of shares or other similar changes in the Company's stock, (ii) specified corporate transactions (iii) special charges, (iv) changes in tax law or accounting standards required by generally accepted accounting principles, (v) changes in government reimbursement policies, (vi) event(s) either not directly related to the operations of the Company or not within reasonable control of the Company's management; and (vii) other extraordinary or nonrecurring events.

In addition, and notwithstanding anything to the contrary contained herein, Awards may be based on the performance goals set forth herein or on such other performance goals as determined by the Plan Administrator in its sole discretion. The Committee may also adjust, modify or amend the aforementioned business criteria.

4.4 At any time after the commencement of a Fiscal Year for which Performance Objectives have been determined, but prior to the close thereof, the Plan Administrator may, in its discretion, add Participants, decrease targets, or increase or add to an Award(s).

ARTICLE V

PAYMENT OF PERFORMANCE INCENTIVE AWARDS

5.1 Payment of Awards. Subject to Section 5.2 and such forfeitures of Awards and other conditions as are provided in the Plan, the Awards made to Participants shall be paid as provided in this Section 5.1. As soon as practicable after the end of the Fiscal Year, the Plan Administrator shall determine the extent to which Awards have been earned on the basis of the actual performance in relation to the Performance Objectives as established for that Fiscal Year. Once determined, an Award shall be paid to a Participant only to the extent that the Participant met the targets for his or her Award as set forth in the Performance Criteria for his or her Award. Notwithstanding the foregoing, a lump sum discretionary Award may be paid to a Participant at any time during the Fiscal Year. No Awards shall be paid to a Participant unless and until the Plan Administrator has determined that the Performance Objectives established with respect to the Participant have been achieved. Subject to the foregoing, Awards or Pro-Rata Awards shall be paid at such time or times as are determined by the Plan Administrator; provided that, subject to Section 5.8, in no event shall the payment of any Awards or Pro-Rata Awards under the terms of the Plan be made to a Participant or Beneficiary later than 2½ months following the end of the Fiscal Year for which such Award or Pro-Rata Award has been determined.

5.2 Payment of Deferred Bonus Awards. Subject to such other conditions as are provided in the Plan, the Deferred Bonus Awards shall be paid as follows:

(a) As soon as practicable after the end of the Fiscal Year, the Plan Administrator shall determine the extent to which Awards designated as Deferred Bonus Awards have been earned on the basis of the actual performance in relation to the Performance Objective as established for that Fiscal Year. Once determined, a Deferred Bonus Award shall be paid to a Participant only to the extent that the Participant met the targets for his or her Deferred Bonus Award as set forth in the Performance Criteria for his or her Deferred Bonus Award. Subject to the foregoing, Deferred Bonus Awards shall be paid on such date or dates following the Fiscal Year in which such Deferred Bonus Award had been determined and shall be subject to such continued employment requirements as the Plan Administrator shall determine at the time the Deferred Bonus Award is granted.

(b) Notwithstanding the foregoing, (i) if a Pro-Rata Deferred Bonus Award becomes payable pursuant to Section 5.8 hereof, then such Pro-Rata Deferred Bonus Award shall be paid to the Participant or Beneficiary no later than 2 1⁄2 months following the end of the Fiscal Year for which such Deferred Bonus Award has been determined, and (ii) if a Qualifying Termination occurs after the end of the Fiscal Year in respect of which a Deferred Bonus Award is earned, the Deferred Bonus Award shall be paid to the Participant or Beneficiary within 30 days after the later of (x) the date of such termination, or (y) the date that the amount of the Deferred Bonus Award is determined pursuant to Section 5.2(a).

(c) If the short-term deferral exemption under Section 409A is unavailable, the Deferred Bonus Awards shall be granted and administered in a manner that complies with

Section 409A, including the requirement that a Participant's election to defer payment of a Deferred Bonus Award shall be made prior to the year in which such Deferred Bonus Award is earned. Payment of any Deferred Bonus Award shall be made only on a fixed date or dates or upon the occurrence of specified events permitted under Section 409A all of which shall be established at the time the Award is granted. Payment of Deferred Bonus Awards may not be further deferred beyond the payment date or dates specified in the Award at the time it is granted and may not be accelerated except as may be permitted under Section 409A.

5.3 The maximum amount that any individual Participant may receive relating to Awards made in respect of the performance in any Fiscal Year may not exceed ten million dollars ($10,000,000).

5.4 There shall be deducted from all payments of Awards any taxes required to be withheld by any government entity and paid over to any such government entity in respect of any such payment. Unless otherwise elected by the Participant, such deductions shall be at the established withholding tax rate. The Plan Administrator may allow Participants to elect to have the deduction of taxes cover the amount of any applicable tax (the amount of withholding tax plus the incremental amount determined on the basis of the highest marginal tax rate applicable to such Participant).

5.5 Any individual who becomes a Participant in the Plan due to employment, transfer or promotion during a Fiscal Year shall be eligible to receive a partial Award based upon the Participant's base salary for the Participant's Participation Period and his or her level of achievement in relation to Performance Objectives for the entire Fiscal Year or such shorter period established by the Plan Administrator. In no event, however, shall partial Awards be made to any Participant with a Participation Period in respect of any Fiscal Year of less than three months, except for discretionary awards under Section 4.3(2)(r).

5.6 Awards may be adjusted for partial year responsibility, multiple facility responsibility and reassignments of a duration of at least three consecutive months.

5.7 Except as provided in Section 5.8, no Award shall be paid to a Participant who is not employed by the Company on the last day of the Fiscal Year for which an Award is to be or was earned.

5.8 If a Participant's employment is terminated in a Qualifying Termination prior to the payment of an Award (including a Deferred Bonus Award), the Participant shall receive an Award (including a Deferred Bonus Award, if applicable) based upon his or her level of achievement in relation to the Performance Objectives established for the entire Fiscal Year multiplied by a fraction, the numerator of which is the number of days in the Participation Period and the denominator of which is 365 (a "Pro-Rata Award"). If such termination occurs after the end of the applicable Fiscal Year but before the payment of the Award, such fraction shall be one (1). Pro-Rata Awards (including Deferred Bonus Awards) payable pursuant to this Section 5.8 shall be paid in accordance with Sections 5.1 and 5.2, as applicable. Notwithstanding the foregoing, if a Participant is a party to an agreement or is a participant in any other plan that provides for a pro-rata payment of any Award under this Plan, the application of this Section 5.8

shall not result in a duplication of payment to the Participant under circumstances in which an Award is payable pursuant to this Section 5.8.

5.9 Notwithstanding anything contained in the Plan to the contrary, the Plan Administrator in its sole discretion may reduce the amount of any Award whose Performance Objectives are based on one or more of the "qualitative performance criteria" listed in Section 4.3(2) for any Participant to any amount, including zero, prior to the end of the Fiscal Year for which such Award is earned.

5.10 Payment of each Award to a Participant shall be subject to the following provisions and conditions:

(a) No Participant shall have any right or interest, whether vested or otherwise, in the Plan or in any Award thereunder, contingent or otherwise, unless and until all of the terms, conditions and provisions of the Plan and the Regulations that affect such Participant have been satisfied. Nothing contained in the Plan or in the Regulations shall require the Company to segregate cash or other property for purposes of payment of Awards under the Plan. Neither the adoption of the Plan nor its operation shall in any way affect the rights and power of the Company to dismiss and/or discharge any employee at any time.

(b) No rights under the Plan, contingent or otherwise, shall be assignable or subject to any encumbrance, pledge or charge of any nature.

ARTICLE VI

MISCELLANEOUS

6.1 By accepting any benefits under the Plan, each Participant shall be conclusively deemed to have indicated acceptance and ratification of, and consent to, any action taken or decision made under the Plan by the Company, the Board, the Plan Administrator, the Committee or any other committee appointed by the Board.

6.2 Any action taken or decision made by the Company, the Board, the Plan Administrator, the Committee, or any other committee appointed by the Board in the exercise of this power shall be final, binding and conclusive upon the Company, the Participants, the Beneficiaries, and all other persons having any interest therein.

6.3 The Board, the Plan Administrator, the Committee, or any other committee appointed by the Board may rely upon any information supplied to them by any officer of the Company and may rely upon the advice of counsel in connection with the administration of the Plan and shall be fully protected in relying upon such information or advice.

6.4 The Board may alter, amend, suspend or terminate the Plan; provided, however, that, except as permitted by the Plan, no such alteration, amendment, suspension or termination shall impair or adversely alter any Awards theretofore granted under the Plan, except with the consent of the respective Participant.

6.5 As illustrative of the limitations of liability of the Company, but not intended to be exhaustive thereof, nothing in the Plan shall be construed to:

(a) Give any person any right to participate in the Plan other than at the sole discretion of the Plan Administrator;

(b) Give any person any rights whatsoever with respect to an Award except as specifically provided in this Plan;

(c) Limit in any way the right of the Company to terminate the employment of any person at any time; or

(d) Be evidence of any agreement or understanding, expressed or implied, that the Company will employ any person at any particular rate of compensation or for any particular period of time.

6.6 Except as to matters of federal law, the Plan and the rights of all persons claiming hereunder shall be construed and determined in accordance with the laws of the State of Delaware without giving effect to conflicts of laws principles thereof.

6.7 This Amended and Restated Plan will be effective for all Fiscal Years beginning with 2019 by action of the Board.

6.8 The Plan and the granting of Awards shall be subject to all applicable federal and state laws, rules and regulations, and to such approvals by any regulatory or governmental agency as may be required.

6.9 A person’s rights and interests under the Plan, including any Award previously made to such person or any amounts payable under the Plan may not be assigned, pledged, or transferred, except in the event of the Participant’s death, to a designated Beneficiary in accordance with the Plan, or in the absence of such designation, by will or the laws of descent or distribution.

6.10 Nothing in the Plan or in any notice of any Award shall confer upon any person the right to continue in the employment of the Company or any affiliate or affect the right of the Company or any affiliate to terminate the employment of any Participant.

6.11 Nothing contained in the Plan, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind or a fiduciary relationship between the Company and any Participant, Beneficiary or legal representative or any other person. To the extent that a person acquires a right to receive payment of an Award under the Plan, such right shall be no greater than the right of an unsecured general creditor of the Company. All payments to be made hereunder shall be paid from the general funds of the Company and no special or separate fund shall be established and no segregation of assets shall be made to assure payment of such amounts except as expressly set forth in the Plan. The Plan is not intended to be subject to the Employee Retirement Income Security Act of 1974, as amended.

6.12 It is intended that payments under the Plan qualify as short-term deferrals exempt from the requirements of Section 409A. In the event that any Award does not qualify for treatment as an exempt short-term deferral, it is intended that such amount will be paid in a

manner that satisfies the requirements of Section 409A. The Plan and the terms of any Award shall be interpreted and construed accordingly. To the extent that payment of any Award is contingent upon a Participant's execution a release and the applicable time period within which a release must be executed spans two taxable years, such Award shall be payable during the second taxable year. The Participant's right to receive any installment payments pursuant to the Plan shall be treated as a right to receive a series of separate and distinct payments. If a Participant is a "specified employee" for purposes of Section 409A, the payment upon a termination of employment of any Award which is subject to Section 409A shall not be paid until one day after the date which is six (6) months from the date of termination.

6.13 In the event that any provision of the Plan shall be considered illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of the Plan, but shall be fully severable, and the Plan shall be construed and enforced as if such illegal or invalid provision had never been contained therein.

6.14 Awards granted under the Plan shall be subject to the following:

(a) Any Award granted pursuant to this Plan to any Participant shall be subject to forfeiture, repayment, reimbursement or other recoupment to the Company (i) to the extent provided in the Company's current Clawback Policy, as it may be amended from time to time (the "Current Clawback Policy"), (ii) to the extent that Participant in the future becomes subject to any other recoupment or clawback policy hereafter adopted by the Company, including any such policy (or amended version of the Company's current Clawback Policy) adopted by the Company to comply with the requirements of any applicable laws, rules or regulations, including pursuant to final SEC rules and/or New York Stock Exchange listing standards with respect to recoupment adopted in connection with the Dodd-Frank Wall Street Reform and Consumer Protection Act (such final rules and New York Stock Exchange listing standards, the "Dodd-Frank Clawback Requirements")(such policies referenced in clause (i) or this clause (ii), the "Policies"), and (iii) to the extent provided under any applicable laws and/or listing standards which impose mandatory recoupment, under circumstances set forth in such applicable laws and listing standards, including pursuant to the Dodd-Frank Clawback Requirements and the Sarbanes-Oxley Act of 2002. The Company may utilize any method of recovery specified in the Policies in connection with any Award recoupment pursuant to the terms of the Policies. In addition, without limiting the foregoing, pursuant to its general authority to determine the terms and conditions applicable to Awards granted under the Plan, the Plan Administrator shall have the right to provide, in an agreement, or to require a Participant to agree by separate written or electronic instrument at or after grant, that all Awards will be subject to repayment or reimbursement to the extent set forth in any recoupment or clawback provisions which may be included in any such agreement or separate instrument.

(b) Notwithstanding anything set forth in Section 6.14(a) above, in the event the Board determines that a significant restatement of the Company's financial results or other Company metrics for any of the three prior fiscal years for which audited financial statements have been prepared is required and (i) such restatement is the result of fraud or willful misconduct and (ii) the Award amount would have been lower had the results or metrics been properly calculated, the Committee has the authority to obtain reimbursement from any Participant responsible for the fraud or willful misconduct resulting in the restatement. Such

reimbursement shall consist of any portion of any Award previously paid that is greater than it would have been if calculated based upon the restated financial results or metrics.

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Tim L. Hingtgen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Community Health Systems, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Tim L. Hingtgen
Tim L. Hingtgen
Chief Executive Officer

Date: May 2, 2023

Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kevin J. Hammons, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Community Health Systems, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Kevin J. Hammons
Kevin J. Hammons
President and Chief Financial Officer

Date: May 2, 2023

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Community Health Systems, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tim L. Hingtgen, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Tim L. Hingtgen
Tim L. Hingtgen
Chief Executive Officer

May 2, 2023

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Community Health Systems, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin J. Hammons, President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kevin J. Hammons
Kevin J. Hammons
President and Chief Financial Officer

May 2, 2023