


Earnings Presentation – 1st Quarter, 2023

May 1, 2023

CHS Community Health Systems

Disclaimer Statement

This presentation 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 risk and uncertainties. All statements in this presentation other than statements of historical fact, including statements regarding projections, expected operating results, and other events 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. Although the Company believes that these forward-looking statements are based on reasonable assumptions, these assumptions are inherently subject to significant economic and competitive uncertainties and contingencies, which are difficult or impossible to predict accurately and may be beyond the control of the Company. Accordingly, the Company cannot give any assurance that its expectations will in fact occur and cautions that actual results may differ materially from those in the 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 presentation. 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 Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (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 Annual Report on Form 10-K for the year ended December 31, 2022, filed with the Securities and Exchange Commission (the “SEC”) on February 17, 2023 and other filings filed with the SEC.

The consolidated operating results for the three months ended March 31, 2023, are not necessarily indicative of the results that may be experienced for any future periods. The Company cautions that the reaffirmation of our guidance for calendar year 2023 (which guidance was originally included in our February 15, 2023 presentation) as set forth herein is based on currently available information. The Company undertakes no obligation to revise or update any forward-looking statements (including such guidance), or to make any other forward-looking statements, whether as a result of new information, future events or otherwise.

The hospitals, operations, and businesses described in this document are owned and operated by distinct and indirect subsidiaries of Community Health Systems, Inc.

Community Health Systems

- Tim L. Hingtgen
  Chief Executive Officer

- Kevin J. Hammons
  President and CFO

- Lynn T. Simon
  President, Clinical Operations and CMO

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Near-Term Priorities

Near-term priorities designed to positively position CHS for long-term success

Income Summary

(Amounts in millions, except margin and Net (Loss) Income per Share)

	Three Months Ended March 31,		
	2023	2022	Change
Net Operating Revenues	$ 3,108	$ 3,111	-0.1%
Adjusted EBITDA[1]	$ 335	$ 409	-18.1%
Adjusted EBITDA Margin [1]	10.8%	13.1%	(230) BPS
Net (Loss) Income per Share, Excluding Adjustments [2]	$ (0.43)	$ 0.14	
Shares Outstanding (Weighted and Fully Diluted)	130	128	

(1) See the Unaudited Supplemental Information contained in this presentation for a definition of Adjusted EBITDA and a reconciliation of Adjusted EBITDA, as defined, to net (loss) income attributable to Community Health Systems, Inc. stockholders as derived directly from the condensed consolidated financial statements for the three months ended March 31, 2023 and 2022 (slides 15 and 16).

(2) See reconciliation of diluted net (loss) income per share, excluding adjustments, on slide 6.

Note: Consolidated hospital count of 79 at 3/31/2023 versus 83 at 3/31/2022.

During 1Q22, approximately $47M of pandemic relief funds was recognized.

Diluted EPS – Excluding Adjustments

	Three Months Ended March 31,	
	2023	**2022**
Net loss, as reported	$ (0.40)	$ (0.01)
Adjustments:		
Loss from early extinguishment of debt	-	0.11
Impairment and (gain) loss on sale of businesses, net	(0.11)	0.04
Expense from government and other legal matters and related costs	0.06	-
Expense related to employee termination benefits and other restructuring charges	0.01	-
Net (loss), income, excluding adjustments	$ (0.43)	$ 0.14

(Total per share amounts may not add due to rounding)

1Q 2023 Summary

	Sequential 1Q 2023 compared to 4Q 2022	1Q 2023 compared to 1Q 2022	
	Same Store	**Consolidated**	**Same Store**
Net Operating Revenue	-0.4%	-0.1%	1.7%
Net Revenue per AA	-0.6%		-7.1%
Admissions	0.4%	1.2%	4.8%
Adjusted Admissions	0.3%	5.8%	9.4%
Surgeries	1.9%	5.5%	10.6%
ER Visits	-6.9%	1.7%	5.0%

Non-Labor Expense

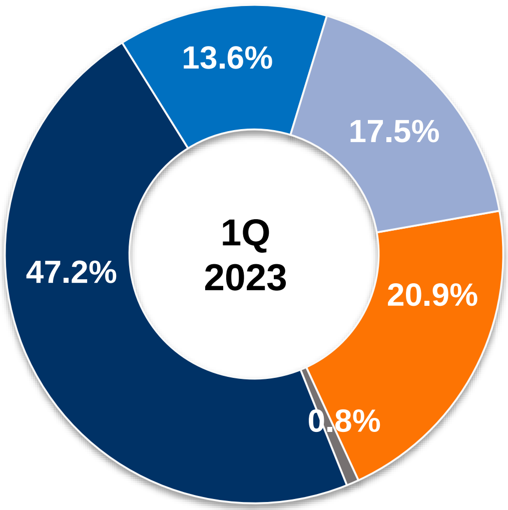
($ in millions)	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23
Supplies	$491	$500	$529	$521	$499	$487	$492	$498	$507
Other Non-Labor	$749	$740	$730	$743	$740	$757	$799	$805	$818
Total Non-Labor	$1,240	$1,240	$1,259	$1,264	$1,239	$1,244	$1,291	$1,303	$1,325

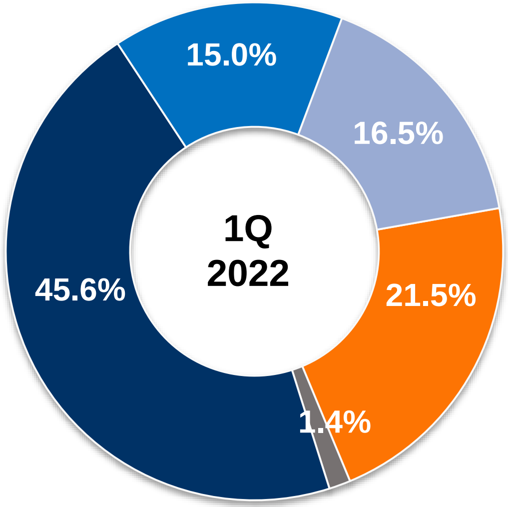
Over 9 quarters, CHS mitigated the following material expense increases:

- New hospital openings and additional access points
- Conversion of software licensing to software as a service
- Record-high inflation

Other non-labor expenses were impacted by an increase in medical specialist fees and professional liability expense.

Payor Mix (Consolidated)





Key

- Managed Care & Other
- Medicaid
- Medicare Managed Care
- Medicare
- Self-Pay

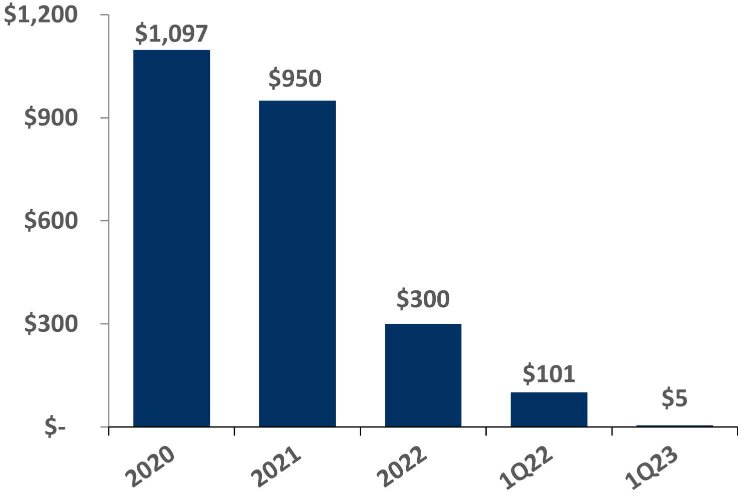
- Payor mix as % of net revenue.
- Total consolidated uncompensated care as % of adjusted net revenue (net revenue before provision for uncollectible revenue + charity care + administrative self pay discount) was 27.2% for 1Q23 compared to 26.4% for 1Q22.

Cash Flow & Capital Expenditures

Cash Flows from Operations

Excluding Received and Repaid Medicare Accelerated Payments

($ in millions)

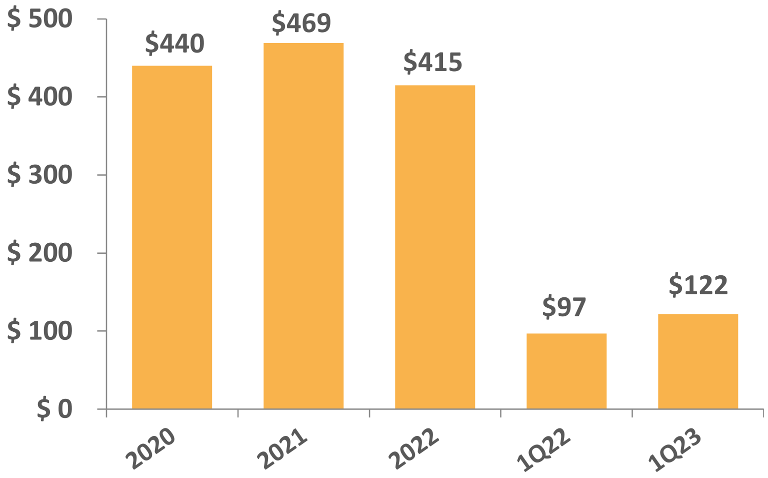


Reported Cash Flows from Operations are provided in the Form 8-K dated May 1, 2023.

Excludes Medicare advance payments received of $1,158 million as well as $77 million repaid in 2020 and $1,081 million repaid in 2021.

Capital Expenditures

($ in millions)



	2020	2021	2022	1Q22	1Q23
CapEx % of Net Revenue (includes Replacement Hospitals)	3.7%	3.8%	3.4%	3.1%	3.9%
Replacement Hospitals % of Net Revenue	1.0%	0.5%	0.1%	0.4%	0.0%
Number of Hospitals at Year End	89	83	80	83	79

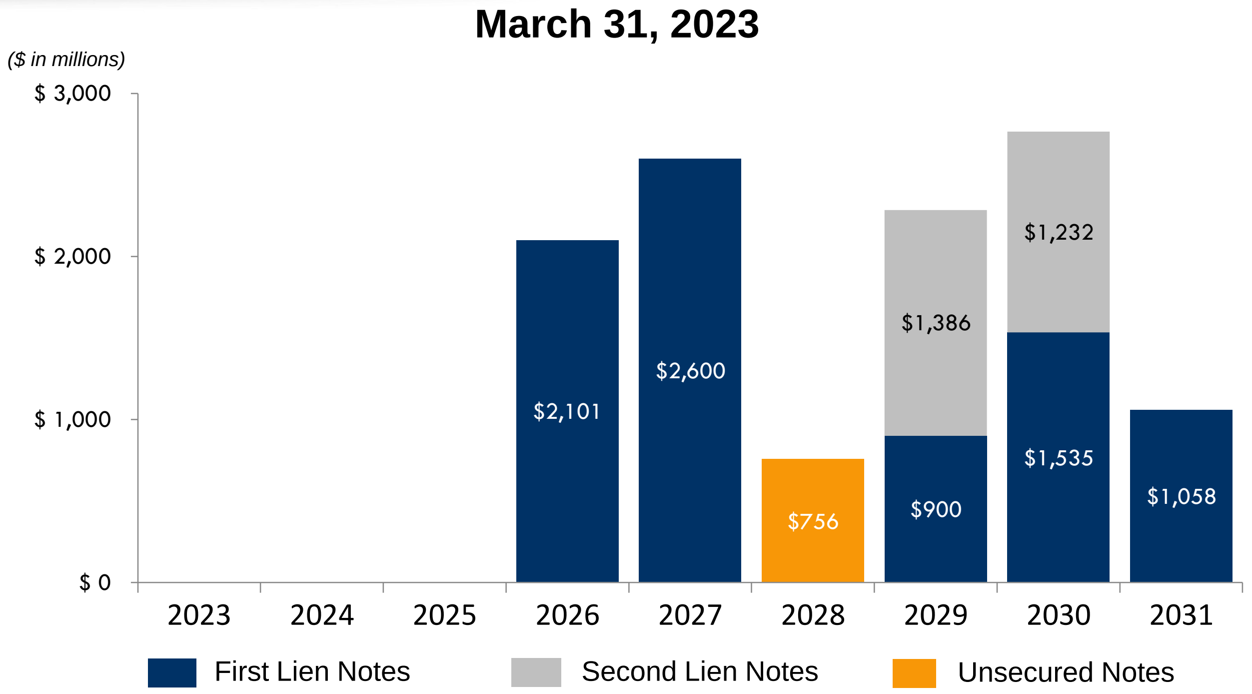
Balance Sheet Data

($ in millions)

	March 31, 2023	December 31, 2022
Working Capital	$ 982	$ 896
Total Assets	$ 14,623	$ 14,669
Total Debt	$ 11,735	$ 11,635
Stockholders' Deficit	$ (1,445)	$ (1,367)

- At March 31, 2023, substantially all of our debt was fixed rate debt.
- Days revenue outstanding for same-store hospitals, adjusted for the impact of receivables for state Medicaid supplemental payment programs, was 56 days at both March 31, 2023 and December 31, 2022.

Debt Maturity Profile



Note: Debt maturity profile does not include $1 billion ABL Facility

Through capital market transactions in 2022, the Company extended $1.5B of debt maturities and repurchased ~$645M of debt with ~$345M of cash, which lowered annual cash interest by ~$58M.

Medium-Term Financial Goals

	Medium-Term Within 3-5 Years
Net Revenue Growth	Mid-Single Digit
Adjusted EBITDA Margin	Mid-Teens
Annual Free Cash Flow	Positive
Financial Leverage (Net Debt / EBITDA)	Below 5.5x

Financial and operational goals focused on improving EBITDA margin and free cash flow as well as reducing financial leverage.

APPENDIX: Other Financial Information

CHS Community Health Systems

Unaudited Supplemental Information

EBITDA is a non-GAAP financial measure which consists of net income (loss) attributable to Community Health Systems, Inc. before interest, income taxes, and depreciation and amortization. Adjusted EBITDA, also a non-GAAP financial measure, is EBITDA adjusted to add back net income attributable to noncontrolling interests and to exclude loss (gain) from early extinguishment of debt, impairment and (gain) loss on sale of businesses, gain on sale of equity interests in Macon Healthcare, LLC, expense related to government and other legal matters and related costs, income during the fourth quarter of 2021 associated with the settlement of litigation for the recovery of amounts of certain professional liability claims settled in 2020 covered by third-party insurance policies, expense related to employee termination benefits and other restructuring charges, the impact of a change in estimate to increase the professional liability claims accrual recorded during the fourth quarter of 2022 with respect to claims incurred in prior years related to divested locations and the gain on sale by HealthTrust Purchasing Group, L.P. ("HealthTrust") of a majority interest in CoreTrust Holdings, LLC ("CoreTrust") completed during the fourth quarter of 2022. The Company has from time to time sold noncontrolling interests in certain of its subsidiaries or acquired subsidiaries with existing noncontrolling interest ownership positions. The Company believes that it is useful to present Adjusted EBITDA because it adds back the portion of EBITDA attributable to these third-party interests. The Company reports Adjusted EBITDA as a measure of financial performance. Adjusted EBITDA is a key measure used by management to assess the operating performance of the Company's hospital operations and to make decisions on the allocation of resources. Adjusted EBITDA is also used to evaluate the performance of the Company's executive management team and is one of the primary metrics used in connection with determining short-term cash incentive compensation and the achievement of vesting criteria with respect to performance-based equity awards. In addition, management utilizes Adjusted EBITDA in assessing the Company's consolidated results of operations and operational performance and in comparing the Company's results of operations between periods. The Company believes it is useful to provide investors and other users of the Company's financial statements this performance measure to align with how management assesses the Company's results of operations. Adjusted EBITDA also is comparable to a similar metric called Consolidated EBITDA, as defined in the Company's asset-based loan facility (the "ABL Facility") and the Company's existing note indentures, which is a key component in the determination of the Company's compliance with certain covenants under the ABL Facility and such note indentures (including the Company's ability to service debt and incur capital expenditures), and is used to determine the interest rate and commitment fee payable under the ABL Facility (although Adjusted EBITDA does not include all of the adjustments described in the ABL Facility). Adjusted EBITDA includes the Adjusted EBITDA attributable to hospitals that were divested during the course of such year, but in each case solely to the extent relating to the period prior to the consummation of the applicable divestiture.

Adjusted EBITDA is not a measurement of financial performance under U.S. GAAP. It should not be considered in isolation or as a substitute for net income, operating income, or any other performance measure calculated in accordance with U.S. GAAP. The items excluded from Adjusted EBITDA are significant components in understanding and evaluating financial performance. The Company believes such adjustments are appropriate as the magnitude and frequency of such items can vary significantly and are not related to the assessment of normal operating performance. Additionally, this calculation of Adjusted EBITDA may not be comparable to similarly titled measures disclosed by other companies.

Unaudited Supplemental Information

The following table reflects the reconciliation of Adjusted EBITDA, as defined, to net loss attributable to Community Health Systems, Inc. stockholders as derived directly from the condensed consolidated financial statements (in millions):

	Three Months Ended March 31,	
	2023	2022
Net loss attributable to Community Health Systems, Inc. stockholders	$ (51)	$ (1)
Adjustments:		
Pprovision for income taxes	26	23
Depreciation and amortization	132	128
Net income attributable to noncontrolling interests	31	31
Interest expense, net	207	217
Loss from early extinguishment of debt	-	5
Impairment and (gain) loss on sale of businesses, net	(22)	6
Expense from government and other legal matters and related costs	10	-
Expense related to employee termination benefits and other restructuring charges	2	-
Adjusted EBITDA	$ 335	$ 409

Note: During the first quarter of 2022, the company recognized approximately $47 million of pandemic relief funds.