

COMMUNITY HEALTH SYSTEMS INC

Form 10-Q

November 03, 2015

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015

Commission file number 001-15925

COMMUNITY HEALTH SYSTEMS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of

incorporation or organization)

4000 Meridian Boulevard

Franklin, Tennessee

(Address of principal executive offices)

13-3893191

(I.R.S. Employer

Identification Number)

37067

(Zip Code)

615-465-7000

(Registrant's telephone number)

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

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

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

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

As of October 27, 2015, there were outstanding 118,188,045 shares of the Registrant's Common Stock, \$0.01 par value.

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Community Health Systems, Inc.

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For the Three and Nine Months Ended September 30, 2015

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COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)

(In millions, except share and per share data)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Operating revenues (net of contractual allowances and discounts)	\$ 5,580	\$ 5,538	\$ 16,840	\$ 15,920
Provision for bad debts	734	758	2,201	2,199
<i>Net operating revenues</i>	4,846	4,780	14,639	13,721
<i>Operating costs and expenses:</i>				
Salaries and benefits	2,240	2,184	6,714	6,397
Supplies	762	730	2,274	2,098
Other operating expenses	1,144	1,118	3,370	3,251
Government settlement and related costs	-	77	1	77
Electronic health records incentive reimbursement	(54)	(88)	(135)	(212)
Rent	115	110	344	319
Depreciation and amortization	288	279	875	815
Amortization of software to be abandoned	-	-	-	75
Total operating costs and expenses	4,495	4,410	13,443	12,820
<i>Income from operations</i>	351	370	1,196	901
Interest expense, net	242	249	723	728
Loss from early extinguishment of debt	-	-	16	73
Equity in earnings of unconsolidated affiliates	(12)	(12)	(51)	(35)
Impairment of long-lived assets	-	-	6	24
Income from continuing operations before income taxes	121	133	502	111

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Provision for income taxes	38	39	167	16
Income from continuing operations	83	94	335	95
Discontinued operations, net of taxes:				
(Loss) income from operations of entities sold or held for sale	(5)	1	(22)	(5)
Impairment of hospitals sold or held for sale	-	-	(2)	(23)
Loss on sale, net	(3)	-	(3)	-
(Loss) income from discontinued operations, net of taxes	(8)	1	(27)	(28)
<i>Net income</i>	75	95	308	67
Less: Net income attributable to noncontrolling interests	23	33	67	75
Net income (loss) attributable to Community Health Systems, Inc. stockholders	\$ 52	\$ 62	\$ 241	\$ (8)
<i>Basic earnings (loss) per share attributable to Community Health Systems, Inc. common stockholders:</i>				
Continuing operations	\$ 0.52	\$ 0.55	\$ 2.33	\$ 0.18
Discontinued operations	(0.07)	0.00	(0.24)	(0.25)
Net income (loss)	\$ 0.45	\$ 0.55	\$ 2.09	\$ (0.07)
<i>Diluted earnings (loss) per share attributable to Community Health Systems, Inc. common stockholders:</i>				
Continuing operations	\$ 0.51	\$ 0.54	\$ 2.32	\$ 0.18
Discontinued operations	(0.07)	0.00	(0.24)	(0.25)
Net income (loss)	\$ 0.44	\$ 0.54	\$ 2.08	\$ (0.07)
<i>Weighted-average number of shares outstanding:</i>				
Basic	115,319,986	113,138,663	114,981,457	110,871,066
Diluted	116,368,157	114,343,778	115,845,181	111,757,390

See accompanying notes to the condensed consolidated financial statements.

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COMMUNITY HEALTH SYSTEMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In millions)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Net income	\$ 75	\$ 95	\$ 308	\$ 67
Other comprehensive (loss) income, net of income taxes:				
Net change in fair value of interest rate swaps, net of tax	(21)	11	(22)	20
Net change in fair value of available-for-sale securities, net of tax	(9)	(5)	(10)	(2)
Amortization and recognition of unrecognized pension cost components, net of tax	1	1	2	1
Other comprehensive (loss) income	(29)	7	(30)	19
Comprehensive income	46	102	278	86
Less: Comprehensive income attributable to noncontrolling interests	23	33	67	75
Comprehensive income attributable to Community Health Systems, Inc. stockholders	\$ 23	\$ 69	\$ 211	\$ 11

See accompanying notes to the condensed consolidated financial statements.

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	September 30, 2015	December 31, 2014
ASSETS		
<i>Current assets:</i>		
Cash and cash equivalents	\$ 186	\$ 509
Patient accounts receivable, net of allowance for doubtful accounts of \$3,825 and \$3,504 at September 30, 2015 and December 31, 2014, respectively	3,686	3,409
Supplies	572	557
Prepaid income taxes	-	30
Deferred income taxes	345	341
Prepaid expenses and taxes	215	192
Other current assets (including assets of hospitals held for sale of \$5 and \$38 at September 30, 2015 and December 31, 2014, respectively)	548	528
Total current assets	5,552	5,566
Property and equipment	14,688	14,264
Less accumulated depreciation and amortization	(4,624)	(4,095)
Property and equipment, net	10,064	10,169
<i>Goodwill</i>	8,972	8,951
<i>Other assets, net (including assets of hospitals held for sale of \$32 and \$90 at September 30, 2015 and December 31, 2014, respectively)</i>	2,601	2,735
<i>Total assets</i>	\$ 27,189	\$ 27,421
LIABILITIES AND EQUITY		
<i>Current liabilities:</i>		
Current maturities of long-term debt	\$ 240	\$ 235
Accounts payable	1,214	1,293
Income tax payable	102	-
Deferred income taxes	23	23

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Accrued interest	163	227
Accrued liabilities (including liabilities of hospitals held for sale of \$1 and \$10 at September 30, 2015 and December 31, 2014, respectively)	1,412	1,811
Total current liabilities	3,154	3,589
<i>Long-term debt</i>	16,647	16,681
<i>Deferred income taxes</i>	847	845
<i>Other long-term liabilities</i>	1,696	1,692
Total liabilities	22,344	22,807
<i>Redeemable noncontrolling interests in equity of consolidated subsidiaries</i>	522	531
<i>EQUITY</i>		
<i>Community Health Systems, Inc. stockholders' equity:</i>		
Preferred stock, \$.01 par value per share, 100,000,000 shares authorized; none issued	-	-
Common stock, \$.01 par value per share, 300,000,000 shares authorized; 119,158,604 shares issued and 118,183,055 shares outstanding at September 30, 2015, and 117,701,087 shares issued and 116,725,538 shares outstanding at December 31, 2014	1	1
Additional paid-in capital	2,122	2,095
Treasury stock, at cost, 975,549 shares at September 30, 2015 and December 31, 2014	(7)	(7)
Accumulated other comprehensive loss	(93)	(63)
Retained earnings	2,218	1,977
Total Community Health Systems, Inc. stockholders' equity	4,241	4,003
<i>Noncontrolling interests in equity of consolidated subsidiaries</i>	82	80
Total equity	4,323	4,083
Total liabilities and equity	\$ 27,189	\$ 27,421

See accompanying notes to the condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS***(In millions)**(Unaudited)*

	Nine Months Ended September 30,	
	2015	2014
<i>Cash flows from operating activities:</i>		
Net income	\$ 308	\$ 67
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	876	897
Government settlement and related costs	1	77