MARTIN HOSPITAL COMPANY, LLC
Form 424B5
March 07, 2017
Table of Contents

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-203918

The information in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities or a solicitation of an offer to buy these securities in any jurisdiction where the offer and sale is not permitted.

(SUBJECT TO COMPLETION, DATED MARCH 7, 2017)

PRELIMINARY PROSPECTUS SUPPLEMENT

(To prospectus, dated May 6, 2015)

$1,750,000,000

CHS/Community Health Systems, Inc.

% Senior Secured Notes due 2023

We are offering $1,750,000,000 aggregate principal amount of % Senior Secured Notes due 2023 (the notes).

We will pay interest on the notes semi-annually on each and , commencing on , 2017. The notes will mature on , 2023.

We may redeem some or all of the notes at any time prior to , 2020 at a price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest, if any, plus a make-whole premium, as described in this prospectus supplement. We may redeem some or all of the notes at any time on or after , 2020 at the redemption prices set forth in this prospectus supplement, plus accrued and unpaid interest, if any. In addition, we may redeem up to 40% of the aggregate principal amount of the notes at any time prior to , 2020 using the net proceeds from certain equity offerings at the redemption price set forth in this prospectus supplement, plus accrued and unpaid interest, if any. There is no sinking fund for the notes.

The notes will be our senior secured obligations and will rank equal in right of payment to all of our existing and future senior indebtedness that is not subordinated in right of payment to the notes, will be senior in right of payment to any indebtedness that is subordinated in right of payment to the notes and will be effectively senior to all of our existing and future unsecured indebtedness to the extent of the value of the assets securing the notes. The notes will be guaranteed on a senior secured basis by our parent and certain of our domestic subsidiaries. These guarantees will

rank equal in right of payment to all of the existing and future indebtedness of each guarantor that is not subordinated in right of payment to its guarantee of the notes, will be senior in right of payment to any indebtedness of each guarantor that is subordinated in right of payment to its guarantee of the notes and will be effectively senior to all of the existing and future unsecured indebtedness of each guarantor to the extent of the value of the assets securing its guarantee of the notes. The notes and the guarantees of the notes will be secured by liens on certain assets that also secure our existing senior secured credit facilities (the Credit Facility), our 5.125% Senior Secured Notes due 2021 (the 2021 Secured Notes) and, for so long as they are outstanding, our 5.125% Senior Secured Notes due 2018 (the 2018 Secured Notes), subject to certain exceptions. The notes and related guarantees will be structurally junior in right of payment to liabilities of our subsidiaries that will not guarantee the notes.

We do not intend to apply for listing of the notes on any securities exchange.

Investing in the notes involves risks. See Risk Factors beginning on page S-25 of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Note	Total
Public offering price(1)	%	$
Underwriting discount	%	$
Proceeds to us (before expenses)(1)	%	$

(1) Plus accrued interest, if any, from , 2017.
Delivery of the notes in book-entry form will be made on or about , 2017.

Joint Book-Running Managers

Credit Suisse

BofA Merrill Lynch

Citigroup

Credit Agricole CIB

Goldman, Sachs & Co.

J. P. Morgan

RBC Capital Markets

SunTrust Robinson Humphrey

UBS Investment Bank

Wells Fargo Securities

Co-Managers

BBVA

Deutsche Bank Securities

Fifth Third Securities

Morgan Stanley

Regions Securities LLC

Scotiabank

The date of this prospectus supplement is , 2017.

Table of Contents

Table of Contents

TABLE OF CONTENTS

Prospectus Supplement

Prospectus

You should rely only on the information contained or incorporated by reference in this prospectus supplement or accompanying prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We have not authorized anyone to provide you with information that is different. If you receive any such other information, it should not be relied upon as having been authorized by us or the underwriters. This prospectus supplement and accompanying prospectus may only be used where it is legal to sell these securities. The information in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein may only be accurate as of the date of the document containing such information. You should not assume that the information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate as of any date other than the date of the document containing such information.

It is expected that delivery of the notes will be made against payment therefor on or about the date specified on the cover of this prospectus supplement, which is the business day following the date of pricing of the notes (such settlement cycle being referred to as T+). You should note that trading of the notes on the date of this prospectus supplement or the next succeeding business days may be affected by the T+ settlement. See Underwriting.

Table of Contents

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which adds, updates and changes information contained or incorporated by reference in the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering of notes. If the information set forth in this prospectus supplement or any document incorporated by reference herein varies in any way from the information set forth or incorporated by reference in the accompanying prospectus, you should rely on the information contained in this prospectus supplement or any document incorporated by reference herein. If the information set forth in this prospectus supplement varies in any way from the information set forth in a document incorporated by reference herein, you should rely on the information in the more recent document.

We are not, and the underwriters are not, making an offer of these notes in any jurisdiction where the offer or sale is not permitted. Before you invest in the notes, you should read the registration statement described in the accompanying prospectus (including the exhibits thereto) of which this prospectus supplement and the accompanying prospectus form a part, as well as this prospectus supplement, the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The documents incorporated by reference herein are described in this prospectus supplement under Incorporation of Certain Information by Reference. You should not assume that the information contained in, or the documents incorporated by reference in, this prospectus supplement or the accompanying prospectus are accurate as of any date other than their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

INDUSTRY AND MARKET DATA

This prospectus supplement includes industry and trade association data, forecasts and information that we have prepared based, in part, upon data, forecasts and information obtained from independent trade associations, industry and government publications and surveys and other independent sources available to us. Some data also are based on our good faith estimates, which are derived from management s knowledge of the industry and from independent sources. These third-party publications and surveys generally state that the information included therein has been obtained from sources believed to be reliable. We have not independently verified any of the data from third-party sources. Similarly, we believe our internal research is reliable, even though such research has not been verified by any independent sources. While we are not aware of any misstatements regarding any such data, forecasts and information presented herein, you should carefully consider the inherent risks and uncertainties associated with the industry and market data contained in this prospectus supplement.

FORWARD-LOOKING STATEMENTS

This prospectus supplement, the accompanying prospectus and any documents we incorporate by reference may contain forward-looking statements within the meaning of the federal securities laws, which involve risks, assumptions 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, an expressions are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors relating to us or the healthcare industry generally 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. These factors include, but are not limited to, the following:

general economic and business conditions, both nationally and in the regions in which we operate;

the impact of the 2016 federal elections, which may lead to the repeal of the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively, the Affordable Care Act) or significant changes to the Affordable Care Act, its

Table of Contents

implementation or its interpretation, as well as changes in other federal, state or local laws or regulations affecting our business;

the extent to which states support increases, decreases or changes in Medicaid programs, implement health insurance exchanges or alter the provision of healthcare to state residents through regulation or otherwise;

the future and long-term viability of health insurance exchanges, which may be affected by whether a sufficient number of payors participate as well as the impact of the 2016 federal elections on the Affordable Care Act;

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;

demographic changes;

changes in, or the failure to comply with, governmental regulations;

potential adverse impact of known and unknown government investigations, audits, and federal and state false claims act litigation and other legal proceedings;

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;

changes in, or the failure to comply with, contract terms with payors and changes in reimbursement rates paid by federal or state healthcare programs or commercial payors;

any potential additional 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;

the effects related to the continued implementation of the sequestration spending reductions 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 in states that have not expanded

Medicaid and difficulties in recovering payments for which patients are responsible, including co-pays and deductibles;

the efforts of insurers, healthcare providers and others to contain healthcare costs, including the trend toward value-based purchasing;

our ongoing ability to demonstrate meaningful use of certified electronic health record (EHR) technology and recognize income for the related Medicare or Medicaid incentive payments, to the extent such payments have not expired;

increases in wages as a result of inflation or competition for highly technical positions and rising supply and drug costs due to market pressure from pharmaceutical companies and new product releases;

liabilities and other claims asserted against us, including self-insured malpractice claims;

competition;

our ability to attract and retain, at reasonable employment costs, qualified personnel, key management, physicians, nurses and other healthcare workers;

trends toward treatment of patients in less acute or specialty healthcare settings, including ambulatory surgery centers or specialty hospitals;

changes in medical or other technology;

Table of Contents

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, including the divestiture of hospitals and non-hospital businesses pursuant to our portfolio rationalization and deleveraging strategy, our ability to complete any such acquisitions or divestitures on desired terms or at all (including to realize the anticipated amount of proceeds from contemplated divestitures), 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;

our ability to successfully integrate any acquired hospitals, including those of HMA, or to recognize expected synergies from acquisitions;

the impact of seasonal severe weather conditions;

our ability to obtain adequate levels of general and professional liability insurance;

timeliness of reimbursement payments received under government programs;

effects related to outbreaks of infectious diseases;

the impact of the external, criminal cyber-attack suffered by us in the second quarter of 2014, including potential reputational damage, the outcome of our investigation and any potential governmental inquiries, the outcome of litigation filed against us in connection with this cyber-attack, the extent of remediation costs and additional operating or other expenses that we may continue to incur, and the impact of potential future cyber-attacks or security breaches;

any failure to comply with the terms of our Corporate Integrity Agreement (CIA) with the Office of Inspector General of the Department of Health and Human Services (OIG);

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 effects of our previously announced adoption of a Stockholder Protection Rights Agreement;

any effects related to our previously announced exploration of strategic alternatives; and

other risk factors disclosed under Risk Factors and elsewhere in or incorporated by reference in this prospectus supplement.

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 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 speak only as of the date they are made. 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.

Table of Contents

SUMMARY

The following summary contains basic information about us and this offering, but does not contain all the information that may be important to you. For a more complete understanding of this offering, we encourage you to carefully read this entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein, including the information set forth under Risk Factors and our financial statements and related notes. Unless otherwise indicated or the context requires otherwise, references in this prospectus supplement to we, our, us and the Company refer to Community Health Systems, Inc. and its consolidated subsidiaries, including CHS/Community Health Systems, Inc., the issuer of the notes offered hereby. References to the Issuer refer to CHS/Community Health Systems, Inc. alone, and references to Holdings refer to Community Health Systems, Inc. alone. We refer to the Issuer s 5.125% Senior Secured Notes due 2018 as the 2018 Secured Notes, to the Issuer s 8.00% Senior Notes due 2019 as the 2019 Notes, to the Issuer s 7.125% Senior Notes due 2020 as the 2020 Notes, to the Issuer s 5.125% Senior Secured Notes due 2021 as the 2021 Secured Notes and to the Issuer s 6.875% Senior Notes due 2022 as the 2022 Notes. The 2018 Secured Notes, 2019 Notes, 2020 Notes, 2021 Secured Notes and 2022 Notes are collectively referred to in this prospectus supplement as the Existing Notes.

In this prospectus supplement, any amounts shown on an as adjusted basis have been adjusted to reflect, as applicable: (i) the issuance of the notes in this offering and (ii) the use of the net proceeds from this offering and available cash on hand to repurchase all the outstanding 2018 Secured Notes in the Tender Offer discussed below (assuming that all outstanding 2018 Secured Notes are validly tendered and not validly withdrawn prior to the Early Tender Deadline (as defined below) and accepted for purchase in the Tender Offer) and to repay $1.023 billion aggregate principal amount of terms loans outstanding under our Term F Facility as described under Use of Proceeds.

Our Company

We are one of the largest publicly-traded hospital companies in the United States and a leading operator of general acute care hospitals and outpatient facilities in communities across the country. As of December 31, 2016, we owned or leased 155 hospitals included in continuing operations, with an aggregate of 26,222 licensed beds, comprised of 152 general acute care hospitals and three stand-alone rehabilitation or psychiatric hospitals. These hospitals are geographically diversified across 21 states, with the majority of our hospitals located in regional networks or in close geographic proximity to one or more of our other hospitals. We also owned or leased three hospitals included in discontinued operations at December 31, 2016. 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. In a number of our markets, we have partnered with local physicians or not-for-profit providers, or both, in the ownership of our facilities. We are paid for our healthcare services by governmental agencies, private insurers and directly by the patients we serve. For the year ended December 31, 2016, our net operating revenue was approximately $18.438 billion, our net income attributable to Community Health Systems, Inc. common stockholders was a loss of approximately $1.721 billion and our Adjusted EBITDA was approximately $2.225 billion. In addition, for the year ended December 31, 2016, our Further Adjusted EBITDA (which is Adjusted EBITDA further adjusted to (i) remove the impact of the divestitures we completed in 2016, beginning with the spin-off of 38 hospitals to Quorum Health Corporation in April 2016, as if those dispositions were completed on January 1, 2016, (ii) include the estimated impact of the hospital acquisitions we completed in 2016 as if we had completed these acquisitions at the beginning of 2016, and (iii) add back stock-based compensation expense) was approximately $2.169 billion. For additional information on our presentation of Adjusted EBITDA and Further Adjusted EBITDA, see Non-GAAP Financial Measures and Summary Historical Financial and Other Data.

We have grown in the past by acquiring hospitals and by improving the operations of our facilities. We have historically targeted hospitals in growing, non-urban and selected urban healthcare markets for acquisition

Table of Contents

because of their favorable demographic and economic trends and competitive conditions. Since 2007, we have substantially increased the size of our business and the number of hospitals we operate through the acquisitions of Triad Hospitals, Inc. and Health Management Associates, Inc., or HMA. Our growth strategy has also included developing or acquiring select physician practices, physician-owned ancillary service providers and other outpatient capabilities in markets where we already had a hospital presence. More recently, our efforts have focused on creating regional networks in select urban markets. We believe opportunities exist for skilled, disciplined operators to create networks between urban and non-urban hospitals while improving physician alignment in both markets and making these hospitals more attractive to managed care. Through these regional networks, we have the opportunity to enhance our market position and build market density by providing more integrated service offerings, establishing additional patient access points for our acute care hospitals, recruiting more physicians and expanding our hospitals local referral network.

We have been implementing a portfolio rationalization and deleveraging strategy by divesting hospitals and non-hospital businesses that are attractive to strategic and other buyers. Generally, these businesses are not in one of our strategically beneficial service areas, are less complementary to our business strategy and/or have lower operating margins. More recently, in connection with our announced divestiture initiative, strategic and other buyers have made offers to buy certain of our assets. Through consideration of these offers, we have divested or may divest hospitals and non-hospital businesses when we find such offers to be attractive and in line with our operating strategy. By reducing the size and geographic footprint of our business, we believe this strategy will allow us to focus on our most attractive markets and regional networks, improve cash flow, reduce leverage, and better position us for the future.

Our Competitive Strengths

We believe the following strengths will allow us to improve our operations:

Geographic diversity and operating scale. As of December 31, 2016, we owned or leased 155 hospitals included in continuing operations, with an aggregate of 26,222 licensed beds, geographically diversified across 21 states. Our geographic diversity helps to mitigate risks associated with fluctuating state regulations related to Medicaid reimbursement and state-specific economic conditions. Our top four states, Florida, Texas, Pennsylvania, and Indiana, contributed approximately 45% of our operating revenues, net of contractual allowances and discounts (but before the provision for bad debts), in 2016. Furthermore, we believe the size of our operations enables us to realize the benefits of economies of scale, purchasing power, increased operating efficiencies and increased return on information technology and other capital investments. In this regard, there are 13 states where we have operations that generated in excess of $500 million of operating revenues, net of contractual allowances and discounts (but before the provision for bad debts) for the year ended December 31, 2016.

Strong regional network presence. We believe we are one of the leading providers of acute care and outpatient services in many of the markets we serve. Currently, 73 of our hospitals operate in 11 unique regional networks, which are comprised of one or more larger hospitals with smaller hospitals located in nearby communities. Within each regional network, we leverage the network s brand and local scale to expand our continuum of care, enhance access to our facilities, provide a more integrated service offering and reduce costs through increased operating efficiencies. Additionally, 34 of our hospitals operate in close geographic proximity to one or more of our other hospitals in 13 geographic areas. For these hospitals, we seek to develop or expand similar specialty services and outpatient services at our regional networks to yield high patient and physician satisfaction, improve revenue and gain operational efficiencies. As of December 31, 2016, we estimate that approximately 70% of our facilities are located in regional networks or are in close proximity to another CHS hospital.

Table of Contents

We believe our market positioning strategy will create growth opportunities, allow us to develop long-term relationships with patients, physicians, employers and third-party payors and enable us to achieve an attractive return on investments in the expansion of our facilities and outpatient services and in physician recruitment.

Positioned for growth in outpatient services. We believe outpatient services widen the catchment area for our hospitals and regional networks and are consistent with care delivery trends, including greater convenience for our patients, increased efficiency for our physicians and lower cost of care for our patients and payors. Outpatient services generated approximately 57% of our net revenues for the year ended December 31, 2016. We intend to continue to invest in outpatient services to meet the needs of our communities, provide greater access to medical care and enhance the overall experience of our patients. In 2016, 63% of amounts incurred on our completed major capital projects related to outpatient services, compared to 37% in 2015. In particular, we have made capital investments at several strategic hospital locations to establish free-standing emergency departments, and expect to continue to make these investments in the future. In general, outpatient services require less capital investment than our acute care hospitals and provide an opportunity for attractive operating margins and a higher return on investment.

Emphasis on patient safety and quality of care. We maintain an emphasis on patient safety, the provision of quality care and improving clinical outcomes. We understand that high levels of quality are only achieved with a company-wide focus that embraces patient, physician and employee satisfaction and continual, systematic clinical improvements. We believe that a focus on continuous improvement yields the best results for patients, reduces risk and improves revenue through achievement of quality measures. We have developed and implemented programs to support and monitor patient safety and quality of care that include:

- standardized data and benchmarks to monitor hospital performance and quality improvement efforts;
- recommended policies and procedures based on nationally recognized medical and scientific evidence as well as training on evidence-based tools for improving patient, physician and employee satisfaction;
- leveraging of technology and sharing of evidence-based clinical best practices;
- training programs for hospital management and clinical staff regarding regulatory and reporting requirements; and
- implementation of specific leadership methods and error-prevention tools to create safer care environments for patients and staff.

As a result of these efforts, we have made significant progress in patient safety and clinical quality. In the facilities we have operated since before our acquisition of HMA (the legacy facilities), we have achieved a 79.9% reduction in Serious Safety Events through the third quarter of 2016 from our baseline in 2013. In our more recently acquired HMA facilities, there has been a 29.6% reduction in Serious Safety Events through the third quarter of 2016 from their baseline in 2015. In addition, for our legacy facilities, we have significantly reduced Hospital-Acquired Infections, or HAIs, over the past several years, with a reduction in every HAI measure for each year that the measures have been publicly reported. Moreover, for the legacy facilities, our total HAI reduction rate was 28.9% from 2011 to 2016. Our quality efforts, along with payor incentive arrangements, generated approximately $15 million in 2016 earned

incentives.

Strong history of improving operations and making strategic investments resulting in well capitalized facilities. We have extensive experience in improving the operations of our facilities. We have developed and implemented standardized and centralized services across key business areas, recruited new physicians and hospital leaders, and executed cost saving initiatives. Additionally, we have improved operations at many of our acquired facilities through strategies that have included expanding service offerings to include more complex care, optimizing our emergency room approach, increasing outpatient services and making capital investments in selected projects that generate an attractive return on investment. Our facilities have been well capitalized

Table of Contents

through strategic investments and represent a significant and tangible asset base. Many facilities have undergone or completed significant renovation or expansion projects within the last several years. In addition, we own 127 of the 158 total facilities we operated as of December 31, 2016 (14 of which were subject to definitive sale agreements entered into as of February 28, 2017, that had not yet closed), which provides a valuable real estate base.

Experienced management team with a proven track record. We have a strong and committed management team that has substantial industry knowledge and a proven track record of operations success in the hospital industry. Our chief executive officer and chief financial officer each have over 30 years of experience in the healthcare industry and have worked together since 1973. We recently strengthened our senior management team by promoting a new president and chief operating officer, with over 20 years of experience in the hospital industry. Our five division presidents have each worked at CHS for many years and average 21 years of experience in hospital and division executive roles. Additionally, we have recently made several key external hires to further strengthen our senior management team, including Tom Aaron, who will be replacing Larry Cash as our chief financial officer following Mr. Cash s retirement at our annual meeting of stockholders in May 2017.

Our Business Strategy

The key elements of our business strategy are to:

Optimize our asset portfolio. We are in the process of divesting certain hospital facilities and other non-hospital businesses in furtherance of our portfolio rationalization and deleveraging strategy as noted above. More recently, in connection with our announced divestiture initiative, strategic and other buyers have made offers to buy certain of our assets. Through consideration of these offers we have divested or may divest hospitals and non-hospital businesses when we find such offers to be attractive and in line with our operating strategy. By managing the size and geographic footprint of our business, we believe that we can focus future investments on our most attractive markets and regional networks where we have an opportunity to enhance our market position by providing additional patient access points to our inpatient and outpatient services and recruiting more physicians to improve the quality of care. We intend to continue to evaluate offers from potential buyers for additional divestitures to optimize our asset portfolio and believe this strategy will position us to improve cash flow and reduce leverage.

Since April 2016, we have received approximately $1.6 billion in proceeds from the spin-off of Quorum Health Corporation and sale of our joint venture in Las Vegas, Nevada and another $287 million from the sale of investments in non-hospital operations. As of February 28, 2017, we had entered into definitive agreements with respect to the sale of 15 hospitals, and expect to receive approximately $900 million in proceeds from the sale of these facilities in 2017, if all of these sales are completed on the terms expected as of such date. Additionally, as of February 28, 2017, we had executed non-binding letters of intent with respect to the sale of ten hospitals, and expect to receive approximately $600 million in proceeds from the sale of these facilities in 2017, if all of these sales are completed on the terms expected as of such date. In addition to those ten hospitals subject to non-binding letters of intent, as of February 28, 2017, we were in preliminary discussions with respect to the sale of additional hospitals, including in certain cases where we had entered into non-binding letters of intent where discussions were at a more preliminary stage relative to those ten hospitals. Proceeds received from our portfolio rationalization program have been used, and are expected to continue to be used, to repay indebtedness. In addition, at such time, if any, that these additional divestitures are completed, these facilities will no longer be part of our operations and the guarantees of the notes by subsidiary guarantors sold as part of these divestitures will be released.

Increase revenue at our facilities. We are implementing a strategy to expand and rationalize service lines. We believe this focused service line strategy facilitates better capital allocation and drives volume, acuity and rate growth in desirable areas. In addition, we are expanding the medical services we provide through the

Table of Contents

recruitment of additional primary care physicians and specialists. We have further emphasized our recruiting efforts with respect to both employed and affiliated physicians by recruiting approximately 3,896 physicians in 2016, 4,152 in 2015 and 3,765 in 2014. In addition, over 70% of the physicians that commenced practice with us in 2016 were specialists. As of December 31, 2016, we had 20,500 physicians on medical staffs. Recently, we have implemented a number of management tools to assist us in measuring and improving physician performance, improving workflow and increasing physician retention.

In addition, we intend to continue to expand the breadth of services offered at our hospitals through targeted capital expenditures, new service line strategies to add more complex and specialty services, increase the number of patient transfer centers to better coordinate care, and implement digital health solutions to improve patient engagement and satisfaction. Additionally, our capital expenditures have supported expanding the number of patient access points separate from the traditional hospital service location, including free-standing emergency departments, surgery centers, urgent care centers, and other sites that provide quicker access to care in a lower cost setting. Some of our initiatives include:

- Expanding our orthopedic program. We have implemented a program developed by an industry leading orthopedic consultant at 35 hospitals, and have experienced a 5% same-store increase in hip or knee replacement surgery volumes in 2016. We intend to implement this program at 16 additional hospitals in 2017. We believe these standardized programs also benefit other orthopedic services at our hospitals;

- Expanding and renovating existing emergency rooms to improve service and reduce waiting times. We have implemented marketing campaigns in our local communities to increase awareness of our emergency room capabilities;

- Increasing the number of patient transfer centers to better coordinate care among our physicians, hospitals and outpatient centers. Transfer centers enable patients to be transported to the facility that provides the appropriate services they need, provide increased visibility into local hospital operations and help identify future service line opportunities for our hospitals. In 2016, 76 of our hospitals used an outsourced vender to facilitate over 17,000 transfers; and

- Leveraging digital tools to create virtual access points, and improve our patient and physician experiences. These digital solutions use clinical protocols and analytics to drive patient outreach for scheduling appointments, assisting with referral management to keep patients in network when possible and provide post care follow-up, including treatment plans, health education, prescription reminders and prevention screening. We also have introduced a tool that enables patients to compare pricing for select outpatient services among our facilities and those of competitors in our markets.

In addition to these initiatives, we believe our investments in expanding our footprint and patient access points through free-standing emergency departments, ambulatory surgery centers and urgent care centers will generate increased revenues and earnings from businesses with higher growth and operating margins. We believe that appropriate capital investments in our outpatient facilities combined with the development of our service capabilities will increase patient retention while providing an attractive return on investment. As of December 31, 2016, we had 58 surgery centers, 51 urgent care centers, 44 walk-in retail clinics, 9 free standing emergency departments, 149 diagnostic centers and approximately 1,000 physician clinics.

Increase productivity and operating efficiency. We focus on improving operating efficiency to enhance our operating margins. We seek to implement cost containment programs and adhere to operating philosophies that focus on standardizing and centralizing our methods of operation and management, including:

monitoring and enhancing productivity of our human resources;

capitalizing on purchasing efficiencies through the use of company-wide standardized purchasing contracts and terminating or renegotiating unfavorable vendor contracts;

Table of Contents

installing standardized management information systems, resulting in more streamlined clinical operations and more efficient billing and collection procedures; and

improving patient safety and optimizing staffing allocation through our case and resource management program, which assists in improving clinical care and containing costs.

In 2016, we implemented a number of strategic and operational initiatives to increase our focus on productivity and reduce expenses. Some of these initiatives include:

Consolidating local billing and collection functions into six centralized business offices. We completed the transition of 90% of our hospitals to this new system in 2016 and have started to benefit from lower patient denials, underpayment recoveries and reduced operating expenses;

Implementing improved sourcing initiatives and new procurement and accounts payable systems. We have renegotiated contracts with numerous suppliers, including implant manufacturers and those providing technology and support services, to realize increased savings. In addition, we have implemented a new system to standardize procurement processes, improve workflow efficiency and provide analytics and business intelligence to identify potential future savings;

Introducing physician practice performance programs. For our employed physicians, we are leveraging software solutions to measure and improve physician performance. We have also implemented programs to improve physician workflow, increase physician retention, optimize staffing at physician clinics and standardize onboarding processes;

Realizing employee benefit savings on medical benefits, prescription services and high medical claims; and

Reducing overtime and use of temporary staffing to align with patient admissions.

We intend to continue to try to identify new opportunities to reduce costs and improve productivity and physician practice performance.

Reduce leverage and improve cash flow. We intend to continue our strategy of increasing hospital revenues and reducing operating expenses to generate increased profitability and cash flow. We intend to continue utilizing cash flows from our operations to service debt and to fund capital projects that generate a high return on investment. In addition, as noted above, our portfolio rationalization and deleveraging strategy is ongoing, and since April 2016 this strategy has generated approximately $1.9 billion in proceeds that have been used to repay indebtedness. Moreover, as noted above, as of February 28, 2017, we had executed definitive agreements with respect to the sale of 15 hospitals and expect to receive approximately $900 million in proceeds from the sale of such facilities in 2017, and we had executed non-binding letters of intent with respect to the sale of ten additional hospitals and expect to receive approximately $600 million in proceeds from the sale of such facilities in 2017, in each case if all of these sales are completed on the terms expected as of such date. We intend to use the proceeds from these contemplated divestitures to pay down debt. In 2017, we also intend to try to divest additional hospitals, which, if completed, would provide us with additional funds for debt reduction. We believe that our portfolio rationalization strategy will allow us to better

allocate capital into projects that generate a higher return on our investment in our most attractive markets and regional networks. We also intend to continue to manage our upcoming debt maturities and opportunistically optimize our capital structure, which may in either case include extending portions of our existing debt.

Industry Overview

According to the Centers for Medicare & Medicaid Services, or CMS, national healthcare expenditures in 2016 are projected to have grown 4.8% to approximately $3.4 trillion. In addition, these CMS projections,

Table of Contents

published 2017, indicate that total U.S. healthcare spending will grow at an average annual rate of 5.9% from 2018 through 2019 and by an average of 5.8% annually from 2020 through 2025. However, these projections do not take into account initiatives, programs or other developments that may result from the 2016 federal elections, including any potential significant modifications to or repeal of the Affordable Care Act. CMS also projected that total U.S. healthcare annual expenditures will exceed $5.5 trillion by 2025, accounting for approximately 19.9% of the total U.S. gross domestic product. CMS expects healthcare spending to be largely influenced by changes in economic growth and population aging, and anticipates faster growth in medical prices.

Hospital services, the market within the healthcare industry in which we primarily operate, is the largest single category of healthcare expenditures. In 2016, hospital care expenditures are estimated by CMS to have grown 4.9%, amounting to over $1 trillion. CMS estimates that the hospital services category will exceed $1.1 trillion in 2017, and projects growth in this category at an average of 5.5% annually from 2016 through 2025.

Recent Developments

Portfolio Rationalization Program

As noted above, we have been implementing a portfolio rationalization and deleveraging strategy by divesting hospitals and non-hospital businesses that are attractive to strategic and other buyers. Since April 2016, we have received approximately $1.6 billion in proceeds from the spin-off of Quorum Health Corporation and sale of our joint venture in Las Vegas, Nevada and another $287 million from the sale of investments in non-hospital operations. In addition, as of February 28, 2017, we had executed definitive agreements with respect to the sale of 15 hospitals. Additionally, as of February 28, 2017, we had executed non-binding letters of intent with respect to the sale of ten hospitals and were in preliminary discussions with respect to the sale of additional hospitals, including in certain cases where we had entered into non-binding letters of intent where discussions were at a more preliminary stage relative to those ten hospitals.

In 2015, we completed the sale of eight hospitals for approximately $156 million of proceeds. In addition, a summary of the activity related to our portfolio rationalization program since December 31, 2015 is as follows:

Effective January 1, 2016, we sold Bartow Regional Medical Center (72 licensed beds) in Bartow Florida, and related outpatient services to BayCare Health Systems, Inc. for approximately $60 million in cash.

Effective February 1, 2016, we sold Lehigh Regional Medical Center (88 licensed beds) in Lehigh Acres, Florida, and related outpatient services to Prime Healthcare Services for approximately $11 million in cash.

On April 29, 2016, we completed the spin-off of 38 hospitals and Quorum Health Resources, LLC, or QHR (our subsidiary through which we provided management advisory and consulting services to non-affiliated general acute care hospitals located throughout the United States), into Quorum Health Corporation, or QHC, an independent, publicly traded corporation. In connection with the spin-off, we received approximately $1.2 billion of net proceeds from QHC and we recorded a non-cash dividend of approximately $713 million during the year ended December 31, 2016, representing the net assets of QHC distributed to our stockholders.

On April 29, 2016, we sold our unconsolidated minority equity interests in Valley Health System, LLC, a joint venture with Universal Health Systems, Inc., or UHS, representing four hospitals in Las Vegas, Nevada, in which we owned a 27.5% interest, and in Summerlin Hospital Medical Center, LLC, a joint venture with UHS representing one hospital in Las Vegas, Nevada, in which we owned a 26.1% interest. We received $403 million in cash in return for the sale of these equity interests and recognized a gain of approximately $94 million on the sale of our investment

during the year ended December 31, 2016.

Table of Contents

On September 29, 2016, we signed a definitive agreement with subsidiaries of Curae Health, Inc. to sell the hospitals and associated assets at Merit Health Gilmore Memorial (95 licensed beds) in Amory, Mississippi, Merit Health Batesville (112 licensed beds) in Batesville, Mississippi, and Merit Health Northwest Mississippi (181 licensed beds) in Clarksdale, Mississippi.

On November 17, 2016, we signed a definitive agreement for the sale of two hospitals, a clinic and their associated assets to MultiCare Health System. Facilities included in the transaction include Deaconess Hospital (388 licensed beds) in Spokane, Washington, Valley Hospital (123 licensed beds) in Spokane Valley, Washington and the multi-specialty Rockwood Clinic in Spokane, Washington.

On December 13, 2016, we signed a definitive agreement to sell two hospitals and their associated assets to subsidiaries of Sunnyside Community Hospital and Clinics. Facilities included in the transaction are Yakima Regional Medical and Cardiac Center (214 licensed beds) in Yakima, Washington and Toppenish Community Hospital (63 licensed beds) in Toppenish, Washington.

On December 22, 2016, we completed the sale and leaseback of ten medical office buildings for net proceeds of $159 million to HCP, Inc. The buildings, with a combined total of 756,183 square feet, are located in five states and support a wide array of diagnostic, medical and surgical services in an outpatient setting for the respective hospitals.

On December 31, 2016, we completed the sale of an 80% majority ownership interest in our home care division to a subsidiary of Almost Family, Inc. for $128 million.

On February 16, 2017, we signed a definitive agreement for the sale of eight hospitals and their associated assets to subsidiaries of Steward Health, Inc. The facilities included in this transaction are Easton Hospital (254 licensed beds) in Easton, Pennsylvania, Sharon Regional Health System (258 licensed beds) in Sharon, Pennsylvania, Northside Medical Center (355 licensed beds) in Youngstown, Ohio, Trumbull Memorial Hospital (311 licensed beds) in Warren, Ohio, Hillside Rehabilitation Hospital (69 licensed beds) in Warren, Ohio, Wuesthoff Health System Rockledge (298 licensed beds) in Rockledge, Florida, Wuesthoff Health System Melbourne (119 licensed beds) in Melbourne, Florida and Sebastian River Medical Center (154 licensed beds) in Sebastian, Florida.

The table below provides certain additional information with respect to our operations (a) that were divested in 2016, beginning with the spin-off of 38 hospitals to Quorum Health Corporation in April 2016, (b) in respect of which we had entered into definitive sale agreements but that have not been divested, in each case as of February 28, 2017, and (c) in respect of which we had entered into non-binding letters of intent for sale but that have not been divested, in each case as of February 28, 2017. The revenues, income from continuing operations before taxes, Adjusted EBITDA, capital expenditures, and other investments included in the table below are for the year ended December 31, 2016, and the number of hospitals and licensed beds is as of December 31, 2016. For additional information regarding the Adjusted EBITDA information presented below, see Non-GAAP Financial Measures and Summary Historical Financial and Other Data. Prospective investors are cautioned that with respect to our intended divestitures, there can be no assurance that these divestitures will be completed or, if they are completed, the ultimate timing of the completion of these divestitures or the aggregate amount of proceeds we will receive from the divestitures.

Table of Contents

	Completed and Intended Divestitures		
	Completed in 2016(1)	Subject to Definitive Agreements(2)	Subject to Non-binding Letters of Intent(3)
	($ in millions)		
Hospitals	38	15	10
Licensed Beds	3,582	2,994	1,695
Sale Proceeds (Approx.)	$ 1,900	$ 900	$ 600
Net Operating Revenues	$ 925	$ 1,838	$ 996
Income from Continuing Operations Before Taxes	$ 124	$ (46)	$ (38)
Adjusted EBITDA	$ 109	$ 89	$ 38
Capital Expenditures			