

COMMUNITY HEALTH SYSTEMS INC

Form DEF 14A

April 07, 2011

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

**SCHEDULE 14A**

**PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES  
EXCHANGE ACT OF 1934 (Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §. 240.14a-12

**COMMUNITY HEALTH SYSTEMS, INC.**  
(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required
- Fee computed on table below per Exchange Act Rules 14a-6(i) (4) and 0-11.
  1. Title of each class of securities to which transaction applies:
  2. Aggregate number of securities to which transaction applies:
  3. Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  4. Proposed maximum aggregate value of transaction:
  5. Total fee paid:
- Fee paid previously with preliminary materials.

- o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1. Amount previously paid:

2. Form, Schedule or Registration Statement No.:

3. Filing Party:

4. Date Filed:

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**COMMUNITY HEALTH SYSTEMS, INC.  
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
To Be Held on May 17, 2011**

To Our Stockholders:

Notice is hereby given that the Annual Meeting of Stockholders of Community Health Systems, Inc. will be held on Tuesday, May 17, 2011 at 8:00 a.m. (Eastern Daylight Time) at The St. Regis Hotel, 5th Avenue at 55th Street, New York, New York 10022, to consider and act upon the following matters:

1. To elect five (5) directors;
2. To hold an advisory vote on executive compensation;
3. To hold an advisory vote on the frequency of holding an advisory vote on executive compensation;
4. To approve the Community Health Systems, Inc. 2009 Stock Option and Award Plan, amended and restated as of March 18, 2011;
5. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2011; and
6. To transact such other business as may properly come before the meeting and any adjournment or postponement thereof.

The close of business on March 25, 2011, has been fixed as the record date for the determination of stockholders entitled to notice of and to vote at the meeting and any adjournment or postponement thereof.

YOU ARE REQUESTED, WHETHER OR NOT YOU PLAN TO BE PRESENT AT THE MEETING, TO MARK, DATE, SIGN AND RETURN PROMPTLY THE ACCOMPANYING PROXY IN THE ENCLOSED ENVELOPE. IF YOU ATTEND THE MEETING AND WISH TO VOTE YOUR SHARES PERSONALLY, YOU MAY DO SO AT ANY TIME BEFORE THE PROXY IS EXERCISED.

By Order of the Board of Directors,

Rachel A. Seifert  
Executive Vice President, Secretary and  
General Counsel

Franklin, Tennessee  
April 8, 2011

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ANNUAL MEETING OF STOCKHOLDERS  
OF  
COMMUNITY HEALTH SYSTEMS, INC.

PROXY STATEMENT

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**ANNUAL MEETING OF STOCKHOLDERS  
OF  
COMMUNITY HEALTH SYSTEMS, INC.  
4000 Meridian Boulevard  
Franklin, Tennessee 37067**

**PROXY STATEMENT  
April 8, 2011**

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDERS MEETING TO BE HELD ON MAY 17, 2011: THIS PROXY STATEMENT, PROXY CARD AND THE 2010 ANNUAL REPORT TO STOCKHOLDERS ARE AVAILABLE AT WWW.CHS.NET.**

**INTRODUCTION**

**Solicitation**

This Proxy Statement, the accompanying proxy card and the 2010 Annual Report to Stockholders (with Form 10-K for the year ended December 31, 2010) of Community Health Systems, Inc. (the Company ) are being mailed on or about April 8, 2011. The Board of Directors of the Company (the Board or the Board of Directors ) is soliciting your proxy to vote your shares at the 2011 Annual Meeting of Stockholders (the Meeting ). The Board is soliciting your proxy to give all stockholders of record the opportunity to vote on matters that will be presented at the Meeting. This Proxy Statement provides you with information on these matters to assist you in voting your shares.

For simplicity of presentation throughout this Proxy Statement, we refer to employees of our indirect subsidiaries as employees of the Company, our employees or similar language. Notwithstanding this presentation style, the Company itself does not have any employees. Similarly, the healthcare operations and businesses described in this Proxy Statement are owned and operated and management services provided by distinct and indirect subsidiaries of the Company.

***When and where will the meeting be held?***

The Meeting will be held on Tuesday, May 17, 2011 at 8:00 a.m. (Eastern Daylight Time) at The St. Regis Hotel, 5th Avenue at 55th Street, New York, New York 10022.

***What is a proxy?***

A proxy is your legal designation of another person (the proxy ) to vote on your behalf. By completing and returning the enclosed proxy card, you are giving the President or the Secretary of the Company the authority to vote your shares in the manner you indicate on your proxy card.

***Why did I receive more than one proxy card?***

You will receive multiple proxy cards if you hold your shares in different ways (e.g., joint tenancy, trusts, and custodial accounts) or in multiple accounts. If your shares are held by a broker, bank, trustee or other nominee (i.e., in street name ), you will receive your proxy card or other voting information from your broker, bank, trustee or other nominee, and you should return your proxy card or cards to your broker, bank, trustee or other nominee. You should vote on and sign each proxy card you receive.

**Voting Information**

*Who is qualified to vote?*

You are qualified to receive notice of and to vote at the Meeting if you owned shares of Common Stock of the Company at the close of business on our record date of Friday, March 25, 2011.

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***How many shares of Common Stock may vote at the Meeting?***

As of March 25, 2011, there were 94,030,221 shares of Common Stock outstanding and entitled to vote. Each share of Common Stock is entitled to one vote on each matter presented.

***What is the difference between a stockholder of record and a street name holder?***

These terms describe how your shares are held. If your shares are registered directly in your name with Registrar and Transfer Company, the Company's transfer agent, you are a stockholder of record. If your shares are held in the name of a brokerage, bank, trust or other nominee as a custodian, you are a street name holder.

***How do I vote my shares?***

If you are a stockholder of record, you can vote your proxy by mailing in the enclosed proxy card.

Please refer to the specific instructions set forth on the enclosed proxy card.

If you hold your shares in street name, your broker/bank/trustee/nominee will provide you with materials and instructions for voting your shares, which may allow you to use the internet or a toll free telephone number to vote your shares.

***Can I vote my shares in person at the Meeting?***

If you are a stockholder of record, you may vote your shares in person at the Meeting. If you hold your shares in street name, you must obtain a proxy from your broker, banker, trustee or nominee, giving you the right to vote the shares at the Meeting.

***What are the Board's recommendations on how I should vote my shares?***

The Board recommends that you vote your shares as follows:

- Proposal 1 **FOR** the election of each of the five nominees for director: W. Larry Cash, James S. Ely III, John A. Fry, William Norris Jennings, M.D., and H. Mitchell Watson, Jr., with one-year terms expiring at the 2012 annual meeting of stockholders.
- Proposal 2 **FOR** the approval of the compensation of our Named Executive Officers, as disclosed in this Proxy Statement.
- Proposal 3 **FOR** the option of once every year as to the frequency with which stockholders are provided an advisory vote on the compensation of our Named Executive Officers.
- Proposal 4 **FOR** the approval of the Community Health Systems, Inc. 2009 Stock Option and Award Plan, amended and restated as of March 18, 2011.
- Proposal 5 **FOR** the ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm (independent auditors) for the fiscal year ending December 31, 2011.

***How would my shares be voted if I do not specify how they should be voted?***

If you are a stockholder of record and you sign and return your proxy card without indicating how you want your shares to be voted, the President or Secretary will vote your shares as follows:

**FOR** the election of each of the five nominees for director (Proposal 1).

**FOR** the approval of the compensation of our Named Executive Officers (Proposal 2).

**FOR** the approval of an annual advisory vote on the compensation of our Named Executive Officers (Proposal 3).

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**FOR** the approval of the Community Health Systems, Inc. 2009 Stock Option and Award Plan, amended and restated as of March 18, 2011 (Proposal 4).

**FOR** the ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm (independent auditors) for the fiscal year ending December 31, 2011 (Proposal 5).

In the discretion of the named proxies regarding any other matters properly presented for a vote at the Annual Meeting.

If you are a beneficial owner of shares held in street name and do not provide the broker, bank, trust or other nominee that holds your shares with specific voting instructions, under the rules of the New York Stock Exchange ( NYSE ), the broker, bank, trust or other nominee that holds your shares may generally vote on routine matters without instructions from you. We expect Proposal 5 (the ratification of the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2011) to be considered a routine matter. Accordingly, if your shares are held through a broker, bank, trust or other nominee, that person will have discretion to vote your shares on that matter if you fail to provide instructions.

On the other hand, your broker, bank, trust or other nominee is not entitled to vote your shares on certain non-routine matters if it does not receive instructions from you on how to vote. The election of directors (Proposal 1), the approval of named executive officer compensation (Proposal 2), the proposal on the frequency of when we will hold advisory votes on named executive officer compensation (Proposal 3), and the proposal to approve the amended and restated 2009 Stock Option and Award Plan (Proposal 4) will be considered non-routine matters. Thus, if you do not give your broker, bank, trust or other nominee specific instructions on how to vote your shares with respect to those proposals, your broker, bank, trust or other nominee will inform the inspectors of election that it does not have the authority to vote on those matters with respect to your shares. This is generally referred to as a broker non-vote. A broker non-vote may also occur if your broker, bank, trust or other nominee fails to vote your shares for any reason.

*Please note that your broker, bank, trust or other nominee no longer has the discretion to vote shares on your behalf with respect to the election of directors. Therefore, if you hold your shares through a broker, bank, trust or other nominee, please instruct that person regarding how to vote your shares on the election of directors.*

### ***How are abstentions and broker non-votes treated?***

Abstentions are deemed to be present at the Meeting, are counted for quorum purposes and, other than for Proposals 1 and 3, will have the same effect as a vote against the matter. In the case of Proposal 1, an abstention will not be deemed to be a vote cast either for or against any nominee. In the case of Proposal 3, an abstention will not be deemed to be a vote cast either for or against the approval of an annual advisory vote on the compensation of our Named Executive Officers. Broker non-votes, if any, while counted for general quorum purposes, will have no effect on the voting results for any matter other than for Proposal 5. In the case of Proposal 5, a broker non-vote will have the same effect as a vote against the matter.

### ***Can I change my vote after I have mailed my proxy card?***

If you are a stockholder of record, you may revoke your proxy by doing one of the following:

By sending a written notice of revocation to the Secretary of the Company that must be received prior to the Meeting, stating that you revoke your proxy;

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By signing a later-dated proxy card and submitting it so that it is received prior to the Meeting in accordance with the instructions included in the proxy card(s); or

By attending the Meeting and voting your shares in person before your proxy is exercised at the Meeting.

If you hold your shares in street name, your broker/bank/trustee/nominee will provide you with instructions to revoke your proxy.

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<b>Proposal</b>	<b>Vote Required</b>	<b>Broker Discretionary Voting Allowed</b>
Proposal 1 Election of five directors	Majority of votes cast for the election of that nominee	No
Proposal 2 Advisory vote on executive compensation	Majority of the Shares Entitled to Vote and Present in Person or Represented by Proxy	No
Proposal 3 Advisory vote on frequency of advisory vote on executive compensation	Plurality of Votes Cast	No
Proposal 4 Approval of 2009 Stock Option and Award Plan, as amended and restated	Majority of the Shares Entitled to Vote and Present in Person or Represented by Proxy	No
Proposal 5 Ratification of auditors for 2011	Majority of the Shares Entitled to Vote and Present in Person or Represented by Proxy	Yes

With respect to Proposal 1, you may vote FOR, AGAINST or ABSTAIN. If you ABSTAIN from voting on Proposal 1, the abstention will not have any effect on the outcome of the vote.

With respect to Proposals 2, 4 and 5, you may vote FOR, AGAINST or ABSTAIN. If you ABSTAIN from voting on any of Proposals 2, 4 or 5, the abstention will have the same effect as an AGAINST vote.

With respect to Proposal 3, you may vote FOR Every Year, FOR Every Two Years, FOR Every Three Years or ABSTAIN. If you ABSTAIN from voting on Proposal 3, the abstention will not have any effect on the outcome of the vote.

***Who will count the votes?***

Representatives from Registrar and Transfer Company, our transfer agent, will count the votes and serve as our Inspectors of Election. The Inspectors of Election will be present at the Meeting.

***Who pays the cost of proxy solicitation?***

The Company pays the costs of soliciting proxies. The Company has engaged Georgeson Inc. to aid in the solicitation of proxies for a fee of approximately \$10,500, plus reasonable expenses. Upon request, the Company will reimburse brokers, banks, trustees or their other nominees for reasonable expenses incurred by them in forwarding proxy materials to beneficial owners of shares of the Company's Common Stock. In addition, certain of our directors and officers, as well as employees of our management company, will aid in the solicitation of proxies. These individuals will receive no compensation in addition to their regular compensation.

***Is this Proxy Statement the only way that proxies are being solicited?***

No. As stated above, in addition to mailing these proxy materials, our proxy solicitor, Georgeson Inc., and certain of our directors and officers, as well as employees of our management company, may solicit proxies by telephone, e-mail or personal contact. These directors, officers and employees will not be specifically compensated for doing so.

**If you have any further questions about voting your shares or attending the Meeting (including information regarding directions to the Meeting) please call our Executive Vice President, Secretary and General Counsel, Rachel Seifert, at 615-465-7000.**

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**GENERAL INFORMATION**

***What is the deadline for submitting stockholder proposals for the 2012 annual meeting of stockholders?***

If a stockholder seeks to have a proposal included in our Proxy Statement for the 2012 annual meeting pursuant to the rules under the Securities and Exchange Act of 1934, as amended (the Exchange Act ), the proposal must be submitted by no later than December 10, 2011. Any stockholder proposal (other than pursuant to the rules under the Exchange Act) or director nomination submitted by a stockholder for consideration at our 2012 annual meeting must be received by the Company in the manner and by the deadline set forth under How can I submit stockholder proposals or nominations for Directors? on page 12 of this Proxy Statement. In general, a director nomination submitted in proper form must be received no earlier than January 24, 2012 and no later than February 23, 2012.

***How may I contact the non-management members of the Board of Directors?***

Julia B. North is the Chair of the Governance and Nominating Committee of the Board of Directors. She and any of the other non-management directors may be contacted by any stockholder or other interested party in the following manner:

c/o Community Health Systems  
4000 Meridian Boulevard  
Franklin, TN 37067  
Attention: Rachel A. Seifert  
Corporate Secretary  
615-465-7000  
Investor\_Communications@chs.net

In the alternative, stockholders or other interested parties may communicate with our directors or our corporate compliance officer by accessing the Confidential Disclosure Program established under our Code of Conduct:

Corporate Compliance and Privacy Officer  
Community Health Systems  
4000 Meridian Boulevard  
Franklin, TN 37067  
800-495-9510

Generally, all materials that are appropriate director communications will be forwarded to the intended recipient; however, management may simultaneously conduct an investigation of any operational, compliance, or legal matter in accordance with its established policies and procedures. Management reserves the right to reject from this process any material that is harassing, unduly offensive, anonymous or otherwise not credible, or solicits business on behalf of the sender.

***How is the Board of Directors organized and how is the independence of the Board of Directors determined?***

The role of our Board of Directors is governed by the Bylaws of the Company, and is further guided by our Governance Guidelines (the Governance Guidelines ). Currently, there are eight (8) members of our Board of Directors.

Our Governance Guidelines include independence standards for those directors who are not also members of management. To determine whether our directors and director nominees are independent, the Board evaluates the relationships of our directors and director nominees, as disclosed to us by them, with the Company and the members of the Company's management, against the independence standards set forth in our Governance Guidelines. In making its independence determinations, the Board broadly considers all relevant facts and circumstances, including the responses of directors to a questionnaire that solicited information about their relationships. The Board also considers relationships between the Company and other organizations on which our directors or director nominees serve as directors. The Board determined that each of our non-

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management directors did not have a direct or an indirect material interest in the applicable relationships set forth in the Governance Guidelines. After such evaluations, our Board of Directors has affirmatively determined that all of the following non-management members of our Board are independent under the Governance Guidelines and the applicable rules of the NYSE and the Securities and Exchange Commission ( SEC ):

John A. Clerico  
James S. Ely III  
John A. Fry  
William Norris Jennings, M.D.  
Julia B. North  
H. Mitchell Watson, Jr.

Messrs. Wayne Smith and Larry Cash, who are also officers of the Company and employed by a subsidiary of the Company, are not independent.

***Do the independent members of the Board of Directors meet in separate sessions?***

The independent members of our Board meet periodically in executive sessions, typically at the end of each regularly scheduled Board meeting, and otherwise as needed. The Chair of the appropriate Board committee presides over those sessions at which the principal item to be considered is within the scope of his or her committee. In the absence of a particular committee-related subject matter, the Chair of the Governance and Nominating Committee, currently Ms. North, presides at the executive sessions. During 2010, the independent members of our Board met in executive session nine (9) times, either in conjunction with a Board meeting or a Committee meeting at which the other independent members were present.

***What is the leadership structure of the Board of Directors?***

As set forth in the Company s Governance Guidelines, the Board believes that the most effective and appropriate leadership model for the Company is that of a combined Chair of the Board and CEO, balanced by certain practices and policies to assure that the super-majority independence of the Board provides the desired oversight, advice, and balance.

The Board of Directors is responsible for broad corporate policy and the overall performance of the Company. Members of the Board are kept informed of the Company s business by various documents sent to them before each meeting and oral reports made to them during these meetings by the Company s Chairman, President and Chief Executive Officer and other corporate executives. They are advised of actions taken by the various committees of the Board of Directors and are invited to, and frequently do, attend all committee meetings. Directors have access to all of the Company s books, records and reports, and members of management are available at all times to answer their questions.

The Governance and Nominating Committee, which consists entirely of independent directors, periodically examines the Board leadership structure, as well as other governance practices, and also conducts an annual assessment of the Board s and each committee s effectiveness. The Governance and Nominating Committee has determined that the present leadership structure continues to be effective and appropriate, as demonstrated in part by the Company s superior performance relative to its peers, both financially and in the arena of corporate governance.

The Board believes that the substantive duties of the Chair of the Board, including calling and organizing meetings and preparing agendas, are best performed by someone who has day-to-day familiarity with the business issues confronting the Company and an understanding of the specific areas in which management seeks advice and counsel

from the Board. Given Mr. Smith's broad and lengthy leadership experience in the healthcare industry, including 14 years as the President and Chief Executive Officer of the Company, the Board believes that he is especially qualified to serve as both CEO and Chair of the Board. In fact, the independent members of the Board have been selected because of their diverse backgrounds and experience, and not necessarily for their healthcare-specific leadership experience.

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As indicated above, the independent members of the Board meet in executive sessions, which are presided over by one of the independent members of the Board. As set out in the Governance Guidelines, the Chair of the appropriate Board committee presides over each session at which the principal item to be considered is within the scope of his or her committee. For routine executive session meetings, the presiding director is the Chair of the Governance and Nominating Committee. Board independence is further achieved through the completely independent composition of the three standing committees: Audit and Compliance, Compensation, and Governance and Nominating, each of which is supported by an appropriate charter and holds executive sessions without management present. Each of the Board's independent directors serves on one or more of these committees, and thus there is ample opportunity to meet and confer without any member of management present.

The Board has concluded that the structure and practices of the independent members of the Board of Directors assures effective independent oversight, as well as effective independent leadership while maintaining practical efficiency.

### ***How does your Board of Directors Oversee Risk?***

Risk management is primarily the responsibility of the Company's management team, which is administered through a broad-based committee that includes executives from our operations, internal audit, quality, revenue management, accounting, risk management, finance, human resources and legal departments. The Board of Directors is responsible for the overall supervision of the Company's risk management activities and annually performs a review of those activities along with a review of the Company's enterprise risk assessment. The Board's oversight of the material risks faced by the Company occurs at both the full board level and at the committee level.

The Audit and Compliance Committee has oversight responsibility, not only for financial reporting with respect to the Company's major financial exposures and the steps management has taken to monitor and control such exposures, but also for the effectiveness of management's enterprise risk management process that monitors key business risks facing the Company. The Audit and Compliance Committee also oversees the delegation of specific risk areas among the various other Board committees, consistent with the committees' charters and responsibilities.

The Company has determined that any risks arising from its compensation programs and policies are not reasonably likely to have a material adverse effect on the Company. The Company's compensation programs and policies mitigate risk by combining performance-based, long-term compensation elements with payouts that are highly correlated to the value delivered to stockholders. The combination of performance measures for annual bonuses and the equity compensation programs, share ownership and retention guidelines for executive officers, as well as the multi-year vesting schedules for equity awards encourage employees to maintain both a short-term and a long-term vision with respect to Company performance.

Management provides regular updates throughout the year to the respective committees regarding the management of the risks they oversee, and each of these committees provides a report on risk to the full Board at each regular meeting of the Board. At least once every year, the Audit and Compliance Committee reviews the allocation of risk responsibility among the Board's committees and implements any changes it deems appropriate.

In addition to the reports from the committees, the Board receives presentations throughout the year from various department and business unit leaders that include discussions of possible risks. At each Board meeting, the Chair and CEO addresses, in a director-only session, matters of particular importance or concern, including any areas of risk that require attention from the Board. Additionally, through dedicated sessions focusing entirely on corporate strategy, the full Board reviews in detail the Company's short and long-term strategies, including consideration of risks facing the Company and their potential impact.

We believe that our approach to risk oversight, as described above, optimizes our ability to assess inter-relationships among the various risks, make informed cost-benefit decisions, and approach emerging risks in a proactive manner for the Company. We also believe that our risk structure complements our current Board

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leadership structure, as it allows our independent directors, through the three fully independent Board committees, to exercise effective oversight of the actions of management, led by Mr. Smith as Chair and CEO, in identifying risks and implementing effective risk management policies and controls.

***What are the standing committees of the Board of Directors?***

Our Board of Directors has three standing committees: Audit and Compliance, Compensation, and Governance and Nominating. Each of these committees is comprised solely of independent directors, and each independent director meets the additional criteria for committee membership, as set forth in the applicable committee charter. Each standing committee operates pursuant to a committee charter. The current composition of our Board's standing committees is as follows:

<i>Audit and Compliance Committee</i>	<i>Compensation Committee</i>	<i>Governance and Nominating Committee</i>
John A. Clerico, Chair James S. Ely III John A. Fry	H. Mitchell Watson, Jr., Chair John A. Clerico Julia B. North	Julia B. North, Chair John A. Fry William Norris Jennings, M.D.

***How many times did the Board of Directors and its committees meet in 2010? What was the attendance by the members? What are the duties of the Board's committees?***

Directors are encouraged to attend our annual meeting of stockholders; all eight (8) of our directors were present at our 2010 annual meeting of stockholders. The annual meeting of the Board of Directors followed immediately after the 2010 annual meeting of stockholders.

In 2010, the Board of Directors held six (6) regular meetings and three (3) special meetings. Each director attended at least 75% of the Board meetings and meetings of the committees of the Board on which he/she served.

The Audit and Compliance Committee held eight (8) meetings during 2010. As set forth in its charter, the Audit and Compliance Committee's responsibility is to provide advice and counsel to management regarding, and to assist the Board of Directors in its oversight of: (i) the integrity of the Company's financial statements; (ii) the Company's compliance with legal and regulatory requirements; (iii) the independent registered public accounting firm's qualifications and independence; and (iv) the performance of the Company's internal audit function and its independent registered public accounting firm. The Audit and Compliance Committee report is set forth later in this Proxy Statement.

The Compensation Committee held four (4) meetings during 2010. The primary purpose of the Compensation Committee is to: (i) assist the Board of Directors in discharging its responsibilities relating to compensation of the Company's executives; (ii) approve awards and grants of equity-based compensation arrangements to directors, employees, and others pursuant to the Company's stock option and award plans; (iii) administer the Community Health Systems, Inc. 2004 Employee Performance Incentive Plan with regard to the employees to whom Section 162(m) of the Internal Revenue Code (the "IRC") applies; (iv) assist the Board of Directors by making recommendations regarding compensation programs for directors; and (v) produce an annual report on executive compensation for inclusion in the Company's Proxy Statement in accordance with applicable rules and regulations under the Exchange Act. The Compensation Committee's report is set forth later in this Proxy Statement.

As set forth in its charter, the primary responsibilities of the Compensation Committee are to oversee the elements of the compensation arrangements available to the Company and its subsidiaries that are used to compensate the Company's executive officers, and in particular, the Chief Executive Officer. The Committee also approves the goals and objectives relevant to the compensation of the Chief Executive Officer and the other executive officers and determines whether targets have been attained in connection with target-based compensation awards and equity grants.

Pursuant to its charter, the Compensation Committee has authority to engage its own executive compensation consultants and legal advisors. Since 2005, Mercer Human Resources Consulting has served as the independent executive compensation consultant to the Compensation Committee. Mercer Human Resources

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Consulting also provides limited consulting services to management; for 2010, these services were limited to conducting actuarial analyses of the Company's Supplemental Executive Retirement Plan. In 2010, the total amount paid to Mercer Human Resources Consulting for the services provided to management was less than \$120,000. Mercer Human Resources Consulting has entered into separate engagement letters with the Compensation Committee and management for the respective services rendered to each group.

The Governance and Nominating Committee met two (2) times during 2010. The primary purpose of the Governance and Nominating Committee is to (i) recommend to the Board of Directors a set of corporate governance guidelines applicable to the Company; (ii) review at least annually the Company's Governance Guidelines and make any recommended changes, additions or modifications; (iii) identify individuals qualified to become Board members and to select, or recommend that the Board of Directors select, the director nominees for the next annual meeting of stockholders; and (iv) assist the Board by making recommendations regarding compensation for directors.

### ***Who are the Company's audit committee financial experts?***

Our Board has determined that all three of the members of our Audit and Compliance Committee are audit committee financial experts as defined by the Exchange Act: John A. Clerico, James S. Ely III and John A. Fry.

### ***Does the Company have a code of conduct?***

The Company has an internal compliance program, the cornerstone of which is our Code of Conduct. Our Code of Conduct has been adopted and implemented throughout our organization and is applicable to all members of the Board of Directors and our officers, as well as employees of our subsidiaries. A variation of this Code of Conduct has been in effect at our Company since 1997.

### ***Where can I obtain a copy of the Company's Board of Directors' organizational documents?***

Copies of the current version of our Governance Guidelines, including our Independence Standards, along with current versions of our Code of Conduct and Board committee charters are posted on the Investor Relations Corporate Governance section of our internet website at [www.chs.net/investor/corporate\\_governance.html](http://www.chs.net/investor/corporate_governance.html). These items are also available in print to any stockholder who requests them by writing to Community Health Systems, Inc., Investor Relations, at 4000 Meridian Boulevard, Franklin, TN 37067.

### ***How are the Company's Directors compensated?***

Our Board of Directors has approved a compensation program for independent directors, which consists of both cash and equity-based compensation. In 2009, our Board of Directors compensation was reviewed and ultimately revised to be more consistent with current board compensation practices of boards of directors in our industry and business peer groups (i.e., the same peer groups used for evaluating management compensation). The Board compensation is reviewed, and adjusted if needed, on the same cycle as is our executive compensation. For 2010, the total cash and long-term incentive compensation package was set at \$220,000 per independent director. The independent directors received a cash stipend of \$80,000, which was paid in quarterly installments. Each independent director received a grant of a number of restricted stock units based on the portion of his or her annual compensation that is allocated to equity. For 2010, this value-based award amount was \$140,000, or 4,130 restricted stock units per independent director and was awarded at the end of February, at the same time management's long-term incentive awards were granted. Rounding to the nearest whole number of restricted stock units resulted in an actual award value of \$140,007 per independent director. Any independent directors who join our Board of Directors during the first six months of the year, will receive the same number of restricted stock units as the other independent directors as stock-based compensation, however, if an independent director's appointment occurs during the last six months of the year such

independent director will receive no stock-based compensation until the following year. These restricted stock unit awards vest in equal one-third increments on each of the first three anniversaries of the award date for so long as the director is a member of the Board. If an independent director s service as a member of the Board

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terminates as a result of death, disability or otherwise (other than for cause ) all unvested restricted stock units will vest as of the date of termination. No separate meeting attendance fees are paid to the directors. All directors are reimbursed for their out-of-pocket expenses arising from attendance at meetings of the Board and its committees. The additional annual stipends for the three committee chairs were as follows: Audit and Compliance Committee: \$15,000; Compensation Committee: \$10,000; and Governance and Nominating Committee: \$10,000. For 2011, the Board of Directors' compensation package was reviewed by the Compensation Committee's compensation consultant, Mercer Human Resources Consulting, and the Governance and Nominating Committee recommended an increase of \$20,000 for the cash component of the compensation package, to \$100,000 in cash. This change was adopted by the Board of Directors. The equity award of the number of whole shares of restricted stock units with a value closest to \$140,000 was unchanged. No changes were made to the committee chair stipend amounts.

Management directors do not receive any additional compensation for their service on the Board.

**Director Compensation**

The following table summarizes the aggregate fees earned or paid and the value of equity-based awards earned by our non-management directors in 2010:

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Restricted Stock Awards (\$)(1)</b>	<b>Total Compensation (\$)</b>
John A. Clerico	95,000	140,007	235,007
James S. Ely III	80,000	140,007	220,007
John A. Fry	80,000	140,007	220,007
William Norris Jennings, M.D.	80,000	140,007	220,007
Julia B. North	90,000	140,007	230,007
H. Mitchell Watson, Jr	90,000	140,007	230,007
Harvey Klein, M.D.(2)	20,000		20,000

(1) This amount reflects the grant date fair value of director compensation earned in the form of restricted stock unit awards. This grant is based on the portion of his or her annual compensation that is allocated to equity. For 2010, this value based award amount was for 4,130 restricted stock units on February 24, 2010 (\$33.90 per share) for Messrs. Clerico, Ely, Fry and Watson, Ms. North and Dr. Jennings. The grant date fair value was computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 ( ASC 718 ).

(2) Dr. Klein retired from the Board of Directors at the Annual Meeting on May 18, 2010.

The Governance and Nominating Committee, which is responsible for making independent compensation recommendations for our independent directors to the Board of Directors, evaluates the non-management director compensation package annually.

***How are Directors nominated? What diversity considerations are evaluated in nominating Directors?***

*Nomination Process.* The Governance and Nominating Committee has responsibility for the director nomination process.

The Governance and Nominating Committee believes that the minimum qualifications that must be met by any director nominee, including any director nominee who is recommended by stockholders, include (i) a reputation for the highest ethical and moral standards, (ii) good judgment, (iii) a positive record of achievement, (iv) if on other boards, an excellent reputation for preparation, attendance, participation, interest and initiative, (v) business knowledge and experience relevant to the Company and (vi) a willingness to devote sufficient time to carrying out his or her duties and responsibilities effectively.

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The qualities and skills necessary in a director nominee are governed by the specific needs of the Board at the time the Governance and Nominating Committee determines to nominate a candidate for director. The specific requirements of the Board will be determined by the Governance and Nominating Committee and will be based on, among other things, the Company's then existing strategies and business, market and regulatory environments, and the mix of perspectives, experience and competencies then represented by the other Board members. The Governance and Nominating Committee will also take into account the Chairman, President and Chief Executive Officer's views as to areas in which management desires additional advice and counsel.

When the need to recruit a director arises, the Governance and Nominating Committee will consult the other directors, including the Chairman, President and Chief Executive Officer and, when deemed appropriate, utilize fee-paid third-party recruiting firms to identify potential candidates. The candidate evaluation process may include inquiries as to the candidate's reputation and background, examination of the candidate's experiences and skills in relation to the Board's requirements at the time, consideration of the candidate's independence as measured by the Company's independence standards, and other considerations as the Governance and Nominating Committee deems appropriate at the time. Prior to formal consideration by the Governance and Nominating Committee, any candidate who passes such screening would be interviewed by the Chair of the Governance and Nominating Committee and the Chairman, President and Chief Executive Officer.

*Board Nominee Diversity Considerations.* As set forth in the charter of the Governance and Nominating Committee, the nominating criteria require the committee to determine as necessary the portfolio of skills, experience, perspective and background required for the effective functioning of the Board. The most robust selection process occurs at the time a new director is being added, typically upon the decision of a Board member that he or she will not stand for re-election at the end of a then current term. The Governance and Nominating Committee takes into account a variety of factors in selecting and nominating individuals to serve on the Board of Directors, including:

The Board's and the Company's needs for input and oversight about the strategy, business, regulatory environment, and operations of the Company;

The management directors' views as to areas in which additional advice and counsel could be provided by the Board;

The mix of perspectives, experience and competencies currently represented on the Board; while this is primarily directed to the professional acumen of an individual, it may also include gender, ethnic and cultural diversity;

The results of the Board's annual self-assessment process; and

As to incumbent directors, meeting attendance, participation and contribution, and the director's cu