

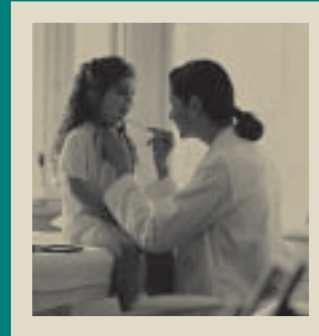
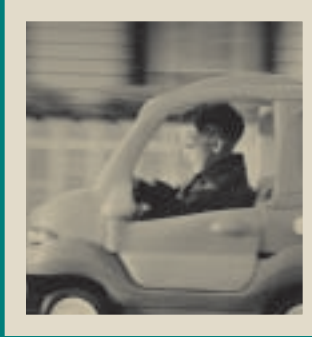


Community Health Systems, Inc.

Annual Report To Shareholders

A GREAT
PLACE TO BE

2004



Company Profile

Located in the Nashville, Tennessee, suburb of Brentwood, Community Health Systems is a leading operator of general acute care hospitals in non-urban communities throughout the country. Through its subsidiaries, the Company owned, leased or operated 71 hospitals in 22 states, as of December 31, 2004. Its hospitals offer a broad range of inpatient medical and surgical services, outpatient treatment and skilled nursing care.

Shares in Community Health Systems, Inc. are traded on the New York Stock Exchange under the symbol "CYH."

ALABAMA

Hartselle Medical Center, Hartselle
Lakeview Community Hospital, Eufaula
L.V. Stabler Memorial Hospital, Greenville
Parkway Medical Center, Decatur
South Baldwin Regional Medical Center, Foley
Troy Regional Medical Center, Troy
Woodland Community Hospital, Cullman

ARIZONA

Payson Regional Medical Center, Payson
Western Arizona Regional Medical Center,
Bullhead City

ARKANSAS

Harris Hospital, Newport
Helena Regional Medical Center, Helena

CALIFORNIA

Barstow Community Hospital, Barstow
Fallbrook Hospital, Fallbrook
Watsonville Community Hospital, Watsonville

FLORIDA

Lake Wales Medical Center, Lake Wales
North Okaloosa Medical Center, Crestview

GEORGIA

Fannin Regional Hospital, Blue Ridge

ILLINOIS

Crossroads Community Hospital, Mt. Vernon
Galesburg Cottage Hospital, Galesburg
Gateway Regional Medical Center, Granite City
Heartland Regional Medical Center, Marion
Red Bud Regional Hospital, Red Bud

KENTUCKY

Kentucky River Medical Center, Jackson
Parkway Regional Hospital, Fulton
Three Rivers Medical Center, Louisa

LOUISIANA

Byrd Regional Hospital, Leesville
River West Medical Center, Plaquemine

MISSISSIPPI

King's Daughters Hospital, Greenville

MISSOURI

Moberly Regional Medical Center, Moberly
Northeast Regional Medical Center, Kirksville

NEW JERSEY

Memorial Hospital of Salem County, Salem

NEW MEXICO

Alta Vista Regional Hospital, Las Vegas
Eastern New Mexico Medical Center, Roswell
Mimbres Memorial Hospital, Deming

NORTH CAROLINA

Martin General Hospital, Williamston

PENNSYLVANIA

Berwick Hospital, Berwick
Brandywine Hospital, Coatesville
Easton Hospital, Easton
Jennersville Regional Hospital, West Grove
Lock Haven Hospital, Lock Haven
Phoenixville Hospital, Phoenixville
Pottstown Memorial Medical Center, Pottstown



SOUTH CAROLINA

Chesterfield General Hospital, Cheraw
Marlboro Park Hospital, Bennettsville
Springs Memorial Hospital, Lancaster

TENNESSEE

Cleveland Community Hospital, Cleveland
Dyersburg Regional Medical Center, Dyersburg
Haywood Park Community Hospital,
Brownsville
Henderson County Community Hospital,
Lexington
Lakeway Regional Hospital, Morristown
McNairy Regional Hospital, Selmer
McKenzie Regional Hospital, McKenzie
Regional Hospital of Jackson, Jackson
Scott County Hospital, Oneida
Volunteer Community Hospital, Martin
White County Community Hospital, Sparta

TEXAS

Big Bend Regional Medical Center, Alpine
Cleveland Regional Medical Center, Cleveland
Hill Regional Hospital, Hillsboro
Highland Medical Center, Lubbock
Lake Granbury Medical Center, Granbury
Laredo Medical Center, Laredo
Scenic Mountain Medical Center, Big Spring
South Texas Regional Medical Center,
Jourdanton

UTAH

Mountain West Medical Center, Tooele

VIRGINIA

Russell County Medical Center, Lebanon
Southampton Memorial Hospital, Franklin
Southern Virginia Regional Medical Center,
Emporia
Southside Regional Medical Center, Petersburg

WEST VIRGINIA

Plateau Medical Center, Oak Hill

WYOMING

Evanston Regional Hospital, Evanston



FINANCIAL HIGHLIGHTS

Operating Revenues (in millions)		Hospitals		Income Per Share from Continuing Operations (diluted)	
04	\$ 3,333	04	71	04	\$ 1.58
03	\$ 2,797	03	69	03	\$ 1.30
02	\$ 2,163	02	60	02	\$ 1.01

	Year Ended December 31,	
	2004	2003(a)
<i>(In thousands, except per share amounts)</i>		
Operating Results		
Net operating revenues	\$ 3,332,641	\$ 2,796,766
Income from continuing operations	\$ 158,221	\$ 132,049
Income per share from continuing operations		
Basic	\$ 1.65	\$ 1.34
Diluted	\$ 1.58	\$ 1.30
Weighted average number of shares outstanding:		
Basic	95,644	98,392
Diluted	105,864 ^(b)	108,095 ^(b)

- (a) Pursuant to FASB No. 144, the Company has restated its prior period financial statements and statistical results to reflect the reclassification as discontinued operations the sale of two hospitals and the designation of a third hospital as being held for sale.
- (b) Adjusted to include assumed exercise of employee stock options and assumed conversion of convertible notes. Since the income per share impact of the conversion of the convertible notes is less than the basic income per share for both periods presented, the convertible notes are dilutive and accordingly must be included in the fully diluted calculation (after tax interest savings of \$2.2 million per quarter and 8.6 million shares added to the calculation of fully diluted earnings per share).

	As of December 31,	
	2004	2003
Balance Sheet Data		
Working capital	\$ 453,090	\$ 298,016
Total assets	3,632,608	3,350,211
Long-term debt	1,804,868	1,444,981
Stockholders' equity	1,239,991	1,350,589

	Year Ended December 31,					
	Consolidated			Same Store		
	2004	2003	% Change	2004	2003	% Change
Selected Operating Data						
Number of hospitals	71	69		69	69	
Licensed beds	7,888	7,637		7,575	7,637	
Beds in service	6,346	6,041		6,040	6,041	
Admissions	279,678	250,901	11.5%	249,415	249,807	-0.2%
Adjusted admissions	518,603	458,709	13.1%	462,521	456,758	1.3%
Patient days	1,135,844	989,891	14.7%	994,314	986,216	0.8%
Average length of stay (days)	4.1	3.9		4.0	3.9	
Occupancy rate (average beds in service)	49.9%	48.9%		48.7%	49.0%	
Net operating revenues	\$ 3,332,641	\$ 2,796,766	19.2%	\$ 2,966,410	\$ 2,782,892	6.6%
Net inpatient revenue as a % of total net operating revenues	50.5%	51.3%		50.5%	51.3%	
Net outpatient revenue as a % of total net operating revenues	48.1%	47.5%		48.3%	47.5%	

LETTER TO SHAREHOLDERS

WAYNE T. SMITH
*Chairman of the Board,
President and Chief
Executive Officer*



W. LARRY CASH
*Executive Vice President
and Chief Financial Officer*

Since Community Health Systems became a public company, the success of each year has surpassed the previous one and we are extremely pleased to share our results for 2004. We believe our strong financial and operating performance reflects our ability to consistently execute our strategy and meet our objectives. Our continued success through the years has positioned the Company at the top of our industry as a leading operator of non-urban hospitals.

During 2004, Community Health Systems delivered a number of outstanding accomplishments, including consolidated net revenues of \$3.3 billion, a 19 percent increase over 2003. The consolidated financial results for the year also reflect an 11 percent increase in total admissions and a 13 percent increase in adjusted admissions, which factor in outpatient visits, compared with 2003. Most importantly, we delivered another year of improved earnings to our shareholders as income from continuing operations increased almost 20 percent to \$158 million, or \$1.58 per share (diluted) in 2004.

Our volumes for the year were negatively influenced by disruptions from the severe hurricane activity in Florida and the Gulf Coast of Alabama, which affected the operating results of selected hospitals during the third and fourth quarters of 2004. In addition, we experienced much lower flu volume and related respiratory cases in 2004 when compared to the level of admissions in 2003. Despite these volume challenges, our same store revenue increased almost seven percent.

Our performance for the past year reflects our ability to focus and execute on the key areas for success in our business – an effective standardized operating platform, a disciplined acquisition strategy, a strong asset base, successful physician recruitment and a favorable reputation in the marketplace.

We are especially proud that our success as a Company continues to be recognized. Notably, for the second year in a row, Community Health

Systems was included in Forbes magazine list of "The 400 Best Managed Companies in America" published on January 10, 2005. Selection for this prestigious listing was based on a review across 26 industries for companies with at least \$1.0 billion in revenue and high rankings for corporate practices as well as long- and short-term sales and earnings growth and stock market performance. We are honored to be acknowledged for meeting these high standards, but more importantly, to be regarded as a distinguished leader in the healthcare industry.

We believe the true measure of our success is best reflected in the communities across the country where we serve. As we continue to focus on our mission to build a network of hospitals and enhance the level of healthcare, we find that our communities are a great place to be – for all of us.

Hospitals are typically viewed as leaders in the local community – as a provider of essential healthcare services, as one of the largest employers and as a valuable resource for economic development. Above all, well-managed community hospitals are vital to keeping quality health care close to home. As a partner with these hospitals, we understand this vital need and the level of respect that is critical to our mission. Our sole focus is to provide high quality healthcare in these communities and set an equally high standard for success. We work with each community to create a partnership that maintains local involvement while providing the necessary resources to expand essential healthcare services, recruit physicians and enhance technology.

As we integrate new hospitals into our system, we implement many programs to further improve operating efficiencies and increase operating margins. Additionally, we utilize our proven standardized and centralized operating platform across every aspect of our business, from patient billing and collections, physician support programs, procurement and materials management to facilities management and construction projects.

“The true measure of our success is best reflected in the communities we serve.”



Our hospitals are also supported by appropriate capital spending programs with a strong focus on achieving both an optimal level of financial and operating performance and higher patient satisfaction. In 2004 we invested over \$164 million in capital projects designed to improve hospital services and facilities across the country, including over \$14 million for replacement hospitals. These investments ensure that our hospitals have the appropriate technology and provide the right infrastructure to meet the capacity needs of the community. In addition, these initiatives strategically position us to accommodate the growing level of patient demand we expect to see in many of the communities we serve.

An important aspect of our operating strategy is to ensure continuous improvement in the quality of care provided. We develop and implement standards for best practices through specific training programs for the senior hospital management teams, physicians, chief nursing officers and other clinical staff. As we continue to grow our network of hospitals, we strive to balance our financial and operating objectives with a commitment to the highest quality standards. Notably, two of our hospitals were recently included in the list of Distinguished Hospitals for Clinical Excellence™ by HealthGrades, the leading independent healthcare quality company. HealthGrades' study named Easton Hospital in Easton, Pennsylvania, and Laredo Medical Center, Laredo, Texas, to the top five percent in the nation in clinical quality. Their rating is based on survival rates of Medicare patients for specified procedures and diagnoses.

Our ability to identify and selectively acquire hospitals has consistently placed Community Health Systems in front of the market. In 2004, we successfully completed acquisitions of two community hospitals, Galesburg Cottage Hospital, located in Galesburg, Illinois, and Phoenixville Hospital, located in Phoenixville, Pennsylvania. These acquisitions added 313 beds to our portfolio and we expect each of these

hospitals to provide additional growth opportunities as we expand our coverage into these respective new markets. Our proven record in integrating and improving the financial and operating performance of newly acquired hospitals, and more importantly, developing positive community relations, has continued to be a distinct competitive advantage for Community Health Systems. We recognize that our past and future success is largely driven by the strong community relationships we have fostered in the non-urban markets we serve. Each community served by Community Health Systems is different and we develop a strategy that strikes a favorable balance with each hospital's unique strengths and the needs of the community. Our ultimate objective is to deliver consistent results and ensure that our hospitals achieve or maintain their position as the health care provider of choice in their respective markets.

The operating environment continues to look favorable for well-managed non-urban hospitals with many opportunities for Community Health Systems. We see a growing number of hospitals looking for a trusted partner to provide the resources that will enable them to deliver quality healthcare in their communities. Our growing reputation as the acquirer of choice reflects a commitment to meet this critical need and deliver on our promise.

Our ability to attract new physicians to these communities, particularly in certain specialties, is critical to our mission. Our aggressive physician recruitment efforts have played an important role in strengthening our top-line results. In 2004 we successfully recruited 525 new physicians in our markets, compared with 508 physicians added in 2003. Approximately 60 percent of these new physicians are specialists, which is essential to our ability to expand services in both new and existing markets. We are committed to finding the best practitioners in their respective fields who not only raise the level of care in our facilities, but also become an integral part of the community. These

physicians have enabled our hospitals to provide a continuum of quality, cost-effective healthcare and meet our goal to keep more patients and revenues within the local community.

Our success in 2004 reflects our ability to execute and a commitment to continually raising our standards of performance. We salute the incredible efforts of everyone associated with Community Health Systems – from our employees and board of directors to the many physicians, nurses and hospital administrators who work tirelessly each and every day to make a positive difference in the communities we serve. These same people are to be commended for their performance during 2004 that once again saw Community Health Systems operating at the top of our industry, and we look forward with great expectations to what we can accomplish in the future.

As we enter 2005, we will continue to balance our objective to build enduring value for our shareholders with our mission to enhance the level of healthcare in more communities across the country. By every measure, this strategy has served to strengthen both the Company and the hospitals in the communities we serve. 2004 was another great year for Community Health Systems, but as always, there is much more for us to accomplish.

Thank you for the support your investment provides.

Sincerely,

Wayne T. Smith
*Chairman of the Board, President and
Chief Executive Officer*

W. Larry Cash
*Executive Vice President and
Chief Financial Officer*



Board of Directors and Officers / Community Health Systems, Inc.

Board of Directors

Wayne T. Smith
*Chairman of the Board
President and Chief Executive
Officer*

W. Larry Cash
*Executive Vice President
and Chief Financial Officer*

John A. Clerico ⁽¹⁾
*Co-founder and Chairman
ChartMark Investments, Inc.*

Dale F. Frey ^{(2) (3)}
*Former Chairman and President
General Electric Investment
Corp.*

John A. Fry ^{(1) (3)}
*President
Franklin & Marshall College*

Harvey Klein, M.D. ⁽³⁾
*Professor of Clinical Medicine
Cornell University Medical
College*

Julia B. North ^{(2) (3)}
*Former President – Consumer
Services
BellSouth Telecommunications*

H. Mitchell Watson, Jr. ^{(1) (2)}
*President
Sigma Group of America*

⁽¹⁾ *Member of the Audit and
Compliance Committee*

⁽²⁾ *Member of the
Compensation Committee*

⁽³⁾ *Member of the Governance
and Nominating Committee*

Officers

Wayne T. Smith
*Chairman of the Board
President and
Chief Executive Officer*

W. Larry Cash
*Executive Vice President
and Chief Financial Officer*

William S. Hussey
*Senior Vice President –
Group Operations*

David L. Miller
*Senior Vice President –
Group Operations*

Gary D. Newsome
*Senior Vice President –
Group Operations*

Michael T. Portacci
*Senior Vice President –
Group Operations*

Kenneth D. Hawkins
*Senior Vice President –
Acquisitions and Development*

Carolyn S. Lipp
*Senior Vice President –
Quality and Resource
Management*

Martin G. Schweinhart
*Senior Vice President –
Operations*

Rachel A. Seifert
*Senior Vice President,
Secretary and General Counsel*

T. Mark Buford
*Vice President and Corporate
Controller*

James W. Doucette
Vice President and Treasurer

Robert A. Horrар
*Vice President –
Administration*

Linda K. Parsons
*Vice President –
Human Resources*

J. Gary Seay
*Vice President and Chief
Information Officer*

Gerald A. Weissman
*Vice President – Medical Staff
Development*

This Annual Report contains forward looking statements made pursuant to the “safe-harbor” provisions of the Private Securities Litigation Reform Act of 1995. Important factors that could cause our actual results to differ materially from the results contemplated by the forward looking statements are contained in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) and included with this Annual Report and in subsequent filings with the SEC.

Corporate Information / Community Health Systems, Inc.

Corporate Office

Community Health Systems, Inc.
155 Franklin Road, Suite 400
Brentwood, Tennessee 37027
615.373.9600
www.chs.net

Form 10-K/Investor Contact

A copy of the Company's Annual Report on Form 10-K, filed with the Securities and Exchange Commission, may be obtained from the Company at no charge. Requests for the Annual Report on Form 10-K and other investor information should be directed to Investor Relations at the Company's corporate office or at www.chs.net.

Registrar and Transfer Agent

Mellon Investor Services LLC
200 Galleria Parkway, Suite 1900
Atlanta, Georgia 30339
770.916.4186

**Independent Registered
Public Accounting Firm**

Deloitte & Touche LLP
Nashville, Tennessee

Annual Shareholders' Meeting

The annual meeting of shareholders will be held on Wednesday, May 25, 2005, at 8:30 a.m. local time at The St. Regis Hotel, La Maisonette I, 2 East 55th Street, New York, New York.

Common Stock Information

The Company's common stock trades on the New York Stock Exchange under the symbol CYH. As of March 21, 2005, Community Health Systems had approximately 9,600 beneficial holders of its common stock. Of that total, 98 were stockholders of record. To date, the Company has not paid cash dividends on its common stock.

The following table sets forth the high and low sales price information as reported by the New York Stock Exchange during the period indicated.

Stock Price

	High	Low
<u>2004</u>		
First Quarter	\$30.87	\$25.86
Second Quarter	\$29.03	\$23.48
Third Quarter	\$27.87	\$23.21
Fourth Quarter	\$28.54	\$25.51
<u>2003</u>		
First Quarter	\$20.99	\$15.84
Second Quarter	\$21.20	\$17.70
Third Quarter	\$23.44	\$18.25
Fourth Quarter	\$27.73	\$20.75

COMMUNITY HEALTH SYSTEMS, INC.

155 Franklin Road, Suite 400

Brentwood, Tennessee 37027

615.373.9600

www.chs.net