August 17, 2010

Russell G. Golden
Technical Director
Financial Accounting Standards Board
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PO Box 5116
Norwalk, CT 06856-5116
Via Email: director@fasp.org

File Reference No. 1840-100

Re: Proposed Accounting Standards Update - Disclosure of Certain Loss Contingencies

Dear Mr. Golden:

Community Health Systems, Inc. ("CHS") appreciates the opportunity to comment on the July 20, 2010 Exposure Draft of the proposed Accounting Standards Update of Topic 450 (the "ASU") released by the Financial Accounting Standards Board ("Board"). CHS is the largest publicly-traded operator of hospitals in the United States in terms of number of facilities and net operating revenues. As a threshold matter, we note that since CHS, like other companies in the healthcare industry, is routinely subjected to a significant number of claims and lawsuits in the ordinary course of its business, it may be disproportionately impacted by the proposed quantitative and qualitative disclosure requirements included in the ASU.

It is clear that the Board continues to recognize the controversial nature of its proposed disclosure requirements and the significant burden that these requirements will have on preparers of financial statements. This is evidenced by the fact that the Board has been working on this project for over two years and has made several changes from its June 2008 exposure draft. Notwithstanding these changes, the proposal continues to include disclosure requirements which will be burdensome and will likely undermine a registrant's ongoing litigation strategy, require waiver of the attorney-client privilege and ultimately disadvantage the shareholders that are meant to be protected by the enhanced disclosure.

Accordingly, we believe that additional changes to the proposal are necessary to address these issues and to harmonize any new disclosure requirements with the existing materiality standard in Section 103 of Regulation S-K and other applicable standards. We respectively submit that the 30 day comment period is an insufficient timeframe to consider and respond to the proposal. Accordingly, we join in the other comment letters that have requested that the comment period be extended to allow for adequate analysis and due process on the proposal.

While we continue to digest the proposed changes in the proposal and how they will impact CHS, we ask that the Board consider the following comments with respect to the proposal:
1. **Disclosure of Remote Litigation Contingencies**

   The proposal will require that, in order to determine if a claim could have a “severe impact” a company actively consider for each and every claim: the potential impact of the claim on its operations, the cost of defending the claim and the amount of effort and resources that may need to be devoted to resolve the claim. This new standard effectively changes the definition of materiality, potentially requiring disclosure of remote contingencies that are unlikely to have any impact on a company. This will require burdensome and time consuming analysis and discussions with auditors with respect to claims that previously would have been deemed immaterial by management. This proposed new requirement may encourage plaintiffs to make extremely large damage claims in meritless cases in the hope that a company will offer an unwarranted nuisance settlement of a claim to avoid having to make potentially misleading and detailed loss contingency disclosures. The effects of this incentive may be highly burdensome to a company like CHS that, as a result of the nature of its business, routinely addresses many claims.

Moreover, the proposal provides that “the possibility of recoveries from insurance or other indemnification arrangements” cannot be considered when assessing the materiality of loss contingencies. The Board’s reasoning for this provision is that insurance coverage is often “uncertain and may be subject to litigation with the insurer.” While we do not dispute the potential for insurance coverage to be uncertain in some instances, insurance or indemnity coverage is often certain or probable. In determining if a potential loss is material, a company should be allowed to use its judgment in assessing the probability of insurance coverage as it does with many other factual issues in preparing its financial statements. This is particularly true for a company such as CHS, which relies heavily on its ability to effectively insure against ordinary course of business risk.

2. **Quantitative Disclosures**

   The proposed new standard requires disclosure of specific accruals for each contingency that is disclosed in the footnotes to the financial statements. This would be a significant change from current standards which do not require disclosure of individual accruals unless the failure to disclose a specific accrual could make the financial statements misleading. This requirement may provide plaintiffs with a major advantage in settlement negotiations by effectively creating a settlement floor. In addition, because an accrual is often based upon an attorney’s confidential advice with respect to the claim or litigation, these disclosures may result in the waiver of the attorney-client and work product privileges.

   The negative impact of the specific accrual disclosure standard is made further acute by the proposed provision that would require disclosure of information relating to possible recoveries from insurance and other sources. While an actual plaintiff may in some jurisdictions be able to discover these facts in an ongoing proceeding, public disclosure of insurance coverage may
invite additional lawsuits from other potential adversaries who are not otherwise privy to this information.

3. **Progressive Disclosure and Tabular Reconciliations**

   The evolving qualitative disclosure requirements and the tabular reconciliations will give adversaries a clear understanding of the company’s views and assessments with respect to its exposure in a specific litigation. This understanding may give more leverage to the claimants. The ability to aggregate accruals by classes of similar items provides some protection to a company, but where a contingency is unique or potentially very large, the company’s changing assessments are clearly broadcast to the opposing party.

   Moreover, even when a company is allowed to provide aggregated disclosure of similar classes of claims, the proposal encourages the company to disclose information about the individual claims in the class, including the “average settlement amount” of each claim. Disclosure of an average settlement amount is highly prejudicial and likely will create a floor for future settlements.

4. **Elimination of Exemption for Prejudicial Disclosures**

   The proposed quantitative and qualitative disclosure requirements are being introduced to further the goal of making financial statements more meaningful. While we support disclosure requirements that further this goal, we respectively disagree that the proposal of the Board will have this effect. We believe that the proposed new requirements will negatively impact a company’s ability to defend itself in ongoing litigation, encourage plaintiff’s attorneys to pursue additional claims and prevent efficient settlement of claims. Moreover, compliance with the proposed disclosure requirements may result in an unintended waiver of the attorney-client privilege and work-product protections. The only effective means of preventing these unintended prejudicial consequences is to include an exemption for the disclosure of prejudicial information.

   The Board explained in the ASU that it decided not to include a prejudicial disclosure exemption because the ASU eliminated many of the speculative or predictive disclosures originally proposed in its June 2008 exposure draft and because of the potential difficulty in interpreting and applying such an exemption. We respectfully disagree and believe that this exemption remains necessary to prevent harm to the shareholders whose protection is the basis for the disclosure.

For the reasons discussed above and for the reasons identified in other comment letters to the ASU and the June 2008 exposure draft, we believe that it is critical that the Board consider and make revisions to its proposed disclosure requirements that adequately address the concerns expressed. Adopting a balanced and fair standard
Mr. Russell G. Golden  
August 17, 2010  
Page 4

is more important for all interested parties than rushing the adoption of an inherently flawed standard so that it will be effective for 2010 calendar financial statements.

Respectfully submitted,

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