November 27, 2012

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116


Dear Sir or Madam:

On behalf of Community Health Systems, Inc., we appreciate the opportunity to respond to the Financial Accounting Standards Board’s (FASB, or Board) invitation to comment on the Disclosure Framework Discussion Paper (DP).

We are one of the largest publicly-held operator of hospitals in the United States (NYSE: CYH) in terms of number of facilities and net operating revenues. We believe that the FASB’s objective to streamline and improve the process by which financial statement disclosures are prepared is greatly needed. Over time, the complexity of accounting issues faced by financial statement preparers combined with highly prescriptive disclosure requirements in promulgated accounting standards have led to a greater volume of disclosures in the notes to financial statements, without necessarily improving the quality of information available to the users of those financial statements.

We have not responded to each of the questions posed by the FASB in the DP, but have provided our overall comments to some of the specific questions and themes that we believe are most critical to consider in a final framework. Our comments on the DP are summarized below:

A. The disclosure framework should be primarily principles-based, with specific disclosure requirements where necessary to encourage consistency.

A proper balance should be made between providing principles-based disclosure requirements and prescriptive guidance for Topics or Sub-Topics in the Accounting Standards Codification (ASC). We believe a combination of the approaches suggested in Chapter 3 (specifically outlined in 3.11) would provide preparers the flexibility to focus on the areas of most importance to users of the financial statements. We believe a combination of the possibilities in 3.11(a) and
3.11(c) would be most effective. This combination could be structured similar to a graduated scale applied to each accounting Topic that, depending on the subjectivity, materiality, or variability in the methods of applying the accounting standard would guide the Board on how principles-based, or alternatively, how prescriptive the disclosures should be written. More specifically, we believe the FASB should consider the qualitative characteristics of the accounting Topic or Sub-Topic in determining how prescriptive the disclosures should be in order to reduce the potential for inconsistency in disclosure between companies within the same industry.

For example, the disclosure requirements for Topics applicable to most preparers, such as revenue recognition or leases, would have required disclosures that at a minimum would require a more prescriptive set of disclosures to encourage consistency among financial statements. However, the disclosure requirements for Topics that may not be as broadly applicable, are related to a specific industry or have varying levels of materiality by company (for example, pension disclosures), could have more principles-based disclosure requirements where preparers can make judgments as to whether or how to provide a disclosure (similar to that discussed in 3.15 through 3.17). Such a sliding scale for the types of required disclosures would give preparers the guidance on the types of disclosures that are important to ensure effectiveness and consistency, while also giving certain principles and other guidance to assist preparers in assessing the relevancy of disclosure.

We also believe more principles-based disclosure requirements could be supplemented with example disclosures or implementation guidance to give preparers the flexibility to follow the examples provided or simply ensure the stated principles are being followed.

However, we note that the Board could encounter some difficulty in adopting more principles-based disclosure requirements while at the same time developing an effective US GAAP taxonomy for XBRL-based interactive data reporting. Our experience is that the use of XBRL tends to encourage specific and uniform disclosures that are laid out based on the prescriptive requirements in each accounting Topic in the ASC. By moving to a more principles-based approach it is likely that the use of taxonomy extensions could increase since preparers would have more flexibility in meeting disclosure principles. Since XBRL appears to be a permanent means of reporting and disclosure for SEC registrants, it should be prominent in any final disclosure framework. However, it was not discussed in the DP.

B. Each Topic should develop and clearly state the primary objective(s) of the disclosure.
To support a principles-based approach to disclosure requirements, we encourage the Board to develop within each accounting Topic the rationale for the necessary disclosures. By clearly stating the objectives that have been developed for the disclosure, preparers can better understand the type and extent of information the Board is wanting preparers to provide to users of the financial statements. As a result, even if the disclosure requirements are less prescriptive and instead provide more principles-based guidance on the type of information needing disclosure, preparers are informed as to the Board’s objectives for disclosure and can provide more informative and effective disclosures that are specific to the company’s facts and circumstances. As noted in 2.3 of the DP, the original pronouncements and the recent standards updates do not always include in the bases for conclusions an explanation as to why the Board required specific disclosures. Providing such bases for conclusion and incorporating them into the ASC Topics themselves would provide valuable information for preparers to follow the disclosure principles.

C. The Board should provide expanded guidance on the concepts of materiality and relevancy.

As noted in Chapter 4 of the DP, preparers of financial statements are significantly influenced by auditors, regulators and legal advisors as to the extent of financial statement disclosure. Frequently more disclosure is advised to limit the company’s liability for failure to disclose even immaterial or irrelevant information. These external pressures over time have resulted in the large volume of disclosures. Preparers need to have clear guidance to reference when making decisions on whether a disclosure is relevant to include in the notes to financial statements. We recommend that guidance be incorporated into the ASC as part of the disclosure framework, potentially as part of the Presentation Topic. While we do not believe the concept suggested in Question 11 of the DP (i.e., to formally document why a particular item is not disclosed) is operationally feasible for all items that are not disclosed, the Board could give guidance of those situations when documentation of why an item is not disclosed would be appropriate, especially in those situations when auditors or other legal advisors are concerned and financial statement risk should be limited. The guidance in 4.22 through 4.25 of the DP on probability and magnitude and the loose analogy to probability-weighted values is helpful, but could be elaborated on to provide implementation guidance.

We support the Board’s points summarized in 4.19 to provide a benchmark of when magnitude is used as a measure of when to consider a disclosure in the notes to financial statements. Specifically, any information that a reasonable user would require to understand or assess prospects for future cash flows outside of the information presented in the face financial statements should be disclosed. However, we believe the guidance on materiality and relevancy...
decisions can be strengthened, specifically the measurement of probability when assessing materiality, the definition of a reasonable user, and whether the assessment of current or future prospects for items other than cash flows (e.g., future impairment, changes in revenue or income trends, restrictions on asset usage, etc.) should be considered.

D. Other

We also have the following other comments in response to the DP:

1. We do not believe that management’s discussion and analysis (MD&A) that is currently required by the SEC for quarterly and annual filings should be included in the disclosure framework. Since much of MD&A is forward-looking and business focused, including it in the framework for financial statement disclosures could result in difficulties auditing such information.

2. In response to the discussion on significant accounting policies in Chapter 7 of the DP, we agree that changes to the summary of significant accounting policies should be made to focus disclosure on (1) those accounting policies where there are acceptable alternatives to the policy or method applied, (2) industry-specific policies, and (3) policies that are not already discussed elsewhere in the footnotes. We recommend that the footnote for a summary of significant accounting policies be limited to only those policies not discussed elsewhere in the footnotes, and any policies specific to a line item or topic be included only in the relevant footnote (for example, all derivative-related accounting policies be included in a derivative footnote).

3. While we support more principle-based disclosure requirements, we agree that having a proposed structure for the order and format of footnote disclosures would be helpful. While we do not believe this guidance should be rigorous or prescriptive, having guidelines on the order and types of footnotes and the type of content included in the footnotes (i.e., using more tabular data as opposed to lengthy narrative disclosure) would be beneficial.

4. We fully support the Board’s statement in 7.23 that the Board should refrain from making disclosure requirements that could harm a preparer competitively or in litigation.

Again, we appreciate the opportunity to provide our comments on the disclosure framework. As preparers committed to high-quality financial statements as well as users of financial statements for other companies in our industry, a

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1 For example, should the definition of a reasonable user consider knowledge of the industry or business?
consistent, streamlined, and effective disclosure framework will be utilized extensively and will provide great value.

Sincerely,

[Signature]

Kevin J. Harrisons
Vice President and Chief Accounting Officer
Community Health Systems, Inc.