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## CHS looks to divest up to 30 hospitals in bid for stronger regional hubs

By [Dave Barkholz](#) | May 31, 2016

**Community Health Systems**<sup>[1]</sup> estimates net proceeds of \$530 million from 10 hospitals it is looking to divest. It could also sell 20 more hospitals over the next 18 months, CFO Larry Cash **told investors**<sup>[2]</sup> last week.

Cash told analysts and investors at the UBS Global Health Conference in New York that CHS will emphasize building out out-patient and other regional service lines in the 11 markets where it owns more than one hospital as well as enhance services such as orthopedics and cardiology in some markets where it owns only one hospital. CHS operates 73 hospitals around those 11 regional hubs.

The **10 unnamed hospitals**<sup>[3]</sup> currently being shopped by CHS have profit margins in the single digits compared with aggregate margins for CHS hospitals more traditionally averaging 15%, Cash said.

"We will continue to divest hospital operations that cannot meet these criteria and they are not productive to our

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results," Cash said during a recent earnings call.

The 38 hospitals CHS spun off <sup>[4]</sup> last month to create Quorum Healthcare Corp. had average margins of 11-12%, he said. CHS raised \$1.2 billion from that divestiture to pay down debt.

CHS currently operates 160 acute-care hospitals. The number could drop to 130 to 140 hospitals by the end of 2017, Cash said.

Eight hospitals that CHS operates in Florida and two other in Tennessee are at the center of CHS's earnings decline, Cash said. Many of these were acquired in the 2014 purchase of Health Management Associates <sup>[5]</sup>.

In the first quarter, Franklin, Tenn.-based CHS saw its adjusted EBITDA fall to \$633 million compared with \$715 million in the same period of 2015. Revenue in the quarter rose 2% to \$5 billion from \$4.9 billion.

Cash did not say whether the troubled hospitals in Florida and Tennessee were the 10 currently for sale. CHS owns a total of 24 hospitals in Florida. With the Quorum spinoff, CHS now operates in 22 states, seven fewer than before the 38-hospital divestiture.

Cash told investors that recent moves to centralize management of physician practices from Nashville should help with physician efficiency and retention.

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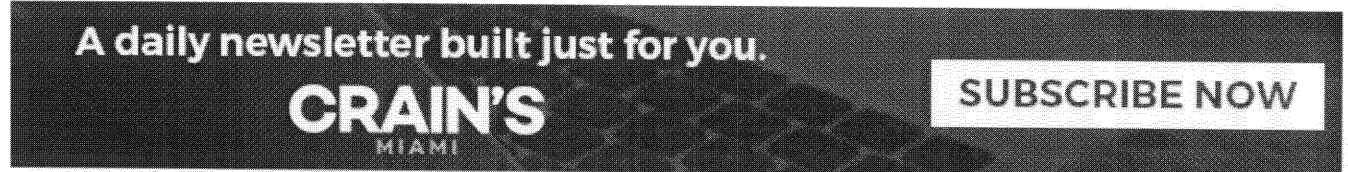
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