

December 13, 2011

Office of the Secretary
PCAOB
1666 K Street, N.W.
Washington D.C. 20006-2803

Subject: PCAOB Rulemaking Docket Matter No. 37

Dear Mr. Secretary,

We are responding to the request for comment on the proposal by the PCAOB to consider a rule requiring mandatory auditor rotation every 5 years. While we believe an auditor's independence, objectivity, and exercise of professional skepticism are crucial for a company and its shareholders, we do not believe there is any evidence supporting that mandatory auditor rotations will enhance those areas but will instead be costly, disruptive, and will ultimately reduce audit quality.

These comments are offered by the management of Community Health Systems, Inc. Community Health Systems, Inc. through its subsidiaries, currently owns, leases or operates 131 hospitals in 29 states, with an aggregate of approximately 19,700 licensed beds. Our hospitals offer a broad range of inpatient and surgical services, outpatient treatment and skilled nursing care. In addition, through one of our subsidiaries, we provide management and consulting services to non-affiliated general acute care hospitals located throughout the United States. Shares in Community Health Systems, Inc. are traded on the New York Stock Exchange under the symbol "CYH".

We oppose mandatory auditor rotation.

Benefit

The intended benefit of mandatory auditor rotation is to improve auditor independence. This benefit is theoretical since no conclusive evidence exists supporting that the term of an audit firm's engagement has any bearing on, or relationship to, the independence of the auditor. As indicated in PCAOB Release No. 2011-006 there are a number of audit deficiencies the PCAOB remains concerned about. To the extent that such deficiencies relate to technical competence or auditor experience, as described, we believe that mandatory auditor rotation would only exacerbate such deficiencies.

Evaluation of Costs

Although a change of this magnitude would have unintended consequences that cannot be articulated, or known at this time, we see the following costs of independent auditor rotation that significantly outweigh the perceived benefit:

Audit Quality

- Mandatory auditor rotation would fundamentally change the audit profession. We believe firms would be less inclined to make the appropriate investment of staffing and expertise for a short-lived relationship, leading to an anti-competitive environment and reducing an audit to a commodity. Furthermore, reducing the audit to a commodity could have a detrimental impact on the large accounting firms being able to hire the best and brightest among college accounting graduates, ultimately leading to a dilution in the technical competence of auditors.

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- Quality of the audit would suffer. Incumbent auditors have an institutional or specialized knowledge of their client and its industry that would be lost if there was a requirement to rotate auditors every 5 years.
- Availability of other qualified independent registered public accounting firms to audit our Company would be limited. We have engagements with the three Big 4 audit firms other than our current independent auditor for consulting work that the auditor is no longer allowed to perform due to current independence requirements. Mandatory independent auditor rotation would limit the availability of qualified consultants because of concerns of impairing the consulting firm(s) independence. Other companies have senior management or audit committee members that are former employees of audit firms, which may limit their independence and preclude many of these companies from engaging those firms to provide audit services or prevent several qualified audit committee candidates from being able to serve without risk to impairing the independence of the audit committee member or independent audit firm.
- The hospital provider sector of the health care industry has relatively few registrants, as compared to industry segments such as manufacturing or retail and therefore there are only a limited number of auditors with industry specific knowledge and experience. Absence of industry specific knowledge would further increase the risk of audit deficiencies.

Disruptions and Inefficiencies

- Auditing requires that a working relationship exist between the auditors and management in order to achieve the reporting requirements of the SEC, the auditing requirements of the PCAOB, and ultimately to achieve company goals of enhancing shareholder value. Auditor rotation will not change those requirements. Instead, we believe that mandatory auditor rotation would impair the ability of the auditors and management to achieve their needs and goals in a timely and efficient manner.
- Management and the audit committee would be required to invest several months before each rotation in the unproductive activity of soliciting bids from potential audit firms, interviewing those firms and having internal discussions and analyses to determine which firm to hire. The time spent doing these activities will prevent management and the audit committee from focusing on more important areas of risk.
- Companies that change auditors would effectively have two audit firms for three years because of the requirement for the report from independent auditors to opine on all periods presented. Many of the more recent accounting standards required retrospective restatement, such as from discontinued operations, stock-based compensation and noncontrolling interests, as will many of the upcoming accounting standards. Since a company is required to present multiple years of financial statements in its Annual Reports on Form 10-K, a company is required to reengage its predecessor auditor to provide an opinion and consent on the restated historical financial statements. Also, companies will need predecessor auditor consents relating to the most recent audited financial statements, such as in a public offering, during the first year after auditor rotations. These inefficiencies can result in delays of raising capital in a timely manner, disadvantaging existing shareholders.

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- There will be more restatements with auditor rotation which will undermine investor confidence in financial reporting. This is in direct conflict with the intended goal and benefit of mandatory auditor rotation. With accounting standards becoming more principles-based and audit firms having their own interpretations of those standards, significant judgment areas in particular that had been discussed and agreed upon with the existing auditor could be revisited and disagreed with by the new auditor. Such disagreements could lead to restatements or other reporting issues.

Monetary Costs

- Mandatory rotations will be expensive to companies and, therefore, expensive to their shareholders. The startup costs of new audit engagements, learning about the company and its industry and training its staff will be time consuming for the audit firms. Those costs will ultimately be paid by the shareholders through increased audit fees. With the anti-competitive environment that we believe would result, the audit firms would be free to increase fees without consequence without any resulting increase in audit quality.
- The resulting decline in engagement and company specific experience would also result in additional time spent on substantive audit testing, requiring additional audit hours and resulting in higher audit costs to the registrants.

Audit Committee Responsibility

The Sarbanes-Oxley Act mandated the responsibility for selection and oversight of independent auditors to the audit committee. The audit committee is responsible for hiring, firing and overseeing the auditors, the services they provide to the company and the fees received for such services. In performing those duties, an audit committee periodically challenges the auditor to take a fresh look at the company to ensure risks are being addressed and audit efficiencies are realized. Our audit committee meets at least quarterly with our independent auditors, and most likely more frequently, to ensure the auditors are performing their duties for the company and ultimately to the company's shareholders in a timely, efficient and effective manner. Audit committee members, as well as executive management of the company, have personal and professional liability exposures as it relates to the auditors, so they are heavily involved and interested in ensuring that the audit team is independent and is performing a quality audit.

We have an audit committee comprised of members that meet the definition of "independent" under the requirements of the NYSE. All three of those members have been designated as meeting the qualifications of being audit committee financial experts. Because of the qualifications of our audit committee and the rigor for which they carry out the duties of the audit committee, the notion that mandatory audit firm rotation is necessary casts doubt on the sufficiency of the current audit committee ability to monitor independence. We believe the current standards for mandatory partner rotation, combined with the independent partner review process, the PCAOB inspection process and the audit firms' own internal inspection process provides adequate and effective guidelines to ensure auditor independence when executed properly and evaluated as a whole.

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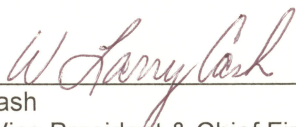
December 13, 2011
PCAOB
Page 4

Conclusion

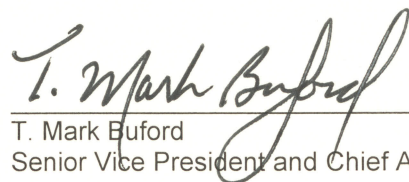
Though the idea of mandatory auditor rotation may to some seem like it could strengthen auditor independence, we believe the costs and unintended consequences would far outweigh any benefit, theoretical or real. We believe that ultimately shareholders would be the ones that suffer through the additional costs incurred by registrants from both increased audit fees and the disruption to management, preventing them from attending to more important operational matters. Furthermore, we believe that audit committees are fully capable and competent to oversee the auditors and should retain the authority to manage that relationship.

We suggest that the goal of improving auditor independence should be focused on improving the execution, monitoring and enforcement of the existing independence rules. Creating a more volatile audit environment with expensive mandatory firm rotation changes would only serve to decrease audit quality and shareholder value over time.

Sincerely,

A handwritten signature in red ink that reads "W. Larry Cash".

W. Larry Cash
Executive Vice President & Chief Financial Officer

A handwritten signature in black ink that reads "T. Mark Buford".

T. Mark Buford
Senior Vice President and Chief Accounting Officer

TMB/rmc

cc: John Clerico
Community Health Systems, Inc.
Board of Directors – Audit & Compliance
Committee Chairman

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