

**UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION**

In the Matter of)

Community Healthcare Systems, Inc.,)
A corporation;)

and)

Healthcare Management Associates, Inc.,)
a corporation.)

Docket No. C-4427

APPLICATION FOR APPROVAL OF PROPOSED DIVESTITURE

Bilal K. Sayyed
Varnitha Siva
KIRKLAND & ELLIS LLP
655 Fifteenth Street, N.W.
Washington, D.C. 20005
Telephone: (202) 879-5192
Facsimile: (202) 879-5200
bilal.sayyed@kirkland.com
varnitha.siva@kirkland.com

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1. Introduction

Pursuant to Section 2.41(f) of the Federal Trade Commission’s (the “Commission”) Rules of Practice and Procedure¹ and Paragraph II of the Decision and Order (the “Order”) in *Community Health Systems, Inc. and Health Management Associates, Inc.*, Community Health Systems, Inc. (“CHS” or “Respondent”) requests the Commission approve the divestiture of the “Carolina Pines Assets” (as defined below) to Capella Healthcare, Inc. (“Capella”).²

The divestiture will “ensure the continuation of the Carolina Pines Regional Medical Center as an ongoing, viable Acute Care Hospital providing General Acute Care Inpatient Hospital Services.” Capella is a qualified and viable purchaser of the Carolina Pines Assets; it is a highly regarded owner, lessor and operator of thirteen acute care and specialty care hospital campuses located in markets similar to the market in which the Carolina Pines Assets operate in. Divestiture of the Carolina Pines Assets to Capella, if approved, will fulfill the purpose of the Order.

2. The Assets to Be Divested

On July 29, 2013, CHS agreed to acquire Health Management Associates, Inc. (“HMA”) through merger;³ the transaction was consummated on January 27, 2014.⁴ On April 11, 2014, the Commission issued a Decision and Order (“Order”) requiring CHS to divest the Carolina Pines Assets “absolutely and in good faith ... as an ongoing business ... to an acquirer that

¹ 16 C.F.R. § 2.41(f)

² Capella’s website is <http://www.capellahealth.com/>.

³ *Community Health Systems to Acquire Health Management Associates* (July 30, 2013), available at <http://www.chs.net/investor->

receives the prior approval of the Commission, and only in a manner ... that receives the prior approval of the Commission.”⁵

The Carolina Pines Assets⁶

CHS, through the Acquired Companies, owns and operates¹⁴ Carolina Pines Regional Medical Center and related businesses, including physician clinic operations and other ancillary services and operations. With the exception of certain excluded assets and liabilities described at ¶¶ 1.3, 1.4 and Schedule 1.3 of the Agreement, all tangible and intangible assets of the Carolina Pines Assets will be acquired by Capella, as required by the Decision and Order.

CHS will divest the Carolina Pines Assets as an “ongoing business.” CHS has represented and warranted to Capella that it has all licenses, registrations, permits, and approvals required to operate a general, acute care hospital in South Carolina, and that no permits or licenses preclude or limit Capella’s ability to control the Carolina Pines Assets.¹⁵ CHS is subject to customary and the usual covenants related to operating the Carolina Pines Assets prior to consummation of the divestiture to Capella.¹⁶

CHS is obligated (i) to obtain all governmental approvals necessary or required, and (ii) to assist and cooperate with Capella in obtaining all government consents, approvals, and licenses which Capella deems necessary or appropriate, to effectuate the transaction contemplated by the Agreement.¹⁷ CHS must use reasonable commercial efforts to satisfy all conditions precedent to closing. The Agreement includes an employee non-solicitation provision, consistent with the Decision and Order.¹⁸ CHS will not have a continuing interest in the Carolina Pines Assets, nor will CHS have a financial stake in the Carolina Pines Assets upon their divestiture to Capella.

¹⁴ CHS owns and operates Carolina Pines Regional Medical Center (and related businesses) subject to the restrictions of the Order to Hold Separate and Maintain Assets. CHS acquired the Carolina Pines Assets from HMA.

¹⁵ Agreement at ¶¶ 3.6, 3.7, 3.8. and 3.9.

¹⁶

Consistent with the requirements of the Decision and Order¹⁹, CHS and Capella have also entered into an Information Technology Transition Services Agreement and a Transition Services Agreement. The term of each a

have received numerous awards and recognition for their provision of quality care and high service to patients.²⁵

Capella has a strong commitment to the communities in which its hospitals are located; in 2013, Capella provided charity care valued at \$12.26 million. Fact sheets and “community benefit sheets” on each of the thirteen operated hospitals are provided at Exhibits Four through Fourteen.

Capella has the financial resources necessary to operate the Carolina Pines Assets as an effective provider of general, acute care and related services. Capella’s revenues from continuing operations for 2013, 2012 and 2011 were \$722.3 million, \$718.2 million, and \$651.4 million (net of provisions for bad debt). Its revenues for the first six months of 2014 were \$374.7 million. (Capella’s 2013 Form 10-K, which includes its most recent annual financial statements, is provided at Exhibit Fifteen A; its June 2014 Form 10-Q is included as Exhibit Fifteen B.) GTCR has, over time, committed \$210 million to Capella in support of its founding and its growth,²⁶ and Capella has access to existing cash, untapped equity commitments from GTCR, and the ability to incur additional debt, if necessary, to fund its operations and expansion.

Capella’s executive management team has extensive experience in acquiring and operating hospitals and hospital networks. A list of Capella’s senior officers and members of its board of directors is provided at Exhibit Sixteen; background information on each of its senior officers and directors is provided at Exhibit Seventeen. Capella has successfully acquired hospitals before, including the purchase of nine CHS hospitals in 2008.

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²⁵

Capella is well positioned and financially capable of operating the Carolina Pines Assets. For additional information about Capella, please contact Michael Wiechart, President and Chief Executive Officer.²⁷

5. Request for Confidential Treatment

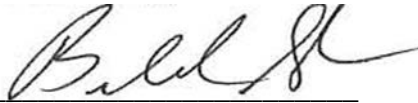
This application (including the exhibits) contains confidential and competitively sensitive information relating to the divestiture of the Carolina Pines Assets. Pursuant to Section 4.2(d)(4) of the Commission's Rules of Practice and Procedure, 16 C.F.R. § 4.2(d)(4), CHS is submitting two versions of this Application. The confidential version contains nonpublic or commercially or competitively sensitive information. The public version redacts confidential information. Pursuant to Sections 6(f) and 21(c) of the Federal Trade Commission Act, 15 U.S.C. §§ 46(f) and 57b-2(c), and Sections 2.41(f)(4), 4.9(c) and 4.10(a)(2) of the Commission's Rules of Practice and Procedure, 16 C.F.R. §§ 2.41(f)(4), 4.9(c) and 4.10(a)(2), CHS requests that all nonpublic or commercially or competitively sensitive information contained in the Application be treated by

CHS desires to complete the proposed divestiture of the Carolina Pines Assets as soon as possible. Prompt consummation will further the purposes of the Order, and is in the interests of the Commission, the public, Capella, and CHS. Accordingly, CHS requests that the Commission promptly commence the public comment period pursuant to Section 2.41(f) of the Commission's Rules, 16 C.F.R. § 2.41(f) (2014), limit the comment period to the customary 30 days, and approve this application for divestiture as soon as practicable after the close of the public comment period.

Dated: October 14, 2014

Respectfully submitted,

KIRKLAND & ELLIS LLP

By: 

Bilal K. Sayyed
655 Fifteenth Street, N.W.
Washington, D.C., 20005
202.879.5192
bilal.sayyed@kirkland.com

Varnitha Siva
655 Fifteenth Street, N.W.
Washington, D.C. , 20005
varnitha.siva@kirkland.com

Counsel for Respondent Community Health Systems, Inc.