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Community Health Systems, Inc. Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Thank you. [Operator Instructions] Your first question is from the line of Justin Lake with UBS.

Justin Lake - UBS

Thanks, good morning. Larry, Wayne maybe we can just start off by talking about the bad debt charge, because there is there a lot of interest but specifically would like to understand... and that, I think the charge that you took back in 2006. I think it was around \$65 million, and the run rate hit was about 15, I am little curious as to how was the charge that's more than twice that size only has a run rate hit of \$20 million, maybe you can explain that to us?

W. Larry Cash - Executive Vice President and Chief Financial Officer

Yes, if you look at what's happening to our receivables back in 2006, we were seeing pretty substantial growth in self-pay admissions. I think we actually had high single-digits, and also pretty rapid growth in self-pay revenues. As a percentage revenue, this quarter I think we are down about 9.4% for the quarter and then year-to-date it is probably down to about 10.8%, both, over 100 basis points drop from the preceding year. So, we have a different assumption of growth and self-pay receivables going forward than we had then. And then the... I think we'd estimated about \$15 million and actually probably came out a little less than that based on the first couple of quarters before the prior transaction.

We also went from reserving somewhere in the mid 50% of receivables to 60%, in mid-50, so it's about a 10% change. Here if you look where we were at the end of the third quarter, and of course, we didn't own Triad at the beginning of the year, we had about 70% or high 60% to 70% of the self-pay receivables reserved for... here we are going to 76%. So, the change, although larger, it's on a much bigger company and a percent change of the reserve is only about 5% or 6% versus the year ago was more like 10%. And we also had assumption that the self-pay receivables product could grow in 2000. So, it's adjusted more like 20% and of course today we are thinking in more in the 8% to 10% range.

Justin Lake - UBS

Got it. That makes sense. And then, if we were to try to think about... and now that you've had Triad on your books for five months and have your hands around those assets, maybe a little better, can you give us an idea of if we were to trying to think about the run rate of EBITDA for 2007, coming out of the year on an annualized basis, where do you think... where would you put 2007 EBITDA for the combined companies, coming out of the year, knowing what you know now?

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