

CtW Investment Group

April 11, 2008

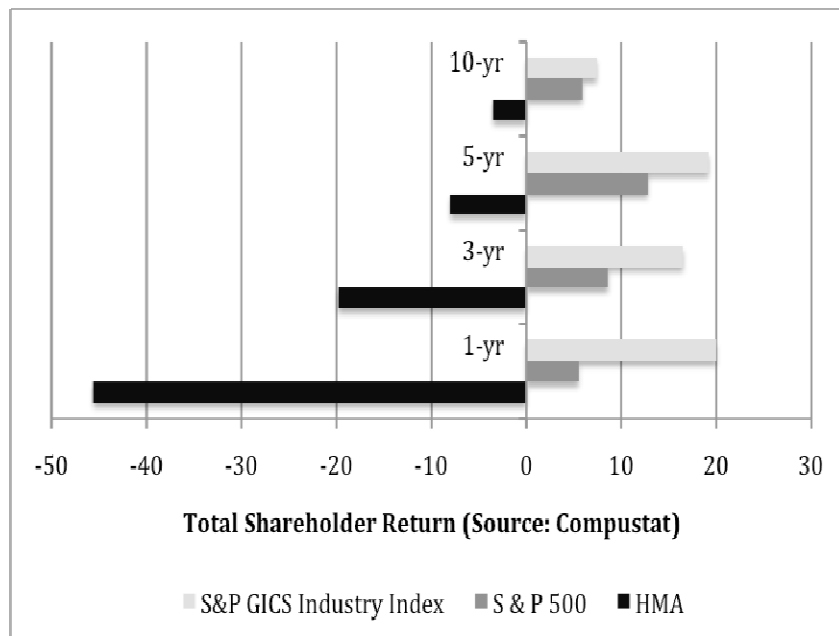
WITHHOLD FROM NOMINEES KIERNAN AND KNOX

Dear Health Management Associates, Inc. Shareholder:

We urge you to WITHHOLD from director nominees Donald Kiernan, member of the Audit Committee, and Robert Knox, Chair of the Compensation Committee, at the Company's May 13, 2008 annual meeting. As a member of the committee responsible for ensuring the integrity of the company's financial reporting, Mr. Kiernan bears responsibility for HMA's failure to adequately reserve for patient accounts receivable. Mr. Knox, meanwhile, oversaw executive compensation during a time when we believe pay became decoupled from performance.

Since July 30, 2007, the price of HMA's stock has fallen by 44%¹. HMA has generated abysmal one- and three-year total shareholder returns of -45.6% and -19.8%, respectively, despite strong positive returns by the overall market and HMA's peers.²

We believe that this dramatic loss in shareholder value stems in part from, and has been exacerbated by, governance failures at the board level.



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¹ Based on historical prices from Compustat. Calculation is based on HMA closing price on July 30, 2007 at \$10.65 compared to the most recent closing price, on April 10, 2008 at \$5.88.

² Compared to a +5.5% and +8% one- and three-year returns, respectively, for the S&P 500 and +20% and +16.5% for the six-digit GICS industry, S&P 500 Health Care Providers & Services Index.

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As an Audit Committee member, Mr. Kiernan failed to ensure that HMA established proper reserves for accounts receivable

On July 31, 2007, HMA announced a \$39 million writedown reflecting impairment in the value of HMA's accounts receivable for uninsured patients, pushing HMA's stock down 24% by the end of the day.³ The writedown came as a surprise to analysts because it was announced only about six months after a \$200 million writedown of accounts receivable (which one analyst noted had wiped out more than 90% of the growth in HMA's pretax income over the prior five years⁴), a shift to a more conservative reserve methodology and assurances by HMA's CFO Robert Farnham that the new reserve policy and a discount policy for uninsured patients would "minimize the likelihood of any large write-offs in the future."⁵

In our view, these writeoffs were caused by HMA's overly-aggressive approach to reserving for bad debt. Prior to the January 2007 writedown and change in reserve policy, HMA had been viewed by a number of influential analysts as taking an aggressive posture with respect to these reserves.⁶ Yet in February 2007, just a month after the \$200 million writedown, HMA adopted a lower bad debt reserve policy for uninsured accounts, only to increase it again with the \$39 million write down several months later after experiencing "continued deterioration" in self-pay accounts receivable.⁷

The charter of HMA's Audit Committee requires the committee to "review the appropriateness, not just acceptability, of the Company's current and proposed financial disclosure practices, including the degree of aggressiveness or conservatism of its accounting principles, and of the underlying management estimates for significant accruals and reserves."⁸ We are concerned that HMA's overly aggressive reserve policy for self-pay accounts—a closely watched accounting policy for hospitals—is evidence of lax oversight of the financial reporting process.

While all Audit Committee members share responsibility for this failure, we find Mr. Kiernan's service on that Committee especially troubling. During the course of 2007, when the financial reporting problems occurred, Mr. Kiernan was in violation of HMA's own guidelines for

³ Based on historical prices from Compustat. Calculation is based on HMA closing price on July 30, 2007 at \$10.65 compared to closing price on July 31, 2007 at \$8.06.

⁴ Ken Weakley, Credit Suisse, "Health Management Associates, Inc. (HMA) Change on the Horizon", January 29, 2008. p. 2. Available via Thomson Research, www.research.thomsonib.com (password required).

⁵ January 17, 2007 HMA Conference Call entitled HMA – Health Management Associates, Inc. Announces a Major Recapitalization. pp 8-9. Available via Thomson StreetEvents, www.streetevents.com (password required).

⁶ In 2004, Fulcrum analyst Sheryl Skolnick expressed concern that HMA waited too long to reserve for uninsured patient accounts receivable, despite operating 70% of its hospitals in states with large numbers of uninsured patients. Melissa Davis, "Could Bad Debt be a Chronic Problem for Hospitals?" TheStreet.com, June 8, 2004; see also Melissa Davis, "No Applause for HMA," TheStreet.com, Jan. 17, 2007 ("Before, HMA—unlike most in the industry—waited 120 days to fully reserve for those self-pay accounts.")

⁷ Filing on Form 10-K by Health Management Associates filed on February 28, 2007, p. 61.

⁸ HMA Audit Committee Charter, p. 4.

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overcommitment for serving on more than two other public companies' Audit Committees.⁹ We wonder whether his overcommitment may have contributed to these failures of oversight.

More troubling, a company whose Audit Committee he chaired and on whose Finance and Investment Committee he sat until last month, MoneyGram International Inc., recently announced that the SEC had launched an investigation into its financial reporting.¹⁰ Investors have sued MoneyGram claiming that it made materially false or misleading statements "regarding the Company's business and financial results related to its investments"¹¹; one suit names Kiernan as a defendant, alleging that he "signed MoneyGram's false and misleading SEC filings."¹²

We believe removing Mr. Kiernan from the Board of Directors would help restore effective oversight, and urge shareholders to WITHHOLD their support from him.

As Compensation Committee Chairman, Mr. Knox has failed to maintain the link between pay and performance

We believe that senior executive compensation at HMA has been decoupled from company performance. The well-documented revenue recognition failures which resulted in massive write downs led to one- and three-year total shareholder returns of -45.6% and -19.8%, respectively, despite strong positive returns by the overall market and among HMA's peers.¹³

In the midst of this destruction of shareholder value, former CEO Joseph Vumbacco's total compensation increased to \$3,278,599 in 2007 from \$2,921,300 in 2006, an increase of 12%.¹⁴ Almost all of this growth was due to an increase in incentive and equity compensation including stock grants and a cash bonus of \$350,000. Mr. Vumbacco also received a Contingent Stock Award of 66,416 shares rewarding him for HMA's 2007 performance. Because Mr. Vumbacco has retired, the Compensation Committee eliminated the usual four years of continuous service vesting requirement for Contingent Stock Awards.

We have serious concerns regarding the Compensation Committee's decision to increase Mr. Vumbacco's incentive compensation. Moreover, it is clear that at least some of the stock awards were granted to Vumbacco and other executives as a result of performance criteria there were

⁹ The web sites of LaBranche & Co Inc., MoneyGram International Inc. and Seagate Technology all list Mr. Kiernan as serving on their boards' audit committees. An 8-K filing by MoneyGram on March 24, 2008 stated that Mr. Kiernan resigned from the MoneyGram board effective on that date, following consummation of a recapitalization transaction.

¹⁰ Filing on Form 10-K by Moneygram International, Inc. filed on March 25, 2008, p. 15.

¹¹ City of Ann Arbor Employees' Retirement System v. Moneygram International Inc., Milne, Parrin and Ryan. Class Action Complaint filed March 28, 2008 in the United States District Court, District of Minnesota.

¹² Edwin J. Goodman Life Income Trust v. Milne, Parrin, Benson, Putney, Ryan, Rock, Ford, Kiernan, Krueger, Montemayor, Teplin and Moneygram International, Inc. Class Action Complaint filed April 4, 2008 in the United States District Court, District of Minnesota.

¹³ Compared to a +5.5% and +8% one- and three-year returns, respectively, for the S&P 500 and +20% and +16.5% for the six-digit GICS industry, S&P 500 Health Care Providers & Services Index.

¹⁴ HMA 2007 Proxy Statement, p. 41.

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changed during the course of 2007.¹⁵ Specifically, the restricted stock award criteria were reduced from four to three (with return on equity being dropped as a measure) and, although HMA's disclosure is less than clear here, it appears that specific hurdle rates may have been reduced.

In fact, the only incentive compensation criterion that was "achieved" was the revenue target, which is ironic given that HMA's revenue recognition failures were at the heart of the company's problems during the year. Indeed, we believe that the Compensation Committee's inclusion of revenue as a target may have encouraged the overly aggressive revenue recognition practices that led to the July 31, 2007 \$39 million write down and therefore to the crisis the company now faces.

The Compensation Discussion and Analysis included in the 2007 Proxy Statement offers no strong and compelling evidence of improvement in any aspect of the company's performance. Instead, the committee engaged in questionable midstream modifications of its performance criteria in order to, as it explains in the proxy, "set realistic and achievable performance objectives."¹⁶

Compensation Committee Chair Robert Knox should be held accountable for the failure of the Compensation Committee to establish a strong relationship between performance and compensation. Moving the compensation incentive goal posts to benefit executives while shareholders suffer significant losses suggests a lack of judgment and a disconnection from shareholder concerns. We believe HMA shareholders deserve much better.

Accordingly, we urge shareholders to WITHHOLD their support from Mr. Knox.

Sincerely,



Bill Patterson
Executive Director

¹⁵ Ibid, p. 37.

¹⁶ Ibid, p. 37.

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