

NEW YORK--([BUSINESS WIRE](#))--Fitch Ratings has assigned 'AA' long-term ratings and 'F1+' short-term ratings to the following revenue bonds to be issued on behalf of CHE-Trinity Health Credit Group.

--\$45.1 million Idaho Health Facilities Authority Hospital Revenue Bonds, Series 2013ID;

--\$69.9 million Michigan Finance Authority Hospital Revenue Bonds, Series 2013MI;

--\$103.1 million Montgomery County, Maryland Revenue Bonds, Series 2013MD;

--\$86.4 million County of Franklin, Ohio Revenue Bonds, Series 2013OH;

--\$75 million Michigan Finance Authority Hospital Revenue Bonds, Series 2013MI-3(a)

(a)The series 2013MI-3 are not supported by self-liquidity and only carry the 'AA' long-term rating.

Additionally, Fitch upgrades to 'AA' from 'A+' the long-term rating on its rated outstanding revenue bonds issued on behalf of Catholic Health East; affirms the 'AA' long-term rating on its rated revenue bonds on behalf of Trinity Health Credit Group and affirms the 'F1+' short-term rating on approximately \$767.1 billion of bonds and commercial paper program issued by Trinity Health Credit Group supported by CHE Trinity's internal liquidity.

CHE Trinity plans to remarket two series of variable rate demand bonds (\$63.6 million Saint Mary Hospital Authority Health System Revenue Bonds Catholic Health East Issue,

Fitch Rates CHE Trinity's (MI) 2013 Revs 'AA/F1+'; Outlook Stable

Written by Australian Business

Series 2012B and \$25.2 million North Carolina Medical Care Commission Health System Revenue Bonds Catholic Health East Issue, Series 2008), which will continue to carry the 'AA/F1+' rating.

The Rating Outlook is Stable.

The series 2013 bonds are expected to be structured as variable-rate debt and will be priced the week of Oct. 28, 2013 through negotiated sale. Proceeds will be used for refunding of certain maturities of currently outstanding Catholic Health East (CHE) debt, reimbursement of \$285 million for prior capital expenditures, \$280 million towards redemption of commercial paper, remarketing of certain CHE outstanding bonds, and pay costs of issuance.

SECURITY

On Oct. 3, 2013, CHE Trinity, Trinity Health and CHE formed the CHE Trinity Health Credit Group pursuant to a Master Trust Indenture, dated as of Oct. 3, 2013. The series 2013 bonds are general unsecured obligations of the CHE Trinity Credit Group. The CHE Trinity Health master indenture provides for security interests in 'pledged property' of members at the CHE Trinity obligated group and certain designated affiliates with pledged property including: all receipts, revenues, income and other moneys received, and including rights to receive accounts and health care insurance receivables.

KEY RATING DRIVERS

GEOGRAPHICALLY DIVERSE SYSTEM: CHE Trinity is the second largest nonprofit healthcare provider in the US with approximately \$13.3 billion in total revenue operating 82 hospitals in 21 states with more than 87,000 employees. Fitch views the system's size, scope of operations, and geographic dispersion as a primary credit strength that helps protect the organization from adverse economic events that could severely affect any of its core markets.

STRONG MANAGEMENT PRACTICES: Fitch views CHE Trinity's management team as a primary credit strength despite the interim status of some senior managers. The team's strong management practices are evident through continued improved revenue collection efforts, consolidation of redundant services, and a willingness to close or divest in poor performing markets.

GOOD PROFITABILITY: As of June 30, 2013 (year-end consolidated; unaudited), CHE Trinity earned nearly \$413 million from operations, which translated into 3.1% operating margin and 9.4% operating EBITDA margin. Fitch believes the system's profitability is sufficient to generate adequate debt service coverage metrics for the 'AA' rating level.

MODERATE DEBT BURDEN: Maximum annual debt service (MADS) of approximately \$294.5 million represented 2.2% of revenues as of June 30, 2013, which compared favorably against Fitch's 'AA' category median of 2.6%. CHE Trinity's debt burden is expected to remain relatively consistent going forward despite the system's large capital plan.

ADEQUATE LIQUIDITY: CHE Trinity had sound balance sheet indicators in fiscal 2013 as the system had \$6.7 billion in unrestricted cash and investments, which equated to 201 days cash on hand, 22.8x cushion ratio, and 137% cash to debt. Fitch views the system's absolute liquidity growth favorably, increasing to a pro forma \$7 billion (after series 2013 debt issuance) from \$6.1 billion in 2012.

RATING SENSITIVITIES

LARGE CAPITAL PLANS: Over the next three years management has budgeted to spend approximately \$3.9 billion in capital investments including major facility renovations, information technology, and routine capital spending. Fitch would expect profitability to be sustained to support the organization's spending plans.

CREDIT PROFILE

On May 1, 2013 CHE Trinity became the sole corporate member of Catholic Health East (rev bonds rated 'A+') and Trinity Health Corporation (rev bonds rated 'AA'), which created one of the largest nonprofit healthcare delivery systems in the US. Today, the system has operating revenues of \$13.3 billion, operating 82 hospitals, 89 continuing care facilities with more than 87,000 employees. Additionally, CHE Trinity is now the nation's largest PACE and home health provider.

'AA' RATING ASSIGNMENT

The credit factors supporting CHE Trinity's 'AA' rating include the benefits that accrue from the size and scale of the system's operations, solid overall financial profile, and effective management practices. CHE Trinity's geographic diversity of its operations, providing care in 21 states, allows the organization to realize economies of scale through on-going consolidation of certain shared administrative and financial services, as well as the ability to export clinical and operational 'best practices' across the system. Fitch believes that the system can generate further clinical and operational efficiencies throughout the system over the near to medium term, which should offset the effects of tighter reimbursement and slowing volume growth.

Using consolidated financial statements for fiscal 2012 and 2013 (unaudited) Fitch believes the system has a solid overall financial profile that's characterized by sizable liquidity, sound operations, and a moderate debt burden. CHE Trinity's operating and operating EBITDA margins of 3.1% and 9.4% are consistent with its rated peer group and produce solid pro forma debt service coverage metrics of 4.2x in 2013. As provided by the underwriter, consolidated pro forma maximum annual debt service (MADS) is estimated at \$294.5 million which equates to 2.2% of 2013 total revenue which is in line as compared to the 'AA' category median of 2.6%. Going forward, management is budgeting for consistent operational profitability, which Fitch believes will continue to support the organization's capital investment program without significantly deteriorating the system's financial profile.

'F1+' SHORT-TERM LIQUIDITY RATING

The 'F1+' rating reflects the adequacy of CHE Trinity's eligible cash, investments, and dedicated lines of credit to fund any unremarketed puts on its variable rate demand bonds and commercial paper (CP) program. At Aug. 31, 2013, CHE Trinity had a total of

approximately \$2.5 billion of highly liquid, unrestricted cash and fixed income securities available. CHE Trinity secured a \$731 million dedicated credit facility from a consortium of 12 banks for additional liquidity. CHE Trinity has total funding sources available to meet the maximum one-week tender exposure well in excess of Fitch's 'F1+' threshold of 1.25x. Fitch received a written internal procedures letter from the organization, which outlines internal policies to meet any funding requirements. Fitch receives monthly investment reports, which are used to monitor CHE Trinity's cash and investment position relative to its liquidity coverage.

OUTSTANDING DEBT PROFILE

CHE Trinity's debt profile is 62% fixed rate and 38% variable rate. The system has several outstanding swaps with a total mark-to-market valuation of negative \$112 million as of June 30, 2013. Overall Fitch views the organization's debt profile favorably with a majority of fixed-rate debt.

Additional information is available at 'www.fitchratings.com'

Applicable Criteria and Related Research:

--'Nonprofit Hospitals and Health Systems Rating Criteria' (May 20, 2013).

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Nonprofit Hospitals and Health Systems Rating Criteria - Effective Aug. 12, 2011 to July 23, 2012

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=648836

Additional Disclosure

Solicitation Status

http://www.fitchratings.com/gws/en/disclosure/solicitation?pr_id=804068

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