Advocate Aurora Health Revenue Bonds Assigned 'AA' Rating

April 20, 2020

CHICAGO (S&P Global Ratings) April 20, 2020--S&P Global Ratings assigned its 'AA' long-term rating to Advocate Health and Hospitals Corp. (AHHC), Ill.'s $700 million series 2020A taxable fixed-rate revenue bonds. In addition, S&P Global Ratings affirmed its 'AA' long-term rating on the Illinois Finance Authority's (IFA) various series of fixed-rate tax-exempt bonds and the Wisconsin Health and Education Facilities Authority's various series of fixed-rate, tax-exempt revenue bonds (one series as floating-rate notes and the other as long-term interest rate bonds that will be remarketed at various dates over the next few years). At the same time, S&P Global Ratings affirmed the 'AA' long-term component of its dual ratings ('AA/A-1+' and 'AA/A-1'), where applicable, on the IFA's various series of variable-rate demand bonds (VRDBs). Finally, S&P Global Ratings affirmed its 'AA' long-term rating on AHHC's taxable fixed-rate revenue bonds and its 'A-1+' short-term rating on the AHHC's commercial paper (CP) program (authorized to $500 million with $132 million outstanding). All bonds were issued for AHHC and the related obligated group (known as Advocate Aurora Health credit group, or AAH). The outlook, where applicable, is stable. Our analysis of AAH reflects the consolidated system.

"The 'AA' long-term rating reflects our view of such factors as AAH's broad and diverse position across two states, leading and stable position in the market as a whole, and healthy balance-sheet measures with light pro forma debt," said S&P Global Ratings credit analyst Suzie Desai.

Approximately $500 million of the $700 million 2020A bond proceeds will go toward corporate purposes, including capital projects; $82 million will refinance a portion of the CP outstanding that was used to acquire the remaining half of the former 50% joint venture Bay Area Medical Center; $66 million will refinance the debt associated with the BroMenn and Eureka Hospitals, which is expected to be divested to The Carle Foundation later this year; and $55 million will refinance the debt associated with Advocate Trinity Health and which also may be divested.

The stable outlook reflects our view of AAH's healthy business position in core markets coupled with a sound financial profile, including healthy unrestricted reserves.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.
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