- 24-Mar-2022 | 12:02 EDT

University Of Pittsburgh Medical Center Bond Rating Outlook Revised To Positive On Strong Cash Flow

AUGUSTA (S&P Global Ratings) March 24, 2022--S&P Global Ratings revised its outlook to positive from stable and affirmed its 'A' ratings and underlying rating (SPUR) on various issuers' bonds issued for the University of Pittsburgh Medical Center (UPMC), as well as UPMC's taxable debt. We also affirmed our 'A' rating on various issuers' revenue bonds originally issued for Pinnacle Health System and Hanover Hospital. The ratings and outlooks on UPMC Pinnacle and Hanover are on parity with the rating on UPMC because UPMC assumed responsibility for their debt.

At the same time, S&P Global Ratings assigned its 'A' rating to Pennsylvania Economic Development Financing Authority's (PEDFA) $204 million series 2022A bonds and Monroeville Finance Authority's $181 million series 2022B bonds, both issued for UPMC. In addition, we assigned our 'A' rating to PEDFA's $135 million 2017C bonds and to Allegheny County Hospital Development Authority's $400 million series 2017D-2 bonds, also both issued for UPMC.

Proceeds from the series 2022A and 2022B bonds will provide $100 million of new debt for various capital projects with the remainder refunding outstanding debt. The 2017C and 2017D-2 bonds are being remarketed from direct placements to either floating rate notes or put bonds depending on market conditions. Pro forma debt remains at approximately $5.5 billion, which aligns with expectations from prior rating reviews.

Securing the bonds are gross revenues from UPMC (the parent company), UPMC Presbyterian Shadyside, Magee-Womens Hospital of UPMC, UPMC Passavant, and UPMC St. Margaret.

"The positive outlook reflects UPMC's ability to leverage the strengths of its integrated delivery and financing system to successfully navigate through the pandemic including posting positive results in both fiscal years 2020 and 2021," said S&P Global Ratings credit analyst Cynthia Keller. "With exceptional and above-expected cash flow in both years, UPMC was also able to grow into the $1 billion of additional debt issued in 2020 much faster than anticipated." With continued positive earnings, incremental balance sheet improvement, and a more stable pandemic environment, we believe UPMC's market essentiality, integrated delivery and financing system benefits, and management's commitment to level debt could support a higher rating during the outlook period.

RELATED RESEARCH

Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

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.

European Endorsement Status
Global-scale credit rating(s) have been endorsed in Europe in accordance with the relevant CRA regulations. Note: Endorsements for U.S. Public Finance global-scale credit ratings are done per request. To review the endorsement status by credit rating, visit the spglobal.com/ratings website and search for the rated entity.

Contact the analysts:

- # Cynthia S Keller

  Primary Credit Analyst, Augusta

P.+ 1 (212) 438 2035

E.cynthia.keller@spglobal.com

- # Anne E Cosgrove

Secondary Contact, New York

P.+ 1 (212) 438 8202

E.anne.cosgrove@spglobal.com