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University of Pittsburgh Medical Center’s Series 2025A-C Bonds Rated ‘A’; Other Ratings Affirmed

AUGUSTA (S&P Global Ratings) March 7, 2025--S&P Global Ratings assigned its 'A' long term rating to Pennsylvania Economic Development Financing Authority's $315 million series 2025A and $400 million series 2025B revenue bonds and Monroeville Finance Authority, Pa.'s $35 million 2025C tax-exempt bonds, issued for the University of Pittsburgh Medical Center (UPMC). At the same time, S&P Global Ratings affirmed its 'A' long-term rating and underlying rating (SPUR) on debt issued by various authorities for UPMC and on UPMC's taxable debt.

We also affirmed our 'A' ratings on various issuers' revenue bonds issued for Pinnacle Health System and Hanover Hospital, both part of UPMC because of acquisitions. The outlook on all ratings is stable.

Securing the bonds is gross revenue from UPMC (the parent company), UPMC Presbyterian Shadyside, UPMC Magee-Women's Hospital, UPMC Passavant, and UPMC St. Margaret. With the series 2025 offering, UPMC plans to expand the obligated group, adding nine additional hospitals. Post-issuance, we expect the obligated group to account for approximately two-thirds of 2024 provider revenue. Although the insurance plan is not obligated, it is controlled by a member of the obligated group, and we consider its operations as part of our analysis. Proceeds will reimburse $465 million to UPMC, of which $265 million will refund series 2020D-1, 2014A, and 2014B bonds and $200 million will finance strategic capital. The series 2025A bonds may be issued with a seven-to 10-year put.

"The affirmation reflects strategic benefits associated with UPMC's large and diversified provider network and insurance businesses that, together with the organization's employed physicians, operate as an integrated delivery and financing system," said S&P Global Ratings credit analyst Cynthia Keller.

"The stable outlook reflects UPMC's enterprise profile, with ample geographic diversity and its substantial market presence, as stabilizing rating factors. However, these strengths need to translate into improved financial performance with no meaningful dilution of the balance sheet as it is thin for the rating level" Ms. Keller added.

We could consider a negative outlook or downgrade should fiscal 2025 earnings not largely meet budgeted expectations or with further weakening in balance-sheet metrics, specifically unrestricted reserves. Additional debt issuance raising outstanding debt balances or significantly increased capital plans during the outlook period could also contribute to an outlook revision or downgrade.

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