S&P Global
Ratings

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Pennsylvania Economic Development Financing Authority
University Of Pittsburgh Medical Center; Hospital; System

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Pennsylvania Economic Development Financing Authority
University Of Pittsburgh Medical Center; Hospital; System

Credit Profile		
US$465.0 mil rev bnds (Univ of Pittsburgh Med Ctr) ser 2017A due 06/30/2048		
Long Term Rating	A+/Stable	New
US$100.0 mil taxable rev bnds ser 2017B due 06/30/2048		
Long Term Rating	A+/Stable	New
Pennsylvania Econ Dev Fing Auth, Pennsylvania		
Univ of Pittsburgh Med Ctr, Pennsylvania		
Pennsylvania Econ Dev Fing Auth (Univ of Pittsburgh Med Ctr) SYSTEM		
Long Term Rating	A+/Stable	Affirmed

Rationale

S&P Global Ratings assigned its 'A+' long-term rating to the Pennsylvania Economic Development Financing Authority's $465 million series 2017A tax-exempt bonds issued for the University of Pittsburgh Medical Center (UPMC). S&P Global Ratings also assigned its 'A+' long-term rating to UPMC's $100 million series 2017B taxable fixed rate bonds. At the same time we affirmed our 'A+' long-term ratings and underlying rating (SPUR) on various issuers' revenue bonds issued for UPMC. The rating also incorporates UPMC's planned issuance of $135 million unrated series 2017C taxable debt, which will likely be a bank loan. About $400 million of series 2017A bond proceeds will be used for various capital projects with the remainder expected to refinance debt for various member hospitals. Proceeds from the 2017B and 2017C bonds will be used to repay a bridge loan used by Pinnacle Health System (Pinnacle), which joined UPMC on Sept. 1, to purchase four hospitals from Community Health Systems (CHS). The outlook is stable.

In addition, we affirmed our 'A+' rating on Lycoming County Authority's $146 million series 2009 revenue bonds issued for Susquehanna Health (Susquehanna) as UPMC assumed responsibility for this debt under its master trust indenture on Oct. 1, 2016. The outlook is stable.

We also revised our outlooks to positive from stable and affirmed our 'A' rating on Pinnacle (see analysis published July 13, 2017, on RatingsDirect) and affirmed our 'BBB' rating on Hanover Hospital (Hanover; see analysis published Feb. 13, 2017, on RatingsDirect). The positive outlooks reflect UPMC's intention to assume responsibility under its master trust indenture for debt issued by Pinnacle and Hanover at which point the ratings would be raised to 'A+'. If UPMC does not assume responsibility for the debt issued by Pinnacle and Hanover by calendar year end, we will reassess the ratings under our group rating methodology. Together, the Pinnacle, CHS, and Hanover assets are material, but they ultimately will account for only about 10% of UPMC's total revenue. Pinnacle and CHS are expected to be accretive to virtually all financial ratios, the only exception being leverage ratios, as the CHS assets were acquired using $235 million of debt and have no associated balance sheet assets except plant, property, and equipment.

The 'A+' rating reflects UPMC's extremely strong enterprise profile, growing diversity--especially with the recent acquisition of Pinnacle, and balance sheet stability, which we believe provides an effective cushion for generally lower than median earnings, margins, cash flow, and debt service coverage. Also incorporated into the affirmation is potential for significantly increased synergies and business growth between UPMC's insurance and provider networks due to recent and planned expansion on both sides of the business. However, in our opinion, the rating cannot withstand any material long-term sustained weakening of the financial profile especially as UPMC continues to increase its investment in innovation and development. While we recognize that these investments offer opportunities for further diversification and returns, we also recognize that they can be dilutive in any given year and require resources that might otherwise be used to bolster unrestricted reserves or fund increasing statutory capital requirements associated with growth at the health plan. UPMC also serves as the teaching hospital for the 'AA+' rated University of Pittsburgh.

Our rating has long recognized UPMC's leading provider presence in Western Pennsylvania with its significant size and revenue diversity in that market. In addition UPMC's large and growing health plan, which now generates about half of the system's revenue and has a statewide presence, provides significant business diversity and synergies with its provider network. UPMC's accelerated expansion of its provider network into central and eastern Pennsylvania through Medicare, Medicaid and traditional commercial products are likely to contribute to enrollment growth at the insurance plans as well as associated business growth at the provider level.

We also view UPMC's expansion outside of Pittsburgh favorably because the Pittsburgh market is extremely competitive and has limited population growth, although it is aging. There is also significant uncertainty in the Pittsburgh market in advance of June 2019 when the consent decrees between UPMC and Highmark expire, which will likely cause some short-term volatility in business position and financial performance.

The rating reflects our assessment of UPMC's:

- Large geographic footprint throughout five distinct markets in Pennsylvania, although operations continue to be anchored by a leading market position in Pittsburgh;
- Increasingly diverse revenue stream both within the provider network and among insurance plan products;
- Robust revenue growth at the health plans;
- Historically steady improvement in unrestricted reserves relative to outstanding debt and moderate debt levels although these metrics will weaken after the current transaction;
- Position as the major teaching hospital for the schools of health sciences at the University of Pittsburgh, which is a comprehensive public research-based university; and
- Solid management team with a demonstrated commitment to information technology (IT) and financial control systems.

In our view, partially offsetting rating factors include UPMC's:

- Generally below median financial profile;
- Limited near-term growth in reserves due to high capital spending commitments, support of the CHS hospital

expense base, and increased statutory capital requirements associated with growth in the insurance products;

- Weak local area demographics in competitive western Pennsylvania, which have historically constrained provider revenue growth although with statewide expansion, this could become less of an issue;
- Commitment to increased investment in development and innovation activities over the past few years, which precludes immediate growth in reserves, but also offers potential payout over the long term;
- Natural integration challenges associated with the recent acquisitions; and
- Financial and competitive risks associated with the market's evolution in Pittsburgh.

The 'A+' rating is based on our view of UPMC's group credit profile and the obligated group's core status. Accordingly, the bonds are rated at the same level as the group credit profile. 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. However, our analysis covers all of UPMC, including non-obligated entities and its recent acquisitions, the largest of which is the insurance division, which includes various UPMC health insurance plans and other businesses. The insurance division accounted for 44% of 2017's total operating revenue prior to eliminations. While these revenues are not technically obligated on the debt, UPMC's board and management operate all assets as an integrated financial delivery system and so the rating assumes that these revenues would be available to bondholders if necessary.

Before Sept. 1, UPMC's system consisted of 27 domestic hospitals, over 3,600 employed faculty and community physicians, various insurance and related products with 3 million enrollees, international operations, over 600 outpatient sites, and a growing emphasis on entrepreneurial business development. With the recent acquisition of Pinnacle, UPMC now operates 36 hospitals. UPMC's overall enterprise profile includes a solid presence in high-level tertiary care, including women's, children's, oncology, and transplant services, as well as rehabilitation, psychiatric, long-term care, and senior-living business lines. UPMC's enterprise profile is further supported by a strong reputation, brand-name recognition, several highly visible subsidiary facilities, and regular national recognition for its clinical services.

Included in this rating affirmation is our analysis of UPMC's acquisitions since the last review, which include WCA Hospital in New York, its first domestic non-Pennsylvania acquisition, Susquehanna Health, Pinnacle, CHS, and Hanover. Reference in this report to Pinnacle also encompasses CHS and Hanover. UPMC has acquired or plans to acquire several other single site hospitals, which are not expected to impact financial performance due to their small scale relative to the entire UPMC organization, but which continue to solidify UPMC's market position.

Outlook

The stable outlook reflects UPMC's excellent enterprise characteristics, which provide some cushion for the below median level financial performance. However, we believe that maintenance of the 'A+' rating during the two years covered by our outlook period will require continued positive operating performance and successful integration into the system of the new acquisitions and expanded insurance initiatives.

Downside scenario

We could consider a lower rating if operating margins and cash flow are persistently negative as debt service coverage is just adequate for the rating level and already heavily reliant on nonoperating revenue, which can be volatile. Furthermore, we believe UPMC's debt metrics will be pressured with this financing and expect no material additional debt until spring of 2019 without a commensurate increase in resources.

Upside scenario

We believe there is little upside to the current rating given UPMC's comparatively weaker financial metrics for the rating level although its enterprise profile could support a higher rating if financial metrics strengthened. In addition we believe the next few years could be volatile as UPMC absorbs its newest provider acquisitions, expands its health plan operations, and largely ends its relationship with Highmark. However, we would consider a positive outlook with a trend of positive operating margins that generate over 3x debt service coverage and improved cash on hand to around 150 days.

Enterprise Profile

Economic fundamentals

While UPMC's insurance products have always operated beyond the western portion of the service area, the insurance division has further extended its Medicare and Medicaid products into the eastern and most populated part of the state. Although the Commonwealth as a whole is projected to experience below-average job and population growth during the next five years, we still believe operating outside the confines of western Pennsylvania provides benefits to UPMC including certain less competitive markets, varying demographics, and reimbursement variation. Although UPMC serves many regions in the Commonwealth of Pennsylvania, its broad 29 county service area in Southwestern Pennsylvania with a population of about 4 million remains its largest and longest served. This service area consists of 'AA-' rated Allegheny County, home to the state's second largest city--Pittsburgh—and also home to UPMC's headquarters. UPMC Altoona, UPMC Hamot, and UPMC Jameson are also located in the western Pennsylvania service area. With its recent acquisitions, UPMC has expanded into the central portion of the state, which includes the capital of Harrisburg and to its north and south with Susquehanna and Pinnacle, respectively.

Approximately 15% of UPMC's net patient service revenue is derived from Medicaid. Changes to the Medicaid program could be an option to help close the budget gap in Pennsylvania, although management does not believe there will be material changes.

Market position

UPMC's recently acquired central Pennsylvania hospitals fit well with its Susquehanna and Altoona based assets by providing largely contiguous coverage between western and eastern Pennsylvania. UPMC's recently signed joint venture with Reading Health System to offer a health plan with Reading using Reading's provider network will further extend UPMC into eastern Pennsylvania. We expect to see enrollment growth in UPMC's existing health plans due to its larger geographic footprint and through expanded Medicare and Medicaid coverage including under Community Health Choices. We believe this enrollment growth will be positive in many ways--it can benefit the health plan as it spreads overhead among more enrollees, it offers opportunity for additional volume to its own provider network, and it could lower the medical loss ratio by more efficient and direct management of enrollees using its owned, and not contracted, provider network. Offsetting these benefits is the expectation that some of the new business will be financially dilutive initially.

The Pittsburgh market, which provides a majority of UPMC's annual net patient service revenue, is highly consolidated with just a few remaining independent hospitals and small systems in the region. Most hospitals and physicians have aligned either with UPMC or Highmark, which offers the Blue Cross branded products and also has a provider division, the Allegheny Health Network (AHN). UPMC remains the largest health care system in terms of care delivery, followed by the AHN hospitals. However, Highmark's health plans have larger enrollment and serve a broader region. UPMC's next largest region is Harrisburg with Pinnacle, Hanover, and the CHS hospitals serving a broad six county region. Although the broader region has significant competition from Geisinger Health System, WellSpan Health, Penn State Health, and Lancaster General Health, Pinnacle's market share in Harrisburg is solid and the post- acquisition size of this regional system should make it attractive for contracting.

UPMC's provider market share in Allegheny County has remained stable at 58% in 2017 after dipping from 61% in 2014 largely reflecting the December 2014 expiration of most of its commercial contracts with Highmark for in-network services at UPMC facilities. While this decline in UPMC's Allegheny County market share was anticipated it has been somewhat tempered by an agreement that allows in-network access to UPMC facilities by Highmark enrollees for oncology, emergency, and continuity of care services, solid growth in UPMC's own insurance products, which also brings business to its provider network, and an increased presence of national insurers in the market. We believe there is still ample uncertainty facing UPMC including continued competition for commercially insured members in future open enrollment periods once the consent decrees expire in 2019. In 2017, management indicates that Highmark accounted for 22% of UPMC's net patient service revenue while UPMC's own health plans provided 30%. Management estimates that 40% of UPMC health plan enrollees receive care provided by its owned hospitals and employed physicians.

However, to the extent that UPMC's health plans continue to grow outside western Pennsylvania, the local market dynamics become less critical. Commercial, Medicaid, and Medicare enrollment in UPMC's plans at June 30 totaled almost 1.28 million, up 7% over just the past six months. Other insurance related products, including a behavioral health PPO which serves 1 million enrollees, contribute to total enrollment of almost 3.2 million. Management expects continued growth with enrollment expected to reach 3.5 million by June 30, 2018, in part because UPMC was one of three companies recently awarded a contract to manage care for approximately 410,000 primarily dual eligible residents throughout the state. While UPMC has experience with this population, the medical needs and care management can be challenging.

UPMC's acute-care inpatient admissions increased 11% to almost 210,000 in fiscal 2017 compared to fiscal 2016 due primarily to acquisitions. This remained true for virtually all UPMC's volume related metrics. Some historical same-store volume metrics had been soft due to the issues with Highmark as well as general industry trends. However, we recognize that as the health care delivery system continues to move toward value-based care, volume declines can be beneficial for an integrated delivery system such as UPMC. UPMC's insurance plan continues to seek innovative ways to reduce medical costs, improve data analysis, and research and testing remain a large part of its culture. UPMC and the University of Pittsburgh jointly managed employed physicians within the UPMC system and at the University of Pittsburgh Physicians faculty practice plan.

Management and governance

The executive leadership team is largely stable, which continues to lend to steady strategic execution in our view including successful management of recent system growth. We view UPMC's strong centralized control and standardization among its operating subsidiaries to be a credit strength. Because there is an established framework for integrating new members into the system, and a track record of recent success with UPMC Altoona and UPMC Susquehanna, we believe that the Pinnacle acquisition should not be disruptive, especially given its historical financial strength and strong performance. Although transition of the for-profit CHS hospitals may be more challenging, Pinnacle has been working with them since July and we are not aware of any significant integration issues to date.

UPMC's governance structure is adequate, in our view, with a moderately large, 24-member parent board. The University of Pittsburgh appoints one-third of board members, one-third are community representatives, and one-third are from member hospitals and affiliated organization boards. Although not completely self-perpetuating, we view the board appointments from the University to be a positive given the close ties the university has with the Commonwealth as a public institution.

Table 1

University of Pittsburgh Medical Center Enterprise Statistics			
	--Fiscal year ended June 30--		
	2017	2016	2015
Enterprise Profile			
Inpatient admissions*	208,311	187,667	192,067
Equivalent inpatient admissions	464,423	374,407	371,025
Emergency visits	839,135	717,296	710,451
Inpatient surgeries	69,922	65,170	69,601
Outpatient surgeries	131,990	122,297	115,242
Medicare case mix index	1.7600	1.7600	1.7600
FTE employees	31,068	26,912	27,669
Active physicians	5,791	5,712	5,711
Based on net/gross revenues	Net	Net	Net
Medicare %	35.6	34.6	34.0
Medicaid %	14.5	13.7	12.0
Commercial/blues %	45.7	47.7	48.0

*Inpatient admissions exclude newborns, psychiatric, and rehabiliation admissions.

Financial Profile

Financial performance

UPMC's operating performance has stabilized for the past three years and we anticipate that 2018 earnings will remain comparable with normalized performance between 2015 and 2017. UPMC's thin margins, cash flow, and debt service coverage are incorporated into this rating and we do not anticipate a material improvement in the near term, although over time there could be improvement driven by growth in and synergies between the provider network and insurance plan as well as increased regionalization among newer members of the system.

Offsetting the thin margins and earnings are UPMC's diverse revenue sources and large size and scale. UPMC posted robust 12% revenue growth between 2016 and 2017 to total revenue of $14 billion in fiscal 2017, which is derived largely and relatively equally from insurance operations ($6.8 billion) and the provider network ($6.3 billion). Within the business lines, UPMC's largest hospital provider, UPMC Presbyterian/Shadyside--which itself contains three acute-care hospitals as well as several additional specialty hospitals and clinics--generated slightly less than one-third of the group's net patient service revenue in 2017 and should account for less in 2018 once the newly acquisitions are included in the calculation. The insurance business lines are equally as diverse with slightly more than one-third of premium revenue derived from UPMC For You (enrollment of 426,000 as of Dec. 31, 2016), a nonprofit health maintenance organization providing Medicaid managed care in 40 Pennsylvania counties including many outside its service area. Revenues at UPMC For You have doubled over the past five years, and the plan itself has been consistently and increasingly profitable according to statutory filings.

Both the provider and insurance divisions are typically profitable and although we look at the divisions individually, we also recognize that as an integrated delivery financing system, the whole is a better representation of system performance as pricing and provider payment strategies can negatively influence individual earnings while being accretive overall.

UPMC remains reliant on nonoperating revenue for its just adequate margins and debt service coverage. Included in nonoperating revenue, along with investment income, contributions, and joint venture revenue are UPMC's growing innovation and development activities. While we classify these investments as nonoperating, we also recognize that some components of both revenue and expenses could be considered operating although it is difficult to make a specific distinction. While this treatment is favorable to UPMC's operating metrics, we temper the benefits by continuing to remove any large one-time gains associated with these investments.

UPMC's 2017 results were slightly below budget due to labor and other expense pressure, increased investment in physicians, and a slightly negative payer mix shift. Although operating income in fiscal 2017 was about half of 2016's level, fiscal 2016 included one-time settlements without which fiscal 2017 earnings were just slightly below the prior year. Pro forma debt service coverage is thin but conservatively calculated at 2.5x in fiscal 2017 because maximum annual debt service is based on all debt service including Pinnacle, but uses just UPMC's net available. Including Pinnacle we estimate that debt service coverage would be closer to 2.9x. We calculate debt service based on a schedule, which amortizes bullet payments because we believe that UPMC has the market access and internal resources to retire these obligations as they mature, although management typically refinances the debt before bullet payment are due. UPMC's smoothed debt service schedule including the proposed transaction is expected to remain front-loaded with debt service dropping $100 million by 2030.

UPMC has budgeted for 2018 operating income of $174 million, which includes Pinnacle but excludes $174 million of support for innovation and development activities which are included in nonoperating revenue. Margin improvement is centered both at the insurance plan and at Pinnacle because while management anticipates that Pinnacle's earnings will decline during the first year of the integration process, its margins will still remain higher than UPMC's margins. UPMC believes there is opportunity to eliminate costs through centralization, but also plans to invest significantly in clinical programs which will likely offset the savings. Beyond the first year, management anticipates that the Pinnacle acquisition will be significantly accretive. If UPMC meets budget, S&P Global Ratings' calculation of operating income will likely be slightly lower once we remove contributions and joint venture income. We recognize the challenges inherent in the 2018 budget, especially with the Pinnacle acquisition and entry into new insurance products, but we expect UPMC's operations to remain solidly positive and generate at least 2.5x debt service coverage. UPMC provided $297 million to the University of Pittsburgh for physician services and support of the University's and UPMC's joint research and academic mission. We expect this support to continue at slightly higher levels each year.

Liquidity and financial flexibility

UPMC's debt levels and unrestricted reserves relative to debt had been on par with medians, but will be pressured with the issuance of the series 2017 bonds largely because of Pinnacle's acquisition of the four CHS hospitals, which were purchased using a $235 million bridge loan but joined the system without any net assets or unrestricted reserves and the additional $400 million of new money.

UPMC's ratio of unrestricted reserves relative to operating expenses is a credit weakness, which is not expected to change materially, although the figure may improve slightly based on the strength of Pinnacle's balance sheet. However, days' cash on hand has remained remarkably steady at around 130 days for the past five years and has kept up with exponential growth in the health plans. Ample capital plans and management's desire to reinvest in the organization are likely to preclude any meaningful growth in days' cash on hand in the near future. Our calculation of unrestricted reserves includes $684 million of risk based capital (18 days' cash on hand) which is 3x the authorized control level minimum required by regulators to preclude placing the insurance company under regulatory supervision.

UPMC's asset allocation is appropriate for the organization with about 40% of reserves invested in cash, cash equivalents, and fixed income and the remainder split between equities and alternatives. Management reports that $673 million and $3.5 billion of its unrestricted reserves could be liquidated daily or within seven days, respectively.

Debt and contingent liabilities

With this debt issuance, UPMC's debt levels will rise slightly above median level; however, UPMC does not anticipate issuing any debt until early calendar year 2019, which gives the organization time to work its leverage metrics back down to historical levels. On a pro forma basis including the series 2017 financing, as well as all Pinnacle's debt and net assets, debt is expected to rise to 40% of total capitalization. The pro forma ratio of unrestricted reserves relative to debt for UPMC and Pinnacle together is anticipated to be 1.4x, which is better than UPMC's historical levels alone.

UPMC's 2018 capital budget is high at $900 million with about $400 million allocated toward commitments made as part of recent mergers and acquisitions. The budget includes over $200 million for Pinnacle including a commitment to construct a replacement hospital for CHS' Memorial Hospital of York. UPMC's budget also typically includes heavy spending on information technology ($120 million in fiscal 2018). About one-quarter of 2018's capital budget is currently unallocated, which we view favorably because it provides both opportunistic capital as well as a place to cut spending if operating challenges emerge during the year. UPMC's average age of plant is quite young at 10 years as of June 30, 2017, and will likely remain low due to UPMC's healthy capital spending. Pinnacle's average age of plant was also healthy at below nine years at the end of its fiscal 2016.

At the end of fiscal 2017 approximately 76% of UPMC's $3 billion of outstanding debt is fixed rate, which we consider conservative for an organization this size. The remaining 24% of debt represents a variety of instruments including direct purchase transactions. Post issuance, UPMC will add the $135 million series 2017C taxable variable rate bank loan to its contingent liabilities but management indicates that once the CHS facilities achieve tax-exempt status, the loan will likely be converted to a longer term tax exempt issue. Pinnacle has less than $100 million of contingent liability debt outstanding. We do not consider the contingent liability debt to be a credit issue because UPMC is in compliance with all covenants under its outstanding legal documents, has ample coverage of contingent liability debt by unrestricted reserves, and has proven access to the debt markets in the event it needs to repay a loan. As of June 30, 2017, UPMC had $489 million of interest rate and equity swap agreements and no collateral posted.

Philosophically, UPMC prefers to keep its debt level by issuing new debt equal to the amount of principle that has been repaid since the last debt issuance, increased by any acquisitions it makes. Accordingly, we expect UPMC's debt levels to remain about $4.2 billion until its next debt issuance in early calendar 2019. This amount represents approximately the sum of outstanding debt at UPMC ($3 billion), Pinnacle ($436 million), CHS acquisition ($275 million), and the new money portion of this financing ($400 million).

The funded status of UPMC's defined-benefit pension plan is well above median level at 96% on June 30, 2017, with a projected benefit obligation of $2.192 billion compared to $2.103 billion fair value of plan assets. Pinnacle has terminated its defined-benefit pension plan and at fiscal year-end 2016 the plan had no assets or benefit obligation. S&P Global Ratings defines the funded status as the market value of plan assets divided by the projected benefit obligation.

Table 2

University of Pittsburgh Medical Center Financial Statistics

	--Fiscal year ended June 30--			Medians for 'A+' rated health care systems
	2017	**2016**	**2015**	**2016**
Financial Profile				
Financial performance				
Net patient revenue ($000s)	6,346,253	5,668,897	5,651,109	1,743,600
Total operating revenue ($000s)	14,314,861	12,815,645	11,919,824	MNR
Total operating expenses ($000s)	14,233,700	12,652,683	11,879,810	MNR
Operating income ($000s)	81,161	162,962	40,014	MNR
Operating margin (%)	0.57	1.27	0.34	2.30
Net non-operating income ($000s)	230,005	120,621	235,640	MNR
Excess income ($000s)	311,166	283,583	275,654	MNR
Excess margin (%)	2.14	2.19	2.27	3.70
Operating EBIDA margin (%)	4.89	5.74	5.22	9.00
EBIDA margin (%)	6.40	6.61	7.05	10.00
Net available for debt service ($000s)	930,308	855,652	857,476	174,032
Maximum annual debt service ($000s)	379,812	379,812	379,812	MNR
Maximum annual debt service coverage (x)	2.45	2.25	2.26	4.60
Operating lease-adjusted coverage (x)	2.06	1.95	1.98	3.40

Table 2

University of Pittsburgh Medical Center Financial Statistics (cont.)

	--Fiscal year ended June 30--			Medians for 'A+' rated health care systems
	2017	**2016**	**2015**	**2016**
Liquidity and financial flexibility				
Unrestricted reserves ($000s)	5,018,710	4,324,910	4,100,448	864,375
Unrestricted days' cash on hand	133.3	129.4	131.1	183.70
Unrestricted reserves/total long-term debt (%)	167.4	148.9	137.8	154.10
Unrestricted reserves/contingent liabilities (%)	708.7	620.3	579.6	477.90
Average age of plant (years)	10.4	9.9	9.4	11.10
Capital expenditures/depreciation and amortization (%)	109.2	83.4	84.2	127.70
Debt and liabilities				
Total long-term debt ($000s)	2,998,500	2,904,158	2,975,573	MNR
Long-term debt/capitalization (%)	33.6	37.7	38.3	35.00
Contingent liabilities ($000s)	708,122	697,185	707,415	MNR
Contingent liabilities/total long-term debt (%)	23.6	24.0	23.8	28.20
Debt burden (%)	2.61	2.94	3.12	2.20
Defined benefit plan funded status (%)	95.92	80.79	88.61	78.40
Pro forma ratios				
Unrestricted reserves ($000s)	5,018,710	N/A	N/A	MNR
Total long-term debt ($000s)	4,143,720	N/A	N/A	MNR
Unrestricted days' cash on hand	133.30	N/A	N/A	MNR
Unrestricted cash/total long-term debt (%)	121.12	N/A	N/A	MNR
Long-term debt/capitalization (%)	41.11	N/A	N/A	MNR

N/A--not applicable. N.A.--not available. MNR--median not reported. Pro forma long term debt includes $400 million new money portion of the fixed rate 2017A bonds, $100 million series 2017B bonds, the proposed $135 million series 2017C variable rate direct bank loan, and Pinnacle Health System's outstanding debt.

Related Research

- Glossary: Not-For-Profit Health Care Ratios, Oct. 26, 2011
- U.S. Not-For-Profit Health Care Sector 2017 Outlook: Stable, Yet A Pen Stroke Away From Unprecedented Change, Jan. 10, 2017
- U.S. Not-For-Profit Health Care System Median Financial Ratios -- 2016 vs. 2015, Aug. 24, 2017
- Health Care Providers And Insurers Pursue Value Initiatives Despite Reform Uncertainties, May 9, 2013
- Standard & Poor's Assigns Industry Risk Assessments To 38 Nonfinancial Corporate Industries, Nov. 20, 2013
- Alternative Financing: Disclosure Is Critical To Credit Analysis In Public Finance, Feb. 18, 2014
- Health Care Organizations See Integration And Greater Transparency As Prescriptions For Success, May 19, 2014
- The Time Dimension of Standard & Poor's Ratings, Sept. 22, 2010
- U.S. Not-For-Profit Health Care: Competition And Reform Continue To Spur Mergers, Oct. 24, 2014
- The Growing And Evolving Role Of Provider-Sponsored Health Plans In U.S. Health Care, June 8, 2015
- U.S. Not-For-Profit Acute Health Care Ratios: Operating Performance Weakens While Balance Sheets Are Stable,

Aug. 24, 2017

- The U.S. Health Care Sector Outlook Is Stable, Though Industry Pressures Persist, Sept. 27, 2016
- Innovation Strategies Are Transforming The U.S. Health Care Industry, May 12, 2016
- Medicaid's Status As An Open-Ended Entitlement Is On Life Support Following The Election, Nov. 17, 2016

Ratings Detail (As Of September 15, 2017)		
Univ of Pittsburgh Med Ctr (Univ of Pittsburgh Med Ctr) SYSTEM		
Long Term Rating	A+/Stable	Affirmed
Allegheny Cnty Hosp Dev Auth, Pennsylvania		
Univ of Pittsburgh Med Ctr, Pennsylvania		
Allegheny Cnty Hosp Dev Auth (University of Pittsburgh Medical Center)		
Long Term Rating	A+/Stable	Affirmed
Allegheny Cnty Hosp Dev Auth (University of Pittsburgh Medical Center) hosp		
Long Term Rating	A+/Stable	Affirmed
Unenhanced Rating	NR(SPUR)	
Allegheny Cnty Hosp Dev Auth (University of Pittsburgh Medical Center) hosp		
Long Term Rating	A+/Stable	Affirmed
Unenhanced Rating	NR(SPUR)	
Allegheny Cnty Hosp Dev Auth (University of Pittsburgh Medical Center) hosp rev bnds		
Long Term Rating	A+/Stable	Affirmed
Unenhanced Rating	NR(SPUR)	
Allegheny Cnty Hosp Dev Auth (University Pittsburgh Medical Center) (MBIA) (National)		
Unenhanced Rating	A+(SPUR)/Stable	Affirmed
Dauphin Cnty Gen Auth, Pennsylvania		
Pinnacle Hlth Sys, Pennsylvania		
Dauphin Cnty Gen Auth (Pinnacle Health System)		
Long Term Rating	A/Positive	Outlook Revised
Dauphin Cnty Hosp Auth, Pennsylvania		
Pinnacle Hlth Sys, Pennsylvania		
Dauphin Cnty Hosp Auth (Pinnacle Hlth Sys) hlth sys rev bnds (Pinnacle Hlth Sys)		
Long Term Rating	A/Positive	Outlook Revised
Erie Cnty Hosp Auth, Pennsylvania		
Univ of Pittsburgh Med Ctr, Pennsylvania		
Erie Cnty Hosp Auth (University of Pittsburgh Medical Center) (CIFG)		
Unenhanced Rating	A+(SPUR)/Stable	Affirmed
General Auth of Southcentral Pennsylvania, Pennsylvania		
Hanover Hosp, Pennsylvania		
Southcentral Pennsylvania General Auth (Hanover Hosp)		
Long Term Rating	BBB/Positive	Outlook Revised
Lycoming Cnty Auth, Pennsylvania		
Susquehanna Hlth, Pennsylvania		
Lycoming County Authority (Susquehanna Health)		
Long Term Rating	A+/Stable	Affirmed

Ratings Detail (As Of September 15, 2017) (cont.)		
Monroeville Fin Auth, Pennsylvania		
Univ of Pittsburgh Med Ctr, Pennsylvania		
Monroeville Financing Authority (Univ of Pittsburgh Med Ctr) rev bnds		
Long Term Rating	A+/Stable	Affirmed
Pennsylvania Hgr Educl Facs Auth, Pennsylvania		
Univ of Pittsburgh Med Ctr, Pennsylvania		
Pennsylvania Hgr Ed Fac Auth (University of Pittsburgh Medical Center)		
Long Term Rating	A+/Stable	Affirmed

Many issues are enhanced by bond insurance.