



Rating Action: Moody's affirms Greenville Health System's (SC) A1; Outlook stable

Global Credit Research - 12 Dec 2016

New York, December 12, 2016 -- Summary Rating Rationale

Moody's Investors Service affirms the A1 assigned to Greenville Health System's (SC) bonds. The rating action applies to approximately \$500 million of rated debt. The outlook is stable.

Affirmation of the A1 rating is attributable to Greenville's stable and good market position in its primary service areas, anchored by several hospitals and numerous physician offices and other outpatient sites. The rating is further supported by good growth in recent years as the system has expanded its reach through additional practice sites, allowing the organization to reach additional markets and patients.

Key challenges include weakening financial performance and balance sheet measures to levels that are below A1 medians, driven by investments made toward positioning the organization for success under population health initiatives. We expect investments will suppress margins over the near term before showing longer-term improvement

Rating Outlook

The outlook remains stable, despite weaker financial performance due to strategic investments, based on our expectation that performance will not weaken further.

Factors that Could Lead to an Upgrade

Material improvement in cash flow and margins

Material strengthening of absolute and relative liquidity position

Factors that Could Lead to a Downgrade

Inability to improve financial performance from current level

Additional debt absent commensurate cash flow growth

Legal Security

The bonds are secured by a pledge of gross receipts of the Obligated Group (Greenville Health System, GHS Partners in Health, Inc., and the Endowment Fund of the Greenville Hospital System, Inc.); negative mortgage lien subject to permitted liens. Greenville Health System and GHS Partners in Health, Inc. represent nearly 100% of system revenues. The Endowment Fund was added to the obligated group in FY 2009.

Use of Proceeds

Not applicable

Obligor Profile

Greenville is a multi-hospital system headquartered in Greenville, SC. The system operates seven hospitals, employs over 900 physicians at sites throughout its service area, and operates a clinically integrated network, among other healthcare related activities. Greenville is a partner in the University of South Carolina School of Medicine Greenville and is partnering with Clemson University to create a school of nursing. Greenville also participates with Clemson, Furman University, and USC in a shared academic health center that conducts clinical research, among other activities.

Methodology

The principal methodology used in this rating was Not-For-Profit Healthcare Rating Methodology published in November 2015. Please see the Rating Methodologies page on www.moody's.com for a copy of this methodology.

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Daniel Steingart
Lead Analyst
PF Healthcare
Moody's Investors Service, Inc.

JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Meredith Moore
Additional Contact
PF Healthcare
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

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