



Rating Action: **Moody's Upgrades and Assigns A3 to Ochsner Clinic Foundation's (LA) Ser. 2017; Outlook Stable**

Global Credit Research - 21 Apr 2017

New York, April 21, 2017 -- Issue: Revenue and Refunding Revenue Bonds (Ochsner Clinic Foundation Project) Series 2017; Rating: A3; Rating Type: Underlying LT; Sale Amount: \$408,365,000; Expected Sale Date: 05/03/2017; Rating Description: Revenue: Other;

Summary Rating Rationale

Moody's Investors Service assigns an A3 rating to Ochsner Clinic Foundation (LA) proposed \$408.4 million of Revenue and Refunding Revenue Bonds (Ochsner Clinic Foundation Project) Series 2017 bonds to be issued through Louisiana Public Facilities Authority. The bonds are fixed rate and expected to mature in 2047. At this time we are also upgrading Ochsner Clinic Foundation's and Ochsner Community Hospital's outstanding rated debt to A3. The outlooks are revised to stable from positive at the higher rating level.

The assignment and upgrade to A3 reflects Ochsner's multi-year improvement in operating performance and balance sheet metrics while delivering on key integration and synergy-producing strategies. Additionally, the upgrade to A3 reflects the system's continued investment in several strategies that has enabled Ochsner to expand its footprint across Louisiana and into Mississippi while continuing to focus on key service lines while growing the brand equity. These attributes are offset by liquidity and leverage measures that are subpar compared to similar-size peers, and the system's location in a highly competitive area with exposure to both the energy sector and natural disasters.

Rating Outlook

The stable outlook reflects our expectation that the system will be able to maintain operating margins in line with recent years of performance with a judicious approach to growth strategies.

Factors that Could Lead to an Upgrade

- Significant deleveraging of enterprise to levels more commensurate with A2 medians
- Material improvement in balance sheet metrics more in line with A2 rated peers
- Smooth integration of various executed and proposed strategies

Factors that Could Lead to a Downgrade

- Material increase in debt without commensurate increase in cash and cash flow
- Inability to maintain current levels of absolute or relative liquidity metrics
- Dilutive acquisition or growth strategies

Legal Security

The Series 2017 bonds, along with all outstanding Master Trust Indenture secured debt, are expected to be secured by a joint and several obligation of the Obligated Group with a gross revenue pledge as described in the bond documents. The outstanding and proposed bonds are further secured by a mortgage lien on certain properties of OCF, including OMC, certain medical office buildings and parking structures.

Use of Proceeds

Series 2017 bond proceeds will refund a portion of the Series 2007A&B fixed rate bonds, fund strategic capital and pay cost of issuance.

Obligor Profile

Ochsner is a nationally recognized tertiary and quaternary referral center with multiple access points across the state of Louisiana and parts of Mississippi. The system is known for its clinical excellence in key service lines such as cancer, neurology, cardiology, transplants, women's and children's services.

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.com for a copy of this methodology.

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