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Presbyterian Healthcare Services, NM Fixed-Rate Revenue Bonds Assigned 'AA' Rating

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CENTENNIAL (S&P Global Ratings) April 21, 2017--S&P Global Ratings assigned its 'AA' long-term rating to the New Mexico Hospital Equipment Loan Council's $236.815 million series 2017A fixed-rate revenue bonds and $65.660 million series 2017B taxable fixed-rate bonds, both issued on behalf of Presbyterian Healthcare Services (PHS).

At the same time, we affirmed our 'AA/A-1' and 'AA/A-1+' dual ratings on PHS' variable-rate demand bonds (VRDBs), backed by standby bond purchase agreements (SBPAs). The long-term components of the dual ratings are based on PHS while the short-term components are based on those of the SBPA banks. The outlook on all long-term ratings is stable.

"The 'AA' rating reflects our view of PHS' sound financial profile, with solid unrestricted reserves, a modest debt load, and historically good financial results," said S&P Global Ratings credit analyst Allison Bretz.

Although fiscal 2016 results are softer than those from the prior two years, we expect operations to return to historical levels in fiscal 2017. PHS' enterprise profile is also healthy, in our view, due to its leading market share and position as the market's only fully integrated delivery system. PHS includes multiple hospitals, a sizable health plan (Presbyterian Health Plan, or PHP), and an aligned physician group (Presbyterian Medical Group, or PMG). In our opinion, the system's strong financial position, integrated structure, tenured and innovative management team, and experience managing risk-based payments position it well for the evolving health care delivery environment. We expect PHS' strong enterprise profile and ongoing strategic focus to support its operational stability over the next few years.

Bond proceeds of approximately $300 million will be used to fund a new outpatient clinic and small inpatient facility in Santa Fe and various other capital projects in the Albuquerque market. Management also plans to refund PHS' outstanding 2009A bonds, although the ultimate decision will be made at the time of sale, depending on market conditions. PHS will have approximately $850 million in long-term debt after this 2017 debt issuance.

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.globalcreditportal.com and at www.spcapitaliq.com. All ratings affected by this rating action can be found on the S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

Primary Credit Analyst: Allison Bretz, Centennial (1) 303-721-4119; allison.bretz@spglobal.com (mailto:allison.bretz@spglobal.com)

Secondary Contact: Jennifer J Soule, Boston (1) 617-530-8313; jennifer.soule@spglobal.com (mailto:jennifer.soule@spglobal.com)

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