

Rating Action: Moody's affirms Hurley Medical Center's (MI) Ba1; outlook stable

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New York, December 01, 2017 -- Summary Rating Rationale

Moody's Investors Service affirms the Ba1 rating on Hurley Medical Center's (MI) outstanding debt issued through the City of Flint Hospital Building Authority of approximately \$84.2 million. The rating outlook is stable.

The affirmation of the Ba1 reflects the continuation of stable operating performance and acknowledges good liquidity growth in recent years, providing good coverage of a modest direct debt burden. The rating further reflects the hospital's key role as an essential, full-service safety net provider in Flint. Key credit challenges include considerable competition with the presence of two hospitals with larger parents, partnership constraints given Hurley's governmental ownership, reliance on state supplemental funding, and the magnitude of an underfunded defined benefit pension plan, although contributions are in excess of annual requirements.

Rating Outlook

The stable outlook anticipates operations will be sustainable with levels of supplemental funding projected for FY 2018. Further, limited capital spending and few immediate cash needs should continue to improve the balance sheet and address the large pension liability.

Factors that Could Lead to an Upgrade

Sustained improvement in operations and reduced reliance on supplemental funding

Continued strengthening of liquidity and debt coverage, including the pension liability

Factors that Could Lead to a Downgrade

Reversion to weaker levels of operating performance or unfavorable changes to Medicaid DSH program

Failure to maintain improved liquidity position

Legal Security

The bonds are secured by a pledge of net revenues of the obligated group, as defined in the bond documents. Hurley is the only member of the obligated group. While Hurley is component unit of the City of Flint, MI, the bonds are not secured by the full faith and credit of the City of Flint. Debt service reserve funds (DSRF) are in place.

Use of Proceeds

Not applicable.

Obligor Profile

Hurley is a 443-licensed bed tertiary care teaching facility located in Flint, MI. Hurley is a component unit of the City of Flint. The hospital provides clinical training for medical and nursing students and residents and maintains academic affiliations with Michigan State University and the University of Michigan - Flint. Hurley only employs a small number of physicians, all of whom are specialists.

Methodology

The principal methodology used in this rating was Not-for-Profit Healthcare published in November 2017. Please see the Rating Methodologies page on www.moody's.com for a copy of this methodology.

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Jennifer Barr
Lead Analyst
PF Healthcare
Moody's Investors Service, Inc.
7 World Trade Center
250 Greenwich Street
New York 10007
US
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Eugene Spielman
Additional Contact
PF Healthcare
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

Releasing Office:
Moody's Investors Service, Inc.
250 Greenwich Street
New York, NY 10007
U.S.A
JOURNALISTS: 1 212 553 0376
Client Service: 1 212 553 1653

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