

2014 Digital Healthcare Conference

“Disruptive Care Models: Wall St. Driving Healthcare on Main Street”

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Healthcare, Education, and Nonprofit Institutions**

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Fitch’s Public Finance Healthcare Group

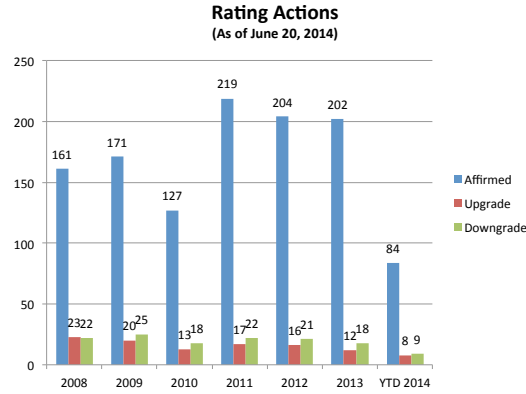
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1

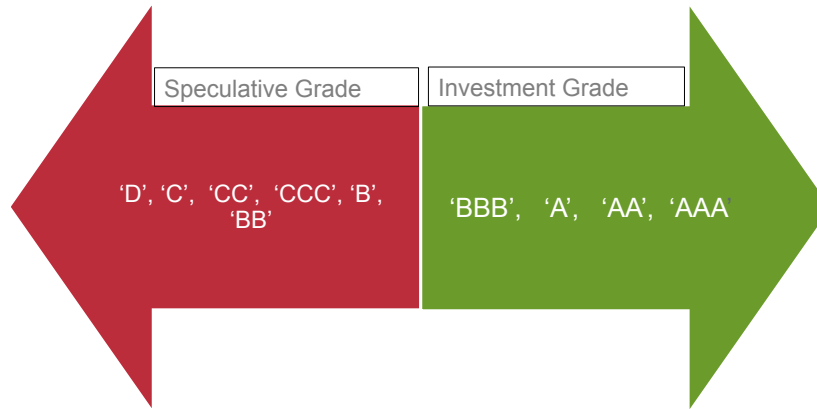
Rating Actions – Acute Care Portfolio



Fitch's Acute Care Investment Grade Medians

	2008	2009	2010	2011	2012
Sample Size	227	244	248	251	249
Liquidity Ratios					
Days Cash on Hand	151.6	166.8	180.5	181.7	183.9
Cushion Ratio (x)	12	12.8	13.6	14.3	14.6
Cash to Debt (%)	101.3	104.8	112.8	113	119.3
Profitability Ratios					
Operating Margin (%)	2.2	2.8	2.6	2.7	3
Operating EBITDA Margin (%)	8.9	9.5	9.4	9.4	10.3
Excess Margin (%)	2.9	2.8	3.9	4.1	4.6
EBITDA Margin (%)	9.4	9.3	10.8	10.6	11.6
Capital and Cash Flow Ratios					
EBITDA Debt Service Coverage (x)	3.1	2.9	3.5	3.8	3.7
Operating EBITDA Debt Service Coverage (x)	2.8	3	3	3.2	3.3
MADS as % of Revenue	3.1	3.1	3	2.8	3.1
Cap Expenditures as % of Depreciation Expense (%)	154.4	127.1	115.7	127.8	125.7
Average Age of Plant (Years)	9.9	10	10.2	10.4	10.4

Fitch's Ratings Scale



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4

Fitch's Rating Definitions

- AAA** – highest credit quality (Exceptionally strong capacity for payment)
- AA** – Very high credit quality (Very strong capacity for payment)
- A** – High credit quality (Strong capacity for payment; some vulnerability to adverse conditions)
- BBB** – Good credit quality (Adequate capacity for payment; likely vulnerable to adverse conditions)
- BB** – Speculative (Existing flexibility supports payment; more vulnerable to adverse conditions)
- B** – Highly Speculative (Limited margin of safety for payment; subject to adverse conditions)
- CCC** – Substantial credit risk (Default is real possibility)
- CC** – Very high levels of credit risk (Default appears probable)
- C** – Exceptionally high levels of credit risk (Default is inevitable or imminent)
- D** – Default (Bankruptcy, liquidation, ceased business)

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5

Credit Ratings: What they Are...

A Rating's Function: To determine the organization's relative risk of meeting/not meeting its financial obligations.

- Measure relative credit risk
- Opinion of relative ability of an entity to meet its financial commitments
- Forward-looking/prospective view of future performance

...And what they aren't.

- A recommendation to buy/sell
- A predictor of default

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6

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7