



### **LISTED EVENT CERTIFICATE**

The undersigned duly appointed and acting Treasurer of SSM Health Care Corporation which is the Obligated Group Agent under (and as defined in) the Master Trust Indenture (Amended and Restated) dated as of May 15, 1998 as supplemented and amended (the "Master Indenture") by and among the Members of the Obligated Group (as defined in the Master Indenture) and UMB Bank & Trust, N.A., as Master Trustee, hereby certifies on behalf of the Obligated Group Agent pursuant to the Master Continuing Disclosure Agreement dated as of May 20, 1998 (the "Master Continuing Disclosure Agreement") between the Obligated Group Agent and The Bank of New York Trust Company, N.A., as successor Dissemination Agent (the "Dissemination Agent"), as follows:

1. **Definitions.** Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Master Continuing Disclosure Agreement.

2. **Listed Event.**

(a) The following Listed Event has occurred: The ratings changes to various series of bond issues due to the ratings downgrade of SSM Health Care by Standard & Poor's Ratings Services from AA- to A+ as described in the attached twelve (12) notices.

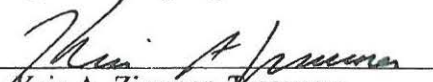
(b) The Obligated Group Agent has determined that the occurrence of the foregoing Listed Event is material to the Bondholders.

3. **Instructions to Dissemination Agent.** Based upon the determination of the Obligated Group Agent in Section 2(b) of this Certificate, the Obligated Group Agent instructs the Dissemination Agent to report the occurrence of the Listed Event described in Section 2(a) pursuant to Section 6(f) of the Master Continuing Disclosure Agreement.

**IN WITNESS WHEREOF**, the undersigned has executed and delivered this Listed Event Certificate to the Dissemination Agent as of the 15th day of April, 2014.

SSM HEALTH CARE CORPORATION,  
as Obligated Group Agent

By:

  
Kris A. Zimmer, Treasurer



**Event Notice Pursuant to SEC Rule 15c2-12(b)(5)(i)(C)**

**Issuer/Obligated Person:** SSM Health Care Corporation ("SSMHCC")

**Issue to which this Report relates:** Health and Educational Facilities Authority of the State of Missouri Health Facilities Revenue Bonds (SSM Health Care) Series 2002B Auction Rate Certificates (the "Series 2002B Bonds")

**CUSIP Number for Issue to which this Report relates:** 60635HWR6

**Event Reported:** Ratings Changes on Series 2002B Bonds

SSMHCC is making this filing to report certain events with respect to the Series 2002B Bonds.

Standard & Poor's Ratings Services released a report on April 11, 2014 downgrading its rating on the Series 2002B Bonds from AA- to A+. Fitch Ratings also released a report on April 11, 2014 affirming its AA- rating on the Series 2002B Bonds.

**The information contained in this Report has been voluntarily submitted by SSMHCC to report certain events with respect to the Series 2002B Bonds. Nothing contained in this Report is, or should be construed as, a representation by SSMHCC that the information included in this Report constitutes all of the information that may be material to a decision to invest in, hold or dispose of any of the securities listed above, or any other securities of SSMHCC.**

**For additional information, contact:**

Mr. Kris A. Zimmer  
Senior Vice President-Finance  
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Phone: (314) 994-7800

Date Submitted: April 15, 2014.

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**Event Notice Pursuant to SEC Rule 15c2-12(b)(5)(i)(C)**

**Issuer/Obligated Person:** SSM Health Care Corporation ("SSMHCC")

**Issue to which this Report relates:** Wisconsin Health and Educational Facilities Authority Health Facilities Revenue Bonds (SSM Health Care) Series 1998B Auction Rate Certificates (the "Series 1998B Bonds")

**CUSIP Number for Issue to which this Report relates:** 97710VHE1

**Event Reported:** Ratings Changes on Series 1998B Bonds

SSMHCC is making this filing to report certain events with respect to the Series 1998B Bonds.

Standard & Poor's Ratings Services released a report on April 11, 2014 downgrading its rating on the Series 1998B Bonds from AA- to A+. Fitch Ratings also released a report on April 11, 2014 affirming its AA- rating on the Series 1998B Bonds.

**The information contained in this Report has been voluntarily submitted by SSMHCC to report certain events with respect to the Series 1998B Bonds. Nothing contained in this Report is, or should be construed as, a representation by SSMHCC that the information included in this Report constitutes all of the information that may be material to a decision to invest in, hold or dispose of any of the securities listed above, or any other securities of SSMHCC.**

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**Event Notice Pursuant to SEC Rule 15c2-12(b)(5)(i)(C)**

**Issuer/Obligated Person:** SSM Health Care Corporation ("SSMHCC")

**Issue to which this Report relates:** Illinois Health Facilities Authority Health Facilities Revenue Bonds (SSM Health Care) Series 1998B Auction Rate Certificates (the "Series 1998B Bonds")

**CUSIP Number for Issue to which this Report relates:** 45200PH59

**Event Reported:** Ratings Changes on Series 1998B Bonds

SSMHCC is making this filing to report certain events with respect to the Series 1998B Bonds.

Standard & Poor's Ratings Services released a report on April 11, 2014 downgrading its rating on the Series 1998B Bonds from AA- to A+. Fitch Ratings also released a report on April 11, 2014 affirming its AA- rating on the Series 1998B Bonds.

**The information contained in this Report has been voluntarily submitted by SSMHCC to report certain events with respect to the Series 1998B Bonds. Nothing contained in this Report is, or should be construed as, a representation by SSMHCC that the information included in this Report constitutes all of the information that may be material to a decision to invest in, hold or dispose of any of the securities listed above, or any other securities of SSMHCC.**

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**Event Notice Pursuant to SEC Rule 15c2-12(b)(5)(i)(C)**

**Issuer/Obligated Person:** SSM Health Care Corporation ("SSMHCC")

**Issue to which this Report relates:** Oklahoma City Industrial and Cultural Facilities Trust Health Facilities Revenue Bonds (SSM Health Care) Series 1998B Auction Rate Certificates (the "Series 1998B Bonds")

**CUSIP Number for Issue to which this Report relates:** 678558EV5

**Event Reported:** Ratings Changes on Series 1998B Bonds

SSMHCC is making this filing to report certain events with respect to the Series 1998B Bonds.

Standard & Poor's Ratings Services released a report on April 11, 2014 downgrading its rating on the Series 1998B Bonds from AA- to A+. Fitch Ratings also released a report on April 11, 2014 affirming its AA- rating on the Series 1998B Bonds.

**The information contained in this Report has been voluntarily submitted by SSMHCC to report certain events with respect to the Series 1998B Bonds. Nothing contained in this Report is, or should be construed as, a representation by SSMHCC that the information included in this Report constitutes all of the information that may be material to a decision to invest in, hold or dispose of any of the securities listed above, or any other securities of SSMHCC.**

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**Event Notice Pursuant to SEC Rule 15c2-12(b)(5)(i)(C)**

**Issuer/Obligated Person:** SSM Health Care Corporation ("SSMHCC")

**Issue to which this Report relates:** Health and Educational Facilities Authority of the State of Missouri Health Facilities Revenue Bonds (SSM Health Care) Series 2005C-4 (the "Series 2005C-4 Bonds")

**CUSIP Number for Issue to which this Report relates:** 60635RV53

**Event Reported:** Ratings Changes on Series 2005C-4 Bonds

SSMHCC is making this filing to report certain events with respect to the Series 2005C-4 Bonds.

Standard & Poor's Ratings Services released a report on April 11, 2014 downgrading its rating on the Series 2005C-4 Bonds from AA- to A+. Fitch Ratings also released a report on April 11, 2014 affirming its AA- rating on the Series 2005C-4 Bonds.

**The information contained in this Report has been voluntarily submitted by SSMHCC to report certain events with respect to the Series 2005C-4 Bonds. Nothing contained in this Report is, or should be construed as, a representation by SSMHCC that the information included in this Report constitutes all of the information that may be material to a decision to invest in, hold or dispose of any of the securities listed above, or any other securities of SSMHCC.**

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**Issuer/Obligated Person:** SSM Health Care Corporation ("SSMHCC")

**Issue to which this Report relates:** Health and Educational Facilities Authority of the State of Missouri Health Facilities Revenue Bonds (SSM Health Care) Series 2005C-5 (the "Series 2005C-5 Bonds")

**CUSIP Number for Issue to which this Report relates:** 60635R3A3

**Event Reported:** Ratings Changes on Series 2005C-5 Bonds

SSMHCC is making this filing to report certain events with respect to the Series 2005C-5 Bonds.

Standard & Poor's Ratings Services released a report on April 11, 2014 downgrading its rating on the Series 2005C-5 Bonds from AA- to A+. Fitch Ratings also released a report on April 11, 2014 affirming its AA- rating on the Series 2005C-5 Bonds.

**The information contained in this Report has been voluntarily submitted by SSMHCC to report certain events with respect to the Series 2005C-5 Bonds. Nothing contained in this Report is, or should be construed as, a representation by SSMHCC that the information included in this Report constitutes all of the information that may be material to a decision to invest in, hold or dispose of any of the securities listed above, or any other securities of SSMHCC.**

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**Event Notice Pursuant to SEC Rule 15c2-12(b)(5)(i)(C)**

**Issuer/Obligated Person:** SSM Health Care Corporation ("SSMHCC")

**Issue to which this Report relates:** Health and Educational Facilities Authority of the State of Missouri Health Facilities Revenue Bonds (SSM Health Care) Series 2005D-4 (the "Series 2005D-4 Bonds")

**CUSIP Number for Issue to which this Report relates:** 60635R2E6

**Event Reported:** Ratings Changes on Series 2005D-4 Bonds

SSMHCC is making this filing to report certain events with respect to the Series 2005D-4 Bonds.

Standard & Poor's Ratings Services released a report on April 11, 2014 downgrading its rating on the Series 2005D-4 Bonds from AA- to A+. Fitch Ratings also released a report on April 11, 2014 affirming its AA- rating on the Series 2005D-4 Bonds.

**The information contained in this Report has been voluntarily submitted by SSMHCC to report certain events with respect to the Series 2005D-4 Bonds. Nothing contained in this Report is, or should be construed as, a representation by SSMHCC that the information included in this Report constitutes all of the information that may be material to a decision to invest in, hold or dispose of any of the securities listed above, or any other securities of SSMHCC.**

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**Event Notice Pursuant to SEC Rule 15c2-12(b)(5)(i)(C)**

**Issuer/Obligated Person:** SSM Health Care Corporation ("SSMHCC")

**Issue to which this Report relates:** Health and Educational Facilities Authority of the State of Missouri Health Facilities Revenue Bonds (SSM Health Care) Series 2008A (the "Series 2008A Bonds")

**CUSIP Numbers for Issue to which this Report relates:** 60635R2Y2  
60635R2Z9

**Event Reported:** Ratings Changes on Series 2008A Bonds

SSMHCC is making this filing to report certain events with respect to the Series 2008A Bonds.

Standard & Poor's Ratings Services released a report on April 11, 2014 downgrading its rating on the Series 2008A Bonds from AA- to A+. Fitch Ratings also released a report on April 11, 2014 affirming its AA- rating on the Series 2008A Bonds.

**The information contained in this Report has been voluntarily submitted by SSMHCC to report certain events with respect to the Series 2008A Bonds. Nothing contained in this Report is, or should be construed as, a representation by SSMHCC that the information included in this Report constitutes all of the information that may be material to a decision to invest in, hold or dispose of any of the securities listed above, or any other securities of SSMHCC.**

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**Event Notice Pursuant to SEC Rule 15c2-12(b)(5)(i)(C)**

**Issuer/Obligated Person:** SSM Health Care Corporation ("SSMHCC")

**Issue to which this Report relates:** Health and Educational Facilities Authority of the State of Missouri Health Facilities Revenue Bonds (SSM Health Care) Series 2010D Variable Rate Demand Bonds (the "Series 2010D Bonds")

**CUSIP Number for Issue to which this Report relates:** 60635R6X0

**Event Reported:** Ratings Changes on Series 2010D Bonds

SSMHCC is making this filing to report certain events with respect to the Series 2010D Bonds.

Standard & Poor's Ratings Services released a report on April 11, 2014 downgrading its rating on the Series 2010D Bonds from AA- to A+. Fitch Ratings also released a report on April 11, 2014 affirming its AA- rating on the Series 2010D Bonds.

**The information contained in this Report has been voluntarily submitted by SSMHCC to report certain events with respect to the Series 2010D Bonds. Nothing contained in this Report is, or should be construed as, a representation by SSMHCC that the information included in this Report constitutes all of the information that may be material to a decision to invest in, hold or dispose of any of the securities listed above, or any other securities of SSMHCC.**

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**Event Notice Pursuant to SEC Rule 15c2-12(b)(5)(i)(C)**

**Issuer/Obligated Person:** SSM Health Care Corporation ("SSMHCC")

**Issue to which this Report relates:** Health and Educational Facilities Authority of the State of Missouri Health Facilities Revenue Bonds (SSM Health Care) Series 2010E Variable Rate Demand Bonds (the "Series 2010E Bonds")

**CUSIP Number for Issue to which this Report relates:** 60635R7B7

**Event Reported:** Ratings Changes on Series 2010E Bonds

SSMHCC is making this filing to report certain events with respect to the Series 2010E Bonds.

Standard & Poor's Ratings Services released a report on April 11, 2014 downgrading its rating on the Series 2010E Bonds from AA- to A+. Fitch Ratings also released a report on April 11, 2014 affirming its AA- rating on the Series 2010E Bonds.

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**Event Notice Pursuant to SEC Rule 15c2-12(b)(5)(i)(C)**

**Issuer/Obligated Person:** SSM Health Care Corporation ("SSMHCC")

**Issue to which this Report relates:** Health and Educational Facilities Authority of the State of Missouri Health Facilities Revenue Bonds (SSM Health Care) Series 2010B (the "Series 2010B Bonds")

**CUSIP Numbers for Issue to which this Report relates:**

- 60635R6G7
- 60635R6H5
- 60635R6J1
- 60635R6K8
- 60635R6L6
- 60635R6M4
- 60635R6N2
- 60635R6P7
- 60635R6Q5
- 60635R6S1
- 60635R6R3

**Event Reported:** Ratings Changes on Series 2010B Bonds

SSMHCC is making this filing to report certain events with respect to the Series 2010B Bonds.

Standard & Poor's Ratings Services released a report on April 11, 2014 downgrading its rating on the Series 2010B Bonds from AA- to A+. Fitch Ratings also released a report on April 11, 2014 affirming its AA- rating on the Series 2010B Bonds.

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**SSM HEALTH CARE CORPORATION**





**Event Notice Pursuant to SEC Rule 15c2-12(b)(5)(i)(C)**

**Issuer/Obligated Person:** SSM Health Care Corporation ("SSMHCC")

**Issue to which this Report relates:** Wisconsin Health and Educational Facilities Authority Health Facilities Revenue Bonds (SSM Health Care) Series 2010A (the "Series 2010A Bonds")

**CUSIP Numbers for Issue to which this Report relates:**

- 97710BUR1
- 97710BUS9
- 97710BUT7
- 97710BUU4
- 97710BUV2
- 97710BUW0
- 97710BUX8
- 97710BUY6
- 97710BUZ3
- 97710BVA7
- 97710BVB5
- 97710BVC3

**Event Reported:** Ratings Changes on Series 2010A Bonds

SSMHCC is making this filing to report certain events with respect to the Series 2010A Bonds.

Standard & Poor's Ratings Services released a report on April 11, 2014 downgrading its rating on the Series 2010A Bonds from AA- to A+. Fitch Ratings also released a report on April 11, 2014 affirming its AA- rating on the Series 2010A Bonds.

**The information contained in this Report has been voluntarily submitted by SSMHCC to report certain events with respect to the Series 2010A Bonds. Nothing contained in this Report is, or should be construed as, a representation by SSMHCC that the information included in this Report constitutes all of the information that may be material to a decision to invest in, hold or dispose of any of the securities listed above, or any other securities of SSMHCC.**

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## **FITCH RATES SSM HEALTH CARE'S (MO) SERIES 2014 A-G BONDS 'AA-'; OUTLOOK STABLE**

Fitch Ratings-Chicago-11 April 2014: Fitch Ratings has assigned an 'AA-' rating to the approximately \$533.8 million of series 2014 A-G revenue bonds expected to be issued by the Missouri Health and Educational Facilities Authority on behalf of SSM Health Care (SSM).

Additionally, Fitch has affirmed the 'AA-' rating on approximately \$952 million of outstanding bonds issued by the Missouri Health and Educational Facilities Authority, Wisconsin Health & Educational Facilities Authority, and the Oklahoma City Industrial & Cultural Facilities Trust on behalf of SSM.

The Rating Outlook is Stable.

Fitch has assigned an 'F1+' short-term rating to the \$200 million taxable commercial paper program to be issued by SSM and \$300 million of series 2014 B-G variable-rate demand revenue bonds issued by the Missouri Health and Educational Facilities Authority supported by SSM's internal liquidity.

In addition to the series 2014 A-G bonds, SSM plans to issue \$332.2 million of series 2014 H-K health facilities variable-rate revenue bonds. The series 2014 H-K bonds are expected to be directly placed with four different banks. Fitch was not asked to rate the direct placement bonds.

Proceeds of series 2014 bonds will be used to refund certain outstanding bonds, to finance certain capital projects and to pay costs of issuance. The series 2014A fixed-rate bonds are expected to price the week of April 21 and the series 2014B-G bonds are expected to price the week of May 12.

### **SECURITY**

Bonds are general, unsecured obligations of the obligated group.

### **KEY RATING DRIVERS**

**BROADENED OPERATING PLATFORM:** SSM has made significant capital investments to create a multi-state integrated delivery network. The most substantial investment was the acquisition of Dean Health System in September 2013 which added over \$1 billion in operating revenue, a large multi-specialty physician practice, a managed care organization and a pharmacy benefits management company to SSM's already large operating platform. Fitch views SSM's integrated delivery network strategy favorably and believes that it will better position the organization financially in a post-reform healthcare environment.

**WEAKENED OPERATING PERFORMANCE:** SSM's weak operating performance in fiscal 2013 was driven by a combination of recurring and non-recurring items following a period of significant capital investment. Management has identified \$200 million in annual cost reductions, of which \$175 million is expected to be achieved in fiscal 2014.

**MANAGEABLE DEBT BURDEN:** The system's debt burden is manageable with pro forma maximum annual debt service (MADS) equal to 2.4% of 2013 revenue. However, coverage metrics have been light due to the weakened operating performance.

**ADEQUATE LIQUIDITY:** Liquidity metrics are adequate for the rating category with 216 days cash on hand and 19.2x pro forma cushion ratio at Dec. 31, 2013. However, cash to pro forma debt is light at 111.2%.

**SHORT-TERM RATING:** At Feb. 28, 2014, SSM's eligible cash and investment position under Fitch's criteria would cover the maximum mandatory put on self-liquidity bonds on any given date in excess of Fitch's 1.25x threshold for the 'F1+' short-term rating.

## RATING SENSITIVITIES

**STABILIZED OPERATING CASH FLOW:** Fitch expects that operating profitability will remain stable in the near term (consistent with normalized results excluding non-recurring items) and improve over the mid-term as SSM generates benefits from its strategic investments. Further deterioration in financial performance, while unexpected, would likely result in negative rating action.

## SECURITY

Bond payments are general, unsecured obligations of the obligated group.

## CREDIT PROFILE

SSM is headquartered in St. Louis, MO, with operations in Missouri, Illinois, Wisconsin and Oklahoma. Operations include 18 acute care hospitals, one children's hospital, two long-term care facilities, 14 convenient care locations and a network of physician practices with 175 clinics and 1,300 employed and affiliated physicians. Additionally, SSM manages one hospital and has minority interests in four hospitals.

Dean Health System (DHS) became a wholly owned subsidiary of SSM on Sept. 1, 2013. Headquartered in Madison, WI, DHS is a large multi-specialty physicians group operating over 60 clinics and 500 affiliated physicians throughout southern Wisconsin. Additional operations include a pharmacy benefits management company with over 2.8 million lives in 30 states and Dean Health Plan (DHP), a fully capitated managed care organization with over 300,000 covered lives. SSM previously owned a 5% interest in DHS and a 47% interest in DHP. DHS's total operating revenue equaled approximately \$1.3 billion in 2013. Four months of DHS operations are included in SSM's fiscal 2013 consolidated financial results.

Fitch's analysis is based upon SSM's consolidated financial statements. The credit group accounted for 78% of consolidated operating revenue and 76% of consolidated total assets in fiscal 2013. Effective April 1, 2014, DHS (excluding DHP) was added to the credit group. If the new entities without DHP had been in the credit group in fiscal 2013, the credit group would have accounted for 94.9% of consolidated operating revenue and 93.5% of consolidated total assets. SSM's total operating revenues equaled \$4.6 billion (assuming a full year of DHS's operations).

## DIVERSE OPERATING PLATFORM

SSM recently completed an intense period of capital investment which further increased and diversified an already large and diverse operating platform. Fitch views SSM's investment in and creation of an integrated delivery network favorably and believes that it should enhance operations in the near- to mid-term. Capital projects included the acquisition of two new hospitals and DHS in fiscal 2012 and 2013, the construction of a new hospital and two replacement hospitals, renovation of existing hospitals and the implementation of a new Epic IT system across all hospitals (excluding newly acquired hospitals).

Total operating revenue increased 81% from \$2.5 billion in fiscal 2008 to pro-forma revenue of \$4.6 billion in fiscal 2013 (including 12 months of DHS operations) while non-hospital revenues increased from 11% of total revenue to 35%. The increase is primarily due to insurance premium revenue from DHP. Management plans to roll out the DHP platform across all of its regions in the mid-term and expects non-hospital operations to grow at a faster rate than hospital revenues.

#### WEAKENED OPERATING PERFORMANCE

Operating profitability continued to decline in fiscal 2013 due to a combination of recurring and non-recurring items. Fiscal 2013 was affected negatively by \$79.9 million in net non-recurring items (excluding non-recurring revenues and expenses). Non-recurring expenses included a \$61.2 million non-cash charge related to a DSH settlement, implementation of the new IT system and expenses related to the acquisition, renovation and construction of hospitals. Additionally, profitability was further compressed by a \$23 million write-off of aged accounts receivable which increased provision for bad debt. Excluding the aforementioned non-recurring items, operating EBITDA decreased to 6.9% (4.2% with the non-recurring items) from 7.6% in fiscal 2012 and remains weak relative to Fitch's 'AA' category median of 11.8%.

Management has identified \$200 million of annual expense reductions, of which, \$175 million is expected to be achieved in fiscal 2014. To date, \$105 million of cost reductions have been implemented including revenue cycle and services restructuring, labor productivity and DHS integration initiatives. Further, profitability will benefit from an additional \$25 million of revenue enhancement, bringing the total amount of operational improvement currently realized for fiscal 2014 to \$130 million. Management expects to achieve its budget target of 8.4% operating EBITDA margin in fiscal 2014.

#### MANAGEABLE DEBT BURDEN

SSM's debt burden is manageable with pro-forma MADS (estimated at \$110.3 million) equal to 2.4% of 2013 operating revenues (assuming 12 months of DHS operations). However, coverage metrics are light due to weakened operating profitability. Normalized for non-recurring items and including 12 months of DHS operations, pro-forma MADS coverage by EBITDA of 4.0x is adequate relative to similarly sized 'AA-' peers and is reflective of SSM's sizable investment portfolio and solid investment returns. However, normalized MADS coverage by operating EBITDA is light at 2.7x. If SSM meets its fiscal 2014 budgeted targets, MADS coverage by EBITDA and operating EBITDA would improve to 4.4x and 3.8x, respectively.

Total debt outstanding is expected to increase to \$1.91 billion from \$1.87 billion at Dec. 31, 2013.

However, this represents a material increase from \$1.3 billion at the time of Fitch's last review in April 2013. SSM's pro-forma debt portfolio will be 39% fixed rate, 36% synthetically fixed and 25% variable. SSM is counterparty to eight fixed payor swaps with a total notional amount of \$653 million and varying collateral posting requirements. Counterparties are diversified across five banks and collateral was not required to be posted at Feb. 28, 2014.

#### ADEQUATE LIQUIDITY

Unrestricted cash and investments increased 20.5% since Dec. 31, 2012 to \$2.1 billion at Dec. 31, 2013. The increase was primarily due to the DHS acquisition. Liquidity is adequate for the 'AA-' rating category with 216 days cash on hand, 19.2x pro-forma cushion ratio and 111.2% cash-to-pro-forma debt relative to Fitch's 'AA' category medians of 254.3 days, 23.4x and 173.6%. Days cash will decrease going forward due to the increased expense base from the DHS acquisition (days cash on hand would have equaled 177 days had 12 months of DHS been consolidated in fiscal 2013).

#### SHORT-TERM RATING

The 'F1+' rating reflects the strength of SSM's cash and investment position to pay the mandatory tender on the series 2014 B-G puttable bonds backed by self-liquidity. At Feb. 28, 2014, SSM's eligible cash and investment position under Fitch's criteria would cover the maximum mandatory put on any given date well in excess of Fitch's 1.25x threshold for the 'F1+' short-term rating.

## DISCLOSURE

SSM covenants to provide annual disclosure within five months of each fiscal year end and quarterly disclosure within 90 days of the end of each of the first three fiscal quarters. Disclosure is provided through the Municipal Securities Rulemaking Board's EMMA system.

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In addition to the sources of information identified in the U.S. Revenue-Supported Rating Criteria information was received from the underwriter.

### Applicable Criteria and Related Research:

--'Nonprofit Hospitals and Health Systems Rating Criteria'(May 20, 2013).

### Applicable Criteria and Related Research:

U.S. Nonprofit Hospitals and Health Systems Rating Criteria

[http://www.fitchratings.com/creditdesk/reports/report\\_frame.cfm?rpt\\_id=708361](http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=708361)

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## Missouri Health and Educational Facilities Authority SSM Health Care; CP; Joint Criteria; System

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# Missouri Health and Educational Facilities Authority

## SSM Health Care; CP; Joint Criteria; System

### Credit Profile

US\$235.0 mil hlth facs rev bnds (fxd rate) (SSM Hlth Care) ser 2014A dtd 05/14/2014 due 06/01/2033		
<i>Long Term Rating</i>	A+/Stable	New
US\$200.0 mil hlth facs rev bnds (taxable CP) (SSM Hlth Care Sys) ser CP PROGRAM dtd 05/15/2014 due 05/14/2044		
<i>Short Term Rating</i>	A-1	New
US\$50.0 mil hlth facs rev bnds (weekly VRDBs) (SSM Hlth Care Sys) ser 2014G dtd 05/15/2014 due 06/01/2044		
<i>Long Term Rating</i>	A+/A-1/Stable	New
US\$50.0 mil hlth facs rev bnds (weekly VRDBs) (SSM Hlth Care Sys) ser 2014F dtd 05/14/2014 due 06/01/2044		
<i>Long Term Rating</i>	A+/A-1/Stable	New
US\$50.0 mil hlth facs rev bnds (CP mode VRDBs) (SSM Hlth Care Sys) ser 2014E dtd 05/14/2014 due 06/01/2044		
<i>Long Term Rating</i>	A+/A-1/Stable	New
US\$50.0 mil hlth facs rev bnds (CP mode VRDBs) (SSM Hlth Care Sys) ser 2014D dtd 05/14/2014 due 06/01/2044		
<i>Long Term Rating</i>	A+/A-1/Stable	New
US\$50.0 mil hlth facs rev bnds (window VRDBs) (SSM Hlth Care Sys) ser 2014C dtd 05/14/2014 due 06/01/2041		
<i>Long Term Rating</i>	A+/A-1/Stable	New
US\$50.0 mil hlth facs rev bnds (window VRDBs) (SSM Hlth Care Sys) ser 2014B dtd 05/14/2014 due 06/01/2041		
<i>Long Term Rating</i>	A+/A-1/Stable	New

### Illinois Fin Auth, Illinois

SSM Hlth Care Sys, Missouri

### Illinois Finance Authority (SSM Health Care System) (MBIA), series 1998B, 1992A

<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Downgraded
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### Missouri Hlth & Educl Facs Auth, Missouri

SSM Hlth Care Sys, Missouri

### series 2005C-4

<i>Unenhanced Rating</i>	NR(SPUR)	
<i>Long Term Rating</i>	A+/A-1/Stable	Downgraded

### series 2010E

<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Downgraded
<i>Long Term Rating</i>	AAA/A-1	Affirmed

### Missouri Hlth & Ed Facs Auth (SSM Health Care System) ser 2005D-4

<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Downgraded
<i>Long Term Rating</i>	A+/A-1/Stable	Downgraded

### Missouri Hlth & Ed Facs Auth (SSM Health Care System), series 2002B

<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Downgraded
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**Credit Profile (cont.)****Missouri Hlth & Ed Facs Auth (SSM Health Care System), series 2008A, 2010B**

<i>Long Term Rating</i>	A+/Stable	Downgraded
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**Series 2005C-5**

<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Downgraded
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<i>Long Term Rating</i>	A+/A-1/Stable	Downgraded
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**Series 2010D**

<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Downgraded
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<i>Long Term Rating</i>	AAA/A-1	Affirmed
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**Series 2012A**

<i>Long Term Rating</i>	A+/Stable	Downgraded
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**Oklahoma City Indl & Cultural Fac Trust, Oklahoma**

SSM Hlth Care Sys, Missouri

**Oklahoma City Indl & Cultural Fac Trust (SSM Health Care System) (MBIA, National), series 1998B**

<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Downgraded
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**Wisconsin Hlth & Ed Fac Auth, Wisconsin**

SSM Hlth Care Sys, Missouri

**Series 2010A**

<i>Long Term Rating</i>	A+/Stable	Downgraded
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**Wisconsin Hlth & Educational Fac Auth (SSM Health Care System) (MBIA & National), series 1998B**

<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Downgraded
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**Rationale**

Standard & Poor's Ratings Services lowered its long-term rating and underlying rating (SPUR), where applicable, to 'A+' from 'AA-' on approximately \$1 billion of hospital revenue bonds (various issuers) issued on behalf of SSM Health Care (SSMHC) and lowered its rating to 'A+/A-1' from 'AA-/A-1' on variable-rate demand bonds (VRDBs; various issuers) issued for SSMHC.

Standard & Poor's also assigned its 'A+' long-term rating to the Missouri Health and Educational Facilities Authority's \$235 million series 2014A fixed-rate revenue bonds and its 'A+/A-1' rating to the authority's \$100 million series 2014B and 2014C VRDBs in windows mode, \$100 million series 2014D and 2014E VRDBs in short-term commercial paper (CP) mode, and \$100 million series 2014F and 2014G VRDBs in weekly mode, all of which were issued for SSMHC, and assigned its 'A-1' short-term rating to SSMHC's \$200 million taxable CP notes series A.

We affirmed our 'AAA/A-1' rating on the authority's series 2010 and 2010E VRDBs based on the joint criteria. The outlook on applicable ratings is stable or has been revised to stable from negative.

The rating action reflects our view of SSMHC's overall lighter financial profile and higher debt service, which together

lead to lighter pro forma debt service coverage.

The 'A-1' short-term component of the rating on SSMHC's series 2014B, 2014C, 2014D, 2014E, 2014F, and 2014G, VRDBs and the 'A-1' short-term rating on the CP notes series A is based on our view of SSMHC's self-liquidity, as the bonds could require available funds from SSMHC. SSMHC has committed several sources of funds to support its unenhanced CP outstanding and various series of VRDBs in the CP mode, weekly mode, and windows mode. As of March 31, 2014 SSMHC held cash, fixed income, and domestic equity assets in excess of \$1.09 billion (market value). On a monthly basis, we continue to monitor both the sufficiency and availability of liquidity for SSMHC to ensure that SSMHC could cover a failed remarketing for the VRDBs and CP outstanding. The credit quality profile is high and reflects the high credit policy standards established by SSMHC. Ample liquidity is provided through the money held in domestic equities, cash, and high-quality, short-term, fixed-income securities.

At the same time as the \$735 million CP and bond issuance, SSMHC will issue approximately \$332.2 million of direct placement debt in four series (see "Balance sheet" section for details) that we will not rate, placed with four different banks. Management anticipates drawing \$175 million on the series A taxable CP to refinance certain debt associated with Dean Health Systems that SSMHC assumed at the time that it acquired Dean. The proceeds of the series 2014A fixed-rate bonds and approximately \$172 million of direct placement debt will refinance all of SSMHC's VRDBs. Finally, of the remaining proceeds, approximately \$400 million will be used to reimburse SSMHC for prior capital expenditures, with approximately \$60 million to be used for future capital expenditures.

Also, in conjunction with the financing, SSMHC will use its own cash to pay down \$400 million of a taxable short-term line of credit that was used to replenish cash reserves following the acquisition of Dean in fall 2013. With the \$400 million of reimbursement for prior capital spending, Standard & Poor's anticipates no significant change to unrestricted reserves. Net new money debt after the close of financing is approximately \$60 million, or approximately \$85 million if including the full authorized CP amount.

The lowering of the long-term rating to 'A+' from 'AA-' reflects our view of SSMHC's overall lighter financial profile (characterized by several years of weaker operating margins culminating with an operating loss in 2013, even after exclusion of some significant one-time expenses and per our calculations) and higher debt service as a result of the additional debt over the past nine months; together these factors lead to lighter pro forma debt service coverage. Although overall debt plans are generally in line with what management reported in fall 2013 and although the high pro forma leverage is not inconsistent with SSMHC's credit history, the pro forma balance sheet profile is light relative to 'AA-' medians at a time when operations are weak and uneven.

The 'A+' rating reflects our view of SSMHC's strong enterprise profile as evident in good revenue dispersion across four states and a strong strategic position in its markets, further supported by the acquisition of Dean. In addition, we take a favorable view of how quickly management has incorporated the strategic opportunities from Dean into its markets outside of Wisconsin since we last reviewed the credit, in October 2013. Also incorporated into the 'A+' rating are SSMHC's good unrestricted reserves and sound operational liquidity. In addition, and as communicated in our previous review, management is executing a significant turnaround plan that should generate around 2% operating margins in fiscal 2014, stronger debt service coverage, and good cash flow to help improve the balance sheet.

The 'A+' ratings further reflect our view of SSMHC's:

- Solid business base in diversified markets located primarily in St. Louis, Mo., Madison, Wis., and Oklahoma City, Okla., with the integration of Dean providing additional strategic opportunities that management has quickly started to deploy throughout its system;
- Historically good unrestricted reserves highlighted by a total of \$2.1 billion in unrestricted reserves or approximately 205 days' cash on hand (excluding the restricted funds at the insurance plan, pro forma unrestricted reserves are closer to \$2 billion and cash on hand is around 184 days); and
- Focused management team that has continued to increase physician leadership as well as structuring the organization to help further integration and improve the delivery of care including quickly incorporating Dean and deploying it throughout the system for improved efficiencies and new models of care delivery.

Partly offsetting the above strengths, in our view, are:

- SSMHC's weakened operations, including a sizable operating loss in fiscal 2013 after light margins in 2012 and 2011 as a result of a variety of factors and some one-time expenses (however, management does have a turnaround plan that it anticipates will take hold in 2014) and very light pro forma maximum annual debt service coverage;
- SSMHC's moderate pro forma debt that is not uncharacteristic of the credit but creates some additional risk given the weaker operating profile; and
- The competitive landscape in the markets in which the organization operates.

The parent, SSM Health Care Corp. (SSMHCC), is the sole member of the obligated group, and most of SSMHC's facilities (and most of Dean except the Dean Health Plan) are part of the credit group. SSMHCC is also the sole member of the obligated group for the CP program. Although the credit group has certain covenants to uphold, neither the facilities nor the revenue of the parent or the other members of the credit group is pledged as security for any of SSMHC's bonds. In the event of default and the exercise of remedies available to the bond trustee or the master trustee, those parties, as applicable, would be unsecured creditors with no rights to any specific revenue or facilities of the parent or the other members of the credit group.

With the incorporation of a full year of Dean's results, SSMHC is projecting to have a little less than \$5 billion in total revenue, consisting of \$3.5 billion of net patient revenue and \$1.2 billion of premium revenue, with total pro forma debt outstanding of approximately \$1.9 billion in fiscal 2014.

## Outlook

The stable outlook reflects our view of SSMHC's strong enterprise profile and good business position in its various markets, solid unrestricted reserves, and a significant (and detailed) turnaround plan that we anticipate will generate positive operating performance in fiscal 2014 and contribute to improved debt service coverage. The turnaround plan, which began in fall 2013, incorporates a variety of initiatives across both revenue and expenses. In addition, SSMHC has no plans to issue net new money debt during the next year or two. Although SSMHC has had a few acquisitions during the past couple of years and reports that it plans to possibly grow in the medium term, we will fully evaluate any future acquisition based on strategic and financial impact to the organization.

We believe that SSMHC's enterprise profile, good unrestricted reserves, and stable operational liquidity are key

supports for the rating, but we could consider lowering the rating in the long term if management fails to return to positive operating performance. Other factors that could cause us to consider a lower rating include a combination of continued negative operating income, a decline in unrestricted reserves to debt to less than about 75%, a more than roughly 15% decline in cash on hand, or a failure to return maximum annual debt service (MADS) coverage to closer to 3x.

Given the operating loss and very weak pro forma MADS coverage, we do not anticipate a higher rating during the outlook's one- to two-year timeframe. However, SSMHC's enterprise profile and unrestricted reserves could support a higher rating if financial performance returns to and remains at a level commensurate with 'AA' rated health systems.

## Enterprise Profile

### Organization and market position

SSMHC owns, manages, and is affiliated with 18 acute care hospitals, one pediatric hospital, and two nursing homes in four states: Missouri, Illinois, Wisconsin, and Oklahoma. In addition, SSMHC has a minority interest in four hospitals in Wisconsin. With approximately 7,000 affiliated physicians, 29,500 employees, and 4,176 licensed beds (3,531 staffed beds), SSMHC provides a wide range of services, including rehabilitation, pediatrics, home health, hospice, residential, and skilled nursing care. SSMHC employs about 1,300 physicians, about 500 of whom are from the recently acquired Dean. Included in that acquisition was a 400,000-plus-member insurance plan (including both managed and administered lives) and a pharmacy benefits plan that serves 3 million lives in approximately 30 states. For a number of years, SSMHC has had a very close working relationship with the physicians from Dean, including several joint ventures. The Dean acquisition provides opportunities for efficiencies through SSMHC as well as opportunities to expand Dean's physician management and health management expertise to the system and strengthen SSMHC's position and patient base in various markets. Since our previous review, SSMHC has begun expanding some of Dean's core competencies and initiated value-based programs both with the Centers for Medicare & Medicaid Services and its commercial payors to manage patient care and lower costs, with such efforts as managing the health of its own employees. SSMHC is also further collaborating with various partners by developing a clinically integrated organization in St. Louis with its employed and independent physicians and by exploring other non-traditional partnerships such as with Walgreens. The acquisition of Dean coincided with SSMHC's initiative to expand its system to help provide consistency of care, efficiencies, and opportunities and thus better position itself under health care reform. To that end, SSMHC has built new hospitals as well as acquired other facilities in recent years. SSMHC opened the 50-staffed-bed St. Mary's Janesville Hospital in Janesville, Wis., in January 2012 and most recently acquired a facility in the Mid-Missouri region (the 88-bed Audrain Hospital in Mexico, Mo.). In the Oklahoma market, SSMHC assumed ownership of Unity Health Center (Shawnee, Okla.) in mid-2012. SSMHC opened its new replacement facility in Mount Vernon, Ill., in early 2013 and anticipates opening its latest replacement hospital in Jefferson City, Mo., in late 2014. Although SSMHC is absorbing the Dean acquisition, management reports that it is still focused on expanding its presence in its core and/or contiguous markets and increasing its presence in its core regions. Although we believe that this type of growth could continue to help strengthen SSMHC's business position, we also view additional sizable acquisitions in the short term as a risk given that the organization is undergoing many strategic and operational changes to integrate Dean and strategically move the organization forward while also improving

operations that have been weak and uneven for a couple of years. (No acquisitions are planned at this time.)

Most of SSMHC's facilities are located in fairly competitive but broad geographic markets in Wisconsin (Madison and the larger service area), Missouri (St. Louis), and Oklahoma (Oklahoma City). SSMHC remains the No. 1 or 2 player in most of those markets, including Oklahoma, where it had previously been the No. 3 player. In Southern Illinois and in its regional Missouri areas, SSMHC hospitals remain the dominant providers.

## Volumes

SSMHC continues to experience trends similar to those of the industry, with flat-to-declining inpatient admissions despite some growth through facility acquisition and construction as well as growth in outpatient services. Along with such acquisitions, SSMHC's increasing number of healthplexes and ambulatory growth throughout the system have benefited outpatient growth. The system's inpatient admissions increased by a slight 0.8% to 154,447 in fiscal 2013, following an increase of 1.7% to 153,254 in fiscal 2012. Outpatient visits flattened in fiscal 2013, growing only 0.4% to 1.3 million after growing 11.8% in fiscal 2012. Inpatient surgeries grew 3.1% to 34,442 after being flat at about 33,401 in fiscal 2012. Outpatient surgeries grew by a slight 0.717.9% in fiscal 2012. Overall, we anticipate that same-store inpatient volumes will continue to be flat-to-down (excluding any future acquisitions) -- especially as management focuses on entering more pilot projects to manage care -- with some growth coming from outpatient services as management focuses on expanding and solidifying its presence in that area.

## Management

SSMHC's CEO has been in his position for the past few years, and key changes to the senior leadership team have been oriented toward ensuring that the organization can be positioned as an integrated delivery system. The organization opted to not fill a traditional chief operating officer position, and instead created three positions: president of hospital operations, president of physician and ambulatory services, and president of health care delivery, finance, and integration. In addition to focusing on growth and expanding the system's reach in its core and/or contiguous markets as well as generating more operating efficiencies across the system, the management team continues to focus on physician integration and elevating physician leadership. SSMHC maintains an eleven -member central board (with advisory boards at the regional levels) that is represented by four members of the Franciscan Sisters of Mary (the former sponsoring organization), the CEO, and six individuals from outside the organization including two physicians. Management reports that the Franciscan Sisters of Mary have opted to transfer their sponsorship to SSM Health Ministries, a new public juridic person established by Vatican decree. We view the structure of the board as a positive in that a portion of the future board members can be drawn from a larger talent pool.

## Financial Profile

### Change in accounting for bad debt

In accordance with our report "New Bad Debt Accounting Rules Will Alter Some U.S. Not-for-Profit Health Care Ratios But Won't Affect Ratings," published Jan. 19, 2012 on RatingsDirect, we recorded SSMHC's 2013 and 2012 audits including the adoption of Financial Accounting Standards Board Accounting Standards Update No. 2011-017 in 2012, but not in prior periods. The new accounting treatment means that SSMHC's fiscal 2012 and subsequent financial statistics are not directly comparable with the results for 2011 and prior years. For an explanation of how the change in

accounting for bad debt affects each financial measure, including the direction and size of the change, please see the above report.

### **Income statement**

During the past few years operating performance has been light because of a variety of factors (both recurring and nonrecurring), and through 2013 SSMHC generated a fairly sizable operating loss for the first time in many years. Several factors have affected operating performance, including generally flat volumes, increased charity care/bad debt/self-pay, and one-time expenses related to the opening of replacement hospitals and acquisitions (including Dean), start-up costs from opening new physician practices, and a rollout of the Epic information technology (IT) system (Project Beacon). In fiscal 2013, one large nonrecurring charge was a fairly high disproportionate share fund settlement (\$61.2 million) related to the Oklahoma market for the 2004-2012 period that was netted against net patient revenue. We note that we adjust SSMHC's operating income and margins to exclude joint venture income, contributions and gain on sales, and operating investment income. (Operating investment income from the overfunded self-insurance trusts is meant to help manage operating expenses related to SSMHC's self-insurance professional liability and workers' compensation programs.) In fiscal 2013 net patient revenue grew 1.6% to \$3.1 billion, but the operating loss of \$152.8 million (negative 4.1% margin) was significant and followed the light \$19.0 million (0.6% margin) operating income in 2012 and \$36.6 million (1.2% margin) operating income in 2011. Excluding one-time factors (both revenue and expenses), we project the operating loss in fiscal 2013 at closer to a negative 1% margin.

SSMHC's management undertook a significant turnaround plan, including expense reductions and revenue improvement, and outlined those efforts at the time of our previous review in fall 2013. At that time management reported that it was budgeting for improved operating performance in fiscal 2014, and the budgeted operating margins is in the area of 2.2% (as calculated by SSMHC). Consequently, management is projecting that operating income in fiscal 2014 should help SSMHC return to positive operating performance with enough cushion to support its strategic and capital investments as well as help fund debt service with enough cushion. As mentioned above, Dean is mildly accretive to operating performance, and furthermore management is undertaking a series of initiatives to garner additional revenue and expense benefits from the merger during the next few years. Operating income has historically benefited from solid operating results in the Wisconsin and Illinois markets and, more recently, the St. Louis market. However, fiscal 2013 was a challenging year in most of SSMHC's markets.

Given the size of the operating loss, SSMHC's excess income (consisting mostly of investment income and realized investment gains as well as joint venture income) was also a loss of \$26.5 million (negative 0.7% margin) following \$108.0 million (3.2% margin) in 2012 and \$155.8 million (4.8% margin) in 2011. Pro forma MADS coverage was very weak at 1.9x in fiscal 2013, with pro forma operating-lease-adjusted coverage at a slightly weaker 1.6x. Although the additional debt service (and weak operations) pressures pro forma MADS coverage, pro forma MADS coverage would likely be at least 3.5x and could be even stronger (depending on investment income performance) if management fulfills the 2014 budget.

### **Balance sheet**

During the past few years, SSMHC's unrestricted reserve position has been good but has remained relatively stable given capital investments, investment market fluctuations, continued pension contributions, and, in more recent years, reduced cash flow. Unrestricted reserves, however, increased in 2013 because of the acquisition of Dean and reached

\$2.1 billion at Dec. 31, 2013. Because cash and investments at the health plan are not easily available to the rest of the system, we view unrestricted reserves for the credit group as a better proxy of available cash. At Dec. 31, 2013, unrestricted reserves of the system excluding the Dean Health Plan totaled \$2 billion, up 20% from Dec. 31, 2012 and prior to the Dean acquisition. The growth in unrestricted reserves was due to investment gains, lower capital spending in 2013, and the inclusion of unrestricted reserves from the rest of Dean (excluding the health plan). We also give some credit to the balance sheet, as the self-insurance trust has historically been well overfunded relative to liabilities (having been overfunded by more than \$100 million in 2013) and is not included in SSSMHC's unrestricted reserves. Cash on hand for the system has remained somewhat stable, measuring 205 days at Dec. 31, 2013. Excluding the Dean Health Plan (and its associated expenses), cash on hand is a slightly lighter though still sound 184 days. Unrestricted reserves to pro forma long-term debt was down to 110% at Dec. 31, 2013 from 114% at Dec. 31, 2012 and 129% at Dec. 31, 2012, and we view the 110% as consistent with 'A+' medians. Pro forma leverage continues to be moderately high and has increased to a little less than 50% from 46% at fiscal year-end Dec. 31, 2012, but is generally consistent with historical levels.

The anticipated level of debt for the pro forma balance sheet is fairly consistent with what was presented in fall 2013. But since our previous review, management has clarified the overall long-term structure of its \$400 million line of credit draw and the debt that was incorporated from Dean, and has decided to issue a small amount of net new money debt as well. Including the self-liquidity-backed debt, SSMHC maintains on a pro forma basis about \$1.1 billion in contingent liabilities (VRDBs, direct purchase debt, CP, and taxable loans), or about 58% of total pro forma debt outstanding, which is consistent with the overall debt structure from prior years. Variable-rate debt accounts for approximately 61% of total debt, or a net 25% when swaps are included. Overall, we take a positive view of the diversity of the debt products, banks, and fixed/variable mix. To help with any liquidity needs, SSMHC also maintains \$150 million in two unrestricted lines of credit.

Although SSMHC has a fairly sizable capital budget of \$338 million for fiscal 2014, with approximately \$175 million of carryover from fiscal 2013, capital expenditures should begin to lessen in fiscal years 2014 and 2015. Management has no significant capital projects, but will revisit the capital budget in the fall, which would be the next time that any new significant capital expenditures would be approved. SSMHC has historically demonstrated capable management of its capital budgets by identifying projects that it could delay if economic challenges arise and if cash flow does not support the targeted spending level. Management spent approximately \$280 million in 2012 and about \$170 million in 2013. As mentioned, the recent large projects, including replacement hospitals in Jefferson City, Mo., and Mt. Vernon, Ill., and implementation of the Epic IT system with SSMHC obtaining Stage 6 or 7 designation at its various facilities from Healthcare Information and Management Systems Society (HIMSS). Fiscal 2014's large projects include the completion of the new hospital in Jefferson City, Mo., capital projects in Oklahoma, and IT projects at Dean. Standard & Poor's will continue to monitor SSMHC's capital spending and any effect it has on SSMHC's overall credit profile, as the balance sheet is helping to support the credit profile while the focus on the turnaround continues.

### Contingent liabilities

**Direct placement debt.** During the past few years and with this upcoming financing, management has broadened its exposure to direct placement debt. Although we see certain advantages related to those agreements' interest rate and longer periods, we also view the agreements as more risky than traditional fixed-rate structure given that this debt can be accelerated if certain covenants are violated and given the usual short- and medium-term refinancing risk.

Management anticipates that the new direct placement covenants will be generally consistent with the master trust indenture (MTI) covenants. Management has worked to diversify its bank partners and stagger the expiration dates when a refinancing could be needed. In total, SSMHC has approximately \$611 million of pro forma direct placement or term loans placed with a bank:

- \$108.9 million of series 2012A bonds placed with Citi with an expiration of July 26, 2017;
- \$72.4 million of series 2012B bonds placed with PNC with an expiration of July 26, 2021;
- \$100.0 million of series 2014H bonds that it anticipates placing with Union Bank with an expiration of June 1, 2024;
- \$60.0 million of series 2014I bonds that it anticipates placing with U.S. Bank with an expiration of June 1, 2019;
- \$95.1 million of series 2014J bonds that it anticipates placing with JPMorgan with an expiration of June 1, 2019;
- \$77.1 million of series 2014K bonds that it anticipates placing with PNC bank with an expiration of June 1, 2021;
- and
- \$97.20million of a taxable note placed with Bank of America with a bullet maturity of June 27, 2019.

Although SSMHC has bullets and expirations upcoming, all of the above debt has been amortized over a 30-year period for debt service coverage calculations.

We have reviewed SSMHC's direct purchase debt related to the series 2012A and 2012B, and have reviewed preliminary documents for the series 2014 direct placement debt. The series 2012A and 2012B documents maintain some of the strict covenants of typical bank facilities, with the bank maintaining the option for immediate acceleration if certain covenants (which are generally consistent with the MTI) are violated. We will review the final documents related to the series 2014 direct placement debt when they become available. Total unrestricted reserves relative to total contingent liabilities (both direct placement and self-liquidity-backed debt) is a little less than 2x. We believe that SSMHC can manage its direct placement debt at the current rating given its sound unrestricted reserves and distance from any key covenant violations.

**Swaps.** As of fiscal year-end Dec. 31, 2013, SSMHC had added three swaps from Dean for a total of 10 floating- to fixed-rate swaps, with a notional amount of approximately \$702 million. Swap counterparties for the SSMHC swaps are Union Bank, Wells Fargo, PNC, and Citi. The Dean swaps are with U.S. Bank and JPMorgan. Of these 10 swaps, four (two each with Citigroup and PNC), with the notional amount of approximately \$300 million, are insured by AG (AA). The total mark-to-market swap liability was around \$88 million at Dec. 31, 2013. SSMHC was not required to post any collateral at Feb. 28, 2014. Management anticipates terminating two of the Dean-related swaps, bringing the total notional amount to approximately \$653 million.

### SSM Health Care System Financial Summary

	--Fiscal year ended Dec. 31--				'A+' rated health care system medians
	2013*	2012*	2011	2011	2012
<b>Financial performance</b>					
Net patient revenue (\$000s)	3,112,457	3,061,547	2,927,054	2,779,142	1,196,035
Total operating revenue (\$000s)	3,729,450	3,288,066	3,128,789	2,971,230	MNR
Total operating expenses (\$000s)	3,882,224	3,268,989	3,092,174	2,873,769	MNR
Operating income (\$000s)	(152,774)	19,077	36,615	97,461	MNR
Operating margin (%)	(4.10)	0.58	1.17	3.28	2.40
Net non-operating income (\$000s)	126,241	88,918	119,151	89,356	MNR
Excess income (\$000s)	(26,533)	107,995	155,766	186,817	MNR

SSM Health Care System Financial Summary (cont.)					
Excess margin (%)	(0.69)	3.20	4.80	6.10	3.90
Operating EBIDA margin (%)	2.22	6.50	6.93	9.40	9.70
EBIDA margin (%)	5.42	8.96	10.34	12.05	10.7
Net available for debt service (\$000s)	208,964	302,553	335,840	368,654	183,389
Maximum annual debt service (MADS; \$000s)	110,339	110,339	110,339	110,339	MNR
MADS coverage (x)	1.89	2.74	3.04	3.34	3.70
Operating-lease-adjusted coverage (x)	1.61	2.23	2.42	2.66	3.00
<b>Liquidity and financial flexibility</b>					
Unrestricted reserves (\$000s)	2,075,232	1,652,789	1,510,000	1,653,000	750,124
Unrestricted days' cash on hand	205.1	193.8	187.0	220.9	186.6
Unrestricted reserves/total long-term debt (%)	114	129.2	126.8	138.4	125.6
Average age of plant (years)	8.8	10.7	10.7	10.3	10.1
Capital expenditures/Depreciation and amortization (%)	90.0	178.3	180.6	118.7	128.8
<b>Debt and liabilities§</b>					
Total long-term debt (\$000s)	1,822,120	1,279,255	1,190,699	1,194,286	MNR
Long-term debt/capitalization (%)	48.9	45.9	48.3	45.6	38.2
Contingent liabilities (\$000s)	1,109,450	715,085	618,225	694,607	MNR
Contingent liabilities/total long-term debt (%)	60.9	55.9	51.9	58.2	MNR
Debt burden (%)	2.86	3.27	3.40	3.61	3.00
Defined benefit plan funded status (%)	62.25	51.52	48.81	54.08	74.70
<b>Pro forma ratios</b>					
Unrestricted days' cash on hand	205.1	N/A	N/A	N/A	
Unrestricted reserves/total long-term debt (%)	109.7	N/A	N/A	N/A	
Long-term debt/capitalization (%)	49.9	N/A	N/A	N/A	
Total debt	1,902,332	N/A	N/A	N/A	
Contingent liabilities (\$000s)	1,110,700	N/A	N/A	N/A	
Contingent liabilities/total long-term debt (\$000s)	58.4	N/A	N/A	N/A	

\*FASB 2011-07 adopted related to the treatment of bad debt. Standard & Poor's recorded bad debt expense as if FASB 2011-07 were adopted related to the treatment of bad debt beginning in fiscal 2012. §Total debt for fiscal 2013 includes \$485.2 million of short-term debt that is to be refinanced with long-term debt in fiscal 2014. MNR--Median not reported. N/A--Not applicable.

## Related Criteria And Research

### Related Criteria

- USPF Criteria: Not-For-Profit Health Care, June 14, 2007
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- USPF Criteria: Commercial Paper, VRDO, And Self-Liquidity, July 3, 2007
- USPF Criteria: Municipal Swaps, June 27, 2007
- USPF Criteria: Contingent Liquidity Risks, March 5, 2012

## Related Research

- Glossary: Not-For-Profit Health Care Ratios, Oct. 26, 2011
- The Outlook For U.S. Not-For-Profit Health Care Providers Is Negative From Increasing Pressures, Dec. 10, 2013
- U.S. Not-For-Profit Health Care System Ratios: Metrics Remain Steady As Providers Navigate An Evolving Environment, Aug. 8, 2013
- Health Care Providers And Insurers Pursue Value Initiatives Despite Reform Uncertainties, May 9, 2013
- U.S. Not-For-Profit Health Care Providers Hone Their Strategies To Manage Transition Risk, May 16, 2012
- Standard & Poor's Earthquake Model, Oct. 25, 2012
- Alternative Financing: Disclosure Is Critical To Credit Analysis In Public Finance, Feb. 18, 2014

## Ratings Detail (As Of April 16, 2014)

### Missouri Hlth & Educl Facs Auth, Missouri

SSM Hlth Care Sys, Missouri

Missouri Hlth & Educl Facs Auth (SSM Hlth Care Sys) hlth facs rev bnds (taxable CP) (SSM Hlth Care Sys) ser CP PROGRAM dtd 05/15/2014 due 05/14/2044

Short Term Rating

A-1

Affirmed

Many issues are enhanced by bond insurance.

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