DALLAS (Standard & Poor's) Oct. 3, 2013--Standard & Poor's Ratings Services lowered its long-term rating and underlying rating (SPUR) to 'AA-' from 'AA' and to 'AA-/A-1+' from 'AA/A-1+' on various series of bonds issued for Trinity Health (Trinity), Mich. Standard & Poor's also raised its long-term rating and SPUR to 'AA-' from 'A+' on various series of bonds issued for Catholic Health East (CHE), Pa.

In our view, Trinity and CHE's merger as CHE Trinity creates opportunities for operational efficiencies and growth based on size, scale, and ability to respond to the inherent challenges in the health care sector. We believe that CHE Trinity's enterprise profile is enhanced but that key financial profile metrics, most specifically key balance sheet metrics, are diluted and now more consistent with our 'AA-' medians. Our longer-term view is that balance sheet metrics will improve as CHE Trinity continues to realize the benefits of the merger.

Since its May 1 closing, CHE Trinity has moved quickly to consolidate all debt under a new master trust indenture (MTI), whereby Trinity Health's MTI will be amended to expand the obligated group to include CHE Trinity, CHE, and Trinity Health under a consolidated obligated group structure.

"The rating actions reflect our view of the completed CHE Trinity's new MTI and that the new obligated group will issue debt as a single organization for the first time, with the result that all 'legacy' Trinity Health and CHE debt will carry the same rating as that on CHE Trinity," said Standard & Poor's credit analyst Kevin Holloran.
The stable outlook reflects our opinion that CHE Trinity will continue to consistently generate its projected operating income levels, which in turn would continue to generate good MADS coverage for the two-year outlook period.

RELATED CRITERIA AND RESEARCH
• USPF Criteria: Not-For-Profit Health Care, June 14, 2007
• U.S. Not-For-Profit Health Care Sector Outlook: Providers Prove Adaptable But Face A Test In 2013 As Reform Looms, Jan. 4, 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
• U.S. Not-For-Profit Health Care Providers Hone Their Strategies For Reform, May 16, 2011

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