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# Ascension Health Comes to Market With \$1.35 Billion Bond Sale

*By Brendan A. McGrail and Catarina Saraiva - March 9, 2010 00:00 EST*

March 9 (Bloomberg) -- Ascension Health, the largest nonprofit health-care system in the U.S., plans to sell about \$1.35 billion in tax-exempt revenue bonds starting tomorrow as yields hover near record lows.

“We’re taking advantage of the market and the market is very favorable,” said **Stephen Gilmore, director of capital finance**, in an interview.

The St. Louis-based company, which operates hospitals in 19 states and the District of Columbia, will use the proceeds to refinance existing debt and finance construction and expansion of health-care centers, [preliminary documents](#) show. Morgan Stanley will market a \$670.5 million fixed-rate sale this week and a \$675.4 million variable-rate issue later this month. Ascension Health is rated Aa1 by [Moody’s Investor Services](#) and AA+ by [Fitch Ratings](#), the second-highest ratings, and AA by [Standard & Poor’s](#), the third highest.

Ascension Health is looking to increase its fixed-rate debt percentage, increase the level of committed funding and reduce maximum annual debt service, said Gilmore. Top-rated [30-year general obligation yields](#) are two basis points above the record low of 4.43 percent they reached on March 4, according to a daily survey by Concord, Massachusetts-based Municipal Market Advisors. A basis point is 0.01 percentage point.

“On the long end, the rates are very favorable,” said Gilmore. “We think it’s a great opportunity to fix in our rates. Between the refunding and the new money, we’re getting to the place where we want to be with respect to our overall debt profile.”

## Expand Hospitals

Ascension is planning to expand hospitals in Texas, Wisconsin, Connecticut, Michigan and Tennessee, Gilmore said.

“We’re among the highest-rated health-care systems in the country,” he said. “It’s all tied to our efforts to practice responsible stewardship of the assets we’re entrusted with. It very much is consistent with our mission overall.”

Thirty-year hospital bonds rated AA have yielded [5.06 percent](#) for six straight days, according to data compiled by Bloomberg. Ten-year hospital securities yielded [4.12 percent](#) yesterday, down two basis points from last week.

The Ascension Health sales comprise nearly 15 percent of the week's tax-exempt total, expected to be \$9.21 billion. It will be the largest after California's \$2 billion sale, which is expected to price March 11. With an additional \$2.45 billion in taxable securities, the week may top \$11.6 billion in new municipal issues, the [largest total](#) since Dec. 11, Bloomberg data show.