



RATING ACTION COMMENTARY

Fitch Affirms University of Vermont Medical Center Revenue Bonds at 'A'; Outlook Stable

Fri 30 May, 2025 - 12:54 PM ET

Fitch Ratings - New York - 30 May 2025: Fitch Ratings has affirmed the bond rating on debt issued by the Vermont Educational and Health Building Financing Agency on behalf of University of Vermont Medical Center (UVMHC) at 'A'. Fitch has also affirmed UVMHC's Issuer Default Rating (IDR) at 'A'. Fitch's analysis is based on the credit profile of the consolidated University of Vermont Health Network, Inc. (UVMHN).

The Rating Outlook is Stable.

RATING ACTIONS

ENTITY / DEBT ⇅	RATING ⇅	PRIOR ⇅
University of Vermont Medical Center Inc. (VT)	LT IDR A Affirmed	A
University of Vermont Medical Center Inc. (VT) /General Revenues/1 LT	LT A Affirmed	A

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The affirmation reflects UVMHN's dominant market position, its essentiality as the only provider in its service area for certain tertiary services, and its solid financial profile, with key leverage metrics consistent with the middle of the 'a' rating category. The operating performance, which weakened during and right after the pandemic, has begun to improve and stabilize.

Fitch's forward-looking scenario shows the system's leverage metrics remaining consistent with an 'a' financial profile, based on a 'Midrange' revenue defensibility and 'Midrange' operating risk assessment. The stress scenario shows the key leverage metrics recovering to levels consistent with the rating, which supports the Stable Outlook. Fitch expects capex to increase over the next five years; management has indicated that the higher level of capex will depend on operating margins being maintained in the 2% to 3% range.

SECURITY

Security interest in the obligated group's (OG) gross receipts and a mortgage on the UVMMC hospital facility in Burlington, VT. The OG, which includes UVMMC, Central Vermont Medical Center (CVMC) in Berlin, VT, and Champlain Valley Physicians Hospital (CVPH) in Plattsburgh, NY, represents the vast majority of UVMHN's consolidated assets, revenues and debt.

KEY RATING DRIVERS

Revenue Defensibility - 'bbb'

Dominant Vermont Provider

UVMHN's midrange revenue is supported by its dominant market share position as a provider of high-end tertiary and quaternary services in a sizable geographic area that spans most of Vermont and portions of New York State. The system draws patients from all of Vermont's counties, plus an additional six counties in northeastern New York State. UVM Medical Center (UVMMC), the system's flagship hospital located in Burlington, VT, is Vermont's only academic medical center. It generates about 63% of the systems operating revenues and maintains a dominant 94% market share in Chittenden County.

In much of the region, UVMHN is the sole provider of essential health care services, including a children's hospital and neonatal intensive care unit, its Level 1 Trauma Center, its stroke center, critical care services, and regional transport system. The essential nature

of the services that UVMHN provides has led to strong patient demand, which has kept volume growth steady.

Market share of its two other principal Vermont facilities is around 83% for CVMC, located in Washington County and Porter Medical Center (PMC) located in Addison County. In New York, CVPH, its largest New York hospital, has a 92% share of Clinton County.

Chittenden County, where UVMHC is located, has population growth and wealth indicators that are favorable compared to state and national levels. Addison and Washington counties, the two other Vermont counties, have slightly weaker demographics than Chittenden County but those indicators remain relatively consistent with state and nation levels. Clinton County in New York State has the weakest demographics with declining population in the last five years and income levels below state and national medians.

The generally favorable demographics across UVMHN's markets support a sound and stable payor mix, with combined Medicaid and Self-Pay under 20% of gross revenues (16.6% in FY24; September 30 YE), consistent with the midrange assessment.

Operating Risk - 'bbb'

Improving Operational Trend; Increased CapEx

The operating EBITDA margin averaged 4.2% over the last five years, which is thin for the midrange operating risk assessment. After UVMHN lost \$101.7 million on operations (a 0.7% operating EBITDA margin) in FY22, management initiated a margin improvement plan in FY23 based on work streams focused on revenue enhancements and expenses savings. The improvement plan, coupled with the good patient demand for services, led to an improved performance in both FY23 and FY24, with operating EBITDA margins of 4% and 6.4%, respectively.

FY25 has started off slower, with a negative operating margin in Q1, which improved to just above breakeven by the end of Q2 (a 3.9% operating EBITDA margin). Fitch expects the operating performance to continue to improve for the rest of FY25. Management continues to focus on areas of improvement that will continue to yield benefits.

These include scaling up its population health network, maximizing group purchasing opportunities and its specialty pharmacy, advancing administrative shared service efficiencies, especially in technology, implementing ongoing strategies in post-acute care to

further drive down the length of stay, streamlining the leadership structure, and reducing agency and traveler staffing.

Recruitment efforts in calendar 2024 led to a net positive 988 total hires, including 213 registered nurses. Contract FTEs have trended down since its use and cost peaked in FY23, and that has continued into FY25.

Additionally, UVMHN and the Green Mountain Care Board (GMCB) have resolved a dispute related to UVMHN exceeding its expected revenue budget in FY24. The GMCB, which is an independent five-member board whose members are appointed by the governor, regulates major areas of Vermont's health care system, including monitoring and evaluating health care payment and delivery system reform.

Fitch views the resolution of the dispute as a credit neutral. As part of the agreement, UVMHN has agreed to invest \$11 million into primary care providers unaffiliated with UVMHN and make a one-time \$12 million payment to BlueCross BlueShield of Vermont. Longer term, the yearly uncertainty around the GMCB could be a credit concern, especially related to potential constraints on UVMHN's operating performance and revenue growth.

Capital Spending: Capex has average 74.2% of depreciation over the last five years. Spending was lower than the prior five-year period and reflected the pandemic and other operating challenges over those years. The below depreciation level of capex has led to the average age of plant rising to above 13 years from 10.5 years in FY20.

While an extended period of lower capex can be a concern, UVMHN has spent strategically and due to its strong market position it has not affected its revenue defensibility. Capex is expected to increase over the coming five years, to about \$750 million, which would be above depreciation; however, that will partially depend on UVMHN's ability to sustain the improved operating performance achieved in FY24.

Financial Profile - 'a'

Financial Profile Resilient Through Stress Scenario

At YE FY24, UVMHN had unrestricted cash and investment position of about \$1.3 billion, which was up about 27% year over year and improved cash-to-adjusted debt to 168.4% from 125.2%. Days cash on hand (DCOH) also improved to 150.3 days from 128.4 days. The improved metrics have helped stabilize UVMHN's financial profile in the middle of the 'a'

category. Maximum annual debt service (MADS) coverage was 4x (as calculated by Fitch) and that was the strongest it's been over the last five years.

Fitch's forward-looking, base case scenario assumes operating EBITDA margins improving to above 6% in the latter years of the base case. After a period of lower capex, capex is expected to ramp up and the base case also factors in some potential debt to cover the increased capex. The base case shows UVMHN's financial profile remaining steady as its capex plan is funded.

Fitch's stress scenario incorporates an operational stress and includes a portfolio sensitivity customized to UVMHN's asset allocation. Results show UVMHN's adjusted leverage metrics recovering to levels consistent with the 'a' financial profile, as capex remains elevated.

Asymmetric Additional Risk Considerations

No asymmetric risks informed the rating assessment outcomes.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--Inability to sustain operating results that are consistently at or above 6% operating EBITDA margins;

--A decline in unrestricted liquidity or a debt issuance such that cash-to-adjusted debt is expected to stabilize below 130%.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--Operating EBITDA margins in the 8% to 9% range, coupled with unrestricted liquidity maintained above 160%.

PROFILE

UVMHN is an integrated health care network, providing hospital and physician services with six hospitals located in Vermont and New York and serving a large geography with population of about 1.4 million. UVMHC, the system's flagship hospital located in Burlington, is a full-service tertiary and quaternary hospital with 567 staffed beds (including NICU bassinets; 90% private), and the only academic medical center in its region which includes parts of Vermont and portions of New York State. UVMHC is the teaching

hospital for the University of Vermont and a Level I Trauma Center and also operates 135 long-term care and skilled nursing beds.

The other hospitals in the UVMHN are CVMC with 61 beds, CVPH 146 acute care beds, Alice Hyde Medical Center (AHMC) with 35 rehab beds in Malone, NY, Elizabethtown Community Hospital (ECH), a critical access 25-bed hospital in Elizabethtown, NY and Porter Medical Center (PMC) in Middlebury, VT, a 25-bed acute care facility and 105 bed skilled nursing facility. The Health Network also employs about 1,500 physician FTE's.

The consolidated system had \$3.4 billion total revenues in FY24.

Sources of Information

In addition to the sources of information identified in Fitch's applicable criteria specified below, this action was informed by data from Lumesis.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit

<https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

Additional information is available on www.fitchratings.com

PARTICIPATION STATUS

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

APPLICABLE CRITERIA

[U.S. Not-For-Profit Hospitals and Health Systems Rating Criteria \(pub. 12 Nov 2024\)](#)
(including rating assumption sensitivity)

[U.S. Public Sector, Revenue-Supported Entities Rating Criteria \(pub. 10 Jan 2025\)](#) (including rating assumption sensitivity)

APPLICABLE MODELS

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Portfolio Analysis Model (PAM), v2.0.1 (1)

ADDITIONAL DISCLOSURES

[Dodd-Frank Rating Information Disclosure Form](#)

[Solicitation Status](#)

[Endorsement Policy](#)

ENDORSEMENT STATUS

Vermont Educational & Health Buildings Financing Agency (VT)

EU Endorsed, UK Endorsed



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