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Maricopa County Industrial Development Authority (AZ): Fitch New Issue Report

The 'A+' ratings for the series 2024A/B/C&D bonds and the IDR and revenue bond rating affirmations reflect Fitch's expectation that HonorHealth will maintain profitability and liquidity at levels consistent with the current rating (despite recent pressures from staffing challenges and inflation). The ratings also reflect HonorHealth's solid market share in the competitive and growing Maricopa County service area, with a leading presence in Scottsdale, AZ. Fitch's forward-looking analysis, which incorporates the expectation of capital spending above depreciation before this current debt issuance, shows HonorHealth absorbing the modest amount of new debt, and funding its capital plan of approximately \$615 million over the next three years, while continuing to improve liquidity and capital ratios. Fitch expects HonorHealth's margins to continue to improve in fiscal 2024 due to improved volume growth, reinforced by HonorHealth's favorable payor mix. Fitch expects HonorHealth's strategic initiatives including its focus on safety and quality care, workforce recruitment, development and retention efforts, and expanding its ambulatory presence in target areas will continue to improve margins through 2024 and beyond. In addition, Fitch expects that HonorHealth will spend above annual depreciation levels, with around one billion in capital spending over the next five years.

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