MOODY'S
RATINGS

Rating Action: Moody's Ratings upgrades ratings of Advocate Aurora Health and Atrium Health (legally known as Charlotte Mecklenburg Hospital Authority) to Aa2 and Wake Forest Baptist's to Aa3; outlooks stable

01 Oct 2025

New York, October 01, 2025 -- Moody's Ratings (Moody's) has upgraded the revenue bond ratings of Advocate Aurora Health and Atrium Health (legally known as Charlotte Mecklenburg Hospital Authority) to Aa2 from Aa3 and simultaneously upgraded the revenue bond rating of Wake Forest Baptist to Aa3 from A1. The outlooks have been revised to stable from positive at the higher rating levels. We have also affirmed the VMIG 1 and P-1 short term ratings assigned to various series of debt at Advocate Aurora Health and Atrium Health.

Advocate Health, Inc. was created as the governing entity of Advocate Aurora Health and Atrium Health, Inc. as member organizations. The debt of the various member organizations remains separately secured, however, we consider the linkages between them and the credit quality of the entire Advocate Health system in our analysis.

The upgrades reflect the strengthened financial profile of the Advocate Health system and its successful strategic expansion strategies which have augmented Advocate Aurora Health, Atrium Health, and Wake Forest Baptist. Governance is a key driver for the upgrades reflecting the view that management's execution of growth and integration strategies have undergirded Advocate Health's financial and operational success.

RATINGS RATIONALE

The Aa2 rating for Advocate Aurora Health and Atrium Health is supported by several key credit factors, including significant scale, strong market share in major metropolitan areas, and solid financial performance and liquidity. The system operates in demographically favorable markets, leveraging a strong position built on numerous convenient outpatient care access points, physician clinics, and high-acuity inpatient care at several academic hospitals. The second branch of Wake Forest University School of Medicine, in Charlotte, increases Advocate Health's prominence in that market and establishes a pipeline for physicians and medical staff over time. Disciplined financial and capital planning allows both organizations to fund capital spending and pursue growth opportunities while sustaining solid operating margins and favorable leverage and liquidity metrics. Though competition is high, population growth and a strong reputation are expected to help maintain or expand market share. The most significant challenges are the potential cuts in federal and state funding, although the legacy entities have a long history of effectively responding to operating pressures.

The Aa3 rating for Wake Forest Baptist is based on its solid market position in Winston-Salem, its status as an academic medical center, and its membership in the Advocate Health system. Membership in the Advocate Health system provides strategic and financial advantages, including access to capital and the resources of a larger system.

Affirmation of Atrium Health's P-1 and VMIG 1 ratings reflects the organization's strong treasury management and daily liquid assets that provide for adequate coverage of debt backed by Atrium Health's internal liquidity.

Affirmation of Advocate Aurora's P-1 reflects its long term rating and our approach to market access instruments.

Affirmation of Advocate Aurora's and Atrium Health's VMIG 1 reflects standby bond purchase agreements provided by the respective banks to support the tender features of the affected debt.

RATING OUTLOOK

The stable outlook reflects solid operating cash flow (OCF) margins above 7% and maintenance of very favorable cash and debt metrics

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATINGS

- Further geographic diversification of cash flow

- Material and sustained improvement in operating margins that support exemplary leverage measures

- Significant increase in market share

- For short-term ratings: not applicable

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATINGS

- Sustained decline in OCF margin below 6%

- Additional debt that materially dilutes leverage metrics

- Short term ratings: material reduction in coverage level of assets backing the commercial paper program or downgrade of Advocate Aurora or Atrium's long term rating to A2 or lower; for bank enhanced ratings: downgrade of the short-term CR Assessment of the Bank

PROFILE

The Advocate Health system has significant patient care operations in four states spanning multiple major metro areas. It provides services across the care continuum with nearly 70 hospitals, numerous ambulatory and clinic locations, and 8,000 employed physicians. It is headquartered in Charlotte, NC.

METHODOLOGY

The principal methodology used in the long-term ratings was Not-for-profit Healthcare published in October 2024 and available at https://ratings.moodys.com/rmc-documents/430698. The principal methodology used in the short-term ratings was US Municipal Short-term Debt published in October 2024 and available at https://ratings.moodys.com/rmc-documents/430699. Alternatively, please see the Rating Methodologies page on https://ratings.moodys.com for a copy of these methodologies.

REGULATORY DISCLOSURES

For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on https://ratings.moodys.com/rating-definitions.

For any affected securities or rated entities receiving direct credit support/credit substitution from another entity or entities subject to a credit rating action (the supporting entity), and whose ratings may change as a result of a credit rating action as to the supporting entity, the associated regulatory disclosures will relate to the supporting entity. Exceptions to this approach may be applicable in certain jurisdictions.

For ratings issued on a program, series, category/class of debt or security, certain regulatory disclosures applicable to each rating of a subsequently issued bond or note of the same series, category/class of debt, or security, or pursuant to a program for which the ratings are derived exclusively from existing ratings, in accordance with Moody's rating practices, can be found in the most recent Credit Rating Announcement related to the same class of Credit Rating.

For provisional ratings, the Credit Rating Announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating.

Moody's does not always publish a separate Credit Rating Announcement for each Credit Rating assigned in the Anticipated Ratings Process or Subsequent Ratings Process.

Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

At least one ESG consideration was material to the credit rating action(s) announced and described above. Moody's general principles for assessing environmental, social and governance (ESG) risks in our credit analysis can be found at https://ratings.moodys.com/rmc-documents/435880.

Please see https://ratings.moodys.com for any updates on changes to the lead rating analyst and to the Moody's legal entity that has issued the rating.

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