

RATING ACTION COMMENTARY

Fitch Affirms Atrium Health (NC) at 'AA'; Outlook Stable

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Fitch Ratings - Chicago - 22 Oct 2025: Fitch Ratings has affirmed Atrium Health Enterprise's (Atrium) Issuer Default Rating (IDR) at 'AA'. Fitch has also affirmed at 'AA' ratings on revenue bonds issued by the Charlotte-Mecklenburg Hospital Authority (CMHA), Wake Forest University Baptist Medical Center, and the North Carolina Medical Care Commission (NCMCC) on behalf of Wake Forest Baptist Health (WFBH).

The Rating Outlook is Stable.

Additionally, Fitch has affirmed the 'F1+' Short-Term rating on Atrium's variable rate demand bonds (VRDB) and commercial paper (CP) supported by self-liquidity.

RATING ACTIONS

ENTITY / DEBT ♦	RATING ♦	PRIOR ♦
Atrium Health Enterprise (NC)	LT IDR AA Rating Outlook Stable Affirmed	AA Rating Outlook Stable
Atrium Health Enterprise (NC) /General Revenues/1 LT	LT AA Rating Outlook Stable Affirmed	AA Rating Outlook Stable
Atrium Health Enterprise (NC) /Self-Liquidity/1 ST	ST F1+ Affirmed	F1+

[VIEW ADDITIONAL RATING DETAILS](#)

Atrium and Advocate Aurora Health (AAH) combined in December 2022 to form Advocate Health. The 'AA' ratings assigned to Atrium and AAH continue to reflect Advocate Health's very strong financial profile in the context of a sound operating profile, leading market positions across multiple states, and strong balance-sheet metrics. Although AAH and Atrium remain separate obligated groups, most metrics and the financial profile reflect the consolidated Advocate Health.

Combined, Advocate treats approximately six million unique patients in more than 1,000 sites of care (including 69 hospitals) across six states in the Southeast (North Carolina, South Carolina, Georgia, and Alabama) and Midwest (Illinois and Wisconsin). The system also benefits from being the primary teaching affiliate of the Wake Forest University (WFU) School of Medicine.

Like most U.S. acute care providers, Advocate's operating metrics compressed in fiscal 2022 due to macro labor and inflationary pressures, but margins have since rebounded. Fitch expects the system to sustain sound operating results over the long term despite ongoing macro pressures, including HR 1. Advocate's combined capital-related metrics should remain strong in Fitch's forward-looking scenario analysis, including in a stress case.

SECURITY

Atrium consists of the CMHA obligated group (OG) and the WFB OG. CMHA is a public authority OG, while WFBH is a private not-for-profit. CMHA bonds are supported by revenue of the CMHA OG as a joint and several structure, whose flagship entity is the Carolinas Medical Center based in Charlotte. WFBH bonds are unsecured obligations of the WFB OG, which includes the flagship WFU Baptist Medical Center, North Carolina Baptist Hospital, and WFU Health Sciences.

Atrium's Georgia affiliates (Navicent and Floyd) are not members of the CMHA or WFB OGs. Navicent only has privately placed debt and Floyd debt is in the form of a taxable bank loan. AAH debt is still under a separate OG. While Atrium and AAH have not provided a guarantee on each other's debt, Fitch believes management and the board are committed to the combined Advocate Health system and are deeply integrated.

KEY RATING DRIVERS

Revenue Defensibility - bbb

Broad Reach Across Multiple Regions; Competition Present in Key Markets

Advocate has diversified operations across multiple markets in six states in distinct regions of the U.S. (the Southeast and Midwest). Key hospital markets include Charlotte and Winston-Salem in North Carolina, the Macon area in Georgia, the Chicago area in Illinois, and Milwaukee and Green Bay in Wisconsin. Advocate maintains the market lead in most core service areas, although competition is present in many markets.

Advocate operates across varied service-area demographics, as expected for a large, geographically diverse health system. The Charlotte and Winston-Salem metros are growing faster than the national average, while Bibb County (Rome) and Floyd County (Macon) are growing in line with it. Population trends in Chicago, Milwaukee, and Green Bay are more stagnant, although Advocate's Chicago assets are largely in more affluent suburban locations.

Advocate's combined Medicaid and self-pay share is 22% of gross revenue in fiscal 2025, below Fitch's 25% threshold for a midrange assessment. North Carolina recently expanded Medicaid under the Affordable Care Act (ACA), as Illinois did earlier, while Wisconsin and Georgia did not. Given Advocate's payor mix, the system is somewhat less exposed to expected Medicaid cuts under HR 1, though longer-term planned provider tax and Medicaid directed payment program cuts will affect the system's top-line revenue. Nevertheless, Fitch expects Advocate's revenue defensibility to remain reasonably resilient to federal healthcare policy changes.

Operating Risk - a

Track-Record Sound Operating Results; Margins Continue to Rebound

Atrium and AAH have a track record of sound operating metrics, and Advocate's margins continue to rebound from compressed fiscal 2022 results. In audited fiscal 2024, Advocate recorded a 3.2% operating margin and a 7.4% operating EBITDA margin, adjusted to reclassify the portion of investment income included in operating revenue to non-operating. This follows 1.6% and 6.4%, respectively, in fiscal 2023, the first full year of combined results after the December 2022 merger. On a management combination basis, the system recorded a -0.8% operating loss margin and a 4.3% operating EBITDA margin in fiscal 2022 as macro labor and inflationary pressures mounted.

Factors driving improvement in fiscal 2024 include generally favorable volume trends—inpatient admissions up 7.1% in fiscal 2024 over fiscal 2023, and up 3.1% including observation stays—and total surgeries up 2.6%; further integration synergies across supply chain, pharmacy optimization, revenue cycle, and IT, with management estimating \$1 billion in synergies over the 30 months post-merger; deployment of AI and other technologies to help to mitigate nurse and physician shortages; and the implementation of a Medicaid directed payment program in North Carolina to complement Medicaid expansion.

Interim fiscal 2025 results remain favorable. Through the unaudited fiscal 2025 six-months ended June 30, Advocate posted a 4.4% operating margin and an 8.3% operating EBITDA margin. Excluding non-recurring revenue items in interim fiscal 2025 such as FEMA funding and employee retention tax credits, the operating margin was 3.4%. Management targets a sustainable margin over the long-term despite HR 1, tariffs, and other headwinds.

Capital Spending

Advocate has maintained a steady capital spending pace. From fiscal 2021 to 2024, the combined system's capex averaged just over 130% of depreciation. The average age of plant was a sound 11.4 years at FYE 2024. Management plans to sustain capex in the coming years but notes that capital spending is contingent on meeting EBITDA targets, and will flex capex accordingly.

In June 2025, Advocate opened the Pearl, a mixed-use project in Charlotte designed to accelerate biomedical research, innovation and clinical care, which houses the Wake Forest University School of Medicine-Charlotte. In 2025, Advocate also opened a new patient tower at Illinois Masonic medical center in Chicago and the new Julie Ann Freischlag patient tower in Winston-Salem. Ongoing and future capital projects include the new Carolina's Medical Center bed tower in Charlotte, to open in 3Q27, and additional ambulatory access points. Given Advocate's scope and reach, Fitch expects the system to access the debt markets on a regular basis, and management is considering approximately \$300 million of net new debt over the next year or so.

Financial Profile - aa

Very Strong Capital-Related Ratios

Advocate's financial profile is very strong. Capital-related metrics should remain robust in a forward-looking scenario analysis, including in a stress case.

At FYE 2024, Advocate had nearly \$24 billion of unrestricted cash and investments and \$8.7 billion of debt (including operating leases). Advocate sponsors six private defined benefit (DB) pension plans, each more than 85% funded. Fitch includes as a debt equivalent the portion of a FASB DB pension plan below 80% funded. Atrium also has the CMHA government DB pension, which was approximately 66% funded as of FYE 2024. Advocate's net adjusted debt (adjusted debt minus unrestricted cash and investments) is favorably negative and cash-to-adjusted debt exceeded 270% at FYE 2024.

Advocate's capital-related ratios should remain strong, even in a forward-looking stress scenario analysis. In the stress case, Advocate's net adjusted debt-to-adjusted EBITDA remains favorably negative in every year and cash-to-adjusted debt never falls below 225% (and exceeds 280% by year four).

Short-Term Rating

The 'F1+' short-term rating is based on Atrium maintaining a long-term rating of at least 'AA-'. Atrium (and Advocate) maintains sufficient discounted internal liquid resources and has implemented written procedures to fund any un-remarketed put on the approximately \$500 million of theoretical maximum potential AAH debt supported by self-liquidity. Atrium's self-liquidity supported demand debt includes CP and puttable variable rate demand bonds (VRDB)

not supported by standby bond purchase agreements (SBPAs) or letters of credit (LOC), which are sufficiently covered by internal liquidity (per Fitch's standard discounting of assets).

Asymmetric Additional Risk Considerations

There are no asymmetric risks affecting the rating.

Advocate's liquidity is robust and debt service coverage is strong, neither of which is an asymmetric risk. Cash on hand was more than 265 days at FYE 2024. Maximum annual debt service (MADS) is \$458 million and MADS coverage in FY 2024 was strong at 9.6x.

RATING SENSITIVITIES

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

- Sustained compression in operating metrics, such that the operating EBITDA margin is expected to remain closer to 6%;
- Materially Weaker balance sheet and thinner capital-related ratios, leading to expectation that cash-to-adjusted debt were expected to remain below 200% in a forward-looking stress case, particularly if compounded with a weaker operating risk assessment.

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

- Combined Advocate Health operating EBITDA margin consistently at least in the 9% - 10% range;
- Considerable growth in unrestricted liquidity leading to superlative cash-to-adjusted debt expected to remain above 300% even throughout a forward-looking stress case.

PROFILE

Advocate Health is the result of the December 2022 combination of Atrium and AAH. The combined system operates 69 hospitals and more than 1,000 sites of care. The system maintains an academic affiliation with Wake Forest University and engages in considerable research efforts and has more than 250 GME programs.

Advocate has acute care operations in six states: North Carolina, South Carolina, Georgia, and Alabama (Advocate Health - Southeast, the legacy Atrium); and Illinois and Wisconsin (Advocate Health - Midwest, the legacy AAH). Core hospital operations are diversified, with particular penetration around Charlotte and Winston-Salem in North Carolina, Macon and Rome in Georgia, Milwaukee and Green Bay in Wisconsin, and the Chicago area in Illinois. Advocate Health treats approximately six million unique patients.

Advocate's total operating revenue measured nearly \$35 billion in FY 2024, making Advocate one of the five largest not-for-profit health systems in the U.S., and is the largest health system in North Carolina, Illinois, and Wisconsin. The system is structured as a Joint Operating Agreement (JOA). Advocate Health has a common board with 14 members (seven each from Atrium and AAH). While Atrium and AAH have not yet combined debt obligations, Advocate Health operates with a common management team and one board and the system is deeply integrated including with strategic development.

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>.

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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](#))

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