

CREDIT OPINION

9 October 2026



Send Your Feedback

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CommonSpirit Health

Update to credit analysis

Summary

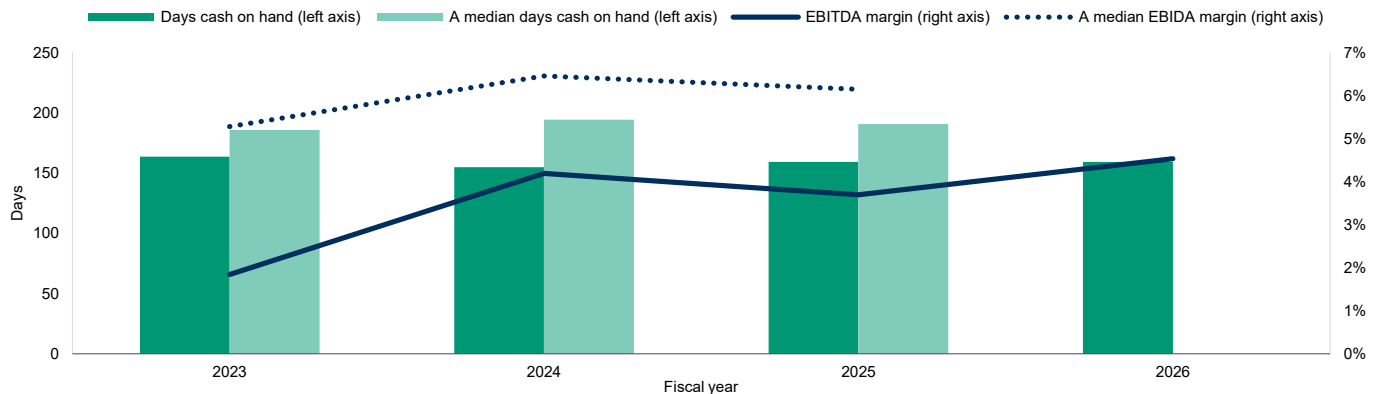
CommonSpirit Health's (A3 revenue, A3 issuer, stable outlook) credit quality reflects our expectation for financial improvement toward longer-term targets, supported by management's comprehensive transformation strategy and performance improvement plan. CommonSpirit's significant scale, geographic diversification across 24 states, good market positions and substantial financial resources provide important credit stability as the organization undertakes significant transformation initiatives including the transition of its revenue cycle. Fiscal 2026 results indicate modest progress, with a 3.8% EBITDA margin, normalized for California provider fees, near the 4% we expected for the year. Management targets further improvement to 4.5%-5% in fiscal 2027 and 6.5%-7% in fiscal 2028.

Financial improvement will depend on successful execution of multi-year initiatives focused on growth, productivity, revenue cycle, supply-chain efficiencies and structural expense reductions. The rating balances these strategic aims against significant execution risk, still-high leverage, with cash to adjusted debt of 70%-80%, and substantial capital investment needs that will necessitate additional borrowing. Nevertheless, we expect CommonSpirit to maintain liquidity around 150 days cash on hand, providing an important cushion as it executes its capital plans and pursues further performance improvement. Additional debt is anticipated, including a potential issuance in calendar 2027, and we will evaluate the magnitude and timing of new debt in the context of CommonSpirit's progress toward financial performance improvement, liquidity and leverage.

The affirmation of the A3 revenue bond rating reflects CommonSpirit's issuer rating and the security features of the debt.

The VMIG 2 and P-2 short-term ratings on debt backed by CommonSpirit's own liquidity reflect adequate coverage with daily liquidity, continued good treasury management practices and CommonSpirit's long-term credit profile.

Exhibit 1

Moderate improvement expected to continue, with stable liquidity providing cushion

Source: Moody's Ratings

Credit strengths

- » Cash flow diversification and economies of scale derived from CommonSpirit's very large size and significant presence in 24 states
- » Good competitive position supported by strong brands, high concentration of assets in specific regions, and good market share in most markets
- » Days cash on hand compares favorably to large, similarly rated peers
- » Major beneficiary of California's provider fee equal to approximately \$500-\$700 million per year on a normalized basis
- » Manageable debt structure with nearly 90% of debt issued as fixed rate, long term committed capital; history of active and capable debt and treasury management

Credit challenges

- » Industry wide labor, expense and reimbursement headwinds will challenge pace of performance improvement; though the organization has outlined a comprehensive improvement plan
- » Certain markets remain particularly impacted including the South and the Pacific Northwest
- » Significant competition in most regions
- » Debt measures are significantly weaker than most similarly sized organizations; planned debt issuance may weaken further
- » Elevated capital spending expected over next five years with \$2-\$3 billion estimated in fiscal 2027 and 2028

Rating outlook

The stable outlook reflects our expectation that CommonSpirit's EBITDA margin will improve through fiscal 2027, approaching 4.5%-5.0% and 6.5-7.0% in 2028, on a normalized basis. Continued progress toward margin targets will be important to the system's capacity to absorb additional debt while maintaining its current credit profile.

Factors that could lead to an upgrade

- » Sustained improvement of EBITDA margin to above 8%
- » Strengthening of cash to adjusted debt and adjusted debt to adjusted cashflow to levels consistent with the A2 rating

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- » Maintenance of days cash above 200
- » Short term ratings: Improvement in overall credit quality of borrower; improved coverage levels

Factors that could lead to a downgrade

- » Inability to improve EBITDA margins to above 4% on a normalized basis in fiscal 2027, and demonstrate progress towards reaching 5%-6% in fiscal 2028
- » Days cash on hand sustained below 150 days
- » Inability to trend adjusted debt-to-adjusted cash flow toward 4.0x
- » Short term ratings: Decline in overall credit quality of borrower; decline in coverage levels

Key indicators

Exhibit 2

CommonSpirit Health

	2023	2024	2025	2026	2026 (Norm. PF)	A medians
Adjusted Operating Revenue (\$000)	\$34,529,000	\$37,517,000	\$39,116,000	\$42,424,000	\$41,749,000	\$2,967,343
Total Debt (\$000)	\$18,013,070	\$18,365,000	\$19,361,000	\$21,396,000	\$21,396,000	\$722,955
Total Adjusted Debt (\$000)	\$21,672,070	\$21,652,000	\$22,375,000	\$23,711,000	\$23,711,000	\$859,192
EBITDA Margin	1.8%	4.2%	3.7%	4.5%	3.8%	6.1%
Cash on Hand (days)	163.6	154.9	159.2	159.3	160.6	190.7
Unrestricted Cash & Investments to Total Adjusted Debt	71.3%	71.8%	74.9%	76.0%	76.0%	164.8%
Total Adjusted Debt to Adjusted Cash Flow	11.2x	7.4x	8.9x	7.5x	8.4x	3.3x
Capital Spending Level	0.9x	0.9x	1.5x	1.3x	1.3x	1.4x
PM: Total Commercial	27.1%	27.5%	27.2%	27.0%	27.0%	30.2%
PM: Medicare	45.8%	46.0%	46.7%	47.0%	47.0%	49.5%
PM: Medicaid	21.3%	20.2%	19.7%	20.0%	20.0%	14.6%

Based on financial statements for CommonSpirit Health for fiscal years ended June 30; swap cashflow expense added to interest expense; imputed pension expense added to operating expense; investment returns normalized at 5%. 2026 Normalized Provider Fee includes adjustment to revenue for timing of California Provider Fee funding.

Source: Moody's Ratings

Profile

CommonSpirit has operations in 24 states, and is headquartered in Chicago, IL. Its largest markets include California, Colorado, Arizona, the Pacific Northwest and Texas. As one of the largest not-for-profit health systems in the United States, it is comprised of over 150 hospitals, including 20 operated through unconsolidated joint ventures, and approximately 2,600 sites of care.

Detailed credit considerations

Recent events

In January 2026, CommonSpirit made the decision to insource revenue cycle operations currently served by Conifer Revenue Cycle Solutions, LLC (Conifer) effective December 31, 2026. CommonSpirit's 23% ownership interest in the joint venture has been terminated, resulting in the redemption of an equity interest held for \$540 million. As part of the agreement, CommonSpirit will pay an aggregate of \$1.9 billion, of which \$540 million has been applied. The remaining payments will be paid in equal installments over the next three years.

Market profile

CommonSpirit's brand and strategic position will continue to benefit from its significant scale and geographic diversity, with operations across 24 states. The organization maintains a market-focused strategy, seeking to establish leading positions in its markets while developing a broad range of services and delivery platforms across the continuum of care. Performance will remain uneven across markets, with some, including California and Colorado, generating very strong results while others operate at slimmer margins. The South and Pacific Northwest remain among the more challenged markets.

Federal policy changes represent an additional operating headwind, including reductions in Medicaid eligibility and exchange subsidies that are expected to become more meaningful in fiscal 2027 and 2028. Management estimates total policy-related headwinds, including these and other items, at approximately \$500 million in fiscal 2027 and \$1 billion in fiscal 2028. CommonSpirit's geographic diversity provides some mitigation against these pressures, supporting our favorable operating environment assessment. Management is also implementing Project impACT, a comprehensive operational improvement initiative designed to address current pressures and offset future challenges. CommonSpirit's ability to maintain credit stability will depend significantly on successful execution of these initiatives (see Financial performance section).

Quality of revenue considerations include a relatively low commercial gross payor mix of 27% and substantial reliance on supplemental funding. Medicaid supplemental funding amounted to approximately \$4.5 billion in fiscal 2026, equivalent to more than 200% of EBITDA, while annualized 340B benefits total approximately \$350 million. These risks are partially offset by CommonSpirit's significant national scale and the presence of high-acuity service lines across many of its markets.

Financial performance

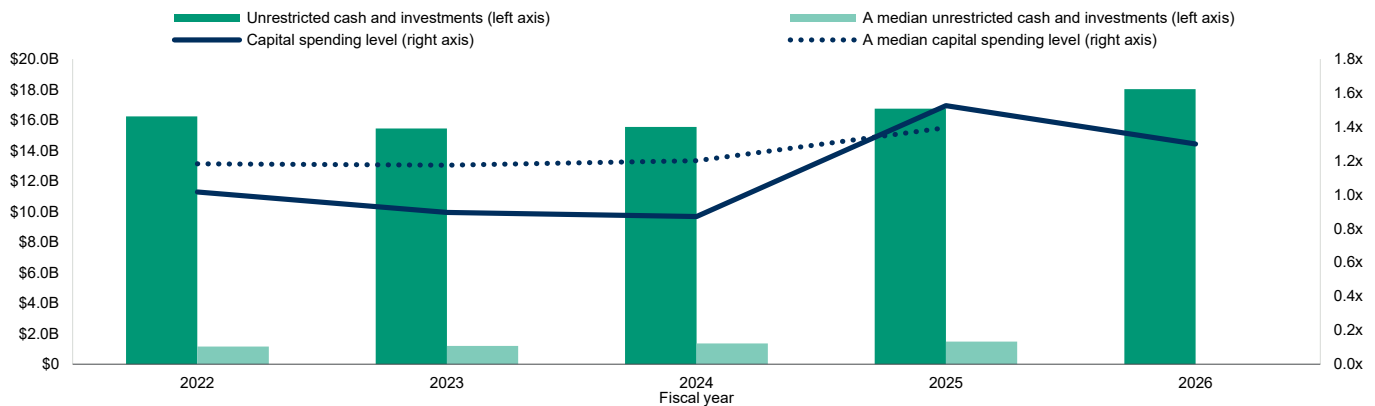
We expect operating performance to improve incrementally in fiscal 2027, with the normalized EBITDA margin increasing to approximately 4.6%, followed by more substantial improvement to 6.7% in fiscal 2028. This would continue the improving trend of recent years, following a normalized EBITDA margin of 3.8% in fiscal 2026. Fiscal 2026 performance was negatively affected by approximately \$252 million, or roughly 50 basis points of EBITDA margin, of unbudgeted costs associated with management's decision to transition revenue cycle operations in-house and other strategic initiatives. Regional performance will remain varied. In fiscal 2026, California and the Central region each generated approximately \$1 billion of EBITDA, while the Mountain region contributed nearly \$300 million. The South and Pacific Northwest remained challenged, generating EBITDA losses of approximately \$(205) million and \$(28) million, respectively. Management expects the Pacific Northwest to become cash flow positive in fiscal 2027 and the South to approach breakeven.

Improvement in fiscal 2027 and beyond will depend significantly on successful execution of Project impACT and the transition of revenue cycle operations in-house from Conifer. Together, these initiatives target approximately \$1.5 billion of run-rate EBITDA improvement in fiscal 2027, net of revenue cycle transition costs, increasing to \$3.2 billion in fiscal 2028 and ultimately \$6.0 billion by fiscal 2031. Project impACT focuses on clinical growth and productivity, revenue cycle efficiencies, supply-chain synergies and structural expense reductions. Other major initiatives include transitioning the system to a single electronic medical record by 2027, compared with 67% currently, and consolidating onto a single enterprise resource platform by mid-2027 to streamline back-office functions. Further improvement is expected in fiscal 2028 and beyond, with management targeting EBITDA margins of at least 6%-7% and ultimately 8%. Given the magnitude of the targeted improvement, meaningful progress toward these objectives in fiscal 2027 will be important to maintaining credit stability.

Liquidity

Management intends to maintain absolute liquidity near current levels without drawing on investments, supporting days cash of approximately 150 days. This compares favorably with other large A3-rated organizations and provides an important offset to CommonSpirit's high debt burden and currently modest operating performance.

Exhibit 3

Unrestricted cash expected to remain at current levels, despite higher capital spending plans

Source: Moody's Ratings

Capital spending will remain elevated at \$2-\$3 billion annually in fiscal 2027 and 2028 and more than \$3 billion thereafter, subject to EBITDA performance. Additional liquidity is provided by a \$900 million line of credit and \$1.1 billion commercial paper program. Investments are less liquid and more diversified than those of many peers, with 31.5% allocated to cash and fixed income, 36.4% to equities and 32.1% to alternatives as of fiscal 2026. Approximately 50% of investments are available within 30 days, while 18% are restricted for more than one year.

Leverage

CommonSpirit's high but stable debt burden will remain an ongoing credit challenge, with debt measures below A3 medians and weaker than those of similarly sized peers. Debt structure risk is modest, with nearly 90% of debt consisting of long-term committed capital, primarily taxable and tax-exempt fixed-rate bonds. However, the use of bullet maturities and put bonds requires periodic market access. CommonSpirit is planning a debt issuance in calendar 2027 to refinance upcoming maturities, fund revenue cycle transition-related equity payments and potentially finance capital spending. While plans have not been finalized, issuance could total \$2-\$3 billion. We will evaluate the size and timing of additional debt in the context of progress toward improved operating performance, liquidity and leverage.

Despite currently modest operating performance, covenant headroom remains good. CommonSpirit also maintains a self-liquidity program supporting its VRDNs and commercial paper, rated VMIG 2 and P-2, respectively, with adequate daily liquidity and good treasury management practices.

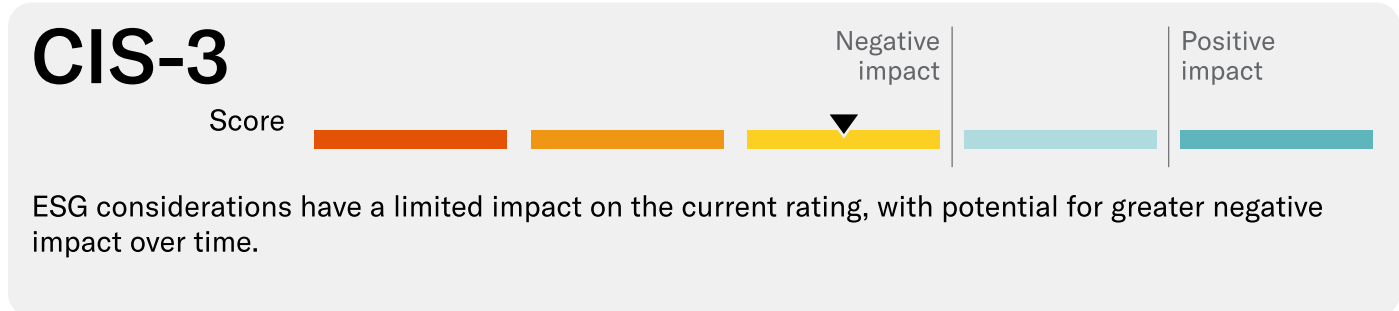
At fiscal year-end 2026, CommonSpirit's swap portfolio totaled \$1.8 billion of notional exposure, including approximately \$350 million of total return swaps, with most of the remainder consisting of fixed-payer swaps. Certain swaps carry collateral posting requirements, while the total return swaps have potential termination payments. CommonSpirit currently posts approximately \$21 million of collateral. Moody's reclassifies regular swap cash flow payments as interest expense. Other liabilities include a \$710 million unfunded pension obligation and \$1.6 billion of operating leases at fiscal year-end 2026.

ESG considerations

CommonSpirit Health's ESG credit impact score is CIS-3

Exhibit 4

ESG credit impact score

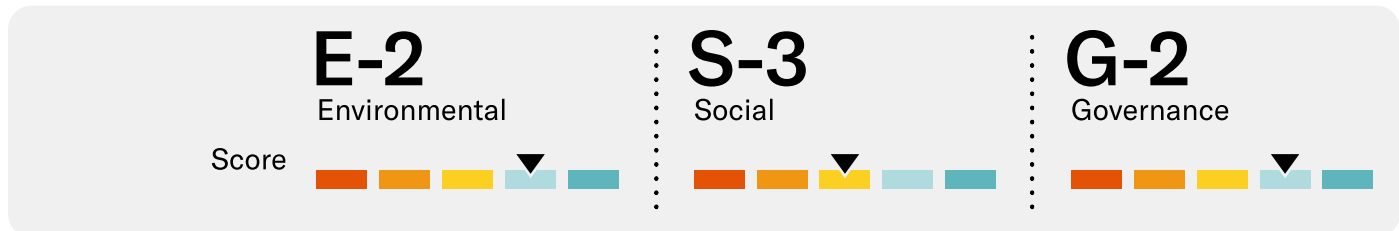


Source: Moody's Ratings

CommonSpirit's **CIS-3** reflects that ESG considerations have a limited impact on the current credit rating with potential for greater negative impact over time. CommonSpirit's ESG risks are concentrated in the social category reflecting risks related to demographic and societal trends as well as human capital, which is typical for the not-for-profit healthcare sector. Mitigants include the system's scale and diversification, history of strong management, and good financial resources.

Exhibit 5

ESG issuer profile scores



Source: Moody's Ratings

Environmental

CommonSpirit's **E-2** reflects the absence of significant environmental risks and the organization's geographic diversity across many states.

Social

CommonSpirit's **S-3** acknowledges risks inherent to the healthcare sector such as human capital and social and demographic issues related to reimbursement pressure from government payors. Exposure to government payors and policy and regulatory issues is average for the sector in the aggregate, though certain markets have greater exposure to governmental payers or have less favorable state-based Medicaid reimbursement, which can exacerbate this risk. Other challenges inherent to the sector include: the labor shortage and increased labor costs; healthcare regulation; ongoing demographic shifts; and high exposure to cyber security risks. These risks are balanced against the organization's favorable customer relations which we assess to have low risk due to CommonSpirit's strong market position and large size, which enables it to leverage economies of scale to address certain challenges. Additionally, CommonSpirit's diversification across multiple markets reduces reliance on any single market or customer segment, which dilutes specific market risk. Other mitigants to these social risks include a history of stable and capable senior management, material financial resources, and good community relations stemming from the organization's mission orientation.

Governance

CommonSpirit's **G-2** reflects governance characteristics that are in line with the sector. CommonSpirit is a Colorado, nonprofit corporation with a self-perpetuating board of directors. The board may have between 9 and 22 members, and members serve for 3-

year terms. The board is diverse and consists of prominent national and international leaders. Senior management has deep industry experience and many on the team have been with the organization for many years. Succession planning has been thoughtful and smoothly conducted. The organization has planning and disclosure protocols that are consistent with industry best practices. All governance sub factors are assessed as neutral.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

The principal methodology used in this rating was the Not-for-profit Healthcare methodology, published in May 2026. The Not-for-profit Healthcare rating methodology includes a scorecard that summarizes the factors that are generally most important to healthcare credit profiles. Because the scorecard is a summary and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not match an assigned rating. We assess brand and strategic positioning, operating environment, quality of revenue, and financial policy and strategy on a qualitative basis, as described in the methodology.

Exhibit 6

2026 Scorecard

Scorecard Factors and Sub-factors		Weight	Measure (2026)	Score (2026)	Measure (2026 Norm. PF)	Score (2026 Norm. PF)
Factor 1: Market Profile (35%)						
	Scope of Operations	15%	\$42,424,000	Aaa	\$41,749,000	Aaa
	Adjusted Operating Revenue (USD \$000)					
	Brand and Strategic Positioning	10%	A	A	A	A
	Operating Environment	10%	A	A	A	A
Factor 2: Financial Performance (20%)						
	Operating Performance (EBITDA Margin)	10%	4.5%	Ba	3.8%	Ba
	Quality of Revenue	10%	Baa	Baa	Baa	Baa
Factor 3: Liquidity (15%)						
	Financial Reserves					
	Cash on Hand (days)	15%	159.3	A	160.6	A
Factor 4: Financial Policy and Strategy (10%)						
	Financial Policy and Strategy	10%	Baa	Baa	Baa	Baa
Factor 5: Leverage (20%)						
	Financial Leverage (Unrestricted Cash & Investments / Total Adjusted Debt)	10%	76.0%	Baa	76.0%	Baa
	Debt Affordability (Total Adjusted Debt / Adjusted Cash Flow)	10%	7.5x	Ba	8.4x	B
Scorecard-Indicated Outcome				A3	Baa1	
Assigned Rating				A3	A3	

Fiscal 2026 scorecard as reported and normalized for timing of California Provider fees presented in exhibit above; see key indicators for adjustments.

Source: Moody's Ratings

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