Loyola University Chicago upgraded after sale of medical center
By Bruce Japsen
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Moody’s Investors Service said it upgraded Loyola University Chicago’s debt rating following the closing of the school’s sale of its medical center to a Michigan-based health system.

The New York-based ratings firm said the rating increase to A2 from A3 "affects $197 million of outstanding rated" university debt.

Loyola University Chicago last week finalized the sale of Loyola University Health System to Novi, Mich.-based Trinity Health, ending the school's decades-old ownership and operation of the medical center.

The deal's value is more than $1 billion to Loyola University. Trinity is committing several hundred million dollars to the university's medical education and research efforts. In addition, Trinity assumes more than $780 million in health system liabilities that include debt, pension liabilities and other expenses.

“Loyola University Chicago will display a stronger credit profile following the sale of Loyola University Health System,” Moody’s said in a statement today.

For Loyola University, the closing of the deal means the school is officially out of the hospital business, leaving at a time the market is demanding more from hospital operators to stay competitive. By merging, hospitals can pool capital to buy new computer systems, electronic record-keeping systems and the latest medical technology.

Terms of the deal provided to the Tribune call for Trinity to pay the university $100 million in cash and provide the school with another $75 million, or half the cost of a proposed $150 million new medical research building on the school's Maywood campus. Trinity Health will also annually pay $22.5 million to the Loyola University Chicago Stritch School of Medicine.

The medical center retains its name and will still be considered a teaching hospital because it will continue to train Loyola University's residents, fellows and nurses from the medical and nursing schools that will remain owned and operated by Loyola University Chicago on the 61-acre Maywood campus.

Though Loyola University Chicago is no longer the parent of Loyola University Health System and its medical center, the university will still have a relationship in that medical center physicians will maintain their faculty appointments at the university-owned Stritch School of Medicine.