

Research Update:

Eastern Maine Healthcare Systems (dba Northern Light Health), ME Bond Outlook Revised To Stable; 'BB-' Rating Affirmed

April 15, 2026

Overview

- S&P Global Ratings revised its outlook to stable from negative and affirmed its 'BB-' long-term rating on [Maine Health & Higher Educational Facilities Authority](#)'s tax-exempt bonds issued for [Eastern Maine Healthcare Systems](#), dba Northern Light Health (NLH) as well as on NLH's outstanding taxable bonds.
- The outlook revision to stable reflects improved fiscal 2025 underlying performance and ahead of budget results through the first quarter of fiscal 2026, with both periods showing positive cash flow sufficient, along with a recent \$59.2 million cost report settlement from the state, to retain general balance sheet stability.

Rationale

Security

Securing the bonds is a mortgage on certain properties and a revenue pledge from the obligated group, which includes the parent, flagship Northern Light Eastern Maine Medical Center (EMMC), and all remaining hospitals in the system except Northern Light Mayo Hospital (Mayo).

Credit highlights

NLH's rating is supported by the system's position as an essential provider of rural health care in northern and central Maine. This includes a solid business position anchored by its tertiary flagship EMMC in Bangor as well as the smaller Mercy Hospital in Portland that serves a larger and more robust population in southern Maine. We view NLH's diversity of assets, breadth of geographic coverage, essentiality in many markets, and favorable demand trends, as able to support a higher rating, should the system's financial profile improve.

With a robust turnaround plan underway, NLH's fiscal 2025 operating performance exceeded expectations, with the system meaningfully lowering its operating loss to near breakeven and creating sufficient cash flow to meet its debt service coverage covenant. While we view the overall improvement favorably, particularly with stronger performance at the flagship and

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continued healthy operating income at the second-largest facility, Mercy Hospital, the improvement was bolstered by \$52 million of Federal Emergency Management Agency (FEMA) funds although there were some offsets such as one-time costs associated with closing Inland Hospital. Management is projecting another operating loss in fiscal 2026, although through the first quarter NLH is ahead of budget and expects to meet the budgeted negative 2.3% operating margin even after assuming \$3.1 million in costs to prepare for a strike that ultimately did not occur in the second quarter. NLH outsourced certain operational functions to Optum in March 2023 (for example, revenue cycle, IT, supply chain, data analytics, and capacity management and throughput) but has since returned supply chain and project management to NLH control.

The rating is constrained by NLH's balance sheet, because of its extremely thin unrestricted reserves (our calculation removes a payer advance and draws on line of credit) and relatively high leverage metrics. Since 2024, we have been removing from unrestricted reserves, payer advances and draws on NLH's line of credit (LOC) that together as of Dec. 31, 2025, equaled 18 days' cash on hand. We recognize that there is some flexibility in the timing and amount of repayment of these funds and view NLH as being able to meet its near-term operating needs.

Since 2024, NLH has prefunded its debt service payments (thereby reducing annual debt service used in the coverage calculation) to create more room under its debt service coverage covenant. Since NLH violated its coverage covenant in 2024, we view prefunding favorably because an inability to meet the coverage requirement for two consecutive years would result in an event of default on the rated bonds. NLH's debt service coverage ratio was 8.97x in fiscal 2025 and is budgeted at 4.72x in fiscal 2026.

The rating reflects our assessment of NLH's:

- Weak unrestricted reserves per our calculation that removes payer advances and LOC draws;
- Although meaningfully improved in 2025, multiyear trend of persistently negative operating margins that we expect will continue;
- Constrained payer mix, with reliance on governmental payers and a declining percentage of commercial revenue; and
- Heavy competition in the Portland region.

Supporting the rating are NLH's:

- Leading market share and service essentiality, especially at EMMC in Bangor, in a geographically diverse and large service area throughout Maine;
- Fiscal 2025 above budget and near breakeven operating margin;
- Relatively favorable volume trends;
- Stable average age of plant supported by historical investments, with near term planned spending limited and focused on priority strategic investments; and
- Conservative, mostly all fixed-rate debt profile.

Environmental, social, and governance

We view governance and social factors as neutral, particularly as management has delivered on its turnaround plan with a material lowering of operating losses between 2024 and 2025. In addition, the system has hired a chief operating officer (who will focus initially on EMMC improvement) and plans to hire a chief clinical officer, with both taking responsibility for further operational progress. About 13% of NLH employees are in unions. NLH recently signed a three-

year contract with its largest union while avoiding a threatened strike. Other contracts are smaller and up to date.

While we view environmental risk as neutral, one of NLH's nine hospitals is in Portland, a city that carries elevated physical risk due to its coastal location along the Atlantic Ocean, we believe the diversified location of NLH's facilities helps dampen this risk as it is highly unlikely that the entire system would be affected simultaneously.

Outlook

The stable outlook reflects general stability in NLH's key balance sheet metrics with opportunity for some further improvement. Although earnings continue to be negative and we view some volatility as consistent with the rating level, the outlook incorporates expected improvement in earnings over the next several years to around breakeven. Initial successes in NLH's turnaround plan and its strong enterprise profile currently support the rating and with an improved financial profile, could also support a higher rating over time.

Downside scenario

Inability to continue to rebuild its cash flow by lowering losses and incrementally growing unrestricted reserve balances and related ratios, could result in a negative outlook or lower rating. In addition, any additional debt or enterprise weakness could pressure the rating.

Upside scenario

We could revise the outlook to positive if management achieves its 2026 earnings expectations, has a steady trend of near breakeven operating performance through 2027, and continues to meet its debt service coverage requirements. Additionally, a positive outlook is dependent on balance sheet improvement, especially days' cash on hand and cash to debt, to around 2023 levels.

Credit Opinion

Enterprise Profile--Strong

Broad statewide presence anchored in central Maine and dominant in Bangor

NLH's enterprise profile is highlighted by a solid market position with service essentiality in central and north central Maine and a presence in Portland, the largest city in the state. NLH has adequate diversity within its system, which comprises 9 acute-care hospitals and a large cadre of employed physicians responsible for more than 70% of 2025's admissions. In May 2025, NLH closed its hospital in Waterville as well as several unproductive physician practices, and as of the beginning of fiscal 2026, joint ventured most of its long-term care facilities. These actions are part of management's turnaround plan to rationalize services, improve efficiencies, and further integrate the system to get benefits from size and scale.

NLH and MaineHealth are the two dominant multihospital systems in the state. NLH's primary market is in the northern and central portions of the state around Bangor, but also has a community hospital in Portland (where MaineHealth is concentrated). In the Bangor region, NLH

holds a dominant and growing 69% market share of its primary service area. There is limited competition north of Bangor, given the region's rural nature.

In the southern region, MaineHealth with its Portland flagship, Maine Medical Center, dominates the market but we believe strong demand for services can support both hospitals. NLH's location in the more populous part of the state provides NLH with strategic opportunities relative to payer relations and a base for its Boston-based clinical affiliations.

Favorable volume trends

Virtually all key volume metrics improved between 2024 and 2025 (excluding declines associated with the divestment of Inland Hospital) with better staffing, lower average length of stay, closure of certain clinical services at other competitor hospitals, and strong physician recruitment all driving improved access to NLH's clinical services and programs. Volumes have softened through the first four months of the fiscal year due to a slower ramp up of new physician providers, weather challenges from excessive snowfall, and uncertainties in the first quarter related to NLH's contract with Anthem, the state's Blue Cross provider and largest payer after NLH announced termination of the contract last August. Nevertheless, the Anthem contract has been settled, NLH recruited almost 300 new physicians in 2025, average length of stay is down, and management expects rising volume through the remainder of fiscal year 2026.

Even with rising volumes in 2025, NLH reduced its reliance on contract labor, including physicians, and its use of agency staff fell to prepandemic levels. Management reports it has successfully recruited international nurses and reduced turnover to stabilize staffing, all of which contributed to the improved 2025 financial performance.

Economic characteristics mixed

Maine has about 1.35 million residents and slow economic and population growth. In addition, we expect reliance on governmental payers (particularly Medicare) will rise as Maine's residents over 65 comprise a higher percentage of the population (about 20%) compared with the nation. Bangor is Maine's third-largest city and serves as the employment, retail, health care, and commercial hub for the area, with some tourism and rural characteristics. Portland has more favorable demographics, employment, and population growth as it is the state's deepest economy with health care, financial services, higher education, and retail components.

Table 1

Eastern Maine Healthcare d/b/a Northern Light Health, Maine--enterprise statistics

	--Fiscal year-ended Sept. 30--			
	--Three months ended Dec. 31--			
	2025	2025	2024	2023
Inpatient admissions	7,295	31,415	30,390	27,574
Equivalent inpatient admissions	19,726	83,949	84,195	79,363
Emergency visits	27,926	123,482	122,222	114,476
Inpatient surgeries	1,759	7,483	7,506	7,116
Outpatient surgeries	7,196	29,569	29,981	29,159
Medicare case mix index	2.205	2.1660	2.0346	2.0985
FTE employees	8,197	8,845	9,516	9,917
Active physicians	1,250	1,293	1,289	1,218

Eastern Maine Healthcare d/b/a Northern Light Health, Maine--enterprise statistics

--Fiscal year-ended Sept. 30--

	--Three months ended Dec. 31--			
	2025	2025	2024	2023
Based on net/gross revenues	Net	Net	Net	Net
Medicare (%)	37.7	34.8	34.5	33.3
Medicaid (%)	16.8	17.6	14.6	14.5
Commercial/Blues (%)	40.2	43.3	45.0	46.2

Inpatient admissions exclude normal newborn, psychiatric, rehabilitation, and long-term care facility admissions. PSA--Primary service area. FTE--Full-time equivalent. N.A.--Not available.

Financial Profile--Highly Vulnerable

Fiscal 2025 operating losses meaningfully improve

NLH meaningfully lessened its operating loss between fiscals 2024 and 2025 with a multipronged turnaround plan. According to our calculations, operating performance improved by \$154 million, of which \$52 million was related to FEMA funding. In addition to closing Inland Hospital, which posted a \$38 million operating loss in fiscal 2025 and transferring its remaining long-term care business to its joint-venture partner First Atlantic Corp., management also: made progress on addressing labor shortages; lowered contract labor, physician recruitment, and overhead costs, including a reduction in shared service costs related to the Optum contract; outsourced certain service departments; and benefited from commercial contract negotiations. In addition to using fewer agency staff, management reduced the workforce by 344 full-time employees for an anticipated \$45 million savings in fiscal 2026.

There was also earnings improvement at the system's flagship, EMMC, which is responsible for half of the system's 2025 total operating revenue. In 2025, it posted a \$34 million operating loss after excluding its \$36 million portion of FEMA funding compared with a \$78 million loss in 2024, all excluding our adjustments. Given EMMC's importance to the system, we view the continued strengthening of its margins as critical to future rating maintenance. Mercy Hospital continues to be very profitable and posted almost \$20 million of operating income in 2025 (excluding our adjustments).

Another operating loss expected in fiscal 2026

NLH has budgeted for a \$53 million operating loss in 2026, although management anticipates slightly exceeding budget. NLH's budgeted \$135 million in improvement plans is offset by wage and salary inflation as well as a negative payer mix shift toward Medicare and away from commercial insurers. The largest improvement initiatives remain workforce stabilization and optimization, revenue cycle, and medical group operations. Management has also incorporated \$10 million of rural health funds into the final quarter of the 2026 budget. While it was not factored into the fiscal 2026 budget, NLH expects the federal tax and spending bill will squeeze revenue by nearly \$27 million beginning in 2027, which will have to be incorporated into future budgets. The system is not reliant on special funding, which we view positively.

Through the first quarter of fiscal 2026, volume has been soft, leading to lower-than-expected net patient service revenue. However, higher than expected other revenue, primarily from 340b, has contributed to above budget total operating revenue, which when combined with strong

expense controls, has led to above budget performance. For the first quarter, excluding our adjustments, NLH lost \$18.8 million from operations compared with a \$26.5 million budgeted loss and a \$11.2 million loss for the comparable quarter in fiscal 2025. The budget is spread with diminishing losses expected in the final two quarters of the fiscal year.

Weak balance sheet

With persistent operating losses and modest nonoperating gains, NLH's unrestricted reserves have markedly declined from a high of more than 100 DCOH at the end of fiscal 2021. Although NLH has received cash from FEMA, provider-relief funds, the 340B settlement, and sale of its outpatient lab, pre-2024 capital spending at the system was elevated, which along with weak cash flow, depleted reserves. Management anticipates that capital will be moderate in fiscal 2026 with a budget of \$26.7 million equal to less than 40% of depreciation expense.

Excluding payer advances and draws on the LOC, unrestricted reserves dropped by 10% in the first quarter of fiscal 2026 and remain low relative to operating expenses and outstanding debt, although the system received a \$59.2 million cost report settlement during the second quarter that is worth almost 10 days' cash on hand. We view NLH's lack of material capital needs favorably, as any cash flow can help bolster the balance sheet or repay advances. Nevertheless, NLH's extremely low metrics around unrestricted reserves is a key credit risk, and decisions about the timeliness and repayment of the \$96 million advance from Optum and NLH's ability to access LOCs will be key future credit factors. Management is budgeting for 62 days' cash on hand at the end of fiscal 2026, including \$108 million of LOC and payer advances. Our calculation of cash on hand will be lower, as we exclude the lines of credit and payer advances.

NLH's balance-sheet characteristics are conservative with all fixed-rate debt, although we believe there is risk associated with the payer advances and LOC draws. NLH has access to a single, \$40 million line of credit (expiring in July 2026 but expected to be renewed) of which \$20 million was drawn as of Dec. 31, 2025.

The funded status of NLH's defined-benefit pension plan is adequate as the plan is partially frozen, and the absolute liability is not exceptionally large. As of Sept. 30, 2025, the benefit obligation exceeded plan assets by \$46 million.

Table 2

Eastern Maine Healthcare d/b/a Northern Light Health, Maine--financial statistics

--Fiscal year-ended Sept. 30--

	--Three months ended Dec. 31--			
	2025	2025	2024	2023
Financial performance				
Net patient revenue (\$000s)	508,934	2,101,112	1,993,305	1,913,995
Total operating revenue (\$000s)	581,249	2,374,614	2,152,240	2,149,463
Total operating expenses (\$000s)	601,558	2,386,769	2,315,687	2,198,685
Operating income (\$000s)	(20,309)	(12,155)	(163,447)	(49,222)
Operating margin (%)	(3.49)	(0.51)	(7.59)	(2.29)
Net nonoperating income (\$000s)	5,323	(2,710)	14,986	1,661
Excess income (\$000s)	(14,986)	(14,865)	(148,461)	(47,561)
Excess margin (%)	(2.55)	(0.63)	(6.85)	(2.21)

Eastern Maine Healthcare d/b/a Northern Light Health, Maine--financial statistics

--Fiscal year-ended Sept. 30--

	--Three months ended Dec. 31--			
	2025	2025	2024	2023
Operating EBIDA margin (%)	0.64	3.68	(3.06)	1.89
EBIDA margin (%)	1.54	3.57	(2.35)	1.97
Net available for debt service (\$000s)	9,035	84,694	(50,853)	42,353
Maximum annual debt service (\$000s)	48,749	48,749	48,749	48,749
Maximum annual debt service coverage (x)	0.74	1.74	(1.04)	0.87
Operating lease-adjusted coverage (x)	0.81	1.53	(0.51)	0.90
Liquidity and financial flexibility				
Unrestricted reserves (\$000s)	231,151	257,558	251,446	393,201
Unrestricted days' cash on hand	36.1	40.7	40.9	67.3
Unrestricted reserves/total long-term debt (%)	42.2	46.6	43.9	66.7
Unrestricted reserves/contingent liabilities (%)	N/A	N/A	N/A	74,611.2
Average age of plant (years)	14.5	14.0	13.7	14.0
Capital expenditure/depreciation and amortization (%)	21.4	35.0	88.6	155.8
Debt and liabilities				
Total long-term debt (\$000s)	547,783	552,193	573,096	589,777
Long-term debt/capitalization (%)	50.9	50.4	52.5	48.6
Contingent liabilities (\$000s)	0	0	0	527
Contingent liabilities/total long-term debt (%)	N/A	N/A	N/A	0.1
Debt burden (%)	2.08	2.06	2.25	2.27
Defined-benefit plan funded status (%)	N/A	86.24	78.85	71.63
Miscellaneous				
Payer advances (\$000s)*	96,000	100,000	100,000	0
Short-term borrowings (\$000s)*	20,000	20,000	58,878	0
Provider relief funds recognized (\$000s)	0	51,598	1,165	57,005
Total net special funding (\$000s)	2,191	(9,336)	(1,503)	496

*Excluded from unrestricted reserves, long-term debt, and contingent liabilities. N/A--Not applicable. N.A.--Not available. MNR--Median not reported.

Credit Snapshot

- Group rating methodology: Core.
- Organization description: NLH is an integrated health system consisting of nine hospitals; 411-bed regional referral center EMMC and Northern Light Acadia Hospital, both in Bangor; Mercy in Portland; and hospitals in Presque Isle and Ellsworth. NLH also operates four critical access hospitals in Blue Hill, Greenville, Pittsfield, and Dover-Foxcroft. It provides emergency transport, home care, and long-term care services to the region and employs a large portion of the practicing physicians. Through Beacon Health LLC, the organization has developed a statewide contracting network to advance its population health-related efforts.
- NLH has a modest \$35.5 million of long-term operating leases outstanding at the end of fiscal 2025.

Eastern Maine Healthcare Systems (dba Northern Light Health), ME Bond Outlook Revised To Stable; 'BB-' Rating Affirmed

Ratings List

Outlook Action

	To	From
Healthcare		
Eastern Maine Healthcare Systems, ME Health Care System Revenues	BB-/Stable	BB-/Negative

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

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