

Deal Spotlight: Healthcare

Group Health Cooperative Washington Health Care Facilities Authority

\$98,015,000

Ratings: AA (S&P and Fitch)

Underlying Ratings: A- (S&P and Fitch)

UW: Citigroup Global Markets Inc.

Dated Date: 11/8/06

Radian Insures Its First Not-for-Profit Health Plan

Group Health Cooperative (“Group Health” or “GHC”) issued over \$98 million of fixed rate bonds through the Washington Health Care Facilities Authority.

Group Health is a Washington registered nonprofit membership corporation operating as a health maintenance organization. Group Health offers a wide variety of health plan products through Group Health Cooperative, and its wholly owned subsidiaries: Group Health Options and KPS Healthplans.

Group Health currently operates 25 primary medical centers, 4 specialty care units, 8 behavioral health clinics and two small acute care hospitals. Additionally, GHC operates ancillary vision centers, hearing centers and speech therapy clinics. Care is also provided through a network of 37 contracted hospitals and over 9,000 contracted physicians. Group Health’s consolidated revenue for 2005 was \$2.5 billion, with a profit margin of \$112 million, or 4.8%.

GHC is one of the largest not-for-profit health maintenance organizations in the country. Combined enrollment in all three health plans is about 570,000. Group Health is the largest HMO and one of three leading health care insurers in Washington State and is well positioned in its core Seattle market.

The bonds are secured by a pledge on gross receivables and a mortgage on various properties. Group Health will use the bond proceeds to build a new, comprehensive, outpatient medical center in Bellevue, Washington. The medical center will house a regional acute and urgent care center, outpatient surgery, specialty services, diagnostic imaging, and primary care services.

Group Health has an underlying rating of “A-” from both Standard & Poor’s and Fitch. S&P recently upgraded the underlying rating for Group Health from BBB+. GHC accessed the market at lower interest rates based on Radian’s “AA” ratings. Sample maturities with their spread to the Municipal Market Data Line (MMDL) AAA GO Index are outlined in the figure below.

Maturity	2022	2031	2036
Coupon	5.00%	4.75%	5.00%
Yield	4.40%*	4.72%*	4.63%*
Spread to MMDL High Grade (bps)	+36	+47	+34

* Priced to the 10-year call.

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