Baylor medical school reports bond troubles

Houston's Baylor College of Medicine has issued a notice stating that, on June 30, it had defaulted on its financial covenants, according to an email from Claire Bassett, vice president of public affairs and federal government relations at the college.

The notice did not reveal any dollar amounts involved.

Bassett noted that, on July 1, the college established a $25 million line of credit with JPMorgan Chase & Co., which was expected to resolve the lender's concerns.

The notice did, however, state that several corrective actions have been taken. These included: hiring Navigant Consulting to recommend changes in its revenue producing activities and expenses, adopting a revised budget to comply with its financial covenants, going on for months regarding a potential merger of the two institutions.

Rice is also in Houston, and the two schools complete, own and/or operate its hospital and clinic project, reducing its operating deficit, entering into discussions with Rice University toward a

Cash is king

The college intends to continue the corrective actions described above or other action until it re...
Houston's Baylor College of Medicine has issued a notice stating that, on June 30, it had defaulted on its "financial covenants" associated with several sets of bonds issued in 1999, 2007 and 2008.

The notice did not reveal any dollar amounts involved. "This was a technical covenant default; not a payment default," according to an e-mail from Claire Bassett, vice president of public affairs and federal government relations at the school.

The notice did, however, state that several corrective actions have been taken. These included: hiring Navigant Consulting "to recommend changes in its revenue-producing activities and expenses," adopting a revised budget to reduce its operating deficit, entering into "discussions with other parties concerning a possible joint undertaking to complete, own and/or operate its hospital and clinic project," and entering discussions with Rice University toward a "possible combination."

Rice is also in Houston, and the two schools released a letter this past spring announcing that discussions had been going on for months regarding a potential merger of the two institutions.

"The college intends to continue the corrective actions described above or other action until it re-establishes compliance with its financial covenants," the default notice said. "There can be no assurance that any such action will be successful."

By Andis Robeznieks
Posted: August 17, 2009 - 3:00 pm EDT

What do you think? Post a comment on this article and share your opinion with other readers. Submit your comments to Modern Healthcare Online at mheditorial@modernhealthcare.com. Please be sure to include your hometown and state, along with your organization and title.
Houston's Baylor College of Medicine has issued a notice stating that, on June 30, it had defaulted on its financial covenants, going on for months regarding a potential merger of the two institutions. Rice is also in Houston, and the two schools complete, own and/or operate its hospital and clinic project, reducing its operating deficit, entering into discussions with other parties concerning a possible joint undertaking to produce activities and expenses, adopting a revised budget to accommodate the default, and entering into discussions with Rice University toward a possible combination. The college intends to continue the corrective actions described above or other action until it resumes compliance with its financial covenants, according to an email from Claire Bassett, vice president of public affairs and federal government relations at the college.

The notice did, however, state that several corrective actions have been taken. These included: hiring Navigant Consulting to recommend changes in its revenue cycle, producing activities and expenses, and entering into discussions with other parties concerning a possible joint undertaking to produce activities and expenses, adopting a revised budget to accommodate the default, and entering into discussions with Rice University toward preparation of the possible combination. There can be no assurance that any such action will be successful.