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S&P: U.S. Not-For-Profit Health Care Outlook Remains Stable In 2016 On Sector Recovery.

Standard & Poor's Ratings Services' outlook on the U.S. not-for-profit health care sector remains stable despite industry pressures (see "U.S. Not-For-Profit Health Care Sector Outlook Revised To Stable From Negative, Though Uncertainties Persist," Sept. 9, 2015), reflecting operational improvements driven by the Affordable Care Act's (ACA) Medicaid expansion, through a noted boost in volumes, revenues, and improved payor mix; management initiatives that have delivered on their early promise to improve performance; increasing balance sheet flexibility with generally higher levels of unrestricted reserves as compared to a few years ago; and continued operational benefits from recent merger and acquisition (M&A) activity.

Overview

- We've seen a trend of improving provider performance, which has offset various industry pressures to stabilize credit quality.
- The recent uptick in patient volumes stemming from the ACA Medicaid expansion is likely to be just a temporary surge.
- Many issues continue to pressure the sector's overall financial health, and credit quality may be peaking.
- Fundamental change in the health care delivery system is coming at a slower pace than initially thought a few years ago, as fee-for-service is still the dominant reimbursement structure.

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