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Muni Hospital Bonds Resume Winning Run as Obamacare Repeal Lags.

- **Niche of tax-exempt market returns 4.3 percent this year**
- **Industry in status-quo mode as Congress yet to agree on plan**

Tax-exempt hospital debt has resumed its more than three-year run of outperformance as the Republican-led Congress struggles to come up with a replacement for the Affordable Care Act, which helped health-care providers by reducing the ranks of the uninsured. The securities have returned 4.3 percent this year, 0.7 percentage point more than the broader municipal market, according to S&P Global Ratings indexes.

"It's aggressive to get it through in such a short period of time — probably unrealistic on their time frame for something as far-reaching and complicated,'" said George Huang, director of municipal securities research for Wells Fargo Securities. "The fact that the hospital industry – the people in the health-care space – are not a part of the conversation, that makes it difficult."

Trump's victory in November initially weighed on the performance of hospital bonds because he pledged to quickly roll back and replace President Barack Obama's signature law, casting uncertainty over the industry. By expanding the Medicaid program for the poor and requiring others to purchase insurance, the Affordable Care Act reduced the financial strain on hospitals from treating the uninsured.

The Obamacare replacement passed by the House of Representatives included cuts to Medicaid and other health expenditures, with the Congressional Budget Office estimating it would eventually leave 23 million more Americans without insurance by 2026. The Senate is currently working behind closed doors to draft its own replacement.

"We're in status quo for ACA," said Huang, noting that there's skepticism among investors that the Republicans will be able to agree on a replacement. "There hasn't been a lot of proposed rules and regulations, so that's all good for the hospital sector."

Politics aside, hospital bonds have also benefited from a decline in interest rates that has left investors willing to take on more risk to get higher returns. The health-care industry is attractive to such municipal buyers, given the scarcity of high-yield bonds, Barclays Plc analysts said in a report last week.

"It's probably not the best time to buy it, but it is the best compared to everything else," said David Ashley, a portfolio manager with Thornburg Investment Management, which holds $11.5 billion of municipal bonds.

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