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Fitch: Early NFP Hospital Medians Show Expected Deterioration; Will Worsen

Fitch Ratings-Austin/New York/Chicago-02 March 2023: Not-for-profit hospital operating margins were pressured following a difficult FY22, according to medians compiled by Fitch Ratings for hospitals with an earlier FYE 2022. Audited results show materially weaker profitability and liquidity relative to FY21 due to expense increases and investment market losses.

The decline in operating results are likely to be even more pronounced in our full-year medians later this year when we have financial reporting for all rated hospitals, given the fact that the results of hospitals with later FYEs bore the full brunt of intensifying financial pressures in 2022, including labor inflation and market volatility. Fitch does not expect a rapid financial recovery for most providers, although hospitals under operational pressure will begin to see breakeven results on at least a month-to-month basis at some point in 2023 with revenue growth and expense pressures easing. Nevertheless, margins are not expected to return to pre-pandemic levels for quite some time.

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