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S&P: Historical Peak Of Negative Outlooks Signals Challenges Remain For U.S. Not-for-Profit Acute Health Care Providers

Sector View: Negative

S&P Global Ratings expects a constrained operating environment in 2024 largely due to persistently high labor and operating costs, which, for many organizations, have not been entirely offset by generally improving revenue trends. Although acute contract labor expenses have dropped, many providers continue to contend with an imbalance between the rate of growth across expenses and revenue. As organizations ramp up longer-range capital plans and strategic investments, additional spending or debt issuances could also be a factor influencing credit quality, depending on balance-sheet strength and the level of cash flow improvement. The pace of margin recovery, supported by labor management, throughput and efficiency gains, and performance improvement plans, coupled with balance-sheet and enterprise strengths, will be key for providers to maintain credit quality in the coming year.

Continue reading.

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