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S&P: U.S. Not-For-Profit Health Care Covenant Violations Will Continue To Affect Pressured Issuers

Key Takeaways

- S&P Global Ratings has observed an increased number of technical covenant violations in U.S. not-for-profit health care over the past two fiscal years, largely attributable to operating weakness stemming from persistent industry difficulties and inflationary pressure on expenses.
- Providers have avoided bond acceleration as a result of covenant violations, as most organizations received waivers or forbearance agreements from lenders to allow time to remedy covenants or execute financial improvement plans, while a few merged with a larger and financially stable organization.
- The majority of providers that have breached covenants have been in the 'BBB' and speculative-grade rating category.
- While many providers are on a path to recovery, we expect some will still experience heightened covenant violation risk in 2024 as they continue to face significant operating pressures.

Continue reading.

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