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S&P U.S. Not-For-Profit Acute Health Care 2023 Medians: Remarkably Level With Prior Year, But Performance Remains Notably Below Historical Norms

Key Takeaways

- Operating performance remained weak, but virtually unchanged from fiscal 2022 medians. Margins and coverage ratios were consistent across fiscal 2023, with little movement up or down although with some underlying progress as indicated by adjusted operating margin improvement. That said, profitability measures remain well below the decade's historical baseline.
- Balance-sheet metrics were mostly stable, with continued pressure on days' cash on hand. Median absolute unrestricted reserves rose modestly, concurrent with a decline in median long-term debt and leverage. However, expense growth continued to pressure operating liquidity, with days' cash on hand now below 200 for the first time in a decade.
- The growth rate of total operating expenses moderated. Following a dramatic 17% rise in fiscal 2022, median total operating expenses in fiscal 2023 reflected a manageable 5% uptick, well below the rate of increase for revenues with staffing adjustments and stabilizing labor costs.
- Leverage remained sound ahead of heavy borrowing observed in 2024. Debt measures were stable or improved in fiscal 2023, with sustained strong funding levels for defined-benefit pension plans. We anticipate some worsening in this area over the coming year as providers increase borrowing activity.

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7 Aug, 2024 | 13:08