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## **Fitch: Market Volatility and Tariffs Could Challenge US NFP Hospital Liquidity**

Fitch Ratings-Austin/Chicago/New York-14 April 2025: Market volatility presents a growing challenge to U.S. not-for-profit (NFP) hospitals' balance sheet stability, Fitch Ratings says. Maintaining balance sheet strength is crucial for addressing ongoing macroeconomic uncertainties, including tariffs and potential Medicaid changes that could affect enrollment or reimbursement.

The sector's strong liquidity and resilience in managing financial headwinds from tight labor conditions and inflationary pressures on costs are due in part to ample investment income over the past four years. Hospitals with robust financial reserves and liquidity are best positioned to withstand today's challenging operating environment characterized by labor and supply cost inflation. This enhances their ability to weather financial storms while maintaining creditworthiness.

Hospitals benefited from strong stock market performance from 2020 to 2024, with the S&P 500's annual return averaging over 14%. The Federal Reserve's aggressive interest rate hikes over the past two years have also supported investment earnings for lower-rated hospitals and hospitals with more conservative asset allocations, as shorter-term, lower-risk fixed income assets have yielded more favorable returns.

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