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Fitch: Not-for-Profit Hospital Liquidity Strength Limits Market Bubble Risk

Fitch Ratings-Chicago/Austin/New York-23 October 2025: A sharp equity market correction would cause a drop in liquidity for Fitch-rated U.S. not-for-profit (NFP) hospitals as investment income comprises a growing share of hospitals' liquidity positions and revenue, Fitch Ratings says. Nevertheless, we believe credit effects would be limited, as hospitals in our rated portfolio maintain substantial unrestricted liquidity despite significant operating pressures over the past few years.

To evaluate this risk, Fitch assesses a hospital's financial resilience to economic/market cycles using its Portfolio Analysis Model (PAM). The model applies stresses tailored to the size and allocation of a hospital's investment portfolio to estimate stressed portfolio value changes over five years. A decline in value primarily reduces liquidity and increases leverage metrics.

Based on the PAM result, Fitch evaluates available liquid resources, operating cash flow capacity to bridge a market downturn, and the ability to adjust capital spending. Ratings should generally be able to withstand the PAM stress case, which reflects normal cyclical changes in valuations. Ratings can become pressured if actual declines are materially worse or more prolonged than the stress case, or if PAM-level declines coincide with already thin liquidity, softer operating cash flow and/or outsized capital programs.

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