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Moody's: Directing Investments at New Priorities Can Benefit Not-for-Profit Hospitals.

New York, May 21, 2014 — Hospital systems that direct their investment dollars into improving efficiency, information technology and outpatient services will be the ones best positioned to soften the impact of declining patient utilization rates, says Moody's Investors Service in the report "Building Value: Investments Aimed at New Priorities Create Opportunities for Not-For-Profit Hospitals."

"Hospital systems that can supplement inpatient revenue with new, diversified revenue streams are more likely to remain successful and enhance consumer value," says Brad Spielman, a Moody's Vice President and Senior Credit Officer. "These investments are generally less expensive than building inpatient capacity and can help mitigate inpatient utilization declines."

The outpatient services of the hospitals, however, are facing several new types of competitors as consumers become more sensitive to price. Nontraditional competitors include the healthcare services provided by drug stores and unaffiliated outpatient centers.

The popularity of health insurance plans with high deductibles is helping to drive the growth in less expensive outpatient services, says Moody's.

"As the dominant healthcare model in the country shifts from volume to value, income pressures will increase, putting hospitals' income statements at further risk," says Moody's Spielman.

Many organizations have also hitched their pursuit of value to the acquisition and implementation of comprehensive and expensive IT systems. The return on these investments can be allusive, while the cost can immediately weaken both income statements and balance sheets, says Moody's.

For more information, Moody's research subscribers can access this report at

https://www.moodys.com/research/PBM_PBM170100.

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