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S&P: Ebola Adds Costs For Health Care Sector; No Rating Impact Yet.

NEW YORK (Standard & Poor's) Oct. 22, 2014– Standard & Poor's Ratings Services does not currently expect any near-term rating actions in the health care sector as a result of the Ebola situation. However, we recognize that preparedness will be an added financial expense for many providers and it is already affecting senior management time and energy.

The current progression of Ebola could take one of at least two tracks, in our view. One, the current spread of the disease could be contained, and the health care sector–and the nation as a whole–could come to terms with the U.S. being exposed to this disease. We currently believe that the financial and credit impact would likely be modest and incremental in this case. Two, the Ebola outbreak could continue to spread, in which case we believe the sector will likely respond in ways not yet determined. The financial effects and resulting credit impact, if any, under the second scenario cannot be known at present. However, we believe that the following issues would be relevant credit considerations if the issue were to progress along the second track:

- What additional costs will be required in equipment, training and protocols for patients who present with Ebola or suspected Ebola? Will hazardous waste disposal problems emerge? Who pays for it? Is the cost borne by each individual hospital, the local government, or will federal dollars be available?
- Will hospitals face a stigma from treating patients, potentially driving other patients away from the facility?
- Similarly, will an Ebola stigma create personnel shortages of nurses and other health care professionals if they choose not to be present if Ebola patients show up at their facility?
- If providers are forced, or choose, to forego business as they manage this disease, will business interruption insurance cover these costs? Will there be lawsuits for deaths and the potential spread of the disease? Will malpractice costs go up?

While the Ebola situation is dominating the headlines, there are many other public health issues, such as the flu, that we believe already have a bigger impact on overall morbidity and mortality in the U.S. Indeed, annual fluctuations in flu severity impact reported hospital patient volume trends with possible implications for profitability.

Standard & Poor's will continue to monitor Texas Health, where to date two health workers contracted the disease, as well as other health care providers and other health-related for-profit entities for any immediate financial

impact, both positive or negative. For example, a handful of selected health-related suppliers in the for-profit space could experience a spike in demand, especially those that provide protective gear. However, we expect the incremental costs related to Ebola preparedness will be but one more cost pressure on U.S. providers, and one more factor contributing to our view on the credit quality of health-care providers.

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