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## **Moody's: Preliminary FY 2014 US NFP Hospital Medians Show First Revenue Growth Since 2011.**

New York, May 27, 2015 — The preliminary FY 2014 US not-for-profit and public hospital medians indicate a rise in annual median revenue growth to 4.7%, while the annual expense growth rate declined to 4.6% in FY 2014, Moody's Investors Service says in a new report.

The annual median revenue growth reverses the 2013 all-time low of 3.9%, while the pull back in the annual median expense growth rate continues a trend Moody's observed last year when the rate eased to 5.0% in FY 2013 from 5.5% in FY 2012.

"Revenue growth was supported by continued consolidation in the not-for-profit hospital sector and the initial influence of the Affordable Care Act (ACA), as benefits of the exchanges and Medicaid expansion were realized," Moody's VP — Senior Credit Officer Beth Wexler says in "Growth in Hospital Revenue Edges Ahead of Expenses in 2014."

Moody's says the slowdown in the expense growth rate reflects the ongoing shift of patient care to lower-cost and more efficient settings, such as outpatient and ambulatory arenas, as well as operating efficiencies gained from size and scale.

Other findings in the preliminary medians include an increase in cash on hand and unrestricted cash and investments. The median cash on hand rose to 212 days in FY 2014 from 207 days in 2013, and up 15 days from 2012. Unrestricted cash and investments increased \$20 million to \$377 million in FY 2014 from the previous year, owing to solid equity gains and restrained capital spending.

Operating performance slightly improved and operating cash flow suggests new stability as revenue growth rebounded and expense growth decelerated.

However, Moody's expects the final medians will show weaker operating performance than the preliminary medians as more hospitals are included which are concentrated in geographic areas with weaker economies.

The preliminary medians are based on FY 2014 audited financial statements representing 48% of Moody's-rated portfolio. These medians primarily reflect audit year ends of September 30, 2014 and prior.

The full report will be published later this year and reflect a larger sample of Moody's-rated portfolio of not-for-profit hospitals and health systems.

The report is available to Moody's subscribers [here](#).

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