

Bond Case Briefs

Municipal Finance Law Since 1971

Moody's Revises U.S. Not-for-Profit Healthcare Outlook to Stable from Negative as Cash Flows Increase.

New York, August 26, 2015 — Moody's Investors Service has revised the outlook for the US not-for-profit and public healthcare sector to stable from negative due to improvement across the industry's fundamental business, financial and economic conditions. The outlook had been negative since 2008.

"The outlook revision represents significant gains in the number of people with insurance, growing patient volumes, and sizeable reductions in bad debt that are contributing to very strong growth in operating cash flow," Moody's Vice President — Senior Analyst Daniel Steingart says.

Following several years of flat growth, operating cash flow growth increased to 12.3% in 2014 from 0.3% in 2013. The metric remains solid at 11.5% through March 2015, Moody's says in "Not-Fo-Profit Healthcare Outlook Stabilizes; Cash Flow Buffers Long-term Pressures."

Moody's says factors driving the stronger operating cash flow are increases in the number of insured individuals and a reduction in bad debt, particularly in states which expanded Medicaid eligibility.

Further, pent-up demand among the newly insured as well as a strong flu season in 2014/2015 facilitated increases in inpatient volumes during the last several quarters.

While these factors are anticipated to continue, momentum is expected to taper to levels at or below historical levels.

The outlook change to stable from negative expresses Moody's views for the sector will neither erode nor significantly improve materially for the 12 to 18 months. Looking beyond that horizon, pressures linger.

"The not-for-profit and public healthcare sector industry faces long-term challenges stemming from who pays for care, how providers are reimbursed, and changes in patient behavior. These risks may weigh on profitability and growth," Steingart says.

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