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Moody's: U.S. FY 2014 NFP Hospital Medians Show Stronger Profitability Margins and Revenue Growth.

New York, September 11, 2015 — The median annual revenue growth rate for not-for-profit hospitals and health systems in fiscal 2014 broadly surpassed the median expense growth rate, which reverses a two-year trend of expense growth outpacing revenues, Moody's Investors Service says in its annual medians for US NFP hospitals and health systems, "Strong Business Conditions Bolster Profitability and Growth, Moderating Fundamental Sector Risks."

"Notably, the spread in these growth rates is at a historic high," report author and Moody's VP — Senior Credit Officer Beth Wexler says. "The median annual revenue growth was 5.2%, while median expense growth was 4.6% in 2014."

Consolidation in the NFP sector, enrollment on the public health exchanges, and Medicaid expansion combined with generally favorable patient demand trends fueled the increase in revenues.

Moody's anticipates these favorable trends to continue in 2015 and into 2016, and supports Moody's stable outlook for the industry.

Balance sheets strengthened in 2014, with a 10% median growth in unrestricted cash and investments and a median decline in total direct debt of almost 2%. The median unrestricted cash and investments increased to \$340 million in 2014 from \$312 million in 2013.

However, the regional 2014 medians reveal varying market demographics, legislative oversight and strategic initiatives have resulted in a divergence of financial performance medians among the four US regions.

"The Northeast's performance is most striking, owing to its flat median operating cash flow margin, and reflects the difficult environment in which it operates," says Wexler in a related medians report, "Regional Hospital Medians Show Historically Weaker Financial Performance in the Northeast."

The Midwest has a history of consolidation and physician alignment which supports its high growth rates, over 18% in median absolute cash flow, well above the rest.

In the West, strong investment returns and robust profitability facilitated growth in liquidity, while the South reports the highest level of self-pay & other in the payor category.

The reports are available to Moody's subscribers [here](#).