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## **Hospitals Issue Debt at the Fastest Pace Since 2012.**

Nonprofit hospital bonds are being issued at the fastest pace since at least 2012 as earlier concerns over the Affordable Care Act's implementation have largely abated.

As of Sept. 16, nonprofit hospitals in the U.S. have issued \$18 billion of municipal bonds this year, already surpassing 2013's and 2014's annual totals, according to Bloomberg data.

This year's pick-up in issuance reverses two years of pullback. As the Affordable Care Act — often dubbed Obamacare — began official implantation in 2013, wary hospitals put the brakes on capital investment until the future was more clear, said Mike Quinn, a managing director at Chicago-based B.C. Ziegler & Co.

"With factors like Obamacare decreasing utilization, reimbursement risk at the federal and state level and spirited negotiations with private health insurers, it's hard to understand what your future earnings stream is going to look like with those headwinds," said Quinn, who specializes in health-care investment banking. "So they borrowed less money for new money purposes."

As a result, issuance in this sector fell 40 percent to \$16 billion in 2013 from \$27 billion in 2012, data from Bloomberg show. The following year, it fell even further, to \$15 billion.

### **Trinity Health**

The largest of this year's deals was a \$897 million borrowing from the Indiana- and Michigan-based Trinity Health Corporation Obligated Group priced in February, followed by a \$504 million issuance from the North Shore-Long Island Jewish Obligated Group sold in June, data from Bloomberg show.

Issuers aren't the only ones turning more bullish on the sector. The two biggest credit graders — Standard & Poor's and Moody's Investors Service — lifted their negative outlooks for nonprofit health-care bonds in the past few weeks, citing positive impacts from health-care reform. Moody's had previously had the sector on negative watch since 2008, when the Affordable Care Act was first announced. S&P lifted its negative outlook on Sept. 9, noting that sector still had challenges ahead but was "stable."

### **Refinancing Transactions**

Much of the boost in issuance this year has been the result of refunding, as health-care providers have been eager to take out older more expensive debt with less expensive newer bonds.

"We've had pretty robust issuance in 2015," Quinn said, noting that refinancing transactions have made up a bulk of the issuance. "Borrowers have taken advantage of the decrease in interest rates."

A push to refund debt has been a broader theme in the municipal market this year. State and local governments have issued just under \$300 billion in bonds this year, about two thirds of which has been refinancing older obligations, according to data provided by Bank of America Merrill Lynch.

## **Bloomberg News**

by Kate Smith

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