

# **Bond Case Briefs**

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## **Fitch: U.S. Not-for-Profit Hospitals Face Rising Challenges in 2018.**

Fitch Ratings-New York-06 December 2017: Regulatory, political and competitive challenges will intensify for U.S. not-for-profit hospitals and healthcare systems headed into next year, according to Fitch Ratings in its 2018 outlook report.

While Fitch has a Stable Rating Outlook for the not-for-profit healthcare sector in 2018, the sector outlook is negative. "Growth in Medicare and Medicaid volumes are weakening provider payor mixes at a time when providers are moving from volume-based to value-based reimbursement in greater numbers," said Senior Director Kevin Holloran.

Profitability will also continue to weaken gradually for the sector next year, although operating performance should by and large be stable, similar to what was seen in 2017. That being said, "growing pressure on salaries and wage expense and continued erosion in payor mix could adversely affect operating performance for lower-rated hospitals," said Holloran.

Another area worth close watch in 2018 will be the proposed tax-overhaul bill, which would hamper hospitals' and health systems' ability to issue tax-exempt revenue bonds and in turn likely drive up issuance costs and further pressure the industry.

Fitch maintains its stable outlook for ratings of healthcare issuers, with affirmations and Stable Outlooks to dominate most rating actions in 2018. Fitch anticipates our revised criteria for the acute care sector will be published early next year, which should lead to an above-average, but still balanced, degree of rating movement during the year.

"Fitch 2018 Outlook: U.S. Not-for-Profit Hospitals and Healthcare Systems" is available at [www.fitchratings.com](http://www.fitchratings.com).

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