

Bond Case Briefs

Municipal Finance Law Since 1971

Fitch Ratings: Medians Rebound for U.S. NFP Children's Hospitals

Fitch Ratings-Austin-22 July 2019: Though U.S. not-for-profit children's hospitals are not out of the woods yet operationally, margins and profits have rebounded quite nicely over the last year according to Fitch Ratings in its 2019 medians special report.

Profits for children's hospitals stabilized while leverage improved even as capital spending increased to 161.1% in fiscal 2018 from 145.9% in fiscal 2017. "The need for high-quality, state-of-the-art services is a capital-intensive endeavor," said Director Richard Park. Operating margins rebounded to 5.6% in fiscal 2018 after falling to 4.5% during the prior year. "Children's hospitals have effectively controlled expenses over the last year while expansion projects have been moderate in scope and focused largely on ambulatory and service-line growth," said Director Richard Park.

That said, the sector is still susceptible to operational stress with potential cuts to Medicaid Disproportionate Share Hospital (DSH) funding starting Oct. 1. In addition to children's hospitals' high exposure to Medicaid, children's hospital volumes may be affected over time by a combination of increasing competition and declining births in the nation.

"Strong political and public-policy support for the specialized pediatric services provided means children's not-for-profit hospitals should remain insulated from the impact of any decreases to Medicaid and supplemental reimbursement," said Park.

Fitch's "2019 Median Ratios for Not-for-Profit Children's Hospitals" is available at www.fitchratings.com.

Contact:

Richard Park
Director
+1-212-908-0289
Fitch Ratings, Inc.
111 Congress Avenue
Suite 2010, Austin, TX 78701

Kevin Holloran
Senior Director
+1-512-813-5700

Media Relations: Sandro Scenga, New York, Tel: +1 212 908 0278, Email: sandro.scenga@thefitchgroup.com

Additional information is available on www.fitchratings.com

