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Fitch Ratings: Scale May Translate to Better Ratings for U.S. NFP Hospitals

Link to Fitch Ratings' Report(s): Size and Scale Factor into Hospital Ratings

Fitch Ratings-New York-26 September 2019: Increased M&A activity among U.S. not-for-profit hospitals does not necessarily translate into an instant fix for profitability, according to Fitch Ratings in a new report.

M&A among not-for-profit hospitals is here to stay, driven by the belief that scale is the only way to succeed in a rapidly transforming and innovative sector. "Historically, people went to hospitals out of necessity, not for convenience," said Senior Director Olga Beck. "Now hospitals need to offer a wide array of services with patients demanding that it be adjusted to fit their busy lives."

A recent Fitch analysis of its rated hospitals, however, shows that bigger is not instantly better in terms of profitability over the short term. In fact, profitability at the median level is virtually identical for larger, medium sized and smaller health systems. The same holds true for other key metrics like days cash on hand and net adjusted debt to adjusted EBITDA.

Where size and scale do matter is in a hospital's longer-term financial picture. While not necessarily more profitable than its smaller counterparts, larger hospitals are in a much better position structurally to fend off a future economic downturn. "Increased size and scale absolutely enhance a hospital's stability at virtually every measurable data point," said Beck. "With the tools available to them, Fitch expects that in the long run, large systems should be able to prove their advantages by exhibiting less volatility in times of stress and/or acquiring essentiality with a strong clinical reputation in very high-acuity care that provides them with a broad patient base."

'Size and Scale Factor into Hospital Ratings' is available at 'www.fitchratings.com' or by clicking on the link.

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