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S&P U.S. Not-For-Profit Health Care Rating Actions, December 2019.

S&P Global Ratings' U.S. Not-for-Profit Health Care rating actions in December were balanced with two upgrades and two downgrades. Outlook revisions were slightly more positive than negative in December with four favorable outlook revisions and three unfavorable outlook revisions. We consider a favorable outlook change to include revisions from stable to positive, negative to stable, or negative to positive, and vice versa for unfavorable outlook changes where the rating itself doesn't change. Overall, we affirmed 33 ratings, of which 12 were for new sales, in the month of December.

Our view of the sector remains stable. Continued balance-sheet strength combined with improving enterprise profiles as a result of mergers and acquisitions in addition to diversifying joint ventures drives our view of the sector, despite continual regulatory and financial risks. (U.S. Not-For-Profit Health Care 2020 Sector Outlook: A Precarious Balance As Evolution Continues, published on RatingsDirect Jan. 9, 2020.) Our 2018 median ratios also support our overall stable view of the sector and are highlighted by slightly improved operating margin performance overall following a two-year decline. Based on the 2018 ratios and our view of year-to-date results, we believe operating margins are generally stable, but at lower levels (U.S. Not-for-Profit Acute Health Care Ratios: 2018 Medians Show Operating Margin Improvement But Are Otherwise Stable, published on RatingsDirect Sept. 4, 2019).

Notable December rating actions include our downgrade on Tower Health to 'BBB+' from 'A' due to significantly weaker than expected financial performance and further expansion plans, which strain the balance sheet, and Winkler County Hospital District's downgrade to 'BB+' from 'AA' driven by the application of the acute-care criteria published March 19, 2018. This organization was previously rated under priority lien tax revenue debt criteria.

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