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S&P: Checkup On Not-For-Profit Health Care SBPA-Backed VRDOs In The COVID-19 Era

Key Takeaways

- The U.S. public finance health care sector currently accounts for about \$7 billion or 10% of the \$69.8 billion VRDOs backed by SBPAs that we rate.
- Our sector outlooks for all public finance sectors are now negative, and, as of July 31, we had negative rating outlooks on 26% of the stand-alone not-for-profit health care providers and 17% of the not-for-profit health care systems we rate.
Not-for-profit health care providers in the 'AA' rating category continue to have access to the SBPA market, though pricing has increased somewhat and tenors have shortened.
- Although unlikely, remarketing failures and draws on SBPA providers could increase if bondholders elect to tender their bonds due to impact of the pandemic and investors' concerns about obligors' overall credit quality and the potential loss of put options if SBPAs terminate without notice.

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