
S&P U.S. Not-For-Profit Health Care Rating Actions, 2020 Year-End Review.

S&P Global Ratings' U.S. not-for-profit health care outlook and rating actions in 2020 were heavily influenced by the pandemic with a higher than typical amount of unfavorable outlook revisions (mostly to negative from stable), particularly in the spring when we simultaneously revised outlooks on 42 health care organizations in anticipation of upcoming financial and operating pressures. In addition, in 2020 we downgraded four times more organizations than we upgraded. Four of the nine upgrades occurred in January before the pandemic with all but one of the remaining upgrades due to affiliation or merger with a higher rated organization.

Nevertheless, we maintained a majority of our ratings, reflecting financial flexibility from strong balance sheets, enterprise profile strengths, and governmental support through stimulus funds. There have also been some favorable outlook actions including credits that were revised back to stable after having outlooks revised to negative as part of our multi-credit rating action in April 2020 when we believed those credits with weaker reserves and credit characteristics could face relatively more pandemic related challenges.

The health care portfolio is composed largely of stand-alone hospitals (59%) and health care systems (35%) with the remaining ratings on long-term care, human service providers and a physician group practice. Relative to their percentage of the total portfolio, the stand-alone providers had a higher number of downgrades and unfavorable outlook revisions in 2020. However, stand-alone hospitals also accounted for over three-quarters of the favorable outlook revisions. We believe this reflects the continued bifurcation of credit quality for stand-alone providers and the larger portfolio of stand-alone ratings. Health care systems were not immune to credit actions either as they experienced upgrades, downgrades, and both unfavorable and favorable outlook actions, although in each category at a rate lower than their percentage representation in the overall portfolio. We believe this reflects system benefits, including size, scale, and for many, centralized control, all of which provided benefits in managing through the pandemic.

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