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S&P U.S. Not-For-Profit Health Care Rating Actions, March 2021 And First-Quarter 2021.

S&P Global Ratings' Not-For-Profit health care rating actions for the first quarter of 2021 had five downgrades and no upgrades. There were also 15 favorable and eight unfavorable outlook revisions.

The rating activity during the first quarter continued the negative rating trend, which informed our affirmation of the negative sector outlook at the start of the year (see "Outlook For U.S. Not-Fo-Profit Acute Health Care: Navigating The Bumps While Getting Back On Track," published on Jan. 12, 2021).

However, outlook revisions without rating changes are trending more favorably this year compared with 2020. For those credits without rating changes, favorable outlook revisions were almost double the number of unfavorable revisions in the first quarter of fiscal 2021 while in 2020 unfavorable outlook revisions were almost triple the number of favorable revisions. We believe this shift reflects the resiliency of the sector with many organizations maintaining generally healthy balance sheets, taking decisive actions to manage operations through the pandemic, and benefiting from government stimulus and liquidity support.

Despite the negative outlook on the sector and continuing industry pressures, there has also been meaningful stability among many issuers, with 65 rating affirmations during the first quarter of 2021, representing about two-thirds of credits analyzed year to date. While affirmations have continued to represent most of our actions, even during the pandemic, as of March 31, approximately 76% of our acute care ratings carried a stable outlook compared with a more typical pre-pandemic average of over 80%. As the number of stable outlooks begins to return to a more historical percentage, underscoring the pace and sustainability of the post pandemic recovery and improvement in underlying credit factors, we will consider when to revise our sector outlook to stable from negative.

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15 Apr, 2021