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Fitch: Coronavirus Aftershock to Widen Ratings Divide for U.S. NFP Hospitals

Fitch Ratings-Austin-03 August 2021: U.S. vaccination efforts have placed early coronavirus fears in the rear-view mirror, though Fitch Ratings' latest median report for the sector says operational stress will still likely be felt by healthcare providers for the foreseeable future, and there is looming concern over the rise of the Delta variant.

Medians were mixed for U.S. not-for-profit hospitals and health systems amidst the fallout of the global pandemic, yet proved the sector's resiliency. That said, expenses are still quite high for NFP hospitals. "Capital spending post-pandemic will increase slightly seeing as organizations necessarily curtailed capex during the height of the pandemic," said Fitch Senior Director Kevin Holloran. "Higher expenses are likely here to stay, as is an emerging credit split between stronger and weaker hospitals, which could spur more M&A and expansion activity."

"That said, hospital finances would have taken a more serious drubbing were it not for stimulus relief and re-bounding elective procedural volumes," said Holloran.

2021 median operating margins and operating EBITDA decreased incrementally to 1.5% and 7.3%, respectively, from 2.3% and 8.7% in the prior year. Yet days cash on hand improved to 241.4 days, compared with 219.8 in the prior year.

The 2021 medians largely reflect the direct coronavirus shock to hospitals and health systems. "Health organizations continue to be hampered by traditional fee-for-service reimbursement due to their experience during the coronavirus pandemic, which resulted in "no services and no fees," said Holloran.

Fitch's '2021 Median Ratios: Not-for-Profit Hospitals and Healthcare Systems' is available at 'www.fitchratings.com'.

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