

# **Bond Case Briefs**

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## **Fitch: Deceptively Strong Medians Likely Coming to an End for U.S. NFP Hospitals**

Fitch Ratings-Austin-18 August 2022: U.S. not-for-profit hospitals saw another strong year of mostly across the board median improvements, though it appears almost certain to be a high-point for the sector with Fitch Ratings projecting declines for next year and beyond in its latest annual sector report.

2022 medians (using audited 2021 data) showed a 20% increase in cash to adjusted debt to 249% for 'AA' rated hospitals, compared to an 8% increase for 'BBB' health systems to 102%. That said, "the deceptively strong numerical improvements over prior years' medians are less a sign of sector resiliency and more a cautionary calm before the storm," said Senior Director Kevin Holloran. "Additional expenses, primarily labor, have become part of the permanent fabric of hospital operations, that when combined with ongoing incremental challenges will exert tremendous pressure on providers through calendar 2022 and beyond."

Fitch expects to see hospital medians reverse course this time next year due to a conflagration of events, including the very challenged operational start to calendar 2022, additional Omicron sub-variants and inflationary pressures. Staffing, or an adequate lack thereof, is particularly troubling. Clinical and non-clinical shortages will continue into 2023 and likely longer in some markets, with high growth markets being better able to mitigate staffing shortages.

"We are likely two years before some level of "normal" returns to the sector," said Holloran. "For many hospitals, their "value journey" will be on temporary hold until expenses stabilize and become more predictable."

'2022 Median Ratios: Not-for-Profit Hospitals and Healthcare Systems' is available at [www.fitchratings.com](http://www.fitchratings.com)'.

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