

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

---

## **Fitch Ratings Revises U.S. NFP Hospitals Sector Outlook to 'Deteriorating'**

Fitch Ratings-Austin/Chicago-16 August 2022: More severe-than-expected macro headwinds have prompted Fitch Ratings to revise its sector outlook for U.S. not-for-profit hospitals and health systems to 'deteriorating', as detailed in Fitch's new report.

The biggest sector impediment has been labor, and broader macro inflationary pressures are rendering the sector even more vulnerable to future stress, according to Senior Director Kevin Holloran. Investment losses have contributed to a rockier 2022 to date than anticipated for hospitals, and operating metrics are down significantly compared to last year.

"While severe volume disruption to operations appears to be waning, elevated expense pressure remains pronounced," said Holloran. "Even if macro inflation cools, labor expenses may be reset at a permanently higher level for the rest of 2022 and likely well beyond."

Where this will be the most felt is nurses, which were already in high demand pre-pandemic with Covid only exacerbating a glaring shortage of nursing staff.

As a result, many NFP health providers will violate debt service coverage covenants in 2022. As to what that scenario means for hospitals in the coming months, "We may be in a period of elevated downgrades and Negative Outlook pressure for the rest of 2022 and into 2023," said Holloran.

"Fitch Ratings 2022 Mid-Year Outlook: U.S. Not-For-Profit Hospitals and Health Systems" is available at [www.fitchratings.com](http://www.fitchratings.com).

Contacts:

Kevin Holloran  
Senior Director  
+1-512-813-5700  
Fitch Ratings  
2600 Via Fortuna, Suite 330  
Austin, TX 78746

Mark Pascaris  
Director  
+1-312-368-3135

Media Relations: Sandro Scenga, New York, Tel: +1 212 908 0278, Email: [sandro.scenga@thefitchgroup.com](mailto:sandro.scenga@thefitchgroup.com)

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

