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Already-Lagging Junk Hospital Bonds Face Looming Medicaid Test.

- **High-yield muni index rallied 3.4% while hospital debt up 0.5%**
- **Millions likely to lose coverage in Medicaid enrollment change**

The already battered health-care industry faces another blow as Medicaid changes threaten to add more pressure on an industry still struggling to recover from the coronavirus pandemic.

The Bloomberg High-Yield Hospital Index is the worst-performing sector of the junk-rated corner of the $4 trillion muni market so far this year. The benchmark, which includes bonds sold by hospitals and retirement communities in addition to nursing and assisted-living facilities, has inched up just 0.5% this year, after a 14% loss in 2022. That's a drastic under-performance compared to the broader high-yield muni index, which has rallied 3.4% this year.

The hospital and health-care sectors continue to endure negative operating margins on higher cost of goods, labor shortages and strained patient volumes. That pressure is reflected in junk bonds as well as debt higher up on the rating spectrum, with Bank of America Corp. research earlier this month attributing the widening of BBB spreads largely to hospitals. Three rating companies, Moody's Investors Service, S&P Global Ratings and Fitch Ratings, have negative or equivalent outlooks on the not-for-profit hospital sector.

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