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Frederick Health Hospital, Inc., Maryland: Fitch New Issue Report

Revenue Defensibility: ‘bbb’; Dominant Market Share in Growing Service Area: The midrange revenue defensibility reflects FH’s dominant market share of about 70% in an economically diverse and growing service area. Its market position is relatively secure due to the regulated nature of MD healthcare including certificate of need programs. FH focuses on its core service lines including cardiology, oncology neurology and women’s health and does not provide trauma, open heart or transplant, so there is some outmigration to surrounding academic medical centers. FH’s solid market share is supported by an expanding outpatient footprint including the cancer center completed in 2017 and the recent critical care expansion including the ICU and emergency department. Under Maryland’s Global Budget Review (GBR) program, annual revenue is allocated to hospitals for regulated service lines and is determined and known before the start of each year and adjusted annually for changes in market share, services provided and population growth. Approximately 70% of FH’s revenues fall under Maryland’s all payor system, which provides predictable revenue streams but may create a lag in reimbursement in a rapidly growing service area, such as FH’s, and in the case of unpredictable utilization patterns, as was the case during the pandemic.

ACCESS REPORT

Tue 13 Jun, 2023

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