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Short on Cash, Some Hospitals Now Face Debt Defaults.

While many hospitals are seeing their margins slowly recover, some are still struggling and may soon default on their debts. In an attempt to avoid default, hospitals are choosing to close unprofitable services, sell assets, cut jobs, and more.

Short on cash, some hospitals struggle to avoid debt defaults

According to a new report from Kaufman Hall, nationwide hospital operating margins are still below pre-pandemic levels, but are slowly inching back up, particularly as labor expenses decline and revenues increase due to higher patient utilization, especially in outpatient settings.

However, some hospitals, particularly those that operate alone or are part of small systems, are still struggling financially. Some hospitals are currently reporting that they do not have enough cash to satisfy lenders, who typically require them to meet periodic financial targets.

“Failures to meet such obligations to lenders can technically count as default, putting hospitals at risk of credit downgrades and higher interest rates,” the Wall Street Journal writes.

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