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S&P U.S. Not-For-Profit Acute Health Care 2022 Medians: Historically Low Metrics Signify A Long Road To A New Normal

Key Takeaways

- ***Virtually all fiscal 2022 medians weakened.*** Margins and coverage ratios were particularly hard hit, reflecting labor and inflationary pressure that we believe is moderating but remains stubbornly high.
- ***Weaker operating performance trickled into balance-sheet metrics.*** Absolute unrestricted reserves weakened but remain remarkably resilient. Inability to improve cash flow could accelerate balance-sheet deterioration and pressure credit quality. Days' cash on hand is expected to remain lower due to permanently higher salary structures.
- ***Provider relief funding delivered limited respite from operating pressure.*** Traditional COVID-19 stimulus funding waned while state and FEMA grants grew. Without these funds, the operating margin median was negative 1.4% compared with essentially breakeven margins including support.
- ***Net patient service revenue rebounded for the second year in a row.*** However, even a nearly 12.5% increase between 2021 and 2022 was insufficient to offset a 17% increase in expenses including elevated salaries and benefits as a percent of net patient service revenue.
- ***Debt levels rose slightly.*** Debt as a percent of capitalization ticked up due, in part, to lower unrestricted net assets but absolute debt levels increased as well because some organizations took advantage of still-low interest rates.

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