
S&P U.S. Not-For-Profit Health Care Small Stand-Alone Hospital Median Financial Ratios - 2023

Rating And Outlook Overview

Small hospitals, defined as having $150 million or less of total operating revenue, are a subset of stand-alone hospitals. The limited number of small hospitals creates some difficulty in drawing conclusions from median trends, particularly as this cohort of providers has generally higher volatility than other larger and more diversified health care providers. There were 19 providers included in S&P Global Ratings' small hospital median calculations, down from 26 two years ago. The decrease is due to some providers increasing total operating revenue beyond $150 million, as well as some acquisition activity.

The ratings distribution for small hospitals continues to skew toward speculative-grade. Ongoing high labor costs and inflationary pressures continued to affect small hospitals and have contributed to downgrades, especially when combined with reductions in liquidity and financial flexibility. A greater percentage of small hospitals are rated in lower rating categories compared with stand-alone hospitals, with no small hospitals garnering a rating above the 'A' category. This is consistent with historical rating distribution trends, given the inherent risks associated with small hospitals, including less operating diversity and flexibility, small medical staff sizes, and limited service area and economic growth characteristics, all lending to increased volatility.

More small hospitals carry a negative outlook. Industry performance pressure and generally weakened financial results have led to more small hospitals carrying negative outlooks this year (37%) than in the previous year (23%). Small hospitals have historically held an elevated proportion of nonstable outlooks compared with stand-alone hospitals due to the aforementioned inherent risks, which can lead to more rapid financial deterioration than larger providers and typically longer recovery periods.

The small hospitals we rate are diverse. Although the number of providers is limited, there are a variety of hospital types in this cohort, including specialty hospitals, tax-supported hospital districts, and critical access hospitals. The cohort is also geographically broad, representing 14 states, with many located in rural locations. This diversity within such a small sample size also might contribute to some median volatility year-to-year.

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7 Aug, 2024 | 13:16

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