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

**Rating And Outlook Overview**

**We rate fewer rated stand-alone hospitals due to mergers and migration to systems.** The number of stand-alone hospitals rated by S&P Global Ratings dropped to 228 from 243 year over year, 94% of which are reflected in the 2023 medians. This continues the diminishing trend of rated stand-alone hospitals (15 in the past year) mostly due to mergers and acquisitions as well as a few stand-alone hospitals migrating to systems, which overall increased by 11 this year.

**There are fewer hospitals rated in the 'AA' category and more in the 'A' and 'BBB' categories.** The overall rating distribution of stand-alone hospitals remains relatively stable with some minor variations. In addition to a couple of stand-alone hospitals in the 'AA' category migrating to systems, there was also some movement down the rating scale as a couple of stand-alone providers have migrated out of the 'AA' category, and the percent of 'A' ratings has risen. The 'BBB' and speculative-grade categories are relatively stable.

**Stand-alone hospitals remain concentrated in the 'A' and 'BBB' categories.** About 70% of stand-alone hospital ratings are concentrated in the 'A' and 'BBB' rating categories, with an even split between 'AA' and speculative-grade for the remaining ratings. The distribution trends lower compared with system ratings, given stand-alone hospitals are more prone to disruption with narrower primary service areas and more limited revenue bases and therefore, generally need to have stronger ratios relative to systems to achieve the same rating. Although the bar is higher, this also provides stand-alone hospitals with greater financial flexibility to absorb some financial stresses.

**Slightly favorable shift in outlook distribution between 2023 and mid-2024.** Given the larger sample size of stand-alone hospitals than for systems, small changes to the outlook distribution will be less pronounced in the percentages than they are for systems. The percent of stable outlooks increased from June 2023 to June of this year, although the percentages remain below historical levels. The percentage of negative outlooks remains slightly higher, accounting for almost one-quarter of rated providers, although slightly improved this year. Despite almost one-third of our outlooks being positive or negative, most ratings on stand-alone hospitals have a stable outlook.

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