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S&P U.S. Not-For-Profit Health Care System Median Financial Ratios - 2023

Rating And Outlook Overview

The number of rated health care systems slightly increased. The number of systems rated by S&P Global Ratings rose to 173, of which 161 (or 93%) are included in the 2023 medians. This increase, despite ongoing system consolidation, is mostly due to new issuers seeking ratings, as well as stand-alone hospitals transitioning to systems per our criteria, given revenue growth and added acute care facilities.

System rating distribution has shifted from the 'AA' category, despite the inherent strength of systems. Higher-rated systems are characterized by robust enterprise profiles, greater scale and diversity than stand-alone hospitals, and seasoned management teams. However, they also remain subject to persistent broad sector headwinds that continue to affect operating performance. The number of systems rated in the 'AA' category fell to 39% of total rated systems, from 44% in 2022, with concurrent increases in the 'A' and 'BBB' categories. Speculative-grade rated systems remain rare, encompassing only four organizations, and are therefore excluded from tables 2, 3A, 3B, and 3C.

Rating distribution for systems generally skews toward higher rating categories than those for stand-alone hospitals. About 87% of systems are rated in the 'AA' and 'A' categories, compared with just 56% of stand-alone hospitals despite several of their financial medians being more favorable than those of systems. The median system rating is 'A+' compared with the stand-alone median of 'A-'.

Negative outlooks remain elevated. The systems rating distribution in higher categories is accompanied by generally lower rating volatility, where nonstable outlooks account for 23% of the outlook distribution, generally consistent with 2022, but more favorable than outlook distribution for stand-alone hospitals at 27%. That said, the percentage of negative outlooks for systems in 2023 and year-to-date through June 2024, although unchanged, is about double 2022 levels, highlighting operational headwinds the sector faced. Positive outlooks have remained largely consistent in the past three years at less than 5%.

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