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Fitch: U.S. NFP Hospitals Balancing 2025 Neutral Outlook with Adverse Outliers

Fitch Ratings-New York/Chicago-08 January 2025: A new administration in D.C. and some longer-term generational demographic concerns could pose challenges to U.S. not-for-profit (NFP) hospitals as the sector enters 2025 on sturdier footing, according to Fitch Ratings analysts in a [webinar](#) yesterday.

Labor shortages remain a struggle for hospitals, driving elevated expenses. However, Sector Head Kevin Holloran said that hospitals are now hiring more employees than experiencing departures. In addition, usage of agency staff is declining while costs per unit are nearing pre-pandemic levels. These are among the developments that have led Fitch to revise its sector outlook to Neutral from Deteriorating.

Credit trifurcation is still the norm for the sector while Negative Rating Outlooks remain quite preeminent, though Senior Director Mark Pascaris said that downgrades to upgrades normalized in 2024, a trend that should continue in 2025 after the ratio peaked in 2023. Pascaris also noted that affirmations with Stable Outlooks still encompass roughly two-thirds of overall NFP hospital rating actions despite Covid and the subsequent "labor-demic."

As for potential challenges in 2025 and beyond, "a major macro disruption that moves the payor mix from commercially insured to Medicaid or self-pay could move the sector outlook back to Deteriorating," said Pascaris. Holloran pointed to 2030 as a year of particular concern in which the final members of the baby boom generation will reach age 65. "With more chunks of the population needing healthcare and a potentially smaller workforce available to provide it, a lack of a running start in using AI as a way of delivering care could leave NFP hospitals on more precarious ground," said Holloran.

A replay of the webinar is available at www.fitchratings.com along with Fitch's 2025 outlook report.

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