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What Healthcare Investors Value Most Today.

The healthcare municipal market continues to navigate a mix of structural headwinds, evolving risk appetites and a shifting credit landscape. A recent investor conversation at the Kaufman Hall Healthcare Leadership Conference offers insights as to where investors are focused today, and what borrowers can do to meet the market on favorable terms. Several themes emerged: geography and scale matter but do not outshine performance, execution beats aspiration, disclosure quality is a differentiator, and underlying credit quality matters more than bond or security structure. Underneath it all, supply and demand remain the strongest drivers of investor appetite and determine whether an order shows up on pricing day. Finally, investors' key question when assessing strategy remains: are management's incentives aligned with mine?

We thank Connie Lu, a fixed income investment analyst at Capital Group; Brian Pyhel, CFA, CPA, a director and senior research analyst in the municipal fixed income division of BlackRock's Portfolio Management Group; and Pranav Sharma, a research analyst on Lord Abbett's Municipal Bond Research team, for participating in our conversation.

HR1, labor, cyber risk and other headwinds

Policy risk is near the top of investors' watch list. The recently enacted HR1 (also known as the One Big Beautiful Bill) will materially change the healthcare landscape though its phased impacts will be credit-specific and state-mediated. Investors understand the law will impact borrowers in a variety of ways, but that is only the first derivation. While investors are not overly concerned by the potential impact of the law, they are concerned by borrowers who do not have a handle on, or are unwilling to communicate, its impact. "We're still assessing" is no longer an adequate response.

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