

## Medians for Healthcare

Standard & Poor's Ratings Services has recently released its not-for-profit health care median ratios for stand-alone hospitals and health care systems.

There were stronger operating margins for stand-alone hospitals in 2015 at each rating category, offset by consistently softer non-operating revenue compared to 2014. Balance sheet metrics were also fairly stable although days' cash on hand declined slightly in all categories except the 'AA' category which saw a slight increase.

### Stand-Alone Hospital Median Ratios By Rating Category: Fiscal Year-End 2015

	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Speculative Grade</u>
Sample Size	33	137	97	27
Maximum Annual Debt Service Coverage (x) *	6.7	4.5	3.3	1.7
Operating Margin (%) *	5.8	3.6	2.4	(0.7)
Days Cash on Hand *	384.2	248.6	158.5	85.9
Long-Term Debt / Capitalization (%) *	21.9	29.1	36.0	48.1

System medians, similar to the stand-alone medians, demonstrated operating margin improvement in 2015, which when combined with softer non-operating income produced modest coverage gains in the higher rating categories, with slight declines in the lower rating categories. Balance sheet metrics remained largely stable.

### Not-For-Profit Health Care System Medians Ratios By Rating Category: Fiscal Year-End 2015

	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Speculative Grade</u>
Sample Size	58	70	10	4
Maximum Annual Debt Service Coverage (x) *	6.3	4.4	2.4	1.6
Operating Margin (%) *	4.7	3.5	0.7	(1.7)
Days Cash on Hand *	280.7	183.4	115.4	74.2
Long-Term Debt / Capitalization (%) *	27.8	37.6	42.1	75.6

#### \*Definitions:

Maximum Annual Debt Service Coverage (x) – net revenue available for debt service / estimated future peak principal payments and interest expense

Operating Margin (%) – (total operating revenue – total operating expenses) / total operating revenue

Days Cash on Hand – (unrestricted cash and investments x 365) / (total operating expenses – depreciation and amortization expenses)

Long-Term Debt / Capitalization (%) – (long-term debt + short-term debt) / (long-term debt + short-term debt + unrestricted fund balance)

(Sources: S&P Global Ratings – RatingsDirect: U.S. Not-For-Profit Health Care Stand-Alone Hospital Median Financial Ratios 2015 vs. 2014; September 21, 2016 AND U.S. Not-For-Profit Health Care System Median Financial Ratios 2015 vs. 2014; September 21, 2016)