

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.

Medians for stand-alone hospitals in 2019 remained generally stable overall compared with the distribution the prior year. Based on fiscal 2019 data, stand-alone hospitals rated by S&P Global Ratings exhibited slightly improved debt service coverage and a lower debt burden in every rating category, due in part to rising revenue but also reflecting a favorable interest rate environment that yielded refinancing savings and generally affordable access to capital.

Stand-Alone Hospital Median Ratios By Rating Category: Fiscal Year-End 2019

	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Speculative Grade</u>
Sample Size	38	108	73	30
Maximum Annual Debt Service Coverage (x) *	7.4	4.6	2.7	2.6
Operating Margin (%) *	4.7	2.4	0.0	0.8
Days Cash on Hand *	334.1	260.4	158.0	89.4
Long-Term Debt / Capitalization (%) *	19.4	25.0	35.6	50.8

Medians for not-for-profit health care systems in 2019 generally followed the trends displayed across the entire acute care sector. However, with benefits from increased economic, business, and geographic dispersion that can lower volatility, the trends can sometimes be more moderate. This has led to a generally stable rating distribution overall compared to last year. Medians for Speculative Grade systems were excluded this year due to the small sample size of two.

Not-For-Profit Health Care System Medians Ratios By Rating Category: Fiscal Year-End 2019

	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Speculative Grade</u>
Sample Size	65	66	13	-
Maximum Annual Debt Service Coverage (x) *	5.9	3.7	2.5	-
Operating Margin (%) *	3.8	1.9	(1.1)	-
Days Cash on Hand *	288.9	172.8	140.7	-
Long-Term Debt / Capitalization (%) *	24.7	35.8	40.2	-

***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 2019 vs. 2018; August 19, 2020 & U.S. Not-For-Profit Health Care System Median Financial Ratios 2019 vs. 2018; August 19, 2020)