

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.

Pandemic-related operating support contributed to financial performance ratios that are generally consistent with the prior year, with some exceptions in the lower rating levels. This support helped all rating level medians, including the speculative grade rating medians, produce at least break-even operating margins in fiscal 2020, which is the first time this has occurred since fiscal 2012.

Stand-Alone Hospital Median Ratios By Rating Category: Fiscal Year-End 2020

	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Speculative Grade</u>
Sample Size	35	105	72	34
Maximum Annual Debt Service Coverage (x) *	6.1	4.0	2.7	2.3
Operating Margin (%) *	3.5	1.9	0.7	1.3
Days Cash on Hand *	354.8	295.9	171.7	111.0
Long-Term Debt / Capitalization (%) *	21.1	25.1	35.5	48.0

Medians for not-for-profit health care systems in 2020 generally followed the trends displayed across the entire acute care sector. However, with benefits from increased scale and economic, business, and geographic dispersion, systems can have lower volatility and more stable overall credit profiles. The trends can sometimes be more moderate. This has led to a very stable rating distribution for the group when compared with both summer 2020 and 2019. Medians for Speculative Grade systems were excluded this year due to the small sample size of three.

Not-For-Profit Health Care System Medians Ratios By Rating Category: Fiscal Year-End 2020

	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Speculative Grade</u>
Sample Size	68	68	14	-
Maximum Annual Debt Service Coverage (x) *	5.2	3.6	2.4	-
Operating Margin (%) *	2.3	1.1	(0.9)	-
Days Cash on Hand *	295.3	187.9	146.4	-
Long-Term Debt / Capitalization (%) *	25.4	35.5	47.2	-

*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 2020 vs. 2019; August 30, 2021 & U.S. Not-For-Profit Health Care System Median Financial Ratios 2020 vs. 2019; August 30, 2021)