

Analyzing **COVID-19's Impact** On U.S. Not-For-Profit Healthcare Providers

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Not-For-Profit Health Care: Sector Outlook

Revised in March 2020 to Negative

Outlook change precipitated by existing pressures, but largely impacted by COVID-19 and ensuing recession:



Deferral of non-emergent procedures significantly impacted revenues with uneven recovery across geographies and regions



Margin compression likely to continue due to reduced volume compared to pre-COVID-19 period and increased expenses, partially offset by federal stimulus grant funds and other support



Recessionary pressures could be a challenge to the sector, particularly related to payor mix trends



Uneven COVID-19 impact across the country with some uncertainty remaining as it relates to trajectory of pandemic

What We're Watching



Uneven recovery

COVID-19 volume waves and spikes could affect financial recovery over the next year



Recessionary pressures

Economic challenges may result in weakening payor mix, and volume declines



Margin compression

Revenue stress and increased expenses are likely to yield weaker margins



Credit quality gap

Emerging gaps between stronger and weaker providers will further widen



Financial flexibility

Strong balance sheets and access to lines of credit provide cushion for many credits



Enterprise strength

Proactive management and demand for essential services remain sector hallmarks and will aid in recovery

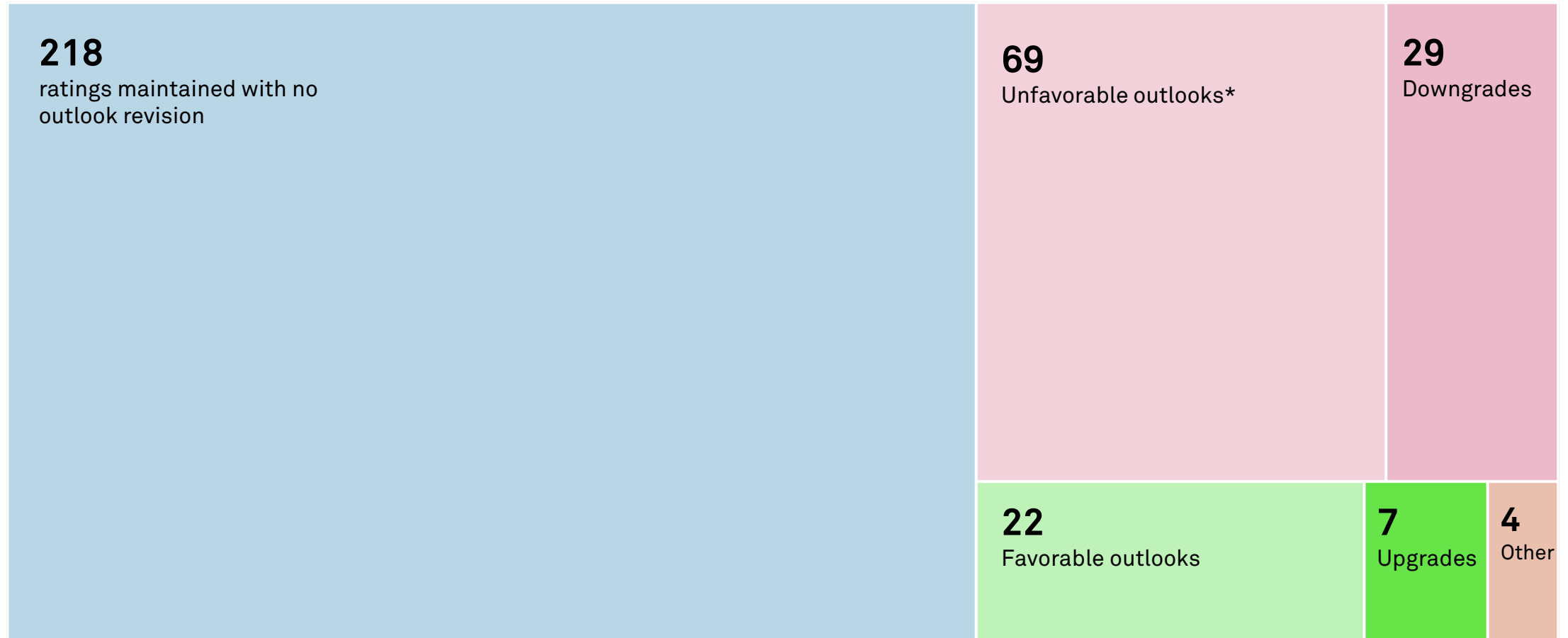


Federal support

Federal stimulus grants have been helpful to providers but more may be required depending on recovery trend



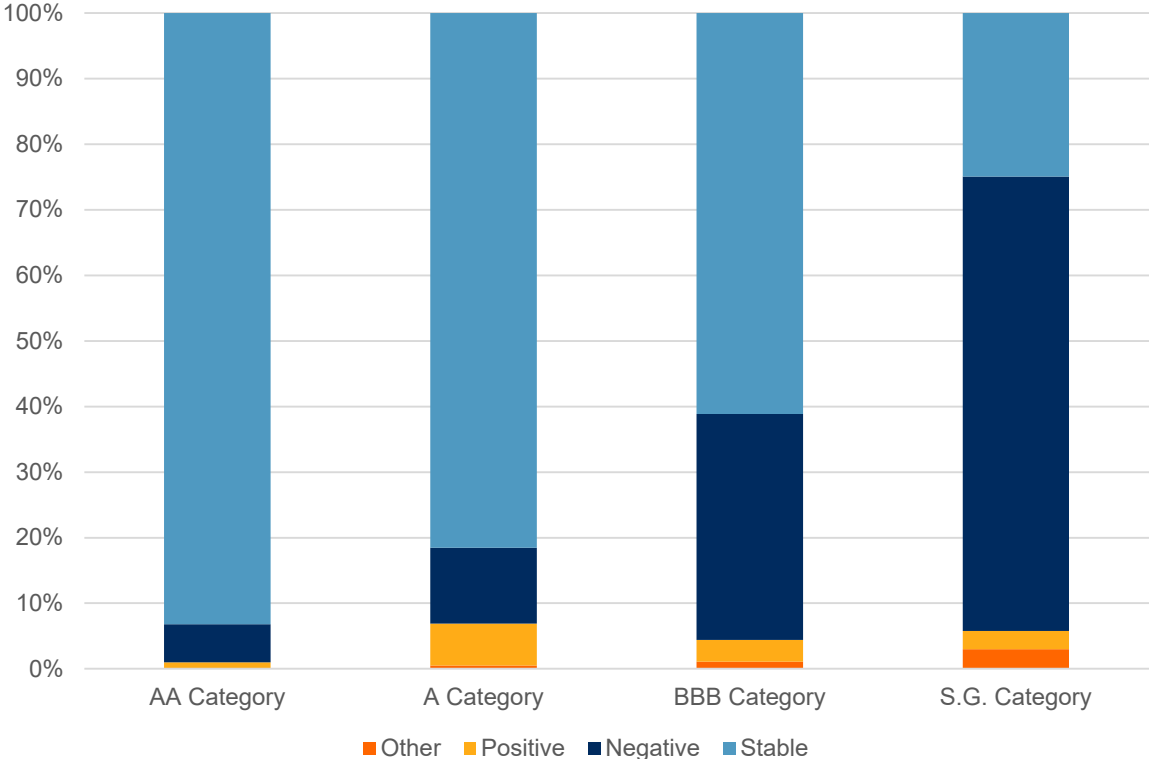
Not-For-Profit Health Care **Rating Action Summary:** January 1 – September 30, 2020



As of Sept. 30, 2020. *Includes 42 unfavorable outlook revisions that were part of a multi-credit rating action. "Other" includes Developing outlook and CreditWatch Negative.

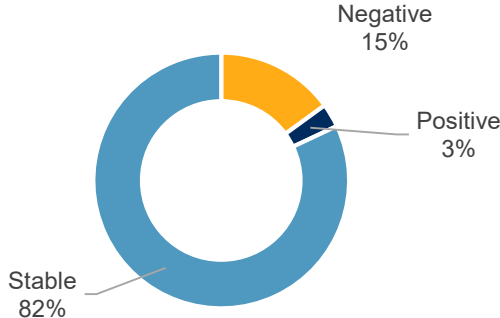
Stand-Alone Hospitals And Health Care Systems: Outlook By Rating Category And By Type

Outlook By Rating Category

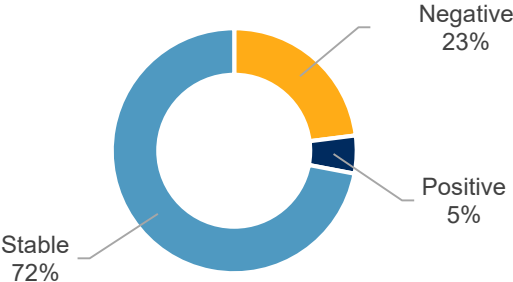


As of Sept. 30, 2020. Other includes Developing outlook and CreditWatch Negative.

System Outlook Distribution

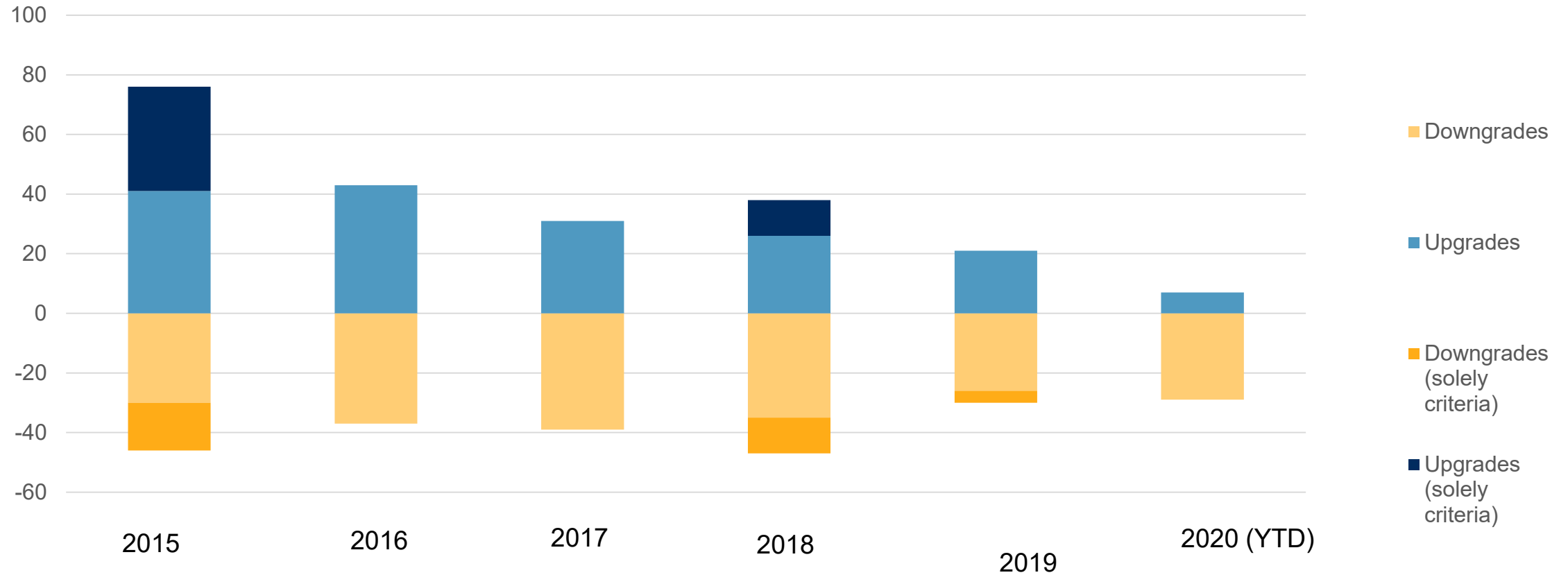


Stand-Alone Hospital Outlook Distribution



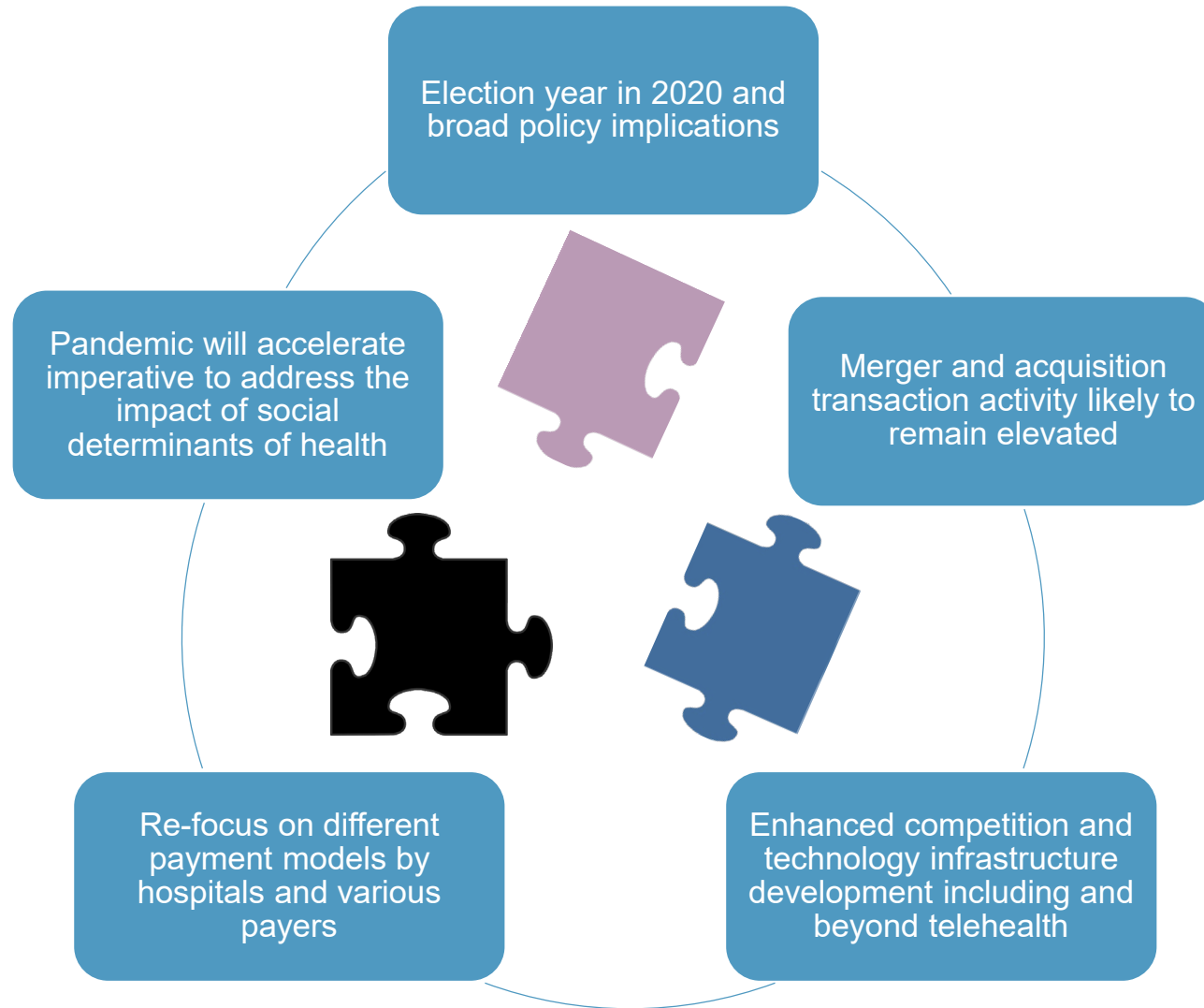
As of Sept. 30, 2020. Exclude organizations on CreditWatch or developing outlooks..

2020 Rating actions year to date demonstrate downgrades on pace with prior years **but much fewer upgrades**



Data represents all ratings reviewed including some with multiple rating actions. Criteria actions in 2018 and 2019 relate to "U.S. And Canadian Not-For-Profit Acute-care Health Care Organizations" criteria, published March 19, 2018. Criteria actions in 2015 relate to "U.S. Not-For-Profit Acute-Care Stand-Alone Hospitals" criteris, published Dec. 15, 2014. *Rating actions through Sept 30, 2020.

Our Focus For 2021 And Beyond



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