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Dozens of hospitals, health systems see credit rating downgrades

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Lower ratings can result in higher interest rates for borrowing and limited access to capital.

Dozens of hospitals and health systems have faced credit rating downgrades this year as the industry continues to wrestle with a challenging operating environment.

As of the end of August, more than 60 hospitals and health systems have been downgraded by at least one of the three largest credit rating agencies—Fitch Ratings, Moody's Investors Service and S&P Global. Reports from the agencies often cited operating losses stemming from labor shortages and high costs plus dwindling liquidity, high debt-to-cash ratios and/or possible default on debt agreements as reasons for the downgrades.

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The downgrades come despite improving financial reports this year from many hospitals and health systems, as organizations seek to **rebound from a particularly rough 2022**.

Credit ratings give market investors an idea of an organization's overall financial health and what kind of risk it poses. Lower ratings can result in higher interest rates for borrowing and limited access to capital. An organization can be downgraded—or upgraded—by one or more notches, with AAA being the highest possible rating. D is the lowest rating at Fitch and S&P, while C is the lowest rating at Moody's. Multi-notch downgrades typically happen among lower-rated organizations.

"The fact that we are now through the first half of the year ... [and] seeing significantly more downgrades than upgrades ... really reflects the depths of the fiscal challenges that American hospitals continue to face," said Mark Pascaris, director at Fitch.

Here's a look at credit rating downgrades among hospitals and health systems as of Aug. 31, as reported by the agencies.

CREDIT RATING DOWNGRADES

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Name	Month	Rating	Outlook	Agency
Altru Health System (N.D.)	May	Baa3	Stable	Moody's

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