

Fitch: 2015 Sector Outlook Negative for Nonprofit Hospitals; Ratings Outlook Remains Stable

December 09, 2014 11:27 AM Eastern Standard Time

NEW YORK--([BUSINESS WIRE](#))--The 2015 sector outlook is negative for nonprofit hospital due to the on-going uncertainties surrounding the continued implementation and legality of the Affordable Care Act (ACA) and the movement towards value-based payment models, according to a Fitch Ratings report.

The ratings outlook for the sector remains stable with the vast majority of rating actions and outlooks in 2015 expected to be affirmations and stable, respectively.

'Despite challenges the sector faces, 2015 ratings are expected to be stable reflecting the ability of hospital and health systems to maintain adequate profitability despite continued pressure on reimbursement, softening inpatient volumes and on-going challenges to the validity and legality of key provisions of the ACA,' said Jim LeBuhn Senior Director.

Further movement into high deductible health plans by employers, better clinical outcomes and Medicare's 'two mid-night rule' is likely to further pressure inpatient volumes and profitability in 2015.

The results of the November 2014 mid-term elections which gave control of both the houses of Congress to Republican majorities is likely to raise the level of uncertainty about continued implementation of ACA. While Republican attempts to repeal or de-fund key parts of the legislation are likely to meet a Presidential veto, it will further complicate, raise the level of uncertainty and make strategic planning more difficult for hospitals and health systems.

A Supreme Court ruling against the federally created state exchanges in 'King vs. Burwell' would further challenge hospital and health systems, particularly in the states that did not expand Medicaid.

'The hospital sector has navigated many challenging environments in the recent past, but the upcoming years represent a true transition as the core model of

healthcare delivery and reimbursement is undergoing redesign. With a multitude of changes that require strategic navigation, management strategy, oversight and decision making capabilities will more highly influence individual facility/system financial performance', said LeBuhn.

For more information, a special report titled '2015 Outlook: US Nonprofit Hospitals and Healthcare Systems' is available on the Fitch Ratings web site at www.fitchratings.com.

Additional information is available at 'www.fitchratings.com'.