

## OUTLOOK & MEDIANS FOR HEALTHCARE

Moody's Investors Service has recently released data on Fiscal Year 2008 Not-for-Profit Hospital Medians for both the not-for-profit hospitals and healthcare systems. The medians are based on an analysis of audited financial statements for 407 free-standing hospitals and single-state healthcare systems and 16 multi-state healthcare systems, representing 94% of all rated healthcare entities that are eligible to be included in the medians. The median rating for the sector remains A3.

### MEDIANS BY BROAD RANGE CATEGORY, 2008

	<u>All Ratings</u>	<u>Aa</u>	<u>A</u>	<u>Baa</u>	<u>Below Baa</u>
Median Sample Size	407	51	199	123	34
Operating Margin *	1.5%	3.5%	2.2%	0.3%	-1.1%
Excess Margin *	4.1%	6.5%	4.6%	2.1%	0.9%
Maximum Annual Debt Service Coverage (x) *	3.6	6.0	4.3	2.8	1.7
Cash on Hand (Days) *	139.8	208.5	157.2	99.9	59.0
Cushion Ratio (x) *	12.7	25.5	15.3	8.6	4.3
Debt-to-Capitalization *	42.1%	32.1%	38.1%	50.6%	66.9%

### MEDIANS FISCAL YEARS 2004-2008

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Sample Size	16	16	16	16	16
Operating Margin *	2.9%	2.7%	3.3%	3.2%	2.0%
Excess Margin *	5.4%	6.3%	6.1%	6.7%	5.4%
Maximum Annual Debt Service Coverage (x) *	5.1	5.2	5.5	5.7	5.3
Cash on Hand (Days) *	181.1	191.1	182.8	193.7	171.1
Cushion Ratio (x) *	18.6	21.7	21.0	23.2	19.2
Debt-to-Capitalization *	35.8%	34.1%	31.7%	32.7%	34.9%

#### \* Definitions

Operating Margin (%) – (total operating revenue – total operating expenses) / total operating revenue

Excess Margin (%) – (total operating revenue – total operating expenses + nonoperating income) / (total operating revenue + non operating income)

Maximum Annual Debt Service Coverage (x) – net revenue available for debt service / estimated future peak principal payments and interest expense

Cash on Hand (days) – (unrestricted cash and investments x 365) / (total operating expenses – depreciation and amortization expenses)

Cushion Ratio (x) – unrestricted cash and investments / estimated future peak debt service

Debt-to-Capitalization (%) – (long-term debt + short-term debt) / (long-term debt + short-term debt + unrestricted fund balance)

To receive a complete copy of this report, please contact Moody's at (212) 553-4431 or go to [www.moody.com](http://www.moody.com). (Source: Moody's Investors Service – Not-for-Profit Hospital Medians for Fiscal Year 2008; August 2009)