High and Low Bond Ratings

Healthcare organizations with strong bond ratings are regarded favorably from a financial perspective, of course. In addition, research by the Truven Health Analytics™ ActionOI® program shows that such organizations tend to excel in other categories, such as average length of stay and results of Hospital Consumer Assessment of Healthcare Providers and Systems (HCAHPS) surveys.

AVERAGE LENGTH OF STAY

Higher-rated facilities have continued to reduce the average length of stay, both on a raw and on a case mix index–adjusted basis, improving by 7.1% and 9.5%, respectively, from 2011 to 2014. Lower-rated organizations had some modest ups and downs, ending up

**Operational Margin**

Healthcare organizations with high bond ratings have improved operating margin by 3.31 percentage points between 2011 and 2014. Lower-rated organizations had some modest ups and downs, ending up just 0.53 percentage points over that period.

**ABOUT THE DATA:** Among the survey responses from hospitals participating in the Truven Health Analytics ActionOI® program is self-reported information categorizing their most recent bond agency rating. Those responses have been initially aggregated into four comparative groups (high, mid-high, mid-low, and low ratings). Outliers were trimmed and medians for two groups (high and low) are displayed in this report. Average sample sizes were 95 hospitals for the highest rated and 50 hospitals for the lowest rated. The data reflect bond ratings of U.S. hospitals for calendar years 2011–2014. Data are from the Truven Health ActionOI database. With operational and financial data from more than 750 healthcare organizations across the country, ActionOI has the largest comparative database in the industry. For more information about the data, email info@truvenhealth.com, call 1-800-525-9083, option 4, or visit www.truvenhealth.com.

* Outliers for operating margin were trimmed at 1.5 interquartile ranges and outliers for other statistics at 2.58 standard deviations on a lognormal scale.

** High-rating group: Moody's, Aaa through Aa3; S&P, AAA through AA+; Fitch, AAA through AA+; low-rating group: Moody's, Ba1 through Ba3; S&P, BBB+ through BBB; Fitch, BBB+ through BBB-.
DAYS CASH ON HAND

Financially stronger hospitals have reduced their holdings of cash and liquid investments over the past few years, for both short-term cash and all sources. Weaker hospitals have maintained a stronger cash position. While liquidity is viewed favorably by creditors, excess amounts of cash or short-term investments generally provide a lower return than long-term investments.

HCAHPS RATINGS

Organizations that are rated higher financially also are rated higher by patients. In FY 2014, hospitals with better bond ratings outperform those with lower ratings by 9 percentage points on whether patients would recommend the hospital to others, and by 6 percentage points on the overall HCAHPS rating.

AVERAGE PAYMENT PERIOD

The primary purpose of ratings is to provide an objective assessment of creditworthiness. The average payment period formula documents how quickly an organization meets current obligations. Higher-rated facilities pay bills more than two weeks sooner than weaker organizations.

AVERAGE AGE OF FACILITIES

In FY 2011, stronger organizations had newer facilities but have not been reinvesting in buildings and equipment. Indeed, in FY 2014 the age of higher-rated facilities exceeded that of lower-rated facilities by 0.41 years.