

U.S. Municipal Bond Market

HHS Extends Time Hospitals Can Use Emergency Relief Funds

- At the end of last week, the U.S. Department of Health and Human Services extended the time hospitals and healthcare providers will be able to use Provider Relief Fund assistance.
- 2020 financial performance for the not-for-profit healthcare sector was mostly weak although liquidity metrics improved.
- We are keeping our healthcare sector outlook at "Negative."

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Extended Deadline, Revised Reporting Requirements

The U.S. Department of Health and Human Services (HHS) extended the time providers will be able to use Provider Relief Fund assistance at the end of last week. While some providers such as the Mayo Clinic and HCA Healthcare were able to return aid to the federal government, other providers have not been as fortunate while managing through COVID-19. So, this is welcome news to much of the sector, as such an adjustment was urged by the American Hospital Association (AHA) and other related industry groups. The AHA President and CEO said, "The Provider Relief Fund has been a life-line to hospitals, health systems and caregivers across the country, helping to keep our doors open during the pandemic in order to continue providing essential services to patients and communities."

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New Deadlines for Use of Provider Relief Fund Assistance

	Payment Received Period	Deadline to Use Funds	Reporting Time Period
Period 1	Payments received April 10, 2020 to June 30, 2020	June 30, 2021	July 1 to Sept. 30, 2021
Period 2	Payments received July 1, 2020 to December 31, 2020	December 31, 2021	Jan. 1 to March 31, 2022
Period 3	Payments received January 1, 2021 to June 30, 2021	June 30, 2022	July 1 to Sept. 30, 2022
Period 4	Payments received July 1, 2021 to December 31, 2021	December 31, 2022	Jan. 1 to March 31, 2023

Source: U.S. Dept. of Health and Human Services and HilltopSecurities.

2020 Financial Performance was Weak, Liquidity Improved

Sector-wide financial performance was mostly weak last year as many would have expected. Operating revenues fell, labor costs increased, and many elective procedures were put on hold as a result of COVID-19. Rescue Act and CARES Act funds have provided support to the sector, but pre-COVID and COVID-era stresses could both continue to offer roadblocks. A recent (March 24, 2021) Moody's median sector preview reported that 42% of a sample of 130 health systems (55) generated an operating loss, reflecting and increase from 2019 where 23% (65) of the sample (282) posted an operating loss.

The Moody's report also noted liquidity metrics strengthened: "management's strategies, good market returns, and Medicare advance payments resulted in absolute and relative liquidity growth." Median days cash on hand increased by 44 days to 246.9 days in fiscal 2020 per the Moody's sample.

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Our Healthcare Sector Outlook Remains Unchanged at "Negative"

Although we raised the sector outlook on seven of our eleven municipal market sectors back at the end of March 2021 we did not adjust our Healthcare sector outlook. Our outlook on the Healthcare sector remains "Negative."

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