

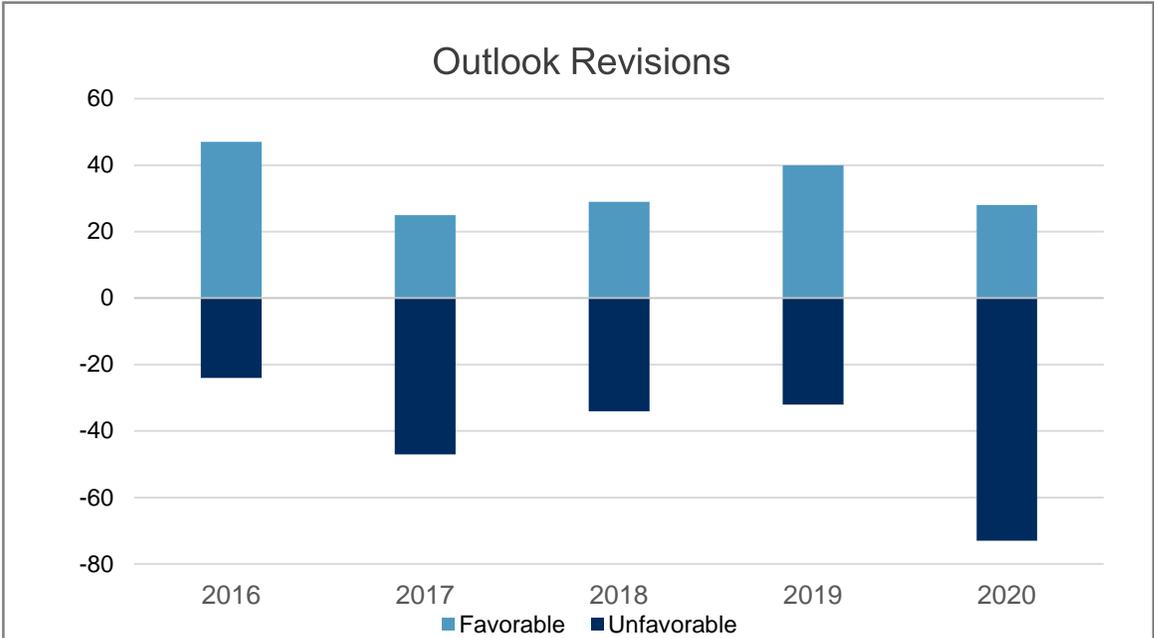
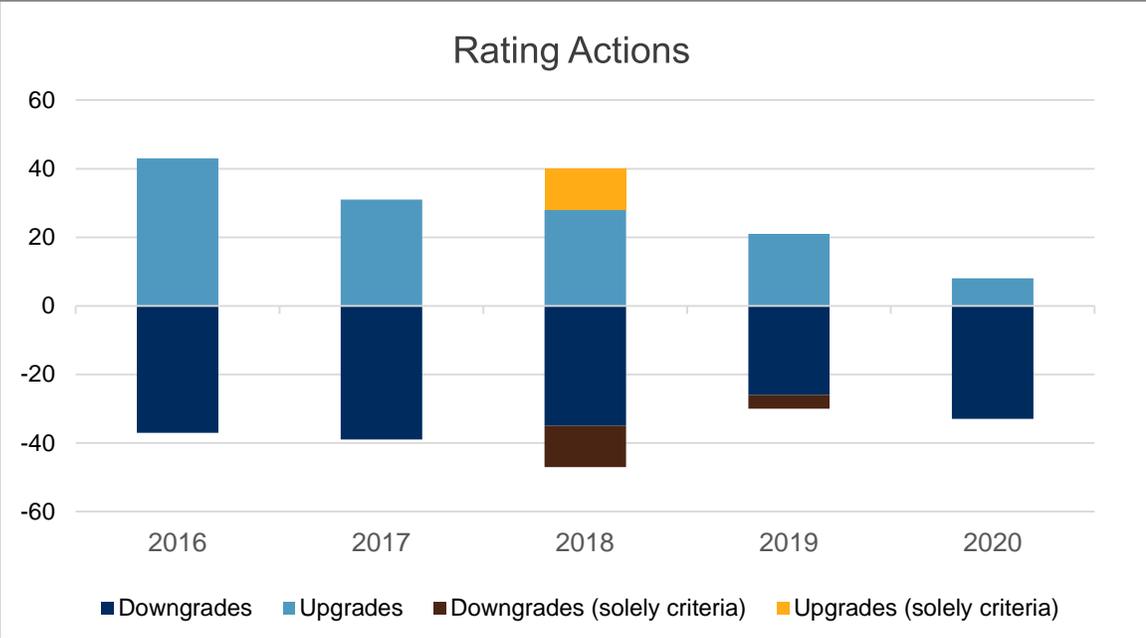
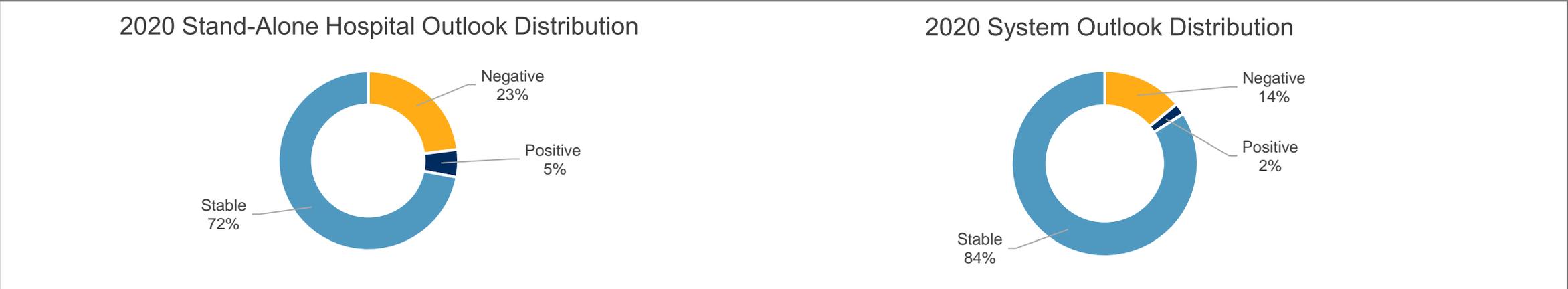
Agenda

- **2021 Outlook**
- **What we're watching**
- **Questions that matter**
- **Vaccine update**
- **Q&A**

Polling Question

- **What is S&P's 2021 Outlook?**
- **Positive**
- **Stable**
- **Negative**

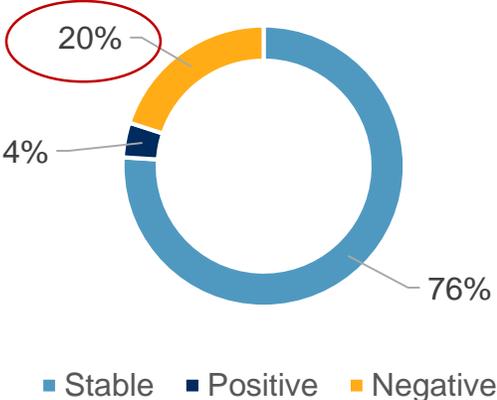
2021 Not-for-Profit Acute Health Care Sector View: **Negative**



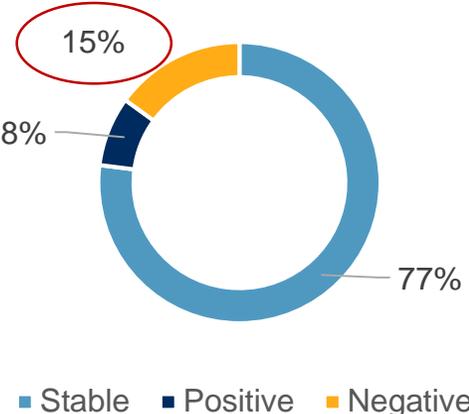
Outlook data is as of Dec. 31, 2020. Exclude organizations on CreditWatch or developing outlooks.. Rating Actions: Data represents all ratings reviewed including some with multiple rating actions. Criteria actions in 2018 and 2019 relate to "U.S. And Canadian Not-For-Profit Acute-care Health Care Organizations" criteria, published March 19, 2018. Outlook Revisions: All outlook changes unaccompanied by a rating change. Favorable outlook revisions include stable to positive and negative to stable. Unfavorable outlook revisions include positive to stable and stable to negative.

Not-for-Profit Acute Health Care Outlook Distribution Over Time

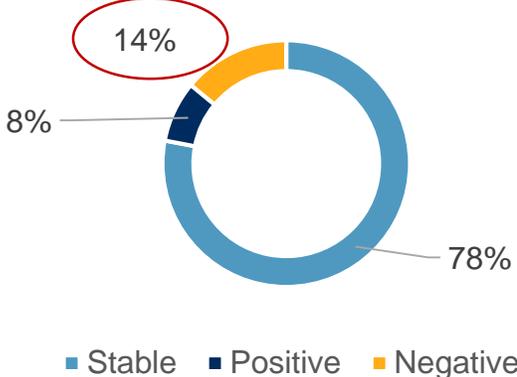
2020 Outlook Distribution



2014 Outlook Distribution

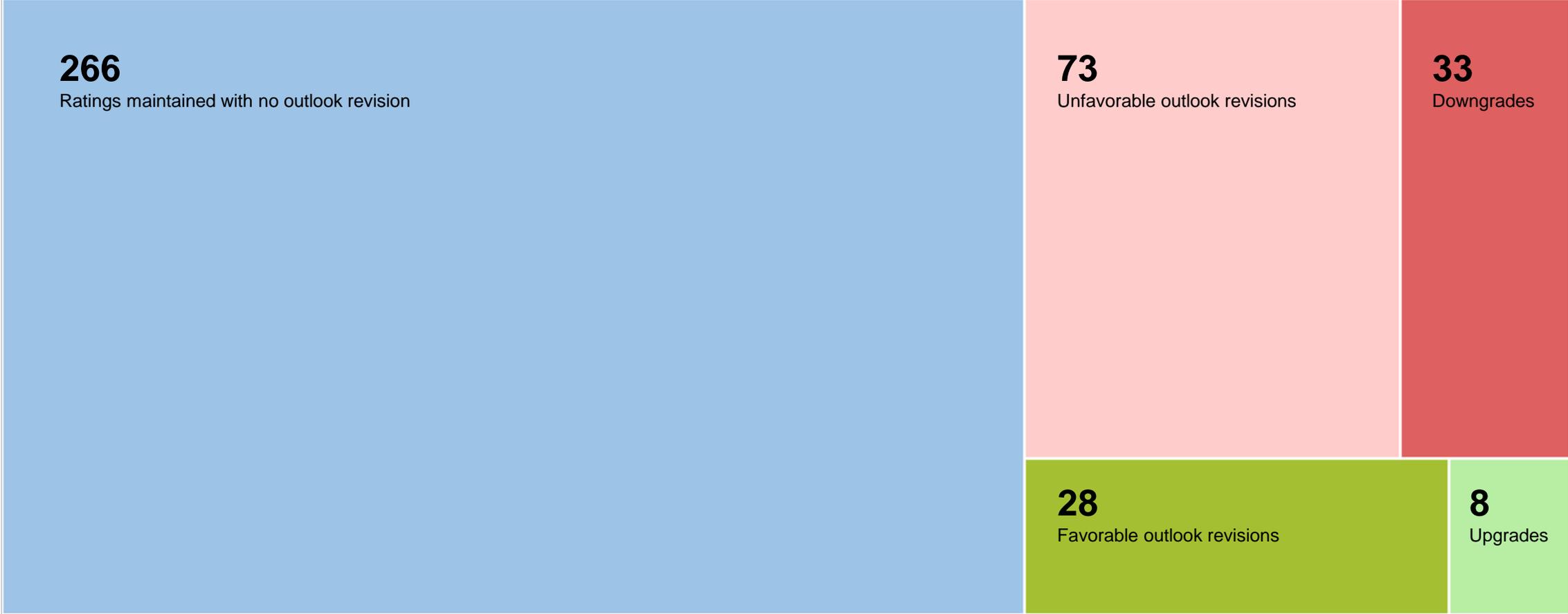


2010 Outlook Distribution



As of Dec. 31, 2020. Exclude organizations on CreditWatch or developing outlooks..

Not-For-Profit Acute Health Care Rating Action Summary: 2020



As of Dec. 31, 2020. *Includes 42 unfavorable outlook revisions that were part of a multi-credit rating action. Excludes 5 credits placed on CreditWatch with negative implications as well as 1 credit placed on a Developing outlook.

Polling Question

- **What is the most important factor in S&P's criteria?**
- **Enterprise strength**
- **Economy**
- **Financial flexibility**

2021 What We're Watching For **Not-For-Profit Acute Health Care**



Volume recovery

Prevalence of COVID-19 cases and patient preference on seeking elective health care likely to vary across providers and regions in 2021.



COVID-19 containment

Effectiveness of vaccine distribution and vaccination rates may help facilitate return of volumes.



Economy

Economic conditions may result in weakening payor mix and potential volume declines with insurance coverage changes.



Margins and cash flow

Revenue and expense stress related to both COVID-19 and industry shifts, particularly labor challenges, may yield lower margins and weaker cash flow.



Financial flexibility

Strong balance sheets and access to liquidity continue to cushion many credits although capital needs may increase.



Enterprise strength

Demand for services, proactive strategic management, and institutional characteristics continue to support credit quality but require investment.



Federal support and actions

Broad support for hospitals during COVID-19 with ACA likely to continue to support credits, but ongoing focus to reduce Medicare cost growth.



Widening credit quality gap

Credit quality may continue to widen between stronger and weaker providers post-COVID-19.

Questions That Matter: **What Do Volumes Look Like in 2021?**

We will likely see uneven volumes as COVID-19 cases remain higher this winter, with likely smaller ebbs and flows of cases as vaccine rollout occurs through 2021

How this will shape 2021

- Early part of year may have more volume fluctuations
- Second half of year could lead to more normalized trends
- Volume trends may also be affected by economic conditions

What we think & why

- Sustained volume recovery will depend on COVID-19 containment & providers may be impacted differently
- Successful vaccination rollout will help
- CARES Act funds may continue to offset volume losses
- Economic trends may matter for certain care

Questions That Matter: What Additional Factors Are Likely To Affect Margins and Cash Flow?

Acute care margins and cash flow likely to be pressured given volume shifts, payor mix changes, increased COVID-19 expenses, and headwinds that have weighed on sector

How this will shape 2021

- COVID-19 related operating expenses have increased
- Payor mix shifts likely to continue into 2021
- Health care providers continue to require ongoing operating investments

What we think & why

- Ongoing industry pressures compounded by COVID-19 related challenges may further stress margins
- Governmental payor shifts likely to put downward pressure on margins
- Operating controls imperative to support recovery

Questions That Matter: Will Balance Sheets Continue To Provide Adequate Cushion For Credits?

Balance sheets have provided support to credit quality thus far, but need for investments against backdrop of potentially lighter cash flow may test this stabilizing force

How this will shape 2021

- Renewed focus on capital and strategic investments
- Low interest rates could facilitate both tax-exempt and taxable debt issuance

What we think & why

- Balance sheets likely to remain supportive of credit quality allowing for some flexibility in 2021
- Future strength will depend on cash flow recovery, pace of spending, and investment market performance
- For certain credits with weaker balance sheets and relative to their rating, we could see credit quality challenges if cash flow recovery is muted

Questions That Matter: How Will The New Administration and Legislation Affect Health Care Providers

We expect some changes in health care policy, but not significant shifts, with immediate focus on controlling the pandemic.

How this will shape 2021

- First few months likely to focus on COVID-19 and vaccine rollout
- Seismic administrative and policy shifts unlikely in near term but expanded coverage could be at play among other administrative actions
- ACA appears safe for now, but final decision likely later in 2021

What we think & why

- More coordinated response to COVID-19/vaccine strategy could help recovery
- Expanded insurance coverage supportive to providers; other policies will depend on details
- Limits to M&A could be credit-negative
- Medicare cost growth to remain federal focus

Questions That Matter: What Are the Strategic Implications of the Pandemic On Health Care Providers?

Industry disruption and evolution continues and ongoing delays in implementation of strategic initiatives could put providers in catch-up mode.

How this will shape 2021

- Telehealth/Care at Home are here to stay
- Non-traditional competition will remain active
- M&A to enhance strategic positioning could be a consideration for some providers
- Social determinants of health remain more relevant than ever

What we think & why

- Technology investments remain critical as clinical care and the delivery model changes
- Competition is expanding and providers need to invest and evolve to remain competitive
- Ability to innovate and adapt will make a difference as providers adjust to a post-pandemic world



Latest Thoughts On The COVID-19 Vaccine

- S&P Global economic forecast assumes vaccine is widely available mid-2021.
 - We believe timeline is still achievable, but several positive developments needed.
- Urgency for further positive developments increasing.
 - Manufacturing capacity constraints need to be resolved.
 - Distribution complexity continues to be an issue.
 - Further vaccination approvals critical. (AstraZeneca and Johnson & Johnson next up)
- It all comes down to public confidence levels.
 - 70% herd immunity – is this the right level?
 - Switching to single dose regimen?
 - Vaccine is key, but also treatments, diagnostic test, and hospital capacity.
 - Surveys have indicated an uptick of favorable views.

Polling Question

- **What will be S&P's 2022 not-for-profit healthcare outlook be?**
- **Negative**
- **Stable**
- **Positive**

Q&A



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