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Supreme Court Healthcare Ruling a Win for Hospitals

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The Supreme Court's Thursday ruling upholding federal subsidies under the Affordable Care Act is a win for the hospital sector that provides some stability through the remainder of the Obama presidency, analysts said.

The nation's highest court ruled 6-3 in *King v. Burwell* that the subsidies allowing Americans to purchase health insurance at reduced cost in 34 states that opted to allow the U.S. government to operate their healthcare exchanges are legal. A ruling ending the subsidies would have been a major blow to healthcare credits, because insurance could have become unaffordable to several million Americans, exposing hospitals to more uncompensated expenses.

The lawsuit didn't challenge subsidies on state-run exchanges.

Gregory Hagood, senior managing director at SOLIC Capital Advisors, said the ruling is a big positive for hospitals because the ACA subsidies have been a big help to smaller healthcare providers, and losing that would have been a blow.

"It has been a huge shot in the arm for community hospitals," Hagood said. "If I'm running a community hospital, it's a huge disadvantage not having those subsidies."

Hagood said the ruling may pressure states that have not taken the ACA incentive to expand Medicaid coverage eligibility to all non-elderly individuals in families with incomes below 133 percent of the poverty line. Most of those states are in the south and on the plains. The ACA mandated cuts to Medicare payments based on the idea that more people would become eligible for Medicaid.

Rating agencies saw the ruling as positive, but said it wouldn't affect ratings because it results in a continuation of the status quo.

"While some of the conditions that gave rise to the ACA in the first place—medical costs that are too expensive; dwindling levels of employer sponsored care; huge number of underinsured/uninsured with limited access points—still burden the health care delivery system and remain potent concerns for the United States, the ACA and the insurance exchanges are helping to alleviate some of these concerns," Standard & Poor's said.

"The Supreme Court's ruling has no credit impact to U.S. not-for-profit and public hospitals or state governments, although it does remove some uncertainty for budgeting," said Moody's Investors Service.

"While this outcome has positive implications for the credit profiles of hospitals and health insurers, it will not result in any rating changes in the near term," Fitch Ratings said.

George Huang, a director at Wells Fargo Securities, said that the ruling is "a good development for hospitals" that stabilizes the ACA for as long as Republicans do not gain full control of the federal government.

"It creates stability for the next couple of years at least," Huang said.

Republican Gov. Bobby Jindal of Louisiana, who recently announced his candidacy for the Republican nomination for President in 2016, released a statement that reflected the ongoing political uncertainty surrounding the issue.

"Now that the Supreme Court has ruled, the debate will grow," Jindal said. "Conservatives must be fearless in demanding that our leaders in Washington repeal and replace Obamacare with a plan that will lower health care costs and restore freedom."

Standard & Poor's said that "political wrangling" around the ACA will continue, but that that the law is "here to stay."

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