



Healthcare reform could impact muni bonds

James Dearborn, Head of Municipal Investing



Your success. Our priority.

Ultimately, it might reduce state credit quality and local credit quality.

For municipal bond investors, restructuring the Affordable Care Act is all about Medicaid. Medicaid is a joint state and federal program that provides care for indigent people in this country. To the degree that cuts come to the states, they may reduce the amount that actually goes to not-for-profit hospitals, and those hospitals will need to make decisions about how they make changes to their budget. We look for potential stress for not-for-profit hospitals, many of whom borrow in the municipal market.

For the other side of this, state governments will make a decision whether they continue the programs at the expanded Affordable Care Act levels or they reduce them. To the degree that they maintain them, they will need to find cuts elsewhere in their budget. That could impact other local governments who rely on state aid.

The views expressed are as of April 2017, may change as market or other conditions change and may differ from views expressed by other Columbia Management Investment Advisers, LLC (CMIA) associates or affiliates. Actual investments or investment decisions made by CMIA and its affiliates, whether for its own account or on behalf of clients, may not necessarily reflect the views expressed. This information is not intended to provide investment advice and does not take into consideration individual investor circumstances. Investment decisions should always be made based on an investor's specific financial needs, objectives, goals, time horizon and risk tolerance. Asset classes described may not be suitable for all investors. Past performance does not guarantee future results, and no forecast should be considered a guarantee either. Since economic and market conditions change frequently, there can be no assurance that the trends described here will continue or that any forecasts are accurate.

Investing involves risk including the risk of loss of principal.

There are risks associated with fixed-income investments, including credit risk, interest rate risk, and prepayment and extension risk. In general, bond prices rise when interest rates fall and vice versa. This effect is usually more pronounced for longer term securities.

Income from tax-exempt municipal bonds or municipal bond funds may be subject to state and local taxes, and a portion of income may be subject to the federal and/or state alternative minimum tax for certain investors. Federal income tax rules will apply to any capital gains. Investment products are not federally or FDIC-insured, deposits or obligations of or guaranteed by any financial institution and involve risks, including possible loss of principal and fluctuation in value.

Investment products are not federally or FDIC-insured, deposits or obligations of or guaranteed by any financial institution and involve risks, including possible loss of principal and fluctuation in value.

Securities products offered through Columbia Management Investment Distributors, Inc., member FINRA. Advisory services provided by Columbia Management Investment Advisers, LLC.

Columbia Threadneedle Investments (Columbia Threadneedle) is the global brand name of the Columbia and Threadneedle group of companies.

©2017 Columbia Management Investment Advisers, LLC. All rights reserved.

1767339