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Fitch: US Healthcare Spending Rise Will Lift Nonprofit Hospitals.

Fitch Ratings-New York/Chicago-11 December 2014: Overall spending on healthcare should rise in the coming years as the overall economy has become more robust, Medicaid spending increases and certain procedures delayed due to costs are addressed, Fitch Ratings says. We believe the impact of this growth will be beneficial to the nonprofit hospital sector. However, continued migration toward high-deductible health plans is likely to inhibit the rate of spending growth and increase bad debt expense.

The Centers for Medicare and Medicaid Services (CMS) reported that total healthcare spending rose by 3.6% in 2013. This marked the fifth straight year of increases below 5%. The rate of health spending grew by 3.9% annually from 2009 to 2011, compared with an annual growth rate of between 4.7% and 6.6% the prior three years.
One of the main drivers of this year's increased healthcare spending is the expansion of Medicaid coverage. The Congressional Budget Office projects total Medicaid payments will rise from approximately $300 billion in 2014 to $368 billion in 2016. This benefit will accrue to hospitals and healthcare systems operating in states that expanded Medicaid coverage under the Patient Protection and Affordable Care Act (ACA), while providers in states that did not will not benefit.

We believe that, over the last several years, certain medical care and procedures have been delayed as rising patient co-pays and deductibles have caused people to postpone care. Gallup polls have consistently suggested that one in three respondents reported that they or a family member delayed medical care because of the costs. As the economy has become more robust and coverage options are available to more people, we believe these deferments will slow. However, continued movement toward high-deductible health plans may help temper the overall rate of spending growth.

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The above article originally appeared as a post on the Fitch Wire credit market commentary page. The original article, which may include hyperlinks to companies and current ratings, can be accessed at www.fitchratings.com. All opinions expressed are those of Fitch Ratings.