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## **Fitch: U.S. NFP Hospitals Brace for a Tough 2021**

Fitch Ratings-Austin-09 December 2020: The latest surge in COVID-19 cases and hospitalizations is positioning U.S. not-for-profit hospitals for a difficult 2021, according to Fitch Ratings in its 2021 outlook report.

The healthcare sector has responded extremely well to past crises, though the scale of the coronavirus pandemic and nationwide shutdown of elective procedures was unprecedented. Coming off a year of weak margins in 2020, Fitch expects more of the same next year. Taking that into account, Fitch has revised its Sector Outlook to Stable from Negative for NFP hospitals in 2021.

Though COVID-19 hospitalization rates may limit elective procedures, Senior Director Kevin Holloran says that a nationwide shutdown is not likely this time. "Elective procedures, even at a reduced clip, should not hit hospitals as hard financially as the nationwide shutdown that cut top line revenues by around 40% in Spring of 2020," said Holloran. Hospitals are also better prepared to handle another wave of COVID-19 infections. "It's a case of 'been there, done that' in a sense with hospitals treating COVID-19 patients more efficiently, which is leading to shorter hospital stays," said Holloran.

That said, hospitals will face continued stress and strain, particularly in the first half of 2021, until a viable vaccine is widely available and utilized. Hospitals will also be contending with an increase in operating expenses in 2021. "Providers will need to secure a mini-stockpile of ventilators, masks, gowns, drugs and certain types of beds, though adequate staffing will be the most critical component," said Holloran.

Downgrades are once again expected to exceed upgrades with affirmations to remain the predominant rating action for hospitals in 2021. However, Fitch may revise the Rating Outlook of some hospitals to Negative concurrently with some rating affirmations.

'Fitch Ratings 2021 Outlook: U.S. Not-For-Profit Hospitals and Health Systems' is available at '[www.fitchratings.com](http://www.fitchratings.com)'.

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