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Fitch: US Healthcare System to Expand, Adapt to Long-Term COVID-19 Fallout

Fitch Ratings-New York-28 July 2021: Fitch Ratings expects follow-on health implications related to COVID-19 to continue to drive elevated health system utilization long after the acute phase of the pandemic has concluded, likely leading to increasing costs and higher insurance premiums for decades. These costs will emerge from the necessary addition to mostly outpatient capacity that is expected to come on line as needed to deal with ongoing treatment of chronic conditions related to potentially permanent damage caused by COVID-19.

The magnitude of these effects is currently inestimable, and will include tangential health issues related to deferred diagnostic testing and treatment during the pandemic. As related conditions are likely to develop over time, Fitch does not anticipate these issues to directly affect the credit profile of issuers in the U.S. healthcare system.

In the near term, health insurers have been able to incorporate expanding COVID-19 claims data, estimates of infection trends and pent-up demand for previously deferred care into 2021 premium rates, which should benefit cost management and pricing this year and next. However, for healthcare providers, the expansion of the healthcare system over the long term will likely exacerbate traditional pressures on operating performance such as tight labor and wage markets for experienced staff, rising pharmaceutical expenses and supply costs in general.

Although the U.S. has glimpsed signs of the pandemic's potential end over the past couple of months, the ultimate story of the pandemic is still being told. The infection rate is once again trending up, presumably due to a combination of factors including a dramatic reduction in demand for new vaccinations, the rapid spread of the more infectious Delta variant in the U.S., as well as the reduction in mitigation measures.

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