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Fitch: U.S. Healthcare Credits Likely Unaffected by Upcoming Elections

Fitch Ratings-Austin/New York/Toronto/Chicago-16 October 2024: Fitch Ratings expects limited immediate credit implications for the U.S. healthcare sector from the outcome of the November 2024 elections, as proposed healthcare policies are narrower in scope than those in 2016 and 2020. Longer-term changes are incrementally more likely if either party sweeps the White House and Congress.

The policies of and leadership at agencies such as the Federal Trade Commission (FTC), Food and Drug Administration, and Centers for Medicare and Medicaid Services will influence near-term credit fundamentals more than legislative changes. For example, the FTC has been focused on competition in healthcare. This could shift in the event of a leadership change, reducing the time and uncertainty currently associated with mergers and acquisitions.

The most important legislative items impacting U.S. healthcare credit profiles that will result from the election are protectionism, immigration, expiring subsidies related to the Affordable Care Act, and potential changes to the Inflation Reduction Act.

Pharmaceutical and medical device manufacturers and the associated supply chain are exposed to trade protectionism and potential retaliation by affected countries, given certain markets' importance upstream and downstream. Healthcare providers are also exposed to immigration policies that would affect availability of foreign-educated nurses.

Healthcare providers' volumes and margins could be negatively affected should expanded insurance subsidy premiums expire at the end of 2025. Fitch views this risk to be material, given the size of the expenditure and limited bipartisan efforts in the past, unless there is a Democratic sweep.

If the Inflation Reduction Act were repealed in its entirety, this would be a modest credit positive for pharmaceutical manufacturers given the first cohort of drugs subject to the price negotiations are set to go into effect in 2026. However, drug pricing has bipartisan voter support, making significant changes to this element of the law less likely.