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Fitch Revises Outlook to Negative for Add'l 6 U.S. Health Insurers on Potential Health Care Reform

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CHICAGO--(BUSINESS WIRE)-- Due to concerns over the potential impact of possible health care reforms, Fitch Ratings has revised the Rating Outlook to Negative from Stable of six U.S. health insurers, which includes their fixed income and subsidiary insurer financial strength ratings. The Outlook for the six other health insurers rated by Fitch remains Negative. With today's revisions, the Rating Outlook is now Negative for all 12 health insurers rated by Fitch.

A full ratings list is available in an affiliated release.

The Negative Outlook reflects the strong potential for national health care reform and its possible adverse implications on each company's financial strength and creditworthiness. Though no bill has been finalized yet, and multiple policy schemes are possible, most of the alternatives being debated could weaken health insurers' financial profiles in Fitch's view. The Negative Outlook also reflects the high levels of uncertainty that currently exist with respect to the ability of individual insurers to adapt to a likely changing competitive and pricing environment resulting from reform.

Fitch expects to again address the ratings as the legislative direction becomes clearer, and Fitch can assess the implications for each insurer's financial profile. Key issues will include whether the legislation results in adverse selection, reduces the private insurance sector's ability to adequately price products relative to medical costs, or rapidly shrinks the role that the private sector currently plays within the health care arena. Depending on the specifics of any final legislation, the net impact of health care reform could vary widely, falling anywhere from neutral to severely unfavorable for the ratings.

In the event of an adverse outcome for insurers, any mitigating actions taken by management will also be considered, such as deleveraging in the event future cash flows will be reduced due to pressure placed on either profit margins and/or enrollment levels.

More detail behind Fitch's rationale is outlined in a special report 'Health Care Reform and Insurers' that is also being published today and available on Fitch's web site at www.fitchratings.com. Included in this report is a discussion of analytical scenarios to help judge the impact of the range of possible rating outcomes.

The six health insurer groups whose Outlook Fitch has revised to Negative from Stable are Aetna, Inc., Blue Cross Blue Shield of Florida, Blue Cross Blue Shield of Idaho Health Service, Inc., Cigna Corporation, Coventry Health Care, Inc. and Health Care Service Corporation.

The six health insurer groups whose Outlook remains Negative are Health Insurance Plan of Greater New York, Health Net, Inc., Healthmarkets, Inc., Humana Inc., UnitedHealth Group, Inc. and Wellpoint Inc.

Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, www.fitchratings.com. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.

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