

## Medians for Continuing Care Retirement Communities

Fitch Ratings has released data on 2015 investment grade median ratios for continuing care retirement communities (CCRCs). Most indicate sustained core operating performance, despite a generally weaker investment market. While Fitch sees continued operating stability throughout the remainder of 2016, the largest driver of negative rating pressure has been, and will continue to be, the impact of additional debt issued to fund campus renovations or expansions. Over the longer term, rating pressure will likely result from operating challenges, including governmental reimbursement stress and labor expense growth.

### CCRC Medians by Rating Category: Fiscal Year-End 2015

	<u>Investment Grade</u>	<u>A</u>	<u>BBB</u>	<u>Below Investment Grade</u>
Sample Size	95	29	66	19
Days Cash on Hand *	477.0	671.0	425.0	256.3
Operating Ratio (%) *	96.5	94.9	96.8	97.8
Excess Margin (%) *	3.6	4.7	2.2	(0.8)
MADS Coverage Ratio-Revenue Only (x)	1.1	1.2	1.0	0.7
Adjusted Debt-to-Capitalization (%) *	59.4	47.4	62.4	79.5

### CCRC Medians by Contract Type: Fiscal Year-End 2015

	<u>Type A</u>	<u>Type B</u>	<u>Type C</u>
Sample Size	49	22	39
Days Cash on Hand *	477.9	392.8	364.2
Operating Ratio (%) *	98.7	94.9	95.5
Excess Margin (%) *	2.5	6.2	1.4
MADS Coverage Ratio-Revenue Only (x)	0.7	1.2	1.3
Adjusted Debt-to-Capitalization (%) *	65.2	62.2	61.9

#### **\*Definitions:**

Days Cash on Hand – (unrestricted cash and investments) / (cash operating expenses / 365)

Operating Ratio (%) – cash operating expenses / cash operating revenues

Excess Margin (%) – (total operating revenue – total operating expenses + non-operating revenue) / (total operating revenue + non-operating revenue)

Adjusted Debt-to-Capitalization (%) – total debt / total debt + deferred revenues from nonrefundable entrance fees + unrestricted net assets

(Source: FitchRatings – Public Finance: 2016 Median Ratios for Nonprofit Continuing Care Retirement Communities; October 25, 2016)