

## Medians for Continuing Care Retirement Communities

Fitch Ratings has released data on 2016 investment grade median ratios for continuing care retirement communities (CCRCs). Most indicate sustained core operating performance, despite a continuation of modest dividend and interest income. While Fitch mostly envisions continued operating stability throughout the remainder of 2017, the largest driver of negative rating pressure has been, and will continue to be, the impact of additional debt issued to fund campus renovation or expansion projects. Furthermore, pressured post-acute care census in skilled nursing facilities is starting to more negatively affect operating performance.

### CCRC Medians by Rating Category: Fiscal Year-End 2016

	<u>Investment Grade</u>	<u>A</u>	<u>BBB</u>	<u>Below Investment Grade</u>
Sample Size	99	35	64	18
Days Cash on Hand *	486.3	752.8	395.5	283.0
Operating Ratio (%) *	96.1	94.4	97.4	101.5
Excess Margin (%) *	1.7	1.9	1.7	(2.9)
MADS Coverage Ratio-Revenue Only (x)	0.9	1.2	0.8	0.7
Adjusted Debt-to-Capitalization (%) *	57.9	45.3	62.4	85.8

### CCRC Medians by Contract Type: Fiscal Year-End 2016

	<u>Type A</u>	<u>Type B</u>	<u>Type C</u>
Sample Size	54	30	40
Days Cash on Hand *	505.2	431.1	348.5
Operating Ratio (%) *	101.3	95.9	94.7
Excess Margin (%) *	(0.4)	1.1	1.2
MADS Coverage Ratio-Revenue Only (x)	0.6	0.9	1.1
Adjusted Debt-to-Capitalization (%) *	59.3	63.0	65.6

#### **\*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: 2017 Median Ratios for Nonprofit Continuing Care Retirement Communities; September 26, 2017)