

Medians for Life Plan Communities

Fitch Ratings has released data on 2020 investment grade median ratios for life plan communities (LPC). The sector has remained resilient during the coronavirus pandemic, as reflected in the sector's 2020 financial results. Fitch revised its sector outlook on LPCs to stable from negative in December 2020, with the expectation that the general operating environment for LPCs to remain stable in 2021.

LPC Medians by Rating Category: Fiscal Year-End 2020

	<u>Investment Grade</u>	<u>A</u>	<u>BBB</u>	<u>Below Investment Grade</u>
Sample Size	112	34	77	39
Days Cash on Hand *	553.7	633.0	527.7	365.2
Operating Ratio (%) *	97.4	95.0	97.9	100.2
Excess Margin (%) *	2.8	2.3	2.8	(1.3)
MADS Coverage Ratio-Revenue Only (x)	1.0	1.1	0.9	0.8
Adjusted Debt-to-Capitalization (%) *	55.0	45.5	60.7	79.5

LPC Medians by Contract Type: Fiscal Year-End 2020

	<u>Type A</u>	<u>Type B</u>	<u>Type C</u>
Sample Size	57	38	52
Days Cash on Hand *	608.6	443.4	425.6
Operating Ratio *	98.7	97.8	96.4
Excess Margin (%) *	3.8	2.4	(0.7)
MADS Coverage Ratio-Revenue Only (x)	0.8	0.9	1.2
Adjusted Debt-to-Capitalization (%) *	67.2	64.0	58.0

***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: 2021 Not-for-Profit Life Plan Communities Median Ratios; September 13, 2021)