

Medians for Life Plan Communities

Fitch Ratings has released data on 2021 investment grade median ratios for life plan communities (LPC). Fiscal 2021 featured across-the-board improvement in all ratio categories. While core operating metrics showed mixed results, owing to some lingering coronavirus pandemic-related expense escalation, liquidity, operating and capital-related metrics reflected overall recovery with the LPC sector from the pressures of the pandemic.

LPC Medians by Rating Category: Fiscal Year-End 2021

<u>Grade</u>	<u>Investment Grade</u>	<u>A</u>	<u>BBB</u>	<u>Below Investment</u>
Sample Size	114	31	81	44
Days Cash on Hand *	597.0	731.8	556.8	394.1
Operating Ratio (%) *	96.7	94.9	96.9	100.1
Excess Margin (%) *	4.6	4.5	4.7	0.5
MADS Coverage Ratio-Revenue Only (x)	1.3	1.7	1.1	1.0
Adjusted Debt-to-Capitalization (%) *	55.8	44.5	57.1	79.3

LPC Medians by Contract Type: Fiscal Year-End 2021

	<u>Type A</u>	<u>Type B</u>	<u>Type C</u>
Sample Size	57	41	56
Days Cash on Hand *	641.5	472.4	541.6
Operating Ratio *	98.4	97.0	97.6
Excess Margin (%) *	4.2	5.1	4.2
MADS Coverage Ratio-Revenue Only (x)	0.9	1.2	1.2
Adjusted Debt-to-Capitalization (%) *	59.0	67.4	61.5

***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: 2022 Median Ratios / Not-for-Profit Life Plan Communities Showing Recovery, but Challenges Lie Ahead; September 6, 2022)