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Fitch: FACT Shows U.S. NFP LPCs in Recovery, But Challenges Lie Ahead

Fitch Ratings-New York-27 September 2022: Fitch Ratings' medians for U.S. not-for-profit (NFP) life plan communities (LPCs) show a sector that broadly recovered from pandemic-related pressures in 2021, but facing a number of headwinds, according to the latest Fitch Analytical Comparative Tool (FACT) for the sector.

"Fiscal 2021 was a recovery year for LPCs," says Margaret Johnson, Fitch Senior Director and Sector Lead for LPCs. "Performance during the year featured across-the-board improvement in all ratio categories. Liquidity, operating and capital-related metrics all reflected recovery within the LPC sector from the pressures of the coronavirus pandemic, which included higher expenses, lower revenues and pressured cash flows."

"But challenges lie ahead for the sector," says Johnson. "Pandemic-related pressures have evolved from healthcare and demand risk to risks involving expense inflation and staffing shortages." Should these inflationary pressures persist beyond 2022, LPCs may encounter resistance to the substantial rate increases that may be required to offset the added cost pressure, which could pressure operating performance and future demand.

Fitch is also keeping a close eye on potential financial market slowdowns, in particular slowing real estate price growth.

The FACT contains financial data for 158 LPCs that can be benchmarked against peers, medians and self-defined peer groups along with historical statistics and metrics going back to 2017. The report is a follow up to Fitch's 2022 Median Ratios for Not-for-Profit Life Plan Communities that was published Sept. 6.

"Not-for-Profit Life Plan Communities 2022 FACT" is available at 'www.fitchratings.com'.

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