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Fitch Rtgs: U.S. LPCs Experience Drop in Liquidity Metrics, But Maintain Healthy Operations in FY18

Link to Fitch Ratings' Report(s): [2019 Median Ratios for Not-For-Profit Life Plan Communities](#)

Fitch Ratings-New York-19 September 2019: Volatile equity markets and increased capital spending pressured liquidity metrics for U.S. life plan communities (LPCs) in fiscal 2018, while core operations remained solid, according to Fitch Ratings in a new report.

2018 median ratios for Fitch's investment-grade LPCs show solid core operating performance, though it is trending lower (5.9% in 2018 from 7.2% in 2017). Lower rated LPCs also saw net operating margins fall for the second straight year to 3.8% in 2018 from 5.1% in 2017. Days cash on hand also fell for investment-grade LPCs.

Meanwhile, capital spending has increased dramatically for the sector as a whole this year with the still-strong housing market fueling demand and higher occupancy rates for independent living units. 'Fitch expects LPCs to continue to plan and pursue renovation and expansion projects in 2019,' said Director Ryan Pami. While capital spending is up, the same cannot be said for realized gains. Less than expected returns dampened the excess margin to 2.1% from 3.3% YoY.

Fitch upgraded ratings on four LPCs, downgraded five and affirmed all of its other rated entities during the first half of 2019. Fitch envisions continued operating stability by and large through the remainder of 2019. That said, 'increased leverage and project risk from expansions or campus repositioning projects will continue to drive negative rating actions for LPCs,' said Pami. 'Furthermore, pressure on the post-acute care census in skilled nursing facilities could hamper operating performance.'

'2019 Median Ratios for Not-For-Profit Life Plan Communities' is available at 'www.fitchratings.com' or by clicking on the above link.

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