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## **Fitch 2022 LPC Medians: Inflationary Challenges Await U.S. Life Plan Communities**

Fitch Ratings-Austin/New York-06 September 2022: U.S. life plan communities (LPCs) are bracing for inflationary and other macro pressures following a comeback year in fiscal 2021, according to Fitch Ratings in its latest medians report for the sector.

LPCs improved across-the-board in all median ratios. 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. Challenges lie ahead for the sector according to Senior Director and U.S. LPC group head Margaret Johnson.

“Pandemic-related pressures have evolved from healthcare and demand risk to risks involving expense inflation and staffing shortages,” said Johnson. “LPCs with a significant skilled nursing component, which tend to have lower ratings, are disproportionately exposed to wage and staffing pressures versus those that are predominantly independent living units.”

Fitch maintains a neutral outlook on the LPC sector. However, 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.

Fitch maintained public ratings on 158 LPC Providers as of Aug. 5, 2022. The median rating is ‘BBB’ and the number of ratings in the ‘BBB’ rating category remains the most numerous at 81 (or about 51%) versus 31 (20%) in the ‘A’ rating category. Within Fitch’s median portfolio, Type A contract providers remain the plurality with 57 (about 36% of the portfolio), followed by Type C contract providers and Type B contract providers.

Fitch’s U.S. LPCs’ “2022 Median Ratios” is available at [www.fitchratings.com](http://www.fitchratings.com).

Contact:

Margaret Johnson, CFA  
Senior Director  
+1 212 908 0545  
Fitch Ratings, Inc.  
300 W. 57th Street  
New York, NY 10019

Richard Park  
Director  
+1 512 813 5704

Gary Sokolow

Director  
+1 212 908 9186

Media Relations: Sandro Scenga, New York, Tel: +1 212 908 0278, Email:  
[sandro.scenga@thefitchgroup.com](mailto:sandro.scenga@thefitchgroup.com)

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

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