



Education

Common Reasons Owners Sell Their Caregiver Operations

Every seller has her unique reasons for selling her senior care facility or home care agency. Here are some common reasons that might resonate with you:

Retirement. This is the most common reason caregivers sell. After decades of service, many are ready for a different chapter in their lives (e.g., travel, hobbies, grandkids). Selling, or cashing out, gives them financial and emotional freedom from the operation. There is a lot of anxiety concerning retirement, *(cont'd)*

Financing

Interest Rate Rise May Chill Acquisition Market

Interest rates affect the cost and availability of funds for buyers to purchase senior care facilities. In March, the Federal Reserve raised its key interest rate by .25 percent, moving its target range for the Federal Funds Rate from zero to .25 to .50 percent. The Federal Funds Rate is the benchmark rate that often affect other interest rates including interest rates on small business loans.

More Hikes on the Way.

Nav.com reports that the Fed is not yet finished. It reports that the Fed may make as many 6 more increases by the end of 2022 and could *(cont'd)*

et cetera

- A study by Italian Dr. Spinicci *et al.* reports that symptoms connected with long COVID could be different in people who are infected by different variants. They found that when the Alpha variant was the dominant strain, the prevalence of myalgia (muscle aches and pains), insomnia, brain fog, anxiety, and depression significantly increased while anosmia (loss of smell), dysgeusia (difficulty swallowing), and impaired hearing were less common.
- Asheville Watchdog reports that 223 physicians have left the Mission Health system since the hospital was sold three years ago to *(cont'd)*

Market Watch

Now Hiring! Labor Shortage Stresses Senior Care Operations in the Carolinas

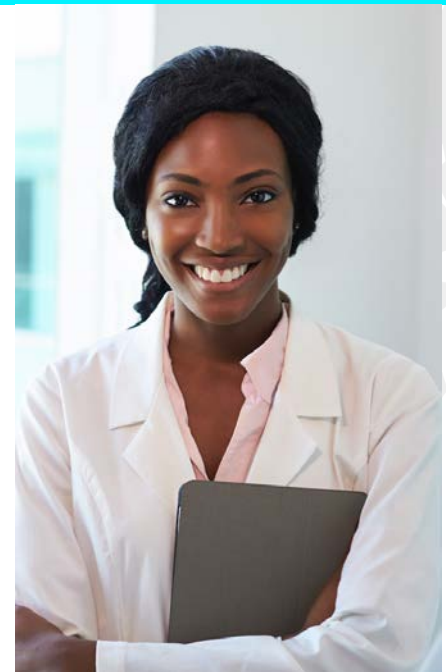
Finding and retaining health and home care staff is getting tougher in the Carolinas. Wallethub reports that North Carolinians quit their jobs at a rate of 3.24% over the past 12 months. South Carolina had worse results: almost 4% over the same period. This activity is fueled by a surge in job openings and a low supply of candidates to fill those positions. CNN Business reported that in December 2021, for every job seeking American, there were just below 1.8 positions available.

Here are some factors about this unusual labor market. *(cont'd)*

Regulatory Watch

Healthy Opportunities Pilot Delivers First Food Vouchers to Medicaid Managed Care Members

In March, The NC Dep't of Health and Human Services (DHHS) announced the successful delivery of food via food vouchers to 10 people who are members of Medicaid Managed Care. The Healthy Opportunities Pilot program's first referral for service was sent by Mission Health Partner to Reinvestment Partners, a non-profit organization, to a Transylvania County Medicaid *(cont'd)*



FOR SELLERS AND BUYERS OF SMALL ADULT CARE FACILITIES, HOME CARE AGENCIES, AND MEDICAL PRACTICES

Education cont'd

but a well-planned Exit Plan can ease the transition.

Burn-out. Caregiving is hard work and can take its toll on you, family, and friends. Some can only take so much, then look to get out.

Health. Covid-19 gave many caregivers new perspectives on what was important. Those caregivers who fell ill or had family members fall ill found it best to sell the operation.

Boredom. If your heart is not or no longer in it, it may be time to move on. Your self-actualization needs may not get satisfied running the operation.

Divorce. Caregiving operations are usually "Mom & Pop" operations. When the marriage dissolves, patient care usually suffers. Patients and employees who become uncomfortable with the workplace tension soon leave. To salvage its reputation, the parties usually sell.

Partner Dissolution. Similar to a divorce, dissolving a partnership has many challenges keeping the operation going. Sometime one partner tries to buy out the other partner, but this usually does not turn out good.

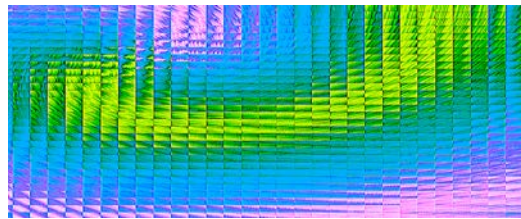
Something Better to Do with Your Time and Money. Simply put, some have better things to do. It may be that the caregiver's calling was not as fulfilling in this work as originally imagined. Caregiving takes lots of time. Some do not want to continue the effort it takes to make the operation successful.

Regulatory Watch (cont'd)

Managed Care family. Reinvestment Partners provided the family with the food voucher to buy fruits and vegetables. More than 20 members have enrolled in the program and DHHS expects participation to rise. The Pilot's goals are to (1) evaluate the effectiveness of select, evidence-based, non-medical interventions and the role of Network Leads entities in improving health outcomes and reducing health care costs, (2) leverage evaluation findings to embed cost-effective interventions to improve health outcomes, and (3) support the sustainability of delivering non-medical services identified as effective.

Market Watch cont'd

Persistent fear around the pandemic is partially the blame according to research conducted by Nicholas Bloom of Stanford University, *et al.* Employment dropouts were most likely women, those lacking a college degree, and people working in the low-paid sector. 10% of those persons surveyed had no intention of returning to the labor force if required to do so in-person. The labor supply shortage may be contributing to inflationary pressure as workers demand more pay and employers pass on those additional costs to consumers. Business Insider reported that inflation hit a four-decade high 8.5% in March 2022.



Financing cont'd

target a Federal Funds Rate between 1.75 to 2 percent. On a \$1 million business loan, that could be as much as an additional \$1,667 per month of debt service. With rising operating costs (e.g., labor, food, energy, housing), some buyers may not qualify for traditional loans or SBA guaranteed loans. Kiplinger.com expects the Treasury 10-year yield to rise to 3.0% by the end of 2022. Many SBA loan guarantee programs track with the Treasury 10-year rate to price small business loans.

End of Easy Money. Kiplinger.com also reports that the Fed will start its "qualitative tightening" practices in May. The Fed is expected to take \$95 billion a month of money out of the economy to reduce the money supply.

Impact on Business Valuations. Financial professionals would agree that, in general, as the cost of capital (of which bank interest is a part) rises, the discounted, present value of a business falls. That's not welcomed news for seller looking to cash out next year. 2022 may be the better time to complete a transaction as attractive financing is still available for many buyers.



et cetera (cont'd)

for-profit HCA Healthcare. HCA Healthcare's Nancy Lindell commented, in part, that the transition to HCA Healthcare, "would lead to both some additions and departures."

- NC Dep't of Health and Human Services launched Spring into Summer, a community campaign focused on increasing rates of COVID-19 vaccinations and booster for adults and children. The initiative follows last year's successful Bringing Summer Back vaccination campaign that involved 300 organizations statewide and reach nearly 1.5 million North Carolinians.

- SBA extended the Community Advantage pilot program an additional two years to September 30, 2024, increased the pilot program lending limit from \$250,000 to \$350,000, and increased the maximum unsecured loan size from \$25,000 to \$50,000.

