

For Owners of Home Health and Home Care Agencies, Assisted Living Facilities, and Adult Day Care Centers



SELLER'S SECRET SAUCE

BEST PRACTICES FOR SELLING SENIOR CARE OPERATIONS

In 2024, we introduced this new section on best practices used by sellers to get the price and terms they want and quickly sell their operations. We present helpful information on (i) what successful sellers do before they take their operations to market, (ii) how their deals are priced and structured, (iii) what resources they use during the selling process, and (iv) how they manage the transaction after closing. No one area is more important than another. Successful sellers plan their sale and then work their plans to success. In this segment, we discuss why sellers want to sell. *(cont'd)*

FINANCING

FED MAKE HUGH INTEREST RATE CUT

On September 18, the Federal Reserve aggressively slashed its targeted Federal Funds rate by 50 basis points (i.e., half of a percent). It is the first cut in the Federal Funds rate since March 2020. The bold move is expected to have a substantial impact of the cost of borrowing for consumers - everything from mortgage loans to car loans to credit cards. The Fed previously was reluctant to lower its target interest rate due to stubbornly high inflation. The Fed kept interest rates high to starve off demand for goods which was thought to be fueling inflation. Some economist believe that by keeping interest rates high one also risks slowing down the economy. A slowed down

et cetera

- FDA approved the messenger RNA-based vaccine against respiratory syncytial virus (RSV) for people ages 60 and older.
- Nursing homes will be getting a 4.2% Medicare Part A pay raise un-

der the fiscal 2025 final pay rules issued in July. It will add a cumulative \$1.4 billion in funding to nursing homes.

- On July 2, FDA approved Kisunla (donanemab-azbt), Eli Lilly and Company's Alzheimer's treatment for adults with early sympto-

MARKET WATCH

INVESTOR CAP RATES CONTINUE TO RISE

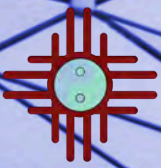
[RealtyRates.com](https://www.realtyrates.com), an investment surety firm, reports that rates of return required by investors (i.e., Cap Rates) continue to rise. For the second quarter ended June 30, 2024, the composite Cap Rate for all types of senior care real property investments rose 29 basis points (i.e, hundredths of a percent) to 10.30% from 10.01% in the first quarter of the year. This represent an increase of 71 and 149 basis points from the composite rates in 2Q23 and 2Q22, respectively. Cap rates for assisted living facilities did

REGULATORY WATCH

FED APPROVES NC'S MEDICAL DEBT TO RELIEF INCENTIVE PROGRAM

On July 26th CMS approved NC Governor Cooper and NCDHHS' plan to use the state's Medicaid program to incentivize hospitals to relieve existing medical debt for eligible citizens and prevent accumulation of new debt. The program potentially relieves \$4 billion of existing medical debt for families across the state. Hospitals meeting the eligibility conditions and





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CONT'D

If your business is so successful, why are you selling it?

Buyers want to know this. Successful sellers are clear on their reasons to sell. The reasons should be truthful, compelling and simple. The number one reason, by far, for selling an operation is to retire. After 30 years of 100-hour work weeks, it's clear that it is time to move on. Other major reasons are burn-out, don't want to do this anymore, divorce or dissolution, death or illness, boredom, lack of investment capital, and something better to do with your time and money.

Some "not so good" reasons to sell are testing the market, seeing what the business is worth, needing immediate cash, or the business is performing poorly.

MARKET WATCH

CONT'D

better than the composite. Cap rates for assisted living facilities rose only 9 basis points over 1Q24 to 8.85%. Still, the 2Q24 ALF Cap Rate is 55 and 134 basis points above the 2Q23 and 2Q22 ALF Cap Rates, respectively. Typically, as Cap Rates rise, property valuations fall. RealtyRates.com uses a market-derived capitalization rate based on sales price and rentals of comparable properties (NOI / Sale Price).



REGULATORY WATCH

CONT'D

who choose to participate in the program will receive a higher level of Medicaid reimbursement under the Healthcare Access and Stabilization Program (HASP). Hospitals not participating in the program will still be eligible for base HASP payments. Participating hospitals will relieve all outstanding debt owed by current Medicaid enrollees, dating back to 1/1/ 2014.

et cetera

Cont'd

matic Alzheimer's disease which includes people with mild cognitive impairment as well as people with mild dementia stage of AD, with confirmed amyloid pathology.

• In July, Professors of Psychology and researchers at the University of Texas Southwestern Medical Center showed preliminary support for a speech analysis tool that helped detect mild cognitive impairment and dementia in a Spanish-speaking population.

FINANCING

CONT'D

economy usually hurts employment and job growth. Inflation had receded in the past several quarters but unemployment has begun to rise. Many financial analysts think that the Fed took this aggressive rate cut action to help stimulate the jobs market. In the past the Fed has made interest rate adjustment of no more than 25 basis points. Thus, many on Wall Street were surprised by the 50 basis point reduction. Some speculate that the Fed is not yet done with rate cuts. The Fed meets in November after the federal election and again in December.

