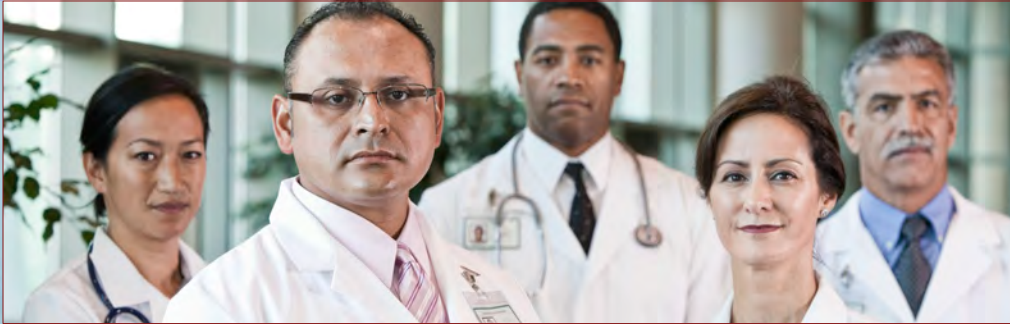


For Owners of Home Health and Home Care Agencies, Assisted Living Facilities, and Adult Day Care Centers



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 to quickly sell their operations. In this section you will find 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. Successful sellers plan their sale and then work their plan to success. In this segment, we discuss 3 key factors buyers need from the transaction to close the deal (cont'd)

FINANCING

A TSUNAMI OF SBA LOANS HITS HEALTHCARE IN 2024

The SBA loan guarantee program for Healthcare soared 29% in fiscal year ending September 30, 2024. Under the 7a and 504 programs, the number of healthcare loans approved rose 29% year-over-year and the average amount of loan guarantee rose by 18%. Most of this growth came from the popular 7a program. Average 7a healthcare loan size remained just above \$500,000, but the number of SBA loan approvals increased to 6,717, up 32% year-over-year. SBA approved \$3.4 billion in healthcare loans in 2024, up 22% over 2023. The 7a program is popular among home care agencies, home health agencies, and adult day care centers. This program allows new and existing (cont'd)

et cetera

- The US Department of Justice recently sued to block UnitedHealth Group's takeover of Amedisys calling the deal "presumptively anticompetitive and illegal." Amedisys has 521 care centers in 37 states and
- DC. It offers home health, hospice, palliative and home-based high acuity care.
- The Federal Reserve again lowered its key interest rate by 25 basis points. It set its new benchmark overnight borrowing rate between 4.50%

MARKET WATCH

HHA REPORTED LOSSES ARE INCREASING

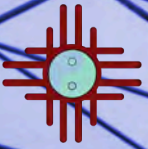
[Kalon Mitchell](#) of Kalon BI Consulting reports that despite MedPAC's recommendation to Congress of a 7% reduction again in payments to home health agencies, home health agencies are increasingly unprofitable. For small agencies (ie., less than 500 census per year) the percentage of profit losing agencies rose from 35% to 41% in 2022 of all reporting small agencies. Mitchell attributes the increasing losses due to the dual threat of (i) the below cost reimbursement rates from Medicare

REGULATORY WATCH

IS NC CERTIFICATE OF NEED LAW ILLEGAL AND OBSOLETE?

On October 18, the NC Supreme Court issued a decision that keeps alive a case that may decide if the Certificate of Need (CON) law is unconstitutional. See [Singleton v. NCDHHS, 260PA22](#). Currently, NC CON law prohibits acquiring certain medical equipment or developing new healthcare services without prior approval from NC DHHS. In 2023,





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

SELLER'S SECRET SAUCE

CONT'D

Successful buyers want, at a minimum, these 3 things: Reasonable salary and benefits, debt service coverage, and return on invested capital.

Reasonable Salary and Benefits. A buyer, in effect, is buying a job. She must make a reasonable wage for her time spent in the operation. As the new boss, she also expects perks like travel, entertainment, health and life insurance, and car allowances.

Debt Service Coverage. The operation must generate enough cash flow to also cover the debt the buyer borrowed to buy the operation.

Return on Invested Capital. Every buyer wants a decent return on the down payment she made to buy the operation. A 20%+ return on invested capital is a reasonable return for the risk inherent in buying a small business.

MARKET WATCH

CONT'D

Advantage providers, and (ii) permanent adjustment cuts by Medicare.



Mitchell further shows that All Payer profit margins for small agencies is steadily deteriorating.



REGULATORY WATCH

CONT'D

NC significantly reformed CON law under the Access to Health Options legislation. But, was it enough? Empirical evidence shows that existing CON law has major disadvantages such as (i) healthcare costs are actually rising due to, in part, limitations on competition and lack of innovation, (ii) longer wait times and travel times to get services reduces access to care, and (iii) the process is time consuming and an administrative burden.

et cetera

Cont'd and 4.75%

- NC-based Avendelle Assisted Living plans to expand its footprint through franchising with partners throughout the US and abroad. The company currently has 4 corporate locations and franchises 20 location across Florida and NC.
- Altarum.org reports that home health care spending grew at 11.6% in August (year-over-year). Home health care has been the fastest growing healthcare segment since August of 2023.

FINANCING

CONT'D

owners to acquire additional agencies without business real estate as collateral. The 504 program is used primarily by assisted living facility owners that are acquiring real estate. With the reduction in key interest rates on the horizon, expect Fiscal Year 2025 to top these figures.

