



## Market Watch

### Caution: Economic Uncertainty Ahead

As inflation continues its rise and the Federal Reserve Bank raises key lending rates to combat it, small business owners fear a severe economic downturn is coming. And they might be **right**.

The U.S. Department of Commerce reported that Gross Domestic Product, GDP, (an indicator of economic health) deteriorated from an increase of 6.9% in the fourth quarter of 2021 to a **decline of 1.6%** in the first quarter of 2022. In July, the Federal Reserve Bank of Atlanta revised its second quarter of 2022 estimate of GDP to a **decline of 1.2%**.  
(cont'd)

## Exit Plan for Caregivers

### New Section on Exit Planning

In this issue, we will start our educational series on Exit Planning. Our goal is to give you information and resources to help you implement a program to gracefully leave your operation - when the time is right. We are excited to introduce to you our professional partners who, for a fee, will give advice and guide you on your Exit Plan journey. But, first things first. What is it and do you need one?

**What is it?** Simply put, an Exit Plan is a **roadmap** for leaving your operations for other in as good a shape as possible so you can move (cont'd)

## Financing

### Mortgage Rates Are Steadily Rising

The Federal Home Loan Mortgage Corporation (Freddie Mac) reports that since early August 2021 home mortgage rates have trended upward. As of early July, the 30-Year Fixed Rate Mortgage hit 5.51%, up from 2.88% a year ago. Over the same time period, the 15-Year Fixed Rate Mortgage hit 4.67%, up from 2.22% and the 5/1-Year Adjustable Rate Mortgage hit 4.35%, up from 2.47%. In essence, the cost of a home mortgage loan has nearly double since last year. For those care homes that depend upon Medicaid reimbursements, the increased interest cost could hurt operating (cont'd)

## Regulatory Watch

### HHS Extends American Rescue Plan Spending Deadline An Additional Year

In June, the US Department of Health and Human Services (HHS) extended through March 31, 2025 the deadline to use funding made available by the American Rescue Plan (ARP) to enhance, expand, and strengthen home- and community-based services (HCBS) for people with Medicaid who need long-term services and support.

The ARP provides states with a temporary 10 percentage point increase to the federal medical assistance percentage (cont'd)



## et cetera

- Almost half (49%) of the business leaders recently surveyed by Forbes magazine are predicting a recession this year.
- Durham Tech Community College is offering a virtual class on being a caregiver. The classes started June 8 and covers topics from legal documents to changing a wound dressing. Lawyers, social workers, nurses, and college professors are contributing the the course's success.

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### Exit Plan cont'd

on to the next chapter of your life. That next chapter may be to acquire another operation, buy an operation in the different industry, retire, or do community and charitable work. The roadmap contains *milestone markers* to signal to you where you are on your journey and how you are progressing. The roadmap can be flexible, but the goals should be *concise and specific*. We put the Exit Plan in writing to keep us accountable to our goals.

**Why do I need one?** One thing is certain - - you **will** leave your operation at some point. You cannot always choose when but you can certainly determine **on what terms you will leave**. You can determine: who will take over and run the operation, what mix of residents you will serve, and how much cash and other investment assets you need before leaving the operation. By implementing specific actions and operating policies today, you can shape the future success of your operation, its long-term success, and its *enterprise value*.

An Exit Plan also helps mitigate the **5Ds** of caregiver-owners' unforeseen risks: **Death, Divorce, Disagreement, Disability, and Disaster**. Some experts report that a small operation's enterprise value drops by one-third every month the primary owner is not running the operation.

In future editions, we will discuss the Exit Plan team and how the Plan get developed.

### Regulatory Watch (cont'd)

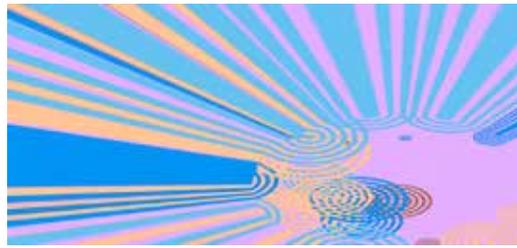
(FMAP) for certain medical expenditures for HCBS. The States originally had a three-year period - April 1, 2021 through March 31, 2024 - to use the available state funds attributed to ARP's Increase FMAP, on activities to enhance, expand, or strengthen HCBS in Medicaid. This ARP funding allows states to identify and implement changes at addressing existing HCBS workforce and structural issues. It will also help expand states' capacity to provide critical services to meet the needs of family caregivers and people on HCBS waiting lists. In February, NC DHHS received partial approval from HHS for its FMAP request. It should receive full approval later this year.

### Market Watch cont'd

Cautious small business owners are taking defensive measures to prepare for the worst. Veem, a payment platform company, released its July Survey Monkey results that showed how owners are preparing:

- Scaling back expansion plans (16.7%)
- Reducing their workforce (7.2%)
- Downsizing retail or office space (5.4%)
- Cutting services (4.5%)

When asked about their business finances, 25.8% said they would either *pay down* credit cards and other variable-rate debt and 25.8% said they would *increase* their savings. **What is your financial defensive strategy for your care home?**



### Financing cont'd

results.



Since many adult care home acquisitions include the operation's real estate, new buyers may find it increasingly difficult to qualify for enterprise loans without additional equity injection required.



### et cetera (cont'd)

In July, the NC Department of Health and Human Services (DHHS) released its 2022 Monkeypox Outbreak Response Plan. The document provides an overview of the virus, symptoms, and DHHS's operational response. It includes details on testing, vaccines, community partner interaction, and communications.

- DHHS is establishing Community Access Points in all NC counties to provide free and easy COVID-19 tests. Visit [covid19.ncdhhs.gov/FindTests](https://covid19.ncdhhs.gov/FindTests) for more information.
- The US Bureau of Labor Statistics reported that the NC education and health services workforce showed a moderate 2.1% year-over-year increase in May 2022.
- Bloomberg US reported that the June Consumer Price Index, a measure of consumer inflation, rose 9.1% over last year; the largest annual increase since the end of 1981.

