

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

Recently, 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 5 reasons why home care and home health agencies fail to sell.

FINANCING

FEDERAL GRANTS AWARDED FOR SENIOR CARE

In January, the U.S. Department of Housing and Urban Development's (HUD's) Office of Multifamily Housing Program awarded Webster Village (NC) and Wesley Housing Dev. Corp. (VA) \$10.8 million and \$7.9 million, respectively, in Section 202 Supportive Housing grants. The awards will help facilitate 97 Project Rental Assistance contracts. It also provides seniors with supportive services for nutrition, transportation, educational, and health-related needs. HUD awarded grants through its Service Coordinator in Multi-family program. The grantees and amounts in NC, SC, and VA are in the table below:

et cetera

- Medicare pays for 63% of older adult healthcare costs while private insurance (19%), out-of-pocket (12%) and Medicaid (7%) cover the remainder.

- Since June 2023, home health care spending has grown 24.8%. It is the fastest growing category in personal health care spending. It outpaced spending in national health (7.2%), total personal health care (7.4%), and prescription drugs (5.5%).

MARKET WATCH

2025 PREDICTIONS: A BUYER'S MARKET

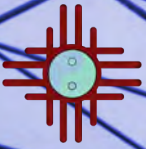
BizBuySell, a leading small business transaction online service, predicts that 2025 will favor buyers. It forecasts that owners are opting to exit their businesses now rather than waiting for better prices. It commented that the combination of recessions, pandemic, and a challenging labor market is pushing soon-to-be retirees to call it quits. Buyer mindset has also changed. Buyers are focusing on the long-term potential rather than immediate

REGULATORY WATCH

MEDICAID CUTS COULD SEVERELY HURT RURAL NC

Medicaid cuts proposed by the Trump Administration could have "dire consequences" for NC communities that supported him in the 2024 election. That is the finding of North Carolina Health News (NCHN) and the Center for Children and Families (CCF) at the Georgetown University McCourt School of Public Policy. NCHN stated that the NC





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CONT'D

Roughly 70% of business offered for sale fail to sell on the market. Here's why:

Overpriced or Unrealistic Expectations. Offering a price substantially above the market attracts fewer serious buyers and sits longer on the market.

Poor Financial Performance and Cash Flow. Declining sales or poor profits in the recent years will kill the deal.

Seller or Buyer is Difficult to Work with. If the Buyer does not trust the Seller or the Seller has difficulty transferring the business knowledge to the Buyer, the deal is doomed.

Fails Due Diligence Review. If the Seller cannot verify information, the Buyer usually walks.

Fails to Satisfy Buyer's 3-Must Haves. The Buyer must earn a reasonable salary, be able to repay her business loan, and earn a decent return on her investment.

MARKET WATCH

CONT'D

returns. "Prices have come down and reached a new normal," said Jordi Lanatta, a business broker in San Diego, CA. "I have seen buyers more attracted to the idea of investing and growing a business.."

Many sellers are ready to exit. "We are tired," comments Levi Fehrs, an owner of Kodiak Furniture in Alaska. "It's incredibly difficult to find good employees that will help us provide the high level of customer service that we are known for. We have managed to show significant growth year-over-year since 2019 and along with solid investments we are in a position to retire very early." Thirty-eight percent of business brokers believe today's market favors buyers compared to 23% who say it favors seller, states BizBuySell. Twenty-eight percent see a balance market while 11% were unsure.



REGULATORY WATCH

CONT'D

Department of Health and Human Services shows that 1,220,559 residents in rural counties are enrolled in Medicaid. A county is considered rural if it has fewer than 250 residents for every square mile of land. In its January 2025 report, CCF found that in NC, SC, and VA (and a few other states) reductions in Medicaid funding is more likely to cause greater harm to rural areas and small towns than metropolitan areas.

et cetera Cont'd

- The National Association of Realtors (NAR) reported that the 30-year fixed-rate mortgage jumped to a 7.04% average in the week of January 12, 2025.
- In a recent survey conducted by the International Business Brokers Association, 70% of owners with company values less than \$1 million performed no exit planning. Another 18% of these owners spent less than a year planning for their exit.

FINANCING

CONT'D

| State | City | Grantee | Award |
|-------|---------------|---------------------------------|-----------|
| NC | Wilson | Forest Hills Manor ALP | \$368,610 |
| NC | Jacksonville | Meadow Oaks ALP | \$368,610 |
| NC | Winston-Salem | West Hill ALP | \$290,069 |
| NC | Greensboro | Northland ALP | \$368,610 |
| NC | Marion | McDowell Housing Authority | \$389,168 |
| NC | Columbus | Highwood Apartments | \$345,925 |
| SC | Anderson | Mt. Vernon Apartments ALP | \$459,903 |
| SC | Rock Hill | Rock Hill Housing Authority | \$441,223 |
| SC | Greenville | Crestwood Forest Apartments ALP | \$835,616 |
| SC | Clemson | Creekwood Village ALP | \$467,603 |
| SC | Greenville | Woodstream Apartments ALP | \$373,280 |
| VA | Warrenton | Warrenton Manor Elderly LP | \$567,177 |
| VA | Sterling Park | Willem Waters House LP | \$534,037 |
| VA | Martinsville | Glick Spruce Village LLC | \$798,796 |

