



## Market Watch

### Trends in Senior Care: In-Home Services Dwarfs Senior Care Facilities in 2021

The US Bureau of Economic Analysis reports that Ambulatory Health Care Services (AHCS) gross output rose \$1,076.7 billion in 2Q21, up 7.7% over 2Q20 while Nursing and Residential Care Facilities (NRCF) rose to \$410.9 billion in 2Q21, down 6.0% from 2Q20. Both sectors showed weak performance in 2020 (down 7.1% and down 6.4%, respectively, compared to 2019), but AHCS is recovering faster than NRCF. The market for AHCS continues to dwarf the NRCF sector. (cont'd)

## Education

### “Ready, Get Set, ...”: How to properly prepare to sell your Senior Care Operation

Most senior care operators believe that their primary responsibility when selling their operation is, well, to get it sold. Yes, and no. The better response is to (i) get your operation ready for sale, (ii) get a professional business intermediary to manage the sale, and (iii) keep the operations going strong.

Senior care operators can best use their time and talent by focusing on what the operation needs to be and remain successful. Not all operations (cont'd)

## Financing

### Key Financial Terms and Definitions for Care Givers.

Most senior care owners seldom deal with banks. Knowing the language can reduce the mystery about working with lenders. Here are several terms owners may encounter when managing banking relationships:

**SBA 7a Loan versus Guaranty.** Under the SBA 7a program, the SBA does not make a loan to you. A commercial bank makes the loan to you. The SBA merely guarantees the bank that if you default on your loan, the SBA will repay the bank a certain percentage of the loan due (usually 75%). For this “insurance,” the SBA charges a guarantee fee. Thus, you still (cont'd)

## et cetera

- US Bureau of Labor Statistics reported that in October 2021, the Consumer Price Index for All Urban Consumers rose 0.9% on a seasonally adjusted basis; rising 6.2% over the last 12 months, not seasonally adjusted. Energy cost, rose 30.0% year-over-year.
- In September, CMS listed 10 NC nursing homes, including Universal Health Care, on the state's worst performing skilled nursing facilities.

(cont'd)

## Regulatory Watch

### Feds Approve Big Hike in Medicare Premiums

The US Government announces major increases in premiums for Part B Medicare coverage. The Centers for Medicare and Medicaid Services (CMS) cited a rise in costs due to the pandemic and the cost of prescription drugs, especially for the new Alzheimer's drugs.

CMS expects the monthly premium increase to exceed \$158.50, the amount it estimated in late August. The monthly premium payment for enrollees in the (cont'd)



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

### Education cont'd

are salable or in salable condition. Here are tasks you should focus on:

#### **Pre-Sale Activities:**

**Financial Books** - Complete and file entity tax returns for past 5 years. Develop interim financial statements

**Corporate Status** - Review entity status with Secretary of State's office. Is entity administratively dissolved?

**Regulatory Status** - Resolve outstanding DHSR compliance matters.

**Operations Policies** - Update and document operating procedures.

#### **Activities during the Selling Process:**

**Confidentiality** - Only disclose your selling activities to your attorney, banker, accountant, and business intermediary.

**Managing Operations** - Track and document any material operational changes. Keep it steady.

#### **Using Business Intermediary (BI):**

**Confidentiality** - Share information only on secured media.

**Promotions** - Review and discuss marketing activities with BI.

**Buyer Screening** - Promptly respond to BI's questions concerning prospective buyers.

**Negotiation** - Revisit your price, terms, and conditions and needs with your BI.

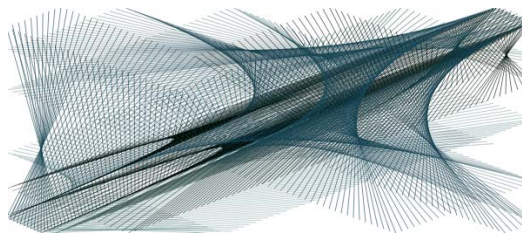
**Amass Team to Close the Deal** - Make yourself readily available to the BI and the closing team. This will expedite the sale.

### Regulatory Watch (cont'd)

lowest income bracket will increase from \$148.50 a month to \$170.10 a month in 2022. Medicare Part B covers physicians services, outpatient hospital services, certain home health services, medical equipment, and certain other medical and health services not covered by Medicare Part A, including medications given in a healthcare provider's office. In addition to this premium increase, the annual deductible for Medicare Part B beneficiaries will rise by 14.7% in 2022 to \$233. Medicare covers about 62 million Americans, mostly seniors 65 and older.

### Market Watch cont'd

AHCS gross output totaled \$4,084.6 billion for fiscal year 2020 compared to just \$852 billion for NRCF for the same time period. The number of full time equivalent (FTE) staff in AHCS far outweighs the number of staff in NRCF. AHCS employed 6.8 million FTEs in 2020 compared to 2.9 million in NRCF. In 2020, NRCF staff shrank 4.2% while staff at AHCS shrank only 2.3%. The cost of care continues to rise in both sectors, more so in NRCF. 2020 saw NRCF prices rise 4.0% while cost rose only 1.6% in the AHCS sector. Both sectors, however, continue to face staffing challenges that led to increases in staff wages and benefits.



### Financing cont'd

need a working relationship with a bank.

**Prepayment Penalty.** A fee a bank or SBA charges a borrower for paying off a loan earlier than its maturity date.

**Deed of Trust.** NC lenders are protected by a deed of trust, not a mortgage. When a loan is closed, instead of creating a mortgage, lenders assign the deed to a trustee who becomes the holder of the real estate. The practice is done to ease title transfer in foreclosure situations.

**Debt Service Coverage.** A calculation banks use to determine the financial strength of a loan request. It compares the cash-generating ability of the FCH operation to the loan payment. A ratio of 2.15 or higher is preferred.

**Property Appraisal versus B.O.V.** An appraisal is a value estimate made by a state licensed appraiser. A broker's opinion of value is a broker's opinion of what a property will sell for.

**Loan-to-Value** - A ratio comparing a loan request to a property appraisal. Ratios can range from 50% to 90% depending upon the asset class and a bank's credit policy.



### et cetera (cont'd)

- In November, NC's Hispanic residents 12 or older are 67% vaccinated, 10 percentage points higher than non-Hispanic NC residents.

- TheLadder.com reports that job postings requiring vaccination doubled between September and October

- An Economic Research Director at Indeed Hiring Lab concludes that pandemic unemployment benefits may not be the main factor in workers not returning to the labor market. Fear of the Covid Delta wave may play a bigger part in the Great Resignation.

- In September, the US Census Bureau's Household Pulse survey showed there were 1.8 million more people not working due to caring for someone sick with Covid.

- US FDA authorized boosters for Pfizer/BioNTech and Moderna Covid-19 vaccines for all adults.

