



## Market Watch

### Second COVID Wave Causes Nursing Shortage

Eighteen months after COVID-19 hit, NC hospitals are saying the shortage of healthcare workers is worse. Turnover among the healthcare workers has recently risen due to the Delta variant and hospitals are struggling to recruit new employees while retaining the staff they have. This healthcare worker drainage is occurring in the midst of a statewide spike in the number of people hospitalized with the respiratory disease from fewer than 400 in early July to 3,651 as of early September, according to the NC Department of Health and Human Services. "I don't know of any major health care system in North Carolina right now that is not facing triple-digit shortages in terms of nursing personnel," (cont'd)

## Education

### Are you Qualified to Buy this Operation?

So, you found an operation that excites you. You ran the numbers. The deal looks promising. Question – *do you qualify to purchase this business?* What conditions would immediately disqualify you? What issues can you overcome? What actions can you take today to avoid these qualification pitfalls? This article examines the primary qualifications buyers need to have to purchase most healthcare-related facilities or practices.

**Credentials.** Does the operation require a state license? Dental practices and medical offices are obvious. But adult care facilities are different. (cont'd)

## Financing

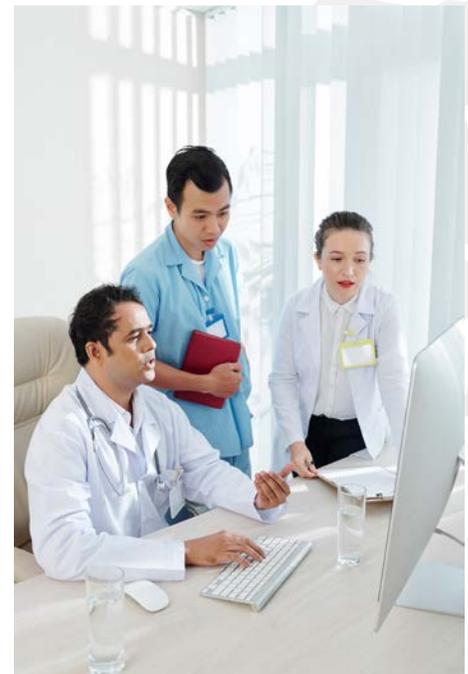
### Are Adult Care Facilities and Home Care Agencies Eligible for SBA Loans?

Most family care and adult care home sale transactions involve the purchase of the residential home. The sale price of a 6-bed family care home in any one of NC's rapidly growing Tri-City areas could approach a million dollars. Adult care homes with 10 to 20 beds sell in the millions of dollars. Many commercial lenders shy away from adult care lending because of industry risk and liability. Fortunately, the U.S. Small Business Administration provides loan guarantees and subordinated loans to buy adult care home under certain conditions. (cont'd)

## Regulatory Watch

### NC DHHS Strategic Plan Encourages In-Home Care

The NC Department of Health and Human Services released its 2021-2023 Strategic Plan. Goal 6 includes its vision for older adults and people with disabilities. DHHS desires to have (1) fewer people institutionalized in nursing homes and adult care homes, (2) direct care workers earn \$15 per hour, and (3) more people served with innovation waivers and CAP-DA. It desires to increase awareness of NC CARE360 AND 211 and expand virtual programming and enhanced technology support. DHHS plans to work closely with health plans (cont'd)



## et cetera

- NC Governor Cooper proclaims September as Deaf Awareness Month.
- NC DHHS estimates that as of 9/6/21 over 1,154,000 NC residents have recovered from Covid-19, that is 92% of the positive cases to date.
- NC Governor Cooper signed an Executive Order to make it easier for NC citizens to access monoclonal antibody treatment for COVID-19. (cont'd)

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

### Education cont'd

The primary owner need not be a licensed professional, but medical aides and staff administering medications need certain clinical skills [validations](#). For home care agencies (NC), have you complied with the initial survey checklist and [licensure rules](#) (e.g., required training, satisfied the agency director requirements)?

**Financial Strength.** Do you have sufficient cash to invest in the operation? Plan on a 20% to 40% down payment and the rest financed by bank debt and seller carryback.

**Financial Liquidity.** Is your down payment readily available? Or, must you sell shares or take out a home equity loan to get the down payment?

**Personal Credit.** What is your FICO score? Have you had a bankruptcy within the last 7 years?

**Management Experience.** Do you have relevant experience to take over the operation and make it successful? Or, must you hire the management?

**Buyer Disqualifications.** Here are a few items that may quickly disqualify a buyer:

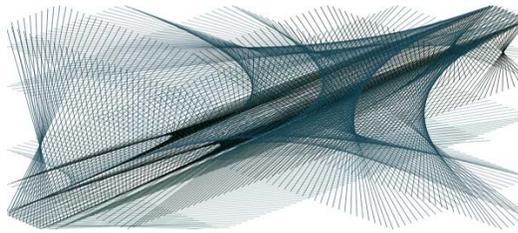
- Buyer is secretive about where the source of the down payment is coming from;
- Buyer wants to invest only sweat-equity (i.e., no money down);
- Buyer want to be an absentee owner
- Buyer has previously declared bankruptcy;
- Buyer appears to be a competitor or tire-kicker seeking inside information.

### Regulatory Watch (cont'd)

and providers to develop a comprehensive plan to increase the average direct care workforce pay to \$15 per hour. It seeks to increase dementia friendly and disability friendly concepts around making communities accessible, open, and welcoming of people with dementia and their caregivers and loved ones. Other objectives include (i) increase identification and reporting of abuse, neglect, or exploitation of older adults and people with dementia, and (ii) reduce the number of people under guardianship through competency restoration efforts.

### Market Watch cont'd

said Dennis Taylor, president of the N.C. Nurses Association. The News and Observer reported that hospitals are hurt by the same labor shortage affecting restaurants, hotels, and other businesses. But the shortage is most acute for nurses, nursing assistants, and respiratory therapists. The UNC Health system also has more than 1,000 openings for registered nurses across its network. Healthcare workers exhausted from COVID-19 duty are getting out and opting for other roles such as work in telemedicine, clinics, doctors' offices or insurance companies. In a national survey by Nursing Solutions, Inc., hospital staff turnover rose from 17.8% in 2019 to 19.5% in 2020. Turnover for registered nurses rose from 15.9% to 18.7% over the same survey period.



### Financing cont'd (i)

In general, an adult care home will qualify for an SBA guarantee or subordinated loan if it (i) is owner-operated (i.e., not an investment property by an absentee owner), (ii) is for profit, (iii) is licensed by the State, (iv) does not restrict patronage for reasons other than capacity, (v) is not owned by an associate who is incarcerated, on probation, on parole, or has been indicted for a felony or a crime of moral turpitude, and (vi) not principally engage in indoctrinating religious belief.

Home care agencies (HCAs) have the same SBA restrictions as mentioned above. However, since HCA do not typically involve the sale of real estate (usually it is the renegotiation of a lease), the SBA 504 subordination loan program would not be available. The SBA 7(a) guarantee loan program and other non-real estate guarantee programs would be available for HCA transactions.

The SBA may still require sellers to provide some portion of seller financing for certain transactions.



### et cetera (cont'd)

- The FDA has approved the Pfizer-BioNTech COVID-19 vaccine for the prevention of COVID-19 disease in individuals age 16 and older.

- As of August 30, the Center for Disease Control and Prevention reported that about 70% of breakthrough COVID-19 cases resulting in hospitalization were among adults 65 and older and about 87% of breakthrough cases resulting in death were among adults 65 and older. Breakthrough cases are when fully-vaccinated people get infected by COVID-19.

- NC ranked ninth best state to start a business in the US, according to Adam McCann of WalletHub.com. The report rated a state's business environment, access to resources, and business costs in its survey.

