

# PENUMBRA

FOR SELLERS AND BUYERS OF SMALL ADULT CARE AND FAMILY CARE FACILITIES, CRCFs, ADULT DAYCARES, AND HOME CARE AGENCIES



## Market Watch

### Virginia Ranks 28th on Long Term Care, Support for Seniors

The American Association of Retired Persons (AARP) ranked Virginia twenty-eighth in the country in its new Long-Term Services and Supports (LTSS) scorecard. Newsleader.com reports that the AARP report found major gaps persist in every state, including Virginia, especially related to support for family caregivers, workers wages, nursing home staffing, transportation, and housing. The LTSS scorecard ranking Virginia 28th is a composite of following ranked elements: Affordability & Access (10th), Choice of Setting and Provider (15th), Safety and Quality (37th), Support for Family Caregivers (37th), and Community Integration (32nd). Within the Affordability & Access (cont'd)

## Exit Plan for Caregiver Owners

### Is it Half Empty or Half Full?

The 2023 National Mainstreet Business Study sponsored by the International Business Brokers Association (IBBA) reports that less than half of small business owners they surveyed currently have an exit plan. The complexity of selling one's business often makes these owners feel overwhelmed by the process.

Of the 500 small business owners participating in this survey, only 48% currently had an exit plan to orderly leave their businesses. (cont'd)

## Financing

### Fed Holds Rates Steady; 3 Rates Cuts Coming in 2024

On December 13, the Federal Reserve held key interest rates steady for the third consecutive time. It further indicated that it will consider multiple rate cuts in the coming year. As inflation cools due to lower gas prices and consumer goods, the Fed unanimously voted to keep their benchmark overnight borrowing rate in the targeted range between 5.25% and 5.5% (cont'd)

## Regulatory Watch

### SC Eliminates Some Certificate of Need Requirements

On October 3, Governor McMaster and Lieutenant Governor Evette signed into law S. 164, Certificate of Need (CON) Repeal. The legislation eliminates the requirement for most healthcare facilities to obtain a Certificate of Need from the Department of Health and Environmental Control before building a new facility, purchasing certain medical equipment, or providing additional medical services. A CON is still needed for new hospital construction or the expansion of hospital beds until January 1, 2027, with exemptions for the relocation of a hospital in the same county, construction of a new (cont'd)

## et cetera

- The U. S. Bureau of Economic Analysis reported that the Personal Consumption Expenditures Price Index, one of the major readings on inflation, fell by 0.1% between October and November 2023 - the first monthly decline in more than 3 1/2 years.
- AARP's LTSS scorecard ranked North Carolina as 41st out of the 50 states (e.g., poor) in long term care and support services for seniors. South Carolina ranked 49th.
- The Council of Insurance Agents & Brokers reported that commercial (cont'd)



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### Exit Plan (cont'd)

The study also found that businesses with revenue between \$500 thousand and \$2 million are less likely to have exit plans compared to those businesses with revenue in the range of \$2 million and \$5 million.

The study also revealed that 62% of small businesses participating in the study expect an outside buyer to buy their businesses. This preception compares to only 34% believing a family member would buy their businesses. Of the participants who where in the healthcare and biotechnology sectors, 60% expected an outside buyer to buy them out. Only 15% expected a family member to so.

When it comes to why many small business owners do not currently have an exit plan, 8 out of 10 respondents believed that the exit planning process and selling their businesses would have some level of complexity. Twenty percent believed that the process would be very or extremely complex. However, when it come to selling their businesses as part of the exit planning process, 7 out of 10 respondents planned to use outside advisors such as a business broker, attorney, financial advisor, accountant or CPA, or real estate agent.

The IBBA conducts periodic statistical reports on the state of small business ownership in the United States and Canada.

### et cetera (cont'd)

insurance premiums jumped an average of 20.4% in the first quarter of 2023. Natural disasters are driving the increase in rates.

- A 3.4% physicians fee cut that affects doctors working in nursing homes and other long-term care settings will go into effect January 1, 2024. The cut was included in the 2024 Physicians pay rule which was finalized by the Centers for Medicare and Medicaid Services in November. The cuts also affect pay for therapists and other ancillary services. Without Congressional interventions, the cuts will remain in place.

### Market Watch (cont'd)

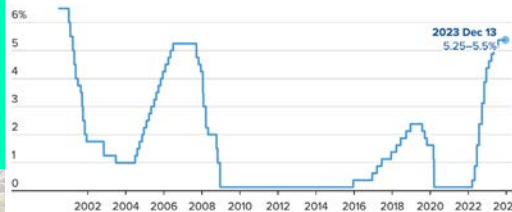
metric, Virginia scored third in the country in home care cost. Conversely, Virginia scored 33rd in affordability for Medicaid for low-income people with disabilities. It scored 21st and 26th in assisted living facility availability and adult day service availability, respectively. Virginia's work wage competitiveness ranked poorly at 45th in the country. The LTSS scorecard is a tool that measures long-term services and support system performance at the state level. For more information, visit [ltsschoices.aarp.org](http://ltsschoices.aarp.org).



### Financing (cont'd)

Prior to this recent pause in increasing interest rates, the Fed had raised rates 11 times, pushing the federal funds rate to its highest level in more than 22 years.

Federal funds target rate



Note: From December 2008 to present, the chart reflects the midpoint of the Federal Reserve's target range. The target rate began in 1982.  
Source: Federal Reserve Bank of New York  
Data as of Dec. 13, 2023

Federal Reserve Chairman Powell stated in a news conference that "[i]nflation has eased from its highs, and this has come without a significant increase in unemployment. That's very good news." Most business loans are pegged to some extent to the federal funds rates. As borrowing rates rise, buyers tend to lessen their purchases of fixed assets including purchasing new businesses. 2024 expects to be an active year for selling businesses.

### Regulatory Watch (cont'd)

hospital of up to 50 beds in a county currently without a hospital, or the merger or acquisition of a hospital. Nursing home facilities and home health agencies will continue to be required to obtain a CON. The private sector generally applauded the move as eliminating barriers for the free markets to better offer goods and services to the citizens of South Carolina. The move could entice outside, national investors to enter the South Carolina market, especially in specialty healthcare sectors.

