

PENUMBRA

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



Market Watch

K. James Joins Crimson Cardinal Realty Team

K'Ehelyr James has joined Crimson Cardinal Realty LLC as a provisional Broker. Licensed in North Carolina, Ms. James is a dedicated business and real estate broker with a background in residential investment and aerospace engineering. Holding a real estate broker license, Ms. James brings analytical skills and attention to detail to every transaction. Committed to client success, she provides personalized guidance and unwavering (cont'd)



Exit Plan for Caregiver Owners

Highway Trips and Business Ownership: Know Where the Exits Are

When you plan a nice long road trip, you pack what you need, something to eat and drink in the car, fill the car with gas, and start toward your destination. If you drive on the national highways, you determine which exits to take to reach your destination. Owning a small business is similar. You develop a plan (ummm, kind of), get the resources you need, implement a plan, and hopefully make money. You need to know how you are going to cash out of this venture. You would not start a long car trip without knowing your destination; so too with owning a senior care operation - (cont'd)

Financing

The Economy: A Recession is Likely 3Q23: Fannie Mae

In May, Fannie Mae's Economic and Strategic Research (ESR) group, stated that the economy is, "... expected to enter a modest recession in the second half of the year, though unusual dynamics in the current economic cycle continue to complicate forecasting the exact timing." ESR commented that consumer spending remains unsustainably high compared to incomes and that recession is the typical conclusion to a monetary policy tightening regimen. The group believes that the Federal Reserve Board is likely to maintain tighter policy for longer if wage-related inflationary pressures do not subside. Senior Vice President and Chief Economist at Fannie (cont'd)

Regulatory Watch

FDA Grants Full Approval of Alzheimer's Drug Leqembi

Lisa Berger at McKnight.com reports that the Food and Drug Administration on Thursday granted full approval of the early Alzheimer's drug Leqembi (lecanemab), opening up long-awaited broad Medicare coverage of the medication shown to slow cognitive decline. Center for Medicare & Medicaid Services Administrator Chiquita Brooks-LaSure said, "CMS today affirms our commitment to help people with Alzheimer's disease have timely access to innovative treatments that may lead to improved care and better outcomes." She added, "with FDA's decision, CMS will cover this medication broadly while continuing to gather data that will help us understand how the drug works. This is welcome news for the millions of people in this country and their families who are affected by this debilitating disease." (cont'd)



et cetera

- In a study conducted by the home care management software company HHAeXchange, 57% of respondents believe that new technology can help with issues such as reducing costs and delivering better care. In particular, operators are trying to move away from manual administrative tasks.
- Americans are still skeptical about using artificial intelligence in managing their healthcare needs. In December, the Pew Research Center conducted a survey from 11,000 U.S. adults. Six out of ten commented that (cont'd)

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Exit Plan cont'd

you need to know your destination. Or, at least where you want to end up. That roadmap is your Exit Plan. The Exit Plan sets the exit ramps from your senior care operation that gets you to the place, in life, your desire. At a minimum, an Exit Plan needs to include these items:

- the sales price for your senior care operation you and a ready, willing, and able buyer can agree on,
- the right timing in the market to pursue the transactions (e.g., is attractive financing available for the buyer),
- personal timing (e.g., am I ready for this move? is my significant other ready?),
- how long will it take (senior care operations typically take 9 months to a year to complete a sales transactions), and
- much more.

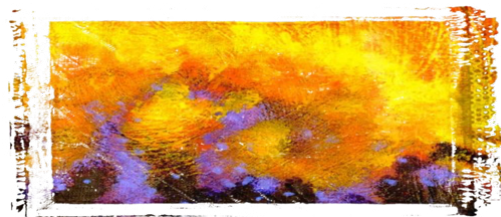
Some owners believe they can leave their senior operation to their kids. Unfortunately, this is not always true. SmallBizTrend.com reports that 82% of children who inherit their parents' businesses would rather have cash than run the operation. Think of what that means to the people relying upon you - patients, employees, others. It takes at least 3 years to properly implement an Exit Plan. If you are a Baby Boomer, you best get started with developing one. Interest rates are still relatively low compared to the past 10 to 20 years. The time to act is now.

Regulatory Watch (cont'd)

Leqembi was developed by Eisai, Inc. and sold in partnership with Biogen. Leqembi is a monoclonal antibody that targets beta-amyloid plaques in the brain. In clinical trials, it has been shown to reduce progression of Alzheimer's. With this full approval, a CMS-facilitated registry is open for clinicians. In June, CMS released information about patient data that clinicians will be required to provide to ensure Medicare coverage when prescribing Leqembi. Dr. Ph. Pike, Alzheimer's Association President, praised the CMS decision. "This treatment, while not a cure, can give people in the early stages of Alzheimer's more time to maintain their independence and do the things they love."

Market Watch cont'd

support. With a Bachelor's degree in Engineering from North Carolina State and a master's degree in Engineering from the University of Cincinnati, Ms. James values continuous learning. Outside of work, she finds joy in playing the piano and cultivating a beautiful garden. Trust K'Ehleyr James's expertise to navigate the complexities of buying or selling your business, ensuring a smooth and successful transition.



et cetera (cont'd)

they would feel uncomfortable if their provider used artificial intelligence tools to diagnose them and recommend treatments in a care setting.

- North Carolina is one of eight states participating in CMS's Making Care Primary (MCP) model. Launching July 1, 2024, the ten and half-year model will provide payments to participants for improved care management and coordination and fund tools to form partnerships with health care specialists and leverage community-based connections to address patients' health and health-related needs such as housing and nutrition.

Financing cont'd

Mae, Doug Duncan added, "there are select data available to support several alternative views of the path of the economy, though we maintain our view that a modest recession will begin in the second half of 2023. Housing remains exhibit number one for why we expect the recession to be modest. It continues to outperform our expectations, and we expect that its relative strength will help kickstart the economy into expanding again in 2024. Inflation has been resistant to Fed efforts to drive it down, and we view the risks to our baseline forecast as tilted toward more tightening rather than easing - although, for the moment, the Fed has adopted a wait-and-see approach."

For senior care operators, a recession could have a negative effect on the market valuation of your operation. Although demand for senior services remains strong in the Carolinas, inflationary pressures and recession fears could materially postpone the decision for seniors to enter a care facility or engage needed in-home care providers. Such actions could reduce potential sales for operators

ABOUT THE ESR GROUP

Fannie Mae's Economic and Strategic Research Group studies current data, analyzes historical and emerging trends, and conducts surveys of consumer and mortgage lender groups to provide forecasts and analyses on the economy, housing, and mortgage markets.

