

PENUMBRA

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



Exit Plan for Caregiver Owners

Key Closing Documents in the Sale of a Business

We asked NC attorney Greg Davis at the *Law Office of Gregory S. Davis, PLLC* in Wake Forest, "what are key closing documents when buying a business?" Attorney Davis shared these thoughts.

The closing of a business purchase is the final meeting where the Buyer and Seller will sign documents and transfer funds or other valuable consideration. Below are closing documents that are often essential for the closing process:

1. **Closing Certificate.** The Closing Certificate is typically *(cont'd)*

Financing

The Economy: Taming Inflation without a Recession

In March, The Federal Reserve enacted a quarter percentage point interest rate increase, expressed caution about the recent banking crisis (e.g., failure of Silicon Valley Bank), and indicated that hikes are nearing an end. This latest increase is the ninth rate hike by the Federal Reserve since March 2022. But Cleveland Federal Reserve President Mester said recently that interest rates likely need to keep moving higher to get inflation back to acceptable levels. In a CNBC interview, Mester said she sees the Federal Reserve's benchmark interest rate having to rise above 5% and staying there for awhile. The federal funds rate is the rate banks charge each other for overnight borrowing but affects many forms of *(cont'd)*

et cetera

- CarePort reports that in January 2023 skilled nursing facilities saw a surge from hospital referrals due, in part, to high referral rejection rates at home health agencies. Home health agencies may be rejecting hospital referrals due to a chronic labor shortage.
- Hospital-at-home care may be here to stay. Funding for the Covid-19 introduced program is part of the \$1.66 trillion omnibus federal government funding bill that passed Congress in December 2022. *(cont'd)*

Market Watch

SC Home Prices Rise Despite Sales Volume Reductions

In the *South Carolina Realtor MLS Statistics* report for February 2023, median prices for residential home sold (including condos and villas) in 4Q2022 rose 9.9% over 4Q2021. Despite this good news for Seller, transaction volume substantially dropped. In the same time period, the number of transactions statewide dropped 25.2% compared to 4Q2021. Price and volume performance in the submarkets varied. In the Central Carolina submarket, prices rose an average of 18.5% to a median price of \$320,000, the highest reported average price increase in the State. However, in the same submarket, transaction volume dropped 32.6% to 3,576 transactions and average days on *(cont'd)*

Regulatory Watch

NC expands Medicaid Access

NC Governor Cooper signed into law legislation that will expand Medicaid in NC. It is expected to expand coverage to more than 600,000 people across the State and bring in billions of Federal dollars. The expansion is expected to provide much needed additional services to the State's rural population. NC Department of Health and Human Services reports that rural residents are 40% more likely to be uninsured and eligible for Medicaid expansion. Since 2005, eleven rural hospitals have closed across the State. More rural hospital closures are at risk due to a lack of paying customers. "Medicaid expansion is a once-in-a-generation investment that will strengthen our mental health system, boost our rural hospitals, support working families and so much more," said Governor Cooper. *(cont'd)*



Exit Plan cont'd

delivered by both parties, Buyer and Seller, at closing. The Closing Certificate will be signed by an officer of the company certifying:

- the representations and warranties are true and accurate,
- the company has performed all covenants (promises), and
- all applicable closing conditions have been satisfied.

2. **Secretary's Certificate.** The Secretary's Certificate is typically delivered by both parties at closing. In it, this corporate officer is certifying documents including

- Articles of Incorporation,
- Bylaws, and
- Corporate Resolutions.

3. **Bill of Sale** (typically with an Asset Purchase). This is a document covering the transfer of tangible property such as

- Equipment,
- Machinery,
- Inventory, and
- Signs and Supplies.

The information is not legal advice and is meant only for discussion purposes. Consult a licensed attorney regarding any matters concerning the sale or purchase of a business. You can reach Mr. Davis at greg@gsdavislaw.com or call him at (919) 426-8814.

Regulatory Watch (cont'd)

Expanding Medicaid has been a top priority for the Governor since he took office in 2017. Without Medicaid expansion, North Carolina has missed out on an estimated \$521 million each month that could go to improving mental health and helping rural hospitals remain open. Veterans, early childhood educators, restaurant workers, nursing home workers are among the group of citizens that often fall into the coverage gap and sometimes have to work two or more jobs to afford health care. North Carolina is the fortieth state to expand Medicaid. Medicaid expansion will take effect upon the signing into law of the FY 2023-25 appropriations act.

Market Watch cont'd

market until sale rose to 107 days, up 13.8%. Meanwhile, in the Charleston Trident submarket (the largest submarket by transaction volume), average prices rose 8.3% to \$389,900 while transaction volume dropped 32.6% to 4,195 transactions. It is also taking an additional 6 days (on average) to sell a home in this submarket. In the Greater Columbia and Greater Greenville submarkets, third and fourth in quarterly transactions, respectively, volumes declined in double-digits too, but prices did not appreciate like in other submarkets. The submarket average prices rose 9.1% and 5.3%, respectively, which still represents good price performance.



Financing cont'd

consumer debt. The current target rate for the Federal funds rate is a range between 4.5% and 4.75%. "I see that we're going to have to bring interest rates above 5%," she told CNBC. She further commented that "we'll figure out how much above. That's going to depend on how the economy evolves over time. But I do think we have to be somewhat above 5% and hold there for a time in order to get inflation on a sustainable downward path to 2%."

Some economists are skeptical that the Federal Reserve will be able to achieve its inflation target without tipping the economy into recession. Gross Domestic Product (GDP), a measure of economic activity, grew at a 2.7% rate in the fourth quarter of 2022. The Atlanta Federal Reserve believes that GDP will track about 2.5% for the first quarter of 2023. This is healthy growth for the US. Mester also thinks that if the economy does contract, it will not be a severe downturn. Recently, the labor markets have shown surprising resiliency despite the interest rate hikes.



et cetera (cont'd)

- CVS is finalizing its deal to buy the Medicare-centered primary care firm Oak Street Health. This acquisition comes just months after CVS acquired home healthcare agency company Signify Health.

- CNN reports that in February 2023, the Iowa Department of Inspections and Appeal issued a violation notice to an Alzheimer's care facility after it pronounced dead a 66-year old woman who was later found alive gasping for air in a body bag.

- When US President Biden ends the Covid-19 national and public health emergency in May, certain benefits will disappear. Once the emergency ends, Medicare beneficiaries generally face out-of-pocket cost for at-home testing and all treatments. State Medicaid programs will have to continue covering Covid-19 tests ordered by a physician and vaccines at no charge. But enrollees may face out-of-pocket costs for treatments. Federal funding covering the uninsured ran out in Spring 2022.

