



# StewartBrown

Integrity + Quality + Clarity

## AGED CARE FINANCIAL PERFORMANCE SURVEY



## RESIDENTIAL CARE REPORT - SEPTEMBER 2017

The StewartBrown September 2017 *Aged Care Financial Performance Survey* (ACFPS) incorporates detailed financial and supporting data from over 420 home care programs and over 830 residential aged care facilities across Australia. The quarterly survey is the largest benchmark within the aged care sector and provides invaluable insight into the trends and drivers of financial performance at the sector level and at the facility or program level.

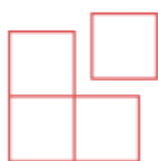
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## 1. HIGHLIGHTS – OPERATING CARE RESULTS



**\$8.74** Average Care Result of \$8.74 per resident per day a decrease of (\$0.68) from June 2017 at \$9.42



**\$38.94** Care Result of the *Top Quartile* was \$38.94 per resident per day an increase of \$0.98 from June 2017 at \$37.96



**\$3,060** Average facility EBT of \$3,060 per bed per annum a decrease of (\$176) from June 2017 at \$3,236



**\$13,523** *Top Quartile* facility EBT of the top 25% \$13,523 per bed per annum an increase of \$421 from June 2017 at \$13,102



**\$8,469** Average facility EBITDA of \$8,469 per bed per annum an increase of \$71 from June 2017 at \$8,397



**\$18,860** *Top Quartile* facility EBITDA of \$18,860 per bed per annum an increase of \$575 from June 2017 at \$18,285

## 2. HIGHLIGHTS – KEY METRICS



**\$171.93 ACFI Per Bed Day**

Average  
(June 2017: \$171.85)



**59.04% Care Cost Ratio**

Average  
(June 2017: 58.95%)



**94.9% Occupancy**

Average  
(June 2017: 94.6%)



**3.93% Return on Care Revenue**

Average  
(June 2017: 4.25%)



**46.6% Supported Ratio**

Average  
(June 2017: 45.4%)



**\$305,409 RAD**

Average RAD taken during year  
(June 2017: \$320,254)

### TOP QUARTILE



**\$176.40 ACFI Per Bed Day**

Top Quartile  
(June 2017: \$173.48)



**50.48% Care Cost Ratio**

Top Quartile  
(June 2017: 50.02%)



**96.6% Occupancy**

Top Quartile  
(June 2017: 96.4%)



**17.13% Return on Care Revenue**

Top Quartile  
(June 2017: 17.0%)



**43.8% Supported Ratio**

Top Quartile  
(June 2017: 43.1%)



**\$336,149 RAD**

Top Quartile RAD Taken during year  
(June 2017: \$352,619)

### 3. EXECUTIVE SUMMARY

The 2018 financial year will see the sector continue to work through and develop strategies to mitigate the ongoing challenges to their revenue streams as a result of the freezing and modification of ACFI coupled with ever increasing everyday living and administration costs. The impact of these changes is beginning to show in the September 2017 results with a reduction in Care ACFI result.

In the context of stagnating revenue streams over the coming twelve months it will be essential that efficiencies are found, and other income streams developed where possible to supplement the loss of ACFI subsidy and increasing care and everyday living expenditure. The September 2017 results show us that the *Top Quartile* facilities are starting to focus on implementing the “additional services” offering to help counteract these impacts. As highlighted in previous survey reports it is essential that a review of what must be provided to residents under the schedule of services as a “standard service offering” against what can be provided as an additional user pay service is undertaken. The opportunity of additional user pay services not only contributes to sustainability but also ensures that providers stay in touch with resident and family expectations.

#### Key Financial Performance Indicators

The ongoing use and measurement of agreed Key Financial Performance or Financial indicators is paramount in any business, however of equal importance is the accountability of these indicators. StewartBrown recommends that the facility managers play a key role in the below metrics.

Occupancy	<ul style="list-style-type: none"> <li>• Number of occupied days divided by total number of available days</li> </ul>
Care cost ratio	<ul style="list-style-type: none"> <li>• Cost of care divided by care income</li> </ul>
ACFI	<ul style="list-style-type: none"> <li>• Average ACFI per bed day</li> <li>• Care staff wages as % of ACFI income</li> </ul>
EBT & EBITDA	<ul style="list-style-type: none"> <li>• Earnings before tax</li> <li>• Earnings before interest, tax and depreciation</li> </ul>

## 4. RESULTS ANALYSIS

### Overview

The first quarter of the 2018 financial year has seen a continuing decline in the operating results of residential care services for the survey *Average*. The *Top Quartile* however has managed to improve performance primarily due to increased care revenue (this increase in care revenue has more than offset the increases in direct care and hospitality cost) coupled with reduced administration costs.

Whilst the survey *Average* also has slightly higher care revenue, the increase has not been enough to offset increases in direct care; this impact coupled with increased administration costs has contributed to the decline in performance of the survey *Average*.

These results show that the better financial performers are those that continue to align resident funding with resident acuity levels, implement additional services and focus on efficiencies in the administration and support services functions.

For some time, StewartBrown has advocated the significance of increasing costs associated with everyday living and the ongoing situation around ACFI effectively funding the gap between the Basic Daily Fee and the costs of everyday living and administration. To further illustrate this, we have incorporated an analysis section (Table 1 and 2) which splits out the Care Result into three new line items: - 1) Care ACFI result; 2) Everyday Living result; and 3) Administration result.

Workers' Compensation and Quality & Education (labour and other) costs - currently in Administration and Support Services - have been allocated to Care (ACFI) and Hotel services (based on % of staff costs).

This approach makes it clear that adequate margin needs to be generated in both the ACFI and Everyday Living result in order to cover the costs of administration.

The new line items and their definitions are as follows:-

#### Care ACFI Result

- ACFI & Supplements income plus grant funding less total care expenditure, includes allocation of workers compensation and quality and education costs

#### Everyday Living Result

- Income from Basic Daily Fee + extra or optional service fees (including additional fees) less hotel services (catering, cleaning, laundry), utilities, motor vehicles and property maintenance, includes allocation of workers compensation and quality and education costs to hotel services

#### Administration Result

- The costs of administration and support services, excludes the allocation of workers compensation and quality and education costs to care (ACFI) and hotel services

Table 1 and 2 listed below include the new line items which add up to the Care result. These new metrics are set out separately as additional line items in order to minimise changes to provider reporting arrangements in place.

We have also revised the definition of Accommodation result to focus purely on capital items and included the non-capital items (maintenance costs and motor vehicles) in the Everyday Living result. The traditional definitions of Care result and Accommodation result have also been included for comparison.

**Table 1: Summary of results for the survey Average (834 facilities in September 2017)**

Metric		Sept-17	Jun-17	Sep-16		Difference YTD
Care ACFI result	Per bed day	\$37.34	\$37.62	\$35.86	↓	(\$0.28)
Everyday living result	Per bed day	(\$6.65)	(\$7.16)	(\$2.45)	↑	\$0.51
Administration result	Per bed day	(\$31.62)	(\$31.04)	(\$30.91)	↓	(\$0.58)
=						
<b>Care Result (revised)</b>	<b>Per bed day</b>	<b>(\$0.93)</b>	<b>(\$0.58)</b>	<b>\$2.50</b>	<b>↓</b>	<b>(\$0.35)</b>
<i>Care Result (traditional)</i>	<i>Per bed day</i>	<i>\$8.74</i>	<i>\$9.42</i>	<i>\$12.00</i>	<b>↓</b>	<b>(\$0.68)</b>
+						
<b>Accommodation Result (capital)</b>	<b>Per bed day</b>	<b>\$9.77</b>	<b>\$9.95</b>	<b>\$10.07</b>	<b>↓</b>	<b>(\$0.18)</b>
<i>Accommodation Result (traditional)</i>	<i>Per bed day</i>	<i>\$0.10</i>	<i>\$(0.05)</i>	<i>\$0.57</i>	↑	\$0.15
=						
<b>Facility EBT (\$pbd)</b>	<b>Per bed day</b>	<b>\$8.84</b>	<b>\$9.37</b>	<b>\$12.57</b>	<b>↓</b>	<b>(\$0.53)</b>
<b>Facility EBT (\$pbpa)</b>	<b>Per bed per annum</b>	<b>\$3,060</b>	<b>\$3,236</b>	<b>\$4,366</b>	<b>↓</b>	<b>(\$176)</b>
<b>Facility EBITDA (\$pbpa)</b>	<b>Per bed per annum</b>	<b>\$8,469</b>	<b>\$8,397</b>	<b>\$9,401</b>	↑	\$72

**Table 2: Summary of results for the survey Top Quartile (209 facilities in September 2017)**

Metric		Sept-17	Jun-17	Sep-16		Difference YTD
Care ACFI result	Per bed day	\$58.69	\$59.08	\$57.51	↓	(\$0.39)
Everyday living result	Per bed day	(\$2.73)	(\$3.27)	\$0.95	↑	\$0.54
Administration result	Per bed day	(\$26.30)	(\$27.45)	(\$26.50)	↑	\$1.15
=						
<b>Care Result (revised)</b>	<b>Per bed day</b>	<b>\$29.67</b>	<b>\$28.36</b>	<b>\$31.95</b>	↑	<b>\$1.31</b>
<i>Care Result (traditional)</i>	<i>Per bed day</i>	<i>\$38.94</i>	<i>\$37.96</i>	<i>\$41.25</i>	↑	<i>\$0.98</i>
+						
<b>Accommodation Result (capital)</b>	<b>Per bed day</b>	<b>\$8.70</b>	<b>\$8.89</b>	<b>\$9.11</b>	<b>↓</b>	<b>(\$0.19)</b>
<i>Accommodation Result (traditional)</i>	<i>Per bed day</i>	<i>(\$0.58)</i>	<i>(\$0.72)</i>	<i>(\$0.19)</i>	↑	<i>\$0.14</i>
=						
<b>Facility EBT (\$pbd)</b>	<b>Per bed day</b>	<b>\$38.37</b>	<b>\$37.25</b>	<b>\$41.06</b>	↑	<b>\$1.12</b>
<b>Facility EBT (\$pbpa)</b>	<b>Per bed per annum</b>	<b>\$13,523</b>	<b>\$13,102</b>	<b>\$14,439</b>	↑	<b>\$421</b>
<b>Facility EBITDA (\$pbpa)</b>	<b>Per bed per annum</b>	<b>\$18,860</b>	<b>\$18,285</b>	<b>\$19,278</b>	↑	<b>\$575</b>

### Brief commentary

- ◆ These results are for one quarter only and any interpretation should take this into consideration. In addition, the results may be impacted by providers end of financial year accounting practices
- ◆ When examining historical trends and seasonality, the September quarter is traditionally the best performing quarter from a financial performance point of view. However, in September 2017, the *Average Care Result* has continued to decrease due to:-
  - Reduction in ACFI revenue
  - Increase in the costs of administration and support services
  - The slight improvement in everyday living costs is mostly due to the reduction in maintenance costs
- ◆ The *Top Quartile Care Result* has increased slightly from June 2017
  - An improvement in the everyday living result due to an increase in extra or optional service fees and a reduction in maintenance costs. Other increases in care revenue (subsidies and grants) have been offset by increases in the care labour costs
  - A decrease in the administration recharges in the costs of administration and support services
- ◆ The Accommodation Result (capital) for both the *Survey Average* and *Top Quartile* has decreased in the three months to September 2017 mostly due to increase in depreciation costs
- ◆ Improvement in EBITDA for the *Survey Average* is due to increases in depreciation

**Table 3: Headline KPI's for survey Average and Top Quartile**

KPI	Survey Average				Survey Top Quartile			
	Sept-17	June-17	Sept-16		Sept-17	June-17	Sept-16	
EBT per resident per annum	\$3,060	\$3,236	\$4,366	↓	\$13,523	\$13,102	\$14,439	↑
EBITDA per resident per Annum	\$8,469	\$8,397	\$9,401	↑	\$18,860	\$18,285	\$19,278	↑
Occupancy	94.87%	94.64%	94.90%	↑	96.57%	96.37%	96.35%	↑
Care Cost Ratio	59.04%	58.95%	57.94%	↑	50.48%	50.02%	48.63%	↑
Average ACFI per bed Day	\$171.93	\$171.85	\$170.95	↑	\$176.40	\$173.48	\$171.86	↑
Care staff wages as % of ACFI	72.67%	72.28%	70.76%	↑	61.72%	61.17%	59.49%	↑

### Brief commentary

- ◆ The EBT per resident per annum for the *Survey Average* has decreased due to the reduced care result. The EBITDA per resident per annum has increased due to increases in depreciation which result in a greater add back in the September quarter
- ◆ The *Survey Top Quartile* has increased EBT and EBITDA per resident per annum due to increases in the care and accommodation result as well as increases in depreciation add back
- ◆ The care cost ratio and care staff wages as a percentage of ACFI continue to increase and is driven by increasing care hours and care staff costs

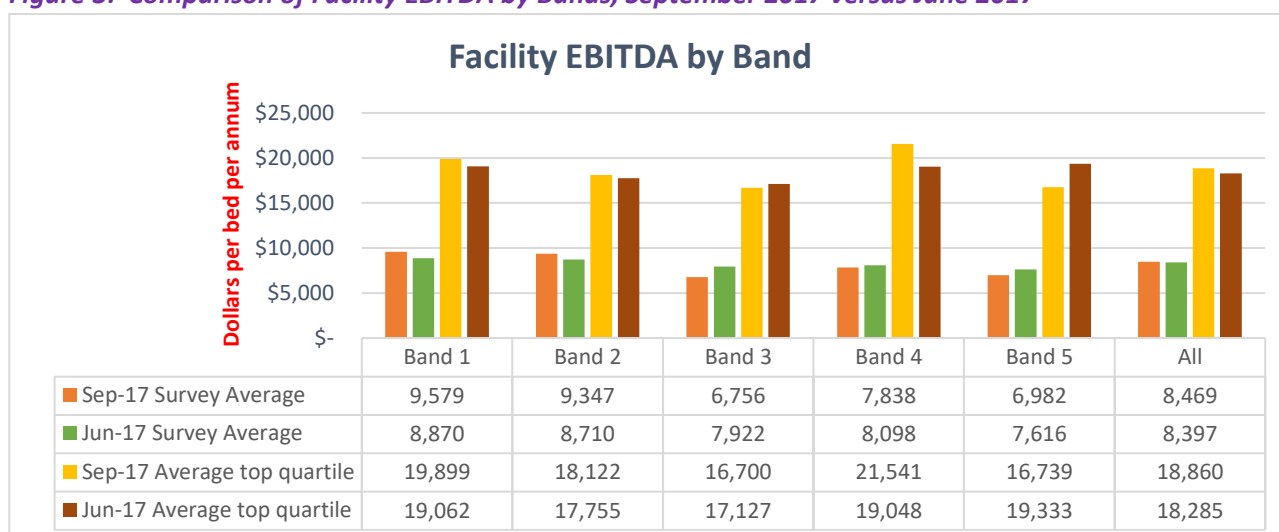


- ◆ The slight increase in average ACFI per bed day is likely due to the annual indexation of supplements (as our line item definition includes ACFI & Supplements) as well as a number of facilities experiencing changing resident mix (increasing number of residents with high care needs)

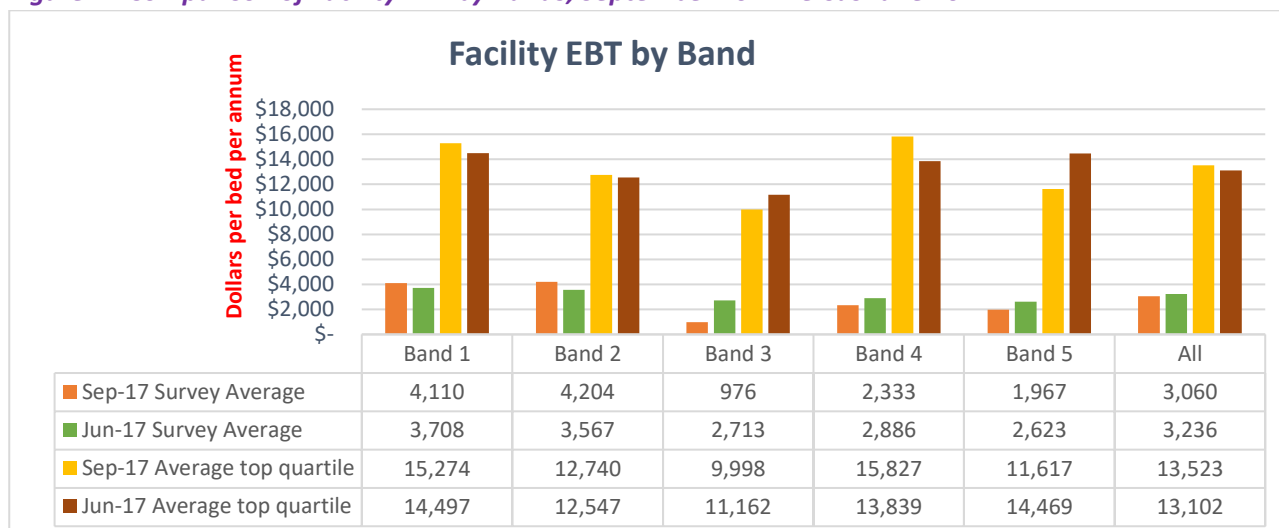
## EBT and EBITDA

The sector primarily uses EBITDA<sup>1</sup> as a measure of financial performance. EBITDA is defined as earnings before interest, tax, depreciation and amortisation. However, this measure doesn't consider depreciation and as this is a significant expense for residential aged care facilities, it is recommended that EBT (earnings before tax) should also be given equal consideration when assessing financial performance.

**Figure 3: Comparison of Facility EBITDA by Bands, September 2017 versus June 2017**



**Figure 4: Comparison of Facility EBT by Bands, September 2017 versus June 2017**



<sup>1</sup> Earnings before interest, tax, depreciation and amortisation (EBITDA) is a measure of an organisation's operating performance. Essentially, it's a way to evaluate an organisation's performance without having to factor in financing decisions, accounting decisions or tax environments.

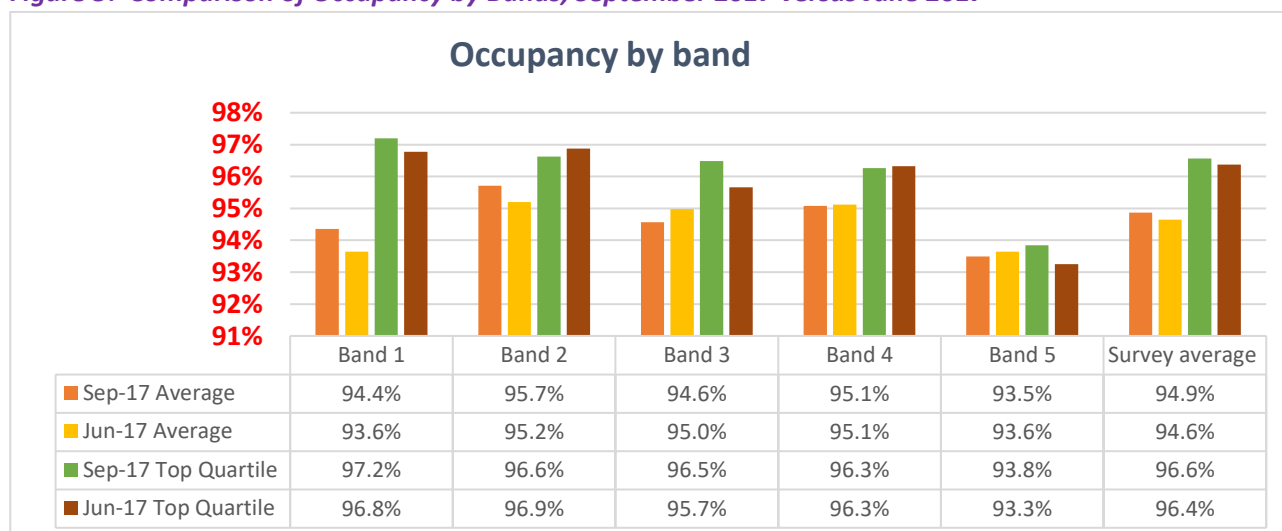
### Brief commentary

- ◆ The survey average for Bands 1 and 2 have experienced an increase in EBT and EBITDA, however Bands 3, 4 and 5 are struggling to maintain their performance due to reductions in their Care result
- ◆ One way that approved providers are starting to improve profitability (and which can be seen in the Band 1 *Top Quartile*) is to offer additional (optional) services to residents and charge an additional fee. This creates a further revenue stream to compensate for the rising costs and tightening of government funding
- ◆ While the lower bands (3,4,5) have seen an increase in Care revenues, they have also incurred greater increases in care labour staff costs and administration recharges compared to the higher bands leading to the declining results. Bands 1 and 2 have reduced administration charges when comparing to the June 2017 period whereas Bands 3 and 4 have seen increases in administration charges. This increase in administration charges can partially be attributable to the increasing documentation required as these bands undergo work to further align resident needs with funding.
- ◆ Facility EBT is significantly lower than the Facility EBITDA due to depreciation expense which is a significant component of residential aged care facility operations

### Occupancy

Financial performance is heavily influenced by a facility’s occupancy levels. Maintaining high occupancy levels enables the facility to spread its fixed costs across maximum funding levels.

**Figure 5: Comparison of Occupancy by Bands, September 2017 versus June 2017**



### Brief commentary

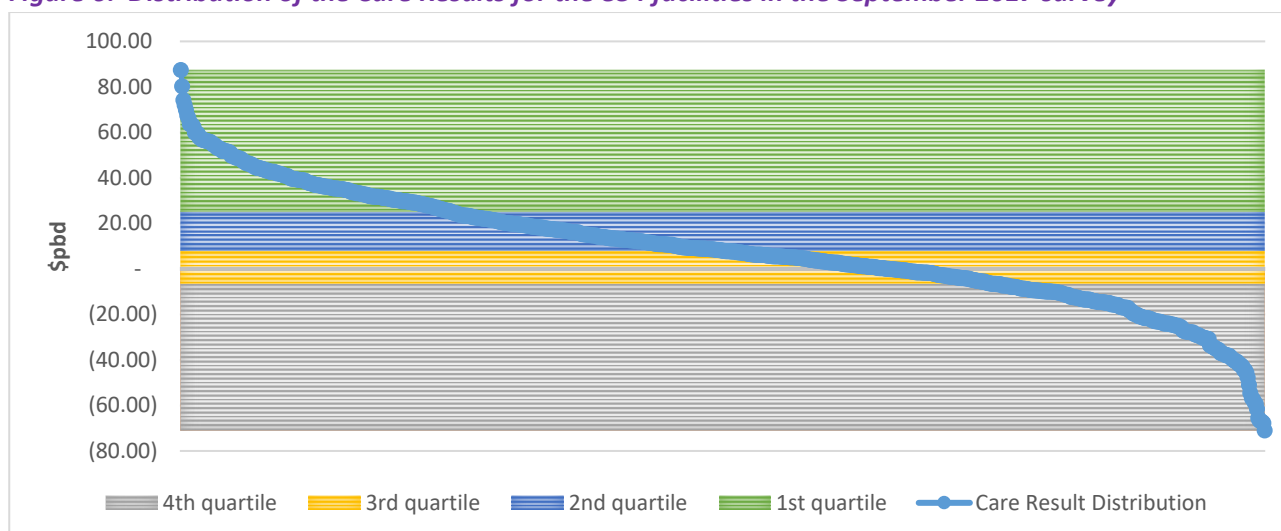
- ◆ Slight increase in *Average* occupancy across most Bands with an overall improvement from 94.6% as at June 2017 to 94.9% in September 2017
- ◆ Occupancy rates have increased despite the release of additional home care packages into the system
- ◆ *Top Quartile* also shows slight increase in occupancy overall
- ◆ The occupancy differences may be marginal in some cases, but there is a 4% difference between the first quartile (96.6%) and fourth quartile (92.7%) which is significant

## Care Result (Traditional)

The Care Result (traditional) is the net result of providing care to the residents including Direct Care Costs, Hotel Services, Utilities and Administration and Support Services costs.

Apart from corporate recharges that form part of the administration costs of some facilities, and to a lesser degree, utility costs, the costs associated with the care and daily living expenses of the residents could be considered as “controllable costs” for management at a facility level. The distribution of the Care Results for the 834 facilities in the survey is shown in the figure below. The Care Result appears to be normally distributed with the top facility reporting a Care Result of \$87.36 per bed day and the worst reported a Care Result deficit of \$71.04 per bed day.

**Figure 6: Distribution of the Care Results for the 834 facilities in the September 2017 survey**



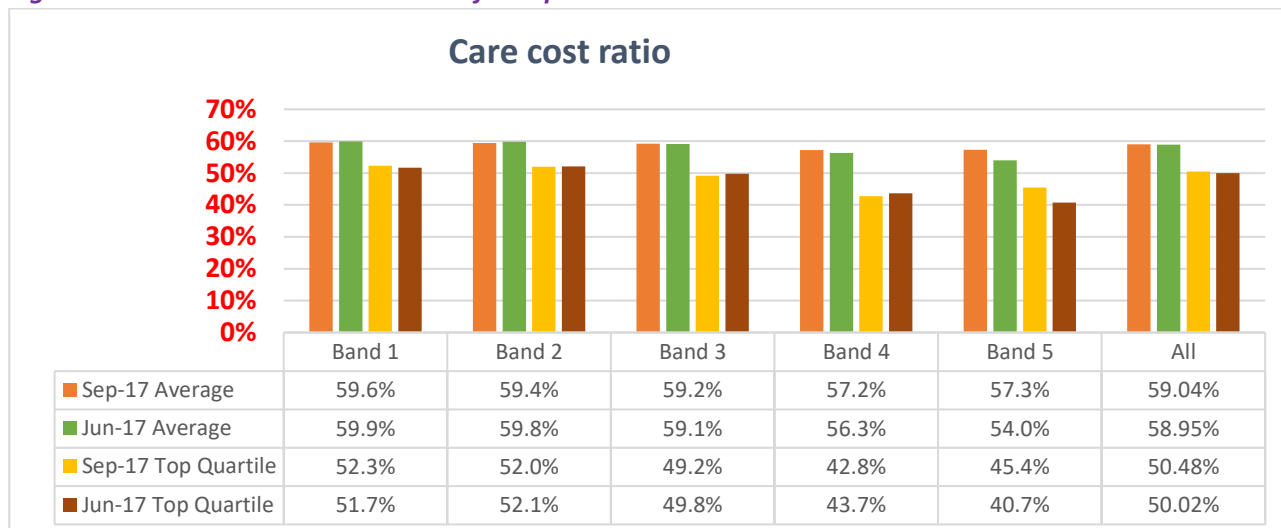
The quartile range is set out below. Facilities with a Care Result of more than \$25.17 per bed day are included in the *Top Quartile*.

Quartile	Bottom Range \$ per bed day	Top Range \$ per bed day	Number of Facilities
1st	\$25.17	\$87.36	209
2nd	\$8.00	\$25.17	208
3rd	(\$6.58)	\$8.00	209
4th	(\$71.04)	(\$6.58)	208

## Care Cost ratio

The care cost ratio is measured by the total costs of care delivery divided by the total care income and is a key driver of the Care Result. A high care cost ratio is likely to lead to a low Care Result and vice versa.

**Figure 7: Care cost ratio across bands for September 2017 and June 2017**



### Brief commentary

- ◆ The care cost ratio is slightly increased for both the survey *Average* and *Top Quartile*
- ◆ This indicates that the care income (ACFI plus supplements) has not increased at same rate of cost of care

## Care Income - ACFI

ACFI and supplements for the survey *Average* comprise 77.3% of total care income as at September 2017. Thus, ACFI (the level of government funding received as determined by the funding instrument) is an important factor in the care cost ratio and an important financial KPI for facility managers. There are several different metrics used across the sector for measuring ACFI such as average ACFI per bed day and staff costs as a percentage of ACFI, amongst others.

**Table 4: ACFI metrics for survey Average and Top Quartile**

	Average Benchmark				Top Quartile Benchmark			
	Sept-17	June-17	Sept-16		Sept-17	June-17	Sept-16	
ACFI as % of total care income	77.3%	77.5%	77.7%	↓	77.6%	77.7%	77.9%	↓
Average ACFI per bed Day	\$171.93	\$171.85	\$170.95	↑	\$176.40	\$173.48	\$171.86	↑
Care staff wages as % of ACFI	72.7%	72.3%	70.8%	↑	61.7%	61.2%	59.5%	↑

## Care Staffing metrics

Care staff costs are the most significant of all care costs, representing 58.43% of total care expenses for the survey average and 57.7% for the top quartile as at September 2017. The ability to efficiently and appropriately align staffing levels to funding and facility design while meeting the care needs of the residents leads to improvements in the facility's financial performance.

Care staffing metrics include care staff costs and care staff hours.

**Table 6: Care staffing metrics for survey Average & Top Quartile**

	Average			Top Quartile		
	Sept-17	June 17		Sept 17	June 17	
Care staff costs as % of total care expenses	58.43%	58.51%	↓	57.79%	57.26%	↑
<b>Costs by type - \$ pbd</b>						
Care management	7.88	7.46	↑	7.60	7.08	↑
Registered nurses	20.95	20.52	↑	17.64	16.34	↑
Enrolled & certified nurses	10.79	12.60	↓	7.19	9.42	↓
Other care staff	75.58	74.54	↑	68.67	65.99	↑
Allied health	6.32	5.95	↑	5.58	5.45	↑
Agency staff	3.42	3.16	↑	2.20	1.84	↑
Total labour costs	124.95	124.22	↑	108.88	106.12	↑
<b>Hours by type - hours worked per resident per day</b>						
Care management	0.10	0.12	↓	0.10	0.11	↓
Registered nurses	0.39	0.37	↑	0.32	0.29	↑
Enrolled & certified nurses	0.29	0.26	↑	0.19	0.19	↓
Other care staff	2.10	2.05	↑	1.91	1.84	↑
Therapy	0.13	0.12	↑	0.12	0.11	↑
Total Care Hours	3.02	2.91	↑	2.65	2.53	↑

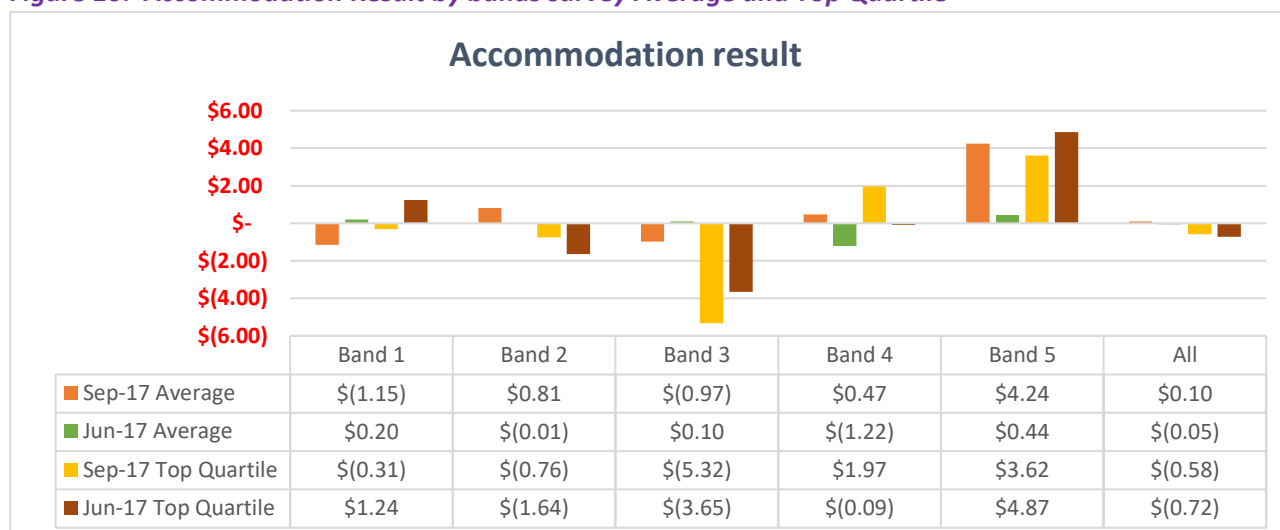
### Brief commentary

- ◆ Top Quartile has lower care staff costs and lower care staff hours compared to the survey Average
- ◆ Total labour costs have increased for both the survey Average and Top Quartile since June 2017
- ◆ Total care hours have increased for both the survey Average and for the Top Quartile at 3.02 hours and 2.65 hours worked per resident per day respectively. *It is important to note that agency hours may not be fully represented in the hours per resident per day as some providers may not include agency hours in their data submission to the Survey (but do include it in agency costs). We are working on improving this and in future may include an estimate of these hours. As always, these hours are a guide only to staffing levels and it is recommended to evaluate in the full context of your facility*
- ◆ Initial feedback from providers to partially explain additional hours is the impact of influenza and gastro outbreaks however it is important to note that September 2017 only represents three months of data; as the year progresses the trend of staffing hours will normalise

## Accommodation Result (Traditional)

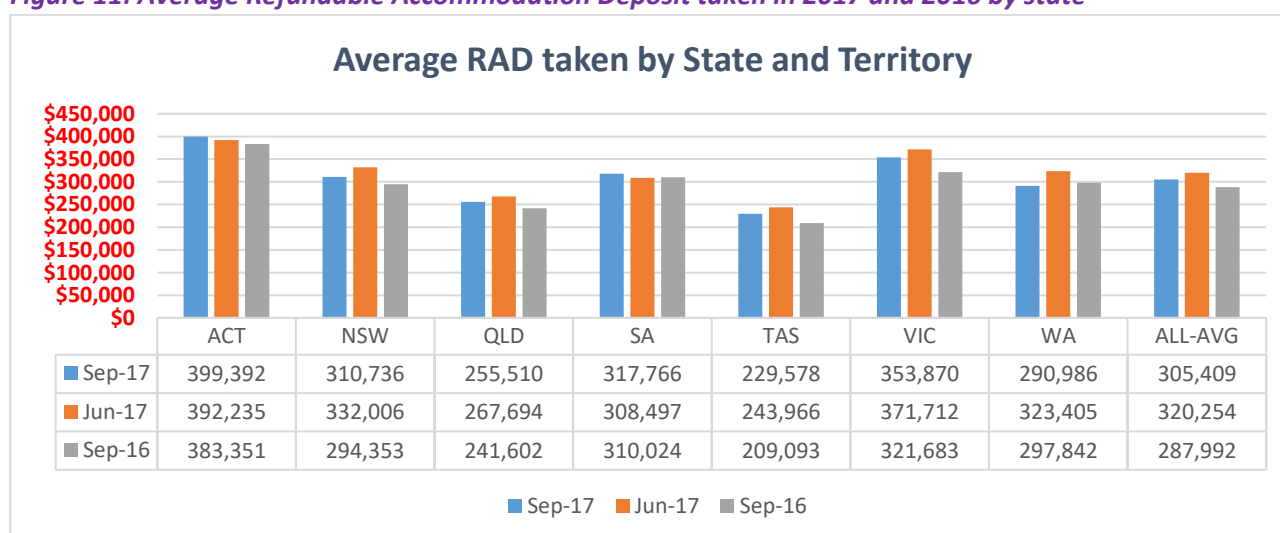
Accommodation Result is the net result of accommodation revenue (DAPs/DACs/Accommodation supplements) and expenses such as refurbishment, maintenance and depreciation. The Accommodation Results for the survey *Average* and *Top Quartile* as at September 2017 have increased slightly from the June 2017 results due to the decrease in maintenance costs. Whilst there has been an increase in DAPs this has been offset by an increase in depreciation.

**Figure 10: Accommodation Result by bands survey Average and Top Quartile**



## Accommodation Pricing

**Figure 11: Average Refundable Accommodation Deposit taken in 2017 and 2016 by state**



### ***Brief commentary***

- ◆ The average RAD taken does differ by state and often reflects the demographics of the local area of the facilities
- ◆ Interestingly the average RAD taken in the three months to September 2017 has decreased by around \$15k. This is still well below the average national median house price of around \$550,000. This could be due to movement away from RADs and towards combinations (consistent with the increasing DAPs \$pbd reported in the survey)
- ◆ Only ACT and SA saw an increase in the average RAD taken
- ◆ As mentioned in the June report, one of the recommendations in the Tune review is to increase the RAD maximum threshold to \$750,000 before requiring approval from the Pricing Commissioner

## 5. DATA TABLES (Traditional Format)

**Table 8: Detailed results for survey Average compared to Top Quartile - 2017 compared to 2016**

	<b>Survey Average Sept-17 (834 facilities)</b>	<b>Survey Average June-17 (957 facilities)</b>	<b>Survey Average Sept-16 (778 facilities)</b>	<b>Top Quartile Average Sept-17 (209 facilities)</b>	<b>Top Quartile Average June-17 (239 facilities)</b>	<b>Top Quartile Average Sept-16 (195 facilities)</b>
<b>Care Revenue</b>	<b>222.57</b>	<b>221.73</b>	<b>220.06</b>	<b>227.35</b>	<b>223.30</b>	<b>220.72</b>
Expenditure						
Direct care costs	131.41	130.71	127.50	114.76	111.70	107.33
Catering	28.00	28.40	27.42	27.35	27.02	25.92
Cleaning	7.82	7.73	7.54	6.80	6.76	6.79
Laundry	3.78	3.84	3.68	3.34	3.32	3.29
Utilities	6.82	6.21	6.34	6.35	5.91	5.87
Administration & support	36.00	35.42	35.58	29.81	30.64	30.28
<b>Total expenditure</b>	<b>213.83</b>	<b>212.31</b>	<b>208.06</b>	<b>188.41</b>	<b>185.34</b>	<b>179.47</b>
<b>Care Result for the year</b>	<b>\$8.74</b>	<b>\$9.42</b>	<b>\$12.00</b>	<b>\$38.94</b>	<b>\$37.96</b>	<b>\$41.25</b>
Accommodation revenue	27.89	27.45	27.18	26.38	25.47	24.80
Accommodation expenses	27.80	27.50	26.60	26.96	26.18	24.99
<b>Accommodation Result</b>	<b>0.10</b>	<b>(0.05)</b>	<b>0.57</b>	<b>(0.58)</b>	<b>(0.72)</b>	<b>(0.19)</b>
<b>Facility Result</b>	<b>\$8.84</b>	<b>\$9.37</b>	<b>\$12.57</b>	<b>\$38.37</b>	<b>\$37.25</b>	<b>\$41.06</b>
<b>Facility EBITDA per bed per annum</b>	<b>\$8,469</b>	<b>\$8,397</b>	<b>\$9,401</b>	<b>\$18,860</b>	<b>\$18,285</b>	<b>\$19,278</b>
Provider revenue	3.66	3.93	3.58	2.51	2.50	1.95
Provider expenses	0.86	1.17	0.85	1.22	1.16	0.88
<b>Provider Result</b>	<b>\$2.79</b>	<b>\$2.76</b>	<b>\$2.73</b>	<b>\$1.29</b>	<b>\$1.34</b>	<b>\$1.07</b>
<b>Total Result for the year</b>	<b>\$11.63</b>	<b>\$12.13</b>	<b>\$15.29</b>	<b>\$39.65</b>	<b>\$38.58</b>	<b>\$42.13</b>
<b>KPIs</b>						
Occupancy	94.87%	94.64%	94.90%	96.57%	96.37%	96.35%
Care costs as % of care revenue	59.04%	58.95%	57.94%	50.48%	50.02%	48.63%
Care Result - return on care revenue	3.93%	4.25%	5.45%	17.13%	17.00%	18.69%
Supported ratio	46.66%	45.35%	48.57%	43.75%	43.05%	45.46%
Average bond/RAD held	\$282,007	\$279,513	\$261,488	\$298,394	\$291,179	\$265,708
Average RAD taken during year	\$305,409	\$320,254	\$287,992	\$336,149	\$352,619	\$316,939



**Table 9: Detailed 2017 results for Top Quartile compared to other survey groups**

	1 <sup>st</sup> Quartile Average Sept-17 (209 facilities)	2 <sup>nd</sup> , 3 <sup>rd</sup> & 4 <sup>th</sup> Quartiles Average Sept-17 (625 facilities)	3 <sup>rd</sup> & 4 <sup>th</sup> Quartiles Average Sept-17 (417 facilities)	4 <sup>th</sup> Quartile Average Sept-17 (208 facilities)
<b>Care Revenue</b>	<b>227.35</b>	<b>221.06</b>	<b>219.33</b>	<b>217.67</b>
Expenditure				
Direct care costs	114.76	136.64	140.85	147.96
Hotel services	37.49	40.26	41.16	42.25
Utilities	6.35	6.96	7.16	7.46
Administration & support	29.81	37.95	39.67	41.24
<b>Total expenditure</b>	<b>188.41</b>	<b>221.82</b>	<b>228.84</b>	<b>238.91</b>
<b>Care Result for the year</b>	<b>\$38.94</b>	<b>-\$0.75</b>	<b>-\$9.51</b>	<b>-\$21.24</b>
Accommodation revenue	26.38	28.37	29.03	29.17
Accommodation expenses	26.96	28.06	27.95	27.58
<b>Accommodation Result</b>	<b>(0.58)</b>	<b>0.31</b>	<b>1.08</b>	<b>1.58</b>
<b>Facility Result</b>	<b>\$38.37</b>	<b>(\$0.44)</b>	<b>(\$8.43)</b>	<b>(\$19.66)</b>
<b>Facility EBITDA per bed per annum</b>	<b>\$18,860</b>	<b>\$5,278</b>	<b>\$2,649</b>	<b>(\$1,329)</b>
Provider revenue	2.51	4.02	4.26	5.44
Provider expenses	1.22	0.75	0.60	0.70
<b>Provider Result</b>	<b>\$1.29</b>	<b>\$3.27</b>	<b>\$3.66</b>	<b>\$4.73</b>
<b>Total Result for the year</b>	<b>\$39.65</b>	<b>\$2.82</b>	<b>(\$4.77)</b>	<b>(\$14.93)</b>
<b>KPIs</b>				
Occupancy	96.57%	94.35%	93.77%	92.71%
Care costs as % of care revenue	50.48%	61.81%	64.22%	67.97%
Care Result - return on care revenue	17.13%	(0.34%)	(4.33%)	(9.76%)
Supported ratio	43.75%	47.64%	47.55%	48.25%
Average bond/RAD held	\$298,394	\$206,787	\$159,620	\$259,558
Average RAD taken during year	\$336,149	\$215,669	\$168,865	\$292,429

## 6. BENCHMARK BANDS

Historically, for the purpose of benchmarking facilities against each other we sort facilities into “benchmark groups” based on the levels of **care subsidies + resident basic daily fees\_+ extra service fees** received. From December 2017 onwards, this banding will now be calculated using care subsidies only; this change has been made to ensure that the bands continue to be a like for like comparison. We are anticipating that the increased charging of additional service revenue will create a variation in the bands hence why we will now only be using the care subsidy component. As is our standard practice, we reassess the parameters of these bands each year to allow for increases in subsidy and fee rates as well as the creep in revenue due to the practice of ageing in place.

The bands used for the current and past financial years are shown in **Table 10** (below).

**Table 10: ACFPS Bands 2012 until today**

	2017 Surveys & Sept-17 Survey	2016 Surveys	2015 Surveys	2014 Surveys	2012 & 2013 Surveys
<b>Band 1</b>	Over \$235	Over \$220	Over \$210	Over \$210	Over \$195
<b>Band 2</b>	\$220 to \$235	\$205 to \$220	\$190 to \$210	\$190 to \$210	\$175 to \$195
<b>Band 3</b>	\$205 to \$220	\$190 to \$205	\$170 to \$190	\$170 to \$190	\$155 to \$175
<b>Band 4</b>	\$190 to \$205	\$175 to \$190	\$150 to \$170	\$150 to \$170	\$135 to \$155
<b>Band 5</b>	Under \$190	Under \$175	Under \$150	Under \$150	Under \$135

## 7. GLOSSARY

### Averages

All *averages* are calculated using the total of the raw data submitted for any one-line item and then dividing that total by the total occupied bed days for the facilities in the group. For example, the *average* for contract catering across all facilities would be the total amount submitted for that line item divided by the total occupied bed days for all facilities in the survey.

### Average by line item

This measure is *averaged* across only those facilities that provide data for that line item. All other measures are *averaged* across all the facilities in the particular group. The *average* by line item is particularly useful for line items such as contract catering, cleaning and laundry, property rental, extra service revenue and administration fees as these items are not included by everyone

### Benchmark

We consider the benchmark to be the *average* of the *Top Quartile* in the group of facilities being examined. For example, if we are examining the results for facilities in Band 1, then the benchmark would be the *average* of the *Top Quartile* of the facilities in Band 1.

### Care Result

This is the element of the facility result that includes the direct care expenses and everyday living costs as shown in the diagram below.

### Care Result = Care Revenue - Care Expenses



#### Care Revenue

Revenue of residential aged care operations



Daily care fees



Means tested fee



Extra service fees



Optional service fees



ACFI subsidies



Respite subsidies



#### Care Expenses

Expenses of residential aged care operations



Direct care costs



Catering



Cleaning



Laundry



Utilities



Administrative & support services

**Dollars per bed day**

This is the common measure used to compare items across facilities. The denominator used in this measure is the number of occupied bed days for any facility or group of facilities.

**EBITDA**

This measure represents earnings before interest (including investment income), taxation, depreciation and amortisation. The calculation excludes interest (and investment) revenue as well as interest expense on borrowings.

The main reason for this is to achieve some consistency in the calculation. Different organisations allocate interest and investment income differently at the “facility level”. To ensure that the measure is consistent across all organisations we exclude this revenue stream.

**EBIT**

Earnings before interest (including investment income) and taxation. This is a measure that excludes those variables relating to the tax status and financial position of an entity but recognises the consumption of capital in the form of depreciation and amortisation.

**EBT**

Earnings before tax. This may also be referred to as the Facility Result.

**Facility EBITDA**

The starting point for this calculation is the Facility Result which is a combination of the Care and Accommodation results. It excludes all “provider revenue and expenditure” including fundraising revenue, investment revenue from other than interest, capital grants and sundry revenue. It also excludes those items excluded from the EBITDA calculation above. This measure is more consistent across the facilities because it excludes all those items which are generally allocated at the facility level on an inconsistent and arbitrary basis depending on the policies of the individual provider.

*\*\* The previous metric of Provider EBITDA is no longer included in the reporting as it is not considered to be a key indicator of facility performance.*

**Facility Result**

Combination of the Care and Accommodation Results. It excludes revenue from fundraising, investments, sundry revenue and fair value adjustments.

**Location - City**

Facilities have been designated as being city based according to the designation by the Department of Health in their listing of aged care services. Those that were designated as being a “Major City of Australia” have been designated City.

**Location - Regional**

Facilities have been designated as being regionally based according to the designation by the Department of Health in their listing of aged care services. Those that were designated as being an “Inner Regional”, “Outer Regional” or “Remote” have been designated as Regional.

## StewartBrown Aged Care Executive Team



**Stuart Hutcheon** | Managing Partner

Stuart Hutcheon is the head of our Audit and Assurance Division, but also provides consulting services to a diverse client base. He has had considerable experience with both commercial and not-for-profit organisations. This experience covers all areas of professional services including auditing, management accounting, budgeting, salary packaging and FBT advice.

Prior to joining StewartBrown Stuart held positions in commerce and undertook various medium-term secondments in various financial accounting roles. He has been a partner since 2004.

Stuart holds a Bachelor of Commerce and is a Chartered Accountant, Registered Company Auditor and Registered SMSF Auditor.



**Grant Corderoy** | Senior Partner

Grant is the head of our expanded Consulting division. He specialises in a range of services for his clients including undertaking complex accounting assignments, system reviews, management consulting, specialised audits and general business advice. He also has considerable experience in advising clients on the sale and purchases of businesses, business valuations and due diligence.

Grant has over 40 years' experience in the profession and was previously responsible for the Audit and Aged Care Division which he established in 1990. A partner in the firm since 1995, he has significant professional expertise within the not-for-profit sector and has a lengthy client list including many national aged care providers and community service providers.

Grant has tertiary business qualifications and is an Affiliate of Chartered Accountants Australia and New Zealand.



**David Sinclair** | Partner

David is Partner with StewartBrown specialising in providing services and advice to the aged care and community services businesses with a focus on the not-for-profit sector. Until recently, David managed the StewartBrown Aged Care Financial Performance Survey. David now leads the internal audit team and jointly leads the consulting team in conjunction with Senior Partner Grant Corderoy. David holds a Bachelor of Economics, is a Chartered Accountant, an Associate Member of the Institute of Internal Auditors and Member of the Australian Institute of Company Directors.



**Tracy Thomas**  
Senior Manager | Benchmark Services & Business Analysis

Tracy is a Chartered Accountant and Associate Actuary. Since joining StewartBrown in 2016, she has been involved with the Aged Care Financial Performance Survey and now heads the team undertaking the survey. She has worked with several providers of residential aged care and home care on consulting assignments and produced the Corporate Administration Reports and Listed Providers Analysis updates. She specialises in data analysis and financial modelling.



**Annette Gough**  
Senior Manager | Consulting

Annette is a CPA who has recently joined StewartBrown in the position of Senior Manager within our Consulting division. She has extensive experience in the NFP industry with her most recent role being responsible for budgets, forecasting and reporting for a large not for profit provider. She specialises in business partnering to align the financials and reporting with service delivery. Prior to this, she has held various senior positions within the Commercial sector with a key focus on driving performance.

## StewartBrown - Our Knowledge is your success

StewartBrown, Chartered Accountants, was established in 1939 and is one of the leading boutique accountancy firms in Australia combining a full range of professional services with varied corporate assignments. Our professional mission statement is “*we deliver service beyond numbers*”, which reflects the commitment to helping our extensive range of clients to achieve their financial goals.

We offer a depth of technical knowledge and varied professional experience, with many of our senior staff now having well over 10 years' of service with the firm, resulting in our clients benefitting from continuity and accountants who really understand their business.

### What a boutique firm offers

Whilst StewartBrown provides a range of professional services, our “point of difference” is our ability to engage in assignments of a complex nature by providing a varied mix of experience and corporate skills. Examples of recent consulting assignments include:-

- Contract accounting
- Payroll processing and billing processing
- Financial modelling and unit costing analysis
- Strategic planning facilitation
- ITSC Project management
- Governance reviews
- Organisation restructures
- Risk management reviews
- Due diligence
- Work-flow building design
- FBT and GST reviews
- Detailed forecasting modelling

### Audit and assurance services

Complementing our consulting services is our dynamic Audit division. StewartBrown adopts a risk based audit approach which is performed strictly in accordance with Australian Auditing Standards. Our engagements involve a detailed analysis of the client’s business and systems of internal control to ensure we fully understand how the client operates and identify areas that pose the greatest risk of being materially misstated in the financial statements.

Our detailed testing procedures are then tailored to meet the risks identified and also ensure an efficient and effective audit is performed.

What we offer our audit clients are a mix of experience and knowledge well beyond that of most other firms. Our audit staff all have regular exposure to consulting and secondment assignments which significantly enhances the “value add” we bring to our audit clients.

### Specialty in the aged care, community and disability sectors

StewartBrown is widely regarded as being a leading specialist within the aged care, community and disability sectors. Our client base includes many large national providers in addition to independent stand-alone providers, faith-based and community providers, culturally specific providers, as well as government and statutory bodies.

Our commitment to these important social sectors each year involve 30+ plus speaking engagements at Conferences, sector briefings, workshops, department briefings, organisation presentations and community consultations.

### Integrity + Quality + Clarity

These terms which appear on our logo are more than aspirations, they appear for a very important reason - they encapsulate the professional standards that we strive to continually maintain and ensure best practice.

#### CONTACT US

**New South Wales**  
 Tower 1 / Level 2  
 495 Victoria Avenue  
 Chatswood NSW 2067  
**T:** +61 2 9412 3033  
**F:** +61 2 9411 3242

**South Australia**  
 Level 1 / 104 Frome Street  
 Adelaide SA 5000  
**T:** +61 8 8229 2280  
**F:** +61 8 8229 2288

[benchmark@stewartbrown.com.au](mailto:benchmark@stewartbrown.com.au)  
[www.stewartbrown.com.au](http://www.stewartbrown.com.au)