



# Corporate Administration Costs in the Aged Care Sector

Survey Report



**StewartBrown**

Integrity + Quality + Clarity

This Survey looks at corporate administration expenses and their allocation. Data were collected at an organisational level and included administration costs, activity as measured by revenue, size, assets under management, expenditure, RACF beds and ILUs. The 2019 Corporate Administration Survey was drawn on **68** respondent organisations, covering more than **492** residential care facilities with **39,085** operational places; **18,857** home care clients and **22,207** occupied ILUs.

June 2019 survey

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# 1. Introduction

The Aged Care sector has seen Administration costs increase significantly over recent years as the burden of compliance continues to weigh heavily on service providers. The high cost of administration has become a focus for many organisations in response to the introduction of Consumer Directed Care in home care, and has become a challenge for management and Boards in their task of improving overall operating performance and efficiencies. StewartBrown now follows up the *2017 StewartBrown Corporate Administration Survey* with the *2019 StewartBrown Corporate Administration Survey*.

This Survey looks at total corporate administration expenses (regardless of where they are incurred) and at the allocation of these expenses. Data was collected at an organisational level and included administration costs; activity as measured by revenue and expenditure; size (based on numbers of home care packages, RACF beds and ILUs), as well as the level of assets under management. As well as the usual financial data, StewartBrown also collected data on employee numbers and on ICT expenditure.

The *2019 Corporate Administration Survey* collected data from 68 respondent organisations. Some organisations were excluded due to inconsistent data, so the overall average is drawn from a data set from 65 organisations. Altogether, these 65 organisations manage 492 residential care facilities with 39,085 operational places; 18,857 home care clients and 22,207 occupied ILUs. The data were collected at provider level - across revenue, expenses, activity, assets and liabilities.

Aged care providers responded to the 2019 StewartBrown Corporate Administration Survey with data based on forecast or budget, not actuals, for the year to June 2019 (FY19). The 2018 data are based on actuals.

## Calculation and Interpretation of Averages

### 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 operating revenue for the providers in the group. For example, the average for total corporate expenses across all providers would be the total amount submitted for that line item divided by the total operating revenue for all providers in the Survey.

## 2. Executive Summary

### Abstract

This report provides analysis of the Corporate Administration (also referred to as Administration) costs at the organisational level (as distinct from individual operating business units or locations) of a representative sample of aged care provider organisations. Two periods, FY18 and FY19, are studied, with actual data for FY18, and forecast and budget data for FY19.

Data relevant to the size and activity levels of the organisation, their asset levels, geographical location and mix of business activity, are broken out and analysed separately. The *First 25%* is the average of the first quartile ranked by lowest to highest recorded Corporate Administration costs as percentage of operating revenue. The *First 25% EBITDAR* is the average of the first quartile ranked by highest to lowest EBITDAR as a percentage of operating revenue. Using both these measures allows for both analysis of Corporate Administration costs in isolation as well as in the context of organisation profitability, size and structure.

The report highlights that Corporate Administration costs have increased steadily since FY15 and continue to increase at a rate faster than operating revenue. For FY18 Corporate Administration costs comprised 16.87% of operating revenue (FY15: 12.53%). Grouped by size, *Medium*-sized organisations (refer to *section 5*) have the lowest Corporate Administration costs as a proportion of operating revenue.

As expected, the largest component of Corporate Administration costs is staff cost. For FY18, Corporate Administration staff costs were 9.74% of operating revenue. In general, across the sector, Corporate Administration staff costs are budgeted to decrease slightly in FY19 (9.54%). This has generally followed the same pattern as the total corporate costs (forecast to fall to 16.82%).

### Results Summary

At a residential care level (*ACFPS March 2019*):

- Administration recharge costs increased for the Survey *Average* to \$21.42 per bed day (pbd) (up from \$20.41 in FY18)
- Administration recharge costs for Survey *First 25%* providers increased to \$20.68 pbd (\$18.80 in FY18)

At the organisational level (*FY19 Corporate Administration Survey*):

- As a percentage of operating revenue
  - In FY18 *Average* Administration costs rose to 16.87% (FY17 15.39%)
  - *Average* Corporate Administration costs are expected to fall by 0.05% to 16.82% in FY19
  - Administration costs vary more widely (5.5% to 43.0%) among organisations with operating revenue less than \$35m
- As a percentage of total revenue
  - Corporate Administration costs are around 1% lower than as a percentage of operating revenue
  - Administration costs have also increased over the period from FY15 (11.69%) to FY18 (15.84%)

## Key Findings (FY19 Budget/Forecast)

### Corporate Administration Costs and Organisation Size

- *Small* organisations continue to have the highest Corporate Administration costs with an average expense of \$189,944 per \$1.0m of operating revenue (18.99% of operating revenue; FY17: 18.63%)
- Having home care packages seems to result in higher Corporate Administration costs as a proportion of revenue. *Small* organisations with no home care operations have lower Corporate Administration costs compared to all small organisations
- As per the previous Corporate Administration Surveys, *Medium*-sized organisations have the lowest average level of corporate costs, with total corporate Administration costs of \$135,894 per \$1m of operating revenue

### Corporate Administration Costs and Cost Centres

Comparing FY19 to FY17:

- The top five expenses to experience increases were other expenses line item, ICT/computer expenses, corporate staff costs, marketing costs, and legal and consulting fees
- Only workers compensation and depreciation and amortisation declined
- There were small increases in the remaining line items

Comparing FY19 to FY18:

- Corporate staff costs are expected to decrease by 0.20%, mostly due to a decrease in the finance and business services, human resources and ICT expenses
- Most other expenses are expected to maintain current levels relative to revenue
- The other expenses line item shows an increase which is more than offset by reductions in corporate staff costs, legal and consulting fees, leading to an overall forecast marginal decline in costs of 0.05%

### Corporate Administration Costs and location, Revenue Level and Type

- Across the sector, staff costs are expected to fall as a percentage of operating revenue in FY19
- Providers with net assets between \$12.5m to \$80m (which correspond to mostly *Medium*-sized providers and *Small* providers with net assets above \$12.5m) have the lowest Corporate Administration costs
- Providers with home care and community operations have higher corporate staff administration costs than those with no home care and community operations. Residential and ILU-only providers have the lowest corporate administration costs as a percentage of operating revenue (13.47%).
- The *Average* allocation (only organisations that make allocations are considered) shows that 47.3% of all Corporate Administration cost projected for FY19 costs are allocated to their Residential Aged Care business segment

### 3. Corporate Administration Costs in Context

The quarterly StewartBrown Aged Care Financial Performance Survey (ACFPS) asks participants to provide their Administration costs at an aged care home (facility) level. These are categorised as:

- Corporate recharge
- Administration labour charges
- Other Administration costs
- Workers compensation - other
- Quality and education - other
- Quality and education - labour costs
- Insurances

This provides some context for analysing administration costs at an aggregate level, while the Corporate Administration Survey provides more detailed data and analysis.

Figure 1: ACFPS Administration Costs from March 2016 to March 2019

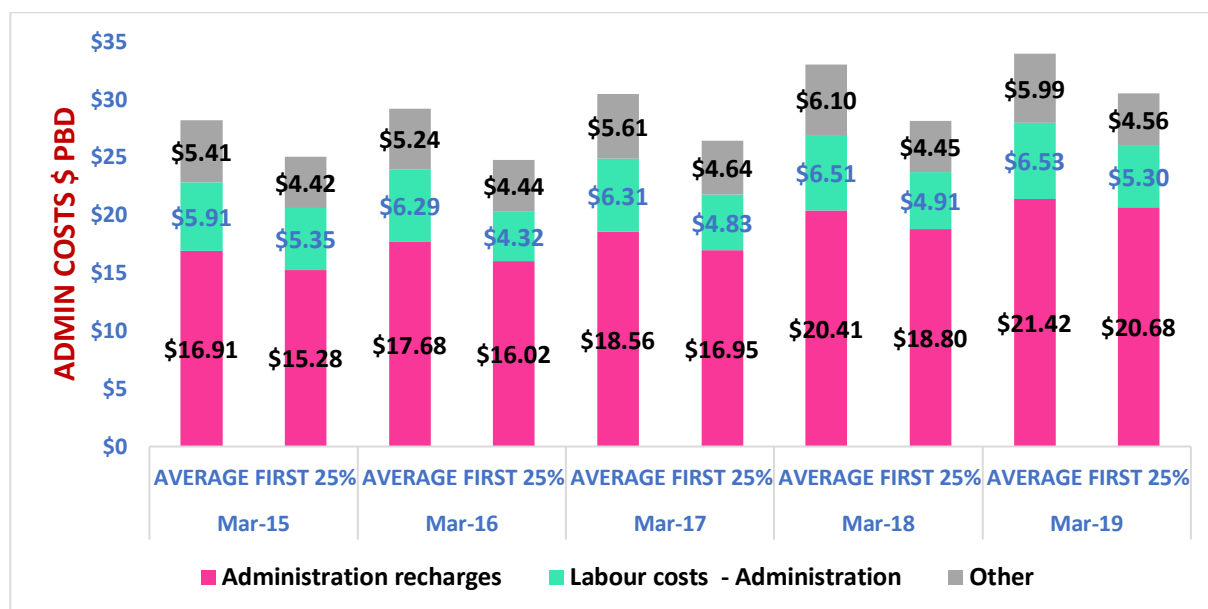
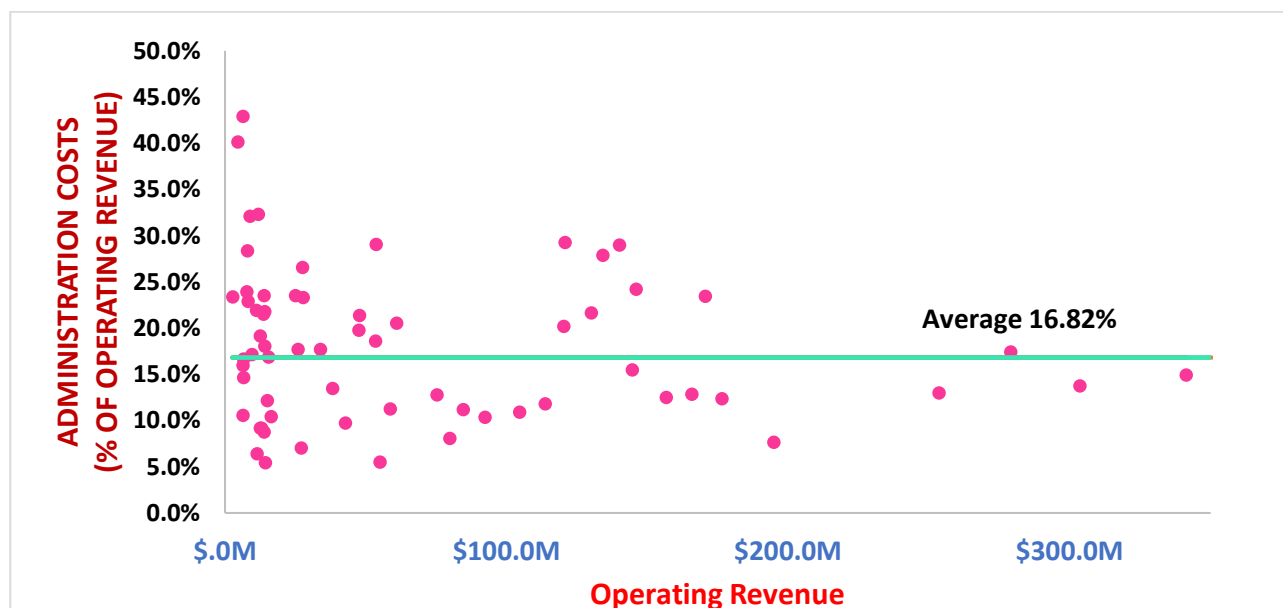


Figure 1 above is taken from the StewartBrown ACFPS residential data for the nine months to March 2019. Other is the total of other administration costs; workers compensation - other; quality and education – other; quality and education - labour costs; and Insurances.

The administration recharge is significant. For the Survey *Average* the administration recharge of \$21.42 pbd comprises 63% of total administration costs; for the Survey *First 25%* this is \$20.68 pbd (68%). Compared to the previous years, administration recharge costs are showing no sign of declining and it is becoming increasingly hard for even the best performers to limit this cost.

Figure 2 plots the administration costs as a percentage of operating revenue against the organisation’s total operating revenue in dollars for FY19. The trend line at 16.82% is the FY19 *Average* for all 65 organisations. This is an increase on the previous (FY17) Survey’s average of 15.39% but a slight decrease on the FY18 actual result of 16.87%. The median is higher at 17.44%, (FY17: 13.14%).

Figure 2: Projected FY19 Corporate Administration costs by operating revenue for organisations



As a general trend, as the revenue base increases, the administration costs as a percentage of operating revenue declines. This is as one would expect from economies of scale; for organisations with operating revenue less than \$35m, however, the relationship is not as evident. Instead, there is a lot more volatility in administration costs, with results ranging from around 5.5% to 43.0% of operating revenue.

Table 1: Comparison of Corporate Administration costs over time (based on Corporate Administration Surveys)

Financial year	Corporate admin costs as a % of <i>total</i> revenue	Corporate staff admin costs as a % of <i>total</i> revenue	Corporate admin costs as a % of <i>operational</i> revenue	Corporate staff admin costs as a % of <i>operational</i> revenue
FY15 (Actual)	11.69%	6.78%	12.53%	7.27%
FY16 (Forecast)	12.20%	6.90%	12.92%	7.31%
FY16 (Actual)	14.25%	8.39%	14.98%	8.82%
FY17 (Forecast)	14.79%	8.83%	15.39%	9.19%
FY18 (Actual)	<b>15.84%</b>	<b>9.14%</b>	<b>16.87%</b>	<b>9.74%</b>
FY19 (Forecast)	<b>16.05%</b>	<b>9.11%</b>	<b>16.82%</b>	<b>9.54%</b>

Based on the data provided in each of the Corporate Administration Surveys (please note - the number and type of participants does change although data for FY19 and FY18 are for the same respondents):

- the Survey total revenue has increased by 14.32% from FY17 to FY19
- the Survey total operational revenue has increased by 13.49% over the same period
- the Survey total corporate administration costs have increased by 24.04% over the same period
- the Survey total corporate staff costs have increased by 17.85% over the same period



## 4. Trends and Composition of Administration Costs

### Trends over time

The Corporate Administration costs are broken down into different expense areas or line items. The following table shows the results for FY15 to FY19.

*Table 2: Trends in Corporate Administration costs FY15 to FY19 as percentage of operating revenue*

<b>% of Operating Revenue</b>	<b>FY19 Budget</b>	<b>FY18 Actual</b>	<b>FY17 Budget</b>	<b>FY16 Actual</b>	<b>FY16 Budget</b>	<b>FY15 Actual</b>
Total staff costs	9.54%	9.74%	9.19%	8.82%	7.31%	7.27%
Other expenses line item	1.82%	1.47%	1.44%	1.33%	1.32%	1.38%
Depreciation & amortisation	1.32%	1.25%	1.33%	1.34%	1.32%	1.04%
ICT / computer expenses	1.20%	1.09%	0.81%	0.72%	0.80%	0.72%
Legal and consulting fees	0.81%	1.10%	0.75%	0.87%	0.73%	0.70%
Marketing	0.69%	0.75%	0.46%	0.39%	0.00%	0.00%
Rent and rental property expenses	0.38%	0.45%	0.37%	0.52%	0.41%	0.45%
Workers compensation	0.20%	0.15%	0.30%	0.27%	0.23%	0.17%
Telecommunications	0.24%	0.25%	0.19%	0.19%	0.16%	0.16%
Education / conferences	0.18%	0.19%	0.17%	0.15%	0.24%	0.26%
Travel and accommodation	0.17%	0.16%	0.14%	0.15%	0.13%	0.14%
Audit fees	0.09%	0.09%	0.09%	0.08%	0.09%	0.08%
General insurance	0.11%	0.10%	0.08%	0.09%	0.11%	0.10%
Postage, courier and freight	0.07%	0.07%	0.06%	0.05%	0.06%	0.06%
<b>Total corporate expenses</b>	<b>16.82%</b>	<b>16.87%</b>	<b>15.39%</b>	<b>14.98%</b>	<b>12.92%</b>	<b>12.53%</b>

Corporate Administration costs as a percentage of operating revenue have increased steadily over the period from FY15 to FY18. Corporate Administration costs increased at a higher rate than did operating revenue. Corporate Administration costs as a percentage of operating revenue is forecast to decrease slightly in FY19, (it remains to be seen what the actual figure will be). The predicted fall is due to a forecast increase in revenue, rather than an increase in expenses.

Comparing FY19 to FY17, the top five expenses to exhibit rises were: other expenses line item, ICT/computer expenses, corporate staff costs, marketing costs, and legal and consulting fees. Only workers compensation and depreciation and amortisation declined; there were small increases in the remaining line items.

Between FY18 and FY19, most expenses are expected to stagnate. The other expenses line item shows a rise that is more than offset by reductions in corporate staff costs, legal and consulting fees, leading to an overall forecast decline in costs of 0.05% of operating revenue.

Note that a significant increase in operating revenue across residential aged care providers is expected in the last quarter of FY19: this is an effect of a one-off residential subsidy increase and should not result in any increase in administration expenses. The higher operating revenue from the one-off subsidy increase is likely to be part of the reason for the improvement in the forecast.

The trends in the larger costs are displayed in the following figures:

Figure 3a: Trends in Corporate Administration costs as percentage of operating revenue over time

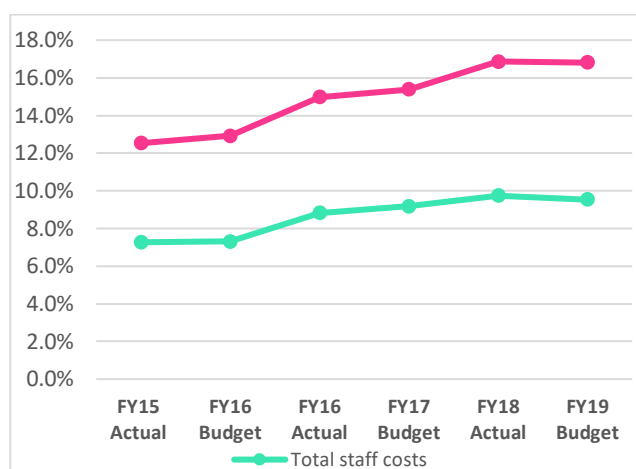
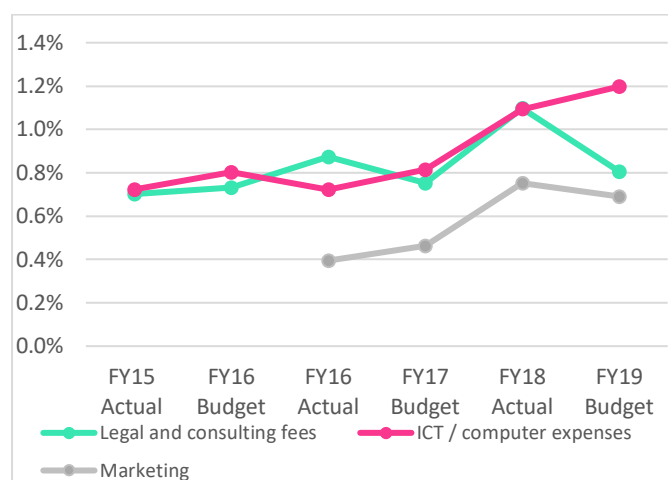


Figure 3b: Trends in Corporate Administration costs as percentage of operating revenue over time



## Corporate Administration Staff Costs

In order to analyse staff costs better, participants were asked to supply a breakdown of staff costs by cost centres which were defined as follows:

- ◆ Executive & Mission - direct corporate costs related to the Executive office, Executive team, Executive support staff, and Mission
- ◆ Quality & Risk/Compliance - direct corporate costs related to quality & risk, compliance, education and training
- ◆ Marketing & Business Development - direct corporate costs related to marketing, advertising and business development
- ◆ Human Resources - direct corporate costs relating to HR such as people services, workplace health and safety
- ◆ ICT - direct corporate costs relating to information systems, communications and technology
- ◆ Finance & Business Services - direct corporate costs related to finance AP, AR, Payroll, and other business support services such as business analysis, management reporting
- ◆ Property Services - direct corporate costs relating to property management, property development and property infrastructure
- ◆ Hotel Services - direct corporate costs relating to hotel services such as cleaning, catering, laundry, and hotel services infrastructure
- ◆ Residential Aged Care Management - direct corporate costs relating to corporate management and administration of residential aged care business segment (excluding property management and hotel services management)
- ◆ Home Care & Community Management - direct corporate costs relating to corporate management and administration of home care & community business segment
- ◆ Seniors' Housing Living (ILU) Management - direct corporate costs relating to corporate management and administration of Seniors' Housing business segment (excluding Property Services costs)
- ◆ Other - any other categories not described above

The results for FY17, FY18 and FY19 are shown in the following table.

*Table 3: Composition of Corporate administration staff costs in FY17 - FY19 as a percentage of operating revenue*

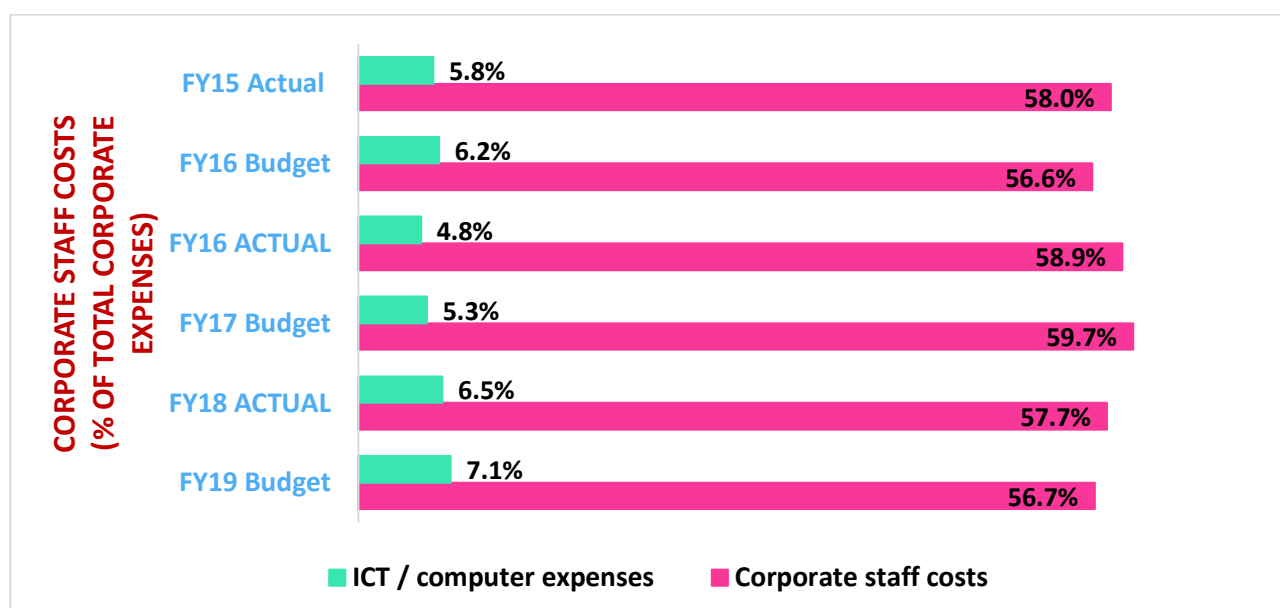
Corporate staff costs (% of operating revenue)	FY19 Budget	FY18 Actual	FY17 Budget	Difference FY19 - FY18	Difference FY18 - FY17
Finance & Business Services	1.69%	1.76%	1.61%	-0.08%	0.15%
Executive & Mission	1.37%	1.37%	1.07%	0.00%	0.29%
Human Resources	1.16%	1.23%	1.22%	-0.07%	0.01%
ICT	0.87%	0.93%	0.85%	-0.06%	0.08%
Residential Management	0.85%	0.84%	0.85%	0.02%	-0.01%
Property Services	0.76%	0.76%	0.85%	0.00%	-0.09%
Home Care Management	0.73%	0.72%	0.98%	0.00%	-0.25%
Quality & Risk/Compliance	0.58%	0.61%	0.54%	-0.03%	0.07%
Marketing	0.58%	0.58%	0.49%	0.00%	0.08%
Other	0.56%	0.56%	0.51%	0.00%	0.05%
ILU Management	0.24%	0.25%	0.22%	0.00%	0.02%
Hotel Services	0.15%	0.14%	n/a*	0.01%	n/a
<b>Total corporate staff costs</b>	<b>9.54%</b>	<b>9.74%</b>	<b>9.19%</b>	<b>-0.20%</b>	<b>0.55%</b>

\* Grouped with Property Services in FY17

The analysis of the change in composition of corporate staff costs from FY18 to FY19 shows that the total decrease of 0.20% follows an increase of 0.55% in FY18. The budgeted decrease for FY19 is mostly due to decreases in finance and business services, human resources and ICT. *Note that hotel services was included together with property services in the FY17 Survey.* The large increases in FY18 was in executive & mission and finance & business services.

## Corporate staff costs and ICT expenditure

*Figure 4: Corporate staff costs and ICT expenditure costs as percentage of total corporate expenses for FY15 to FY19*



Observing the ICT/Computer expenses along with corporate staff costs as a percentage of total corporate costs, it appears that they are trending in the opposite direction, particularly since FY17. Corporate staff costs are diminishing slightly as ICT expenses are increasing. An unsurprising result in theory - the more an organisation invests in ICT systems, the fewer people it should need to employ.

The ICT expenses percentage increase is expected to continue, as organisations seek competitive advantage by streamlining resources through efficient ICT systems. This might have different results depending on the organisation. It would be hoped that it does result in an overall reduction in costs - however one result is that the staff costs may not decline, but instead staff can be re-tasked to perform other duties or to drive increases in revenue.

## 5. Organisation Size and Performance

### Administration Costs by Size of Organisation

Table 4: Administration Costs (\$ per \$1.0m of operating revenue) from largest to smallest expenditure

Administration costs	Average	First 25%	First 25% EBITDAR	Small, no HCP + Comm	SMALL	MEDIUM	LARGE
<b>FY19 Budget</b>	<b>\$ per \$1m operating revenue</b>						
Number of organisations	65	16	16	19	14	15	17
Corporate staff costs	95,421	58,753	99,150	99,626	94,848	75,113	100,606
Other	18,179	6,952	12,312	17,213	14,422	13,430	19,722
Depreciation & Amortisation	13,200	5,951	11,058	12,869	30,196	10,155	13,004
ICT / computer expenses	11,976	5,943	9,596	9,324	9,887	9,940	12,796
Marketing	6,895	1,670	8,983	2,755	4,001	6,247	7,481
Consulting fees	6,702	3,442	6,705	6,759	7,587	7,055	6,552
Rent	2,903	727	2,424	1,523	241	3,343	3,026
Telecommunications	2,425	1,405	3,934	2,423	3,179	2,405	2,385
Workers Compensation	1,988	927	2,016	10,596	12,868	1,034	1,088
Education / conferences	1,831	1,376	1,886	3,377	2,973	1,878	1,660
Travel & accommodation	1,699	549	1,247	679	686	850	2,045
Legal Fees	1,352	821	1,222	1,050	1,736	1,261	1,371
General Insurance	1,072	767	989	5,572	4,845	999	604
Audit fees	905	914	902	3,673	1,392	1,121	659
Rental property	868	506	938	460	280	592	1,000
Postage, courier and freight	737	337	465	821	804	471	799
<b>Total corporate administration costs</b>	<b>168,152</b>	<b>91,038</b>	<b>163,826</b>	<b>178,721</b>	<b>189,944</b>	<b>135,894</b>	<b>174,797</b>

- *Small* organisations continue to have the highest Corporate Administration costs with an average expense of \$189,944 per \$1.0m of operating revenue (18.99% of operating revenue; FY17: 18.63%). For the smaller organisations in the aged care sector the cost of administration has increased from an already high level
- Having Home Care packages seems to incur an additional layer of Corporate Administration costs relative to revenue levels. Comparing the category *Small + No HCP* to *Small* there is a difference of over \$11,200 per \$1m of operating revenue. One of the areas of difference is in the marketing costs where those small organisations with home care are incurring higher marketing costs
- With a total Corporate Administration cost of \$135,894 per \$1m of operating revenue, *Medium*-sized organisations seem to be the most efficient in terms of corporate costs, and the benefit they derive from economies of scale. This can be seen particularly in the case of corporate staff costs: *Medium*-sized organisations on average spend \$25.5k less on corporate staff costs per \$1m operating revenue than do *Large* organisations. This supports the StewartBrown Survey results, as *Medium*-sized providers tend to benefit from having a staff workforce large enough to meet workload needs, yet not so large as to be itself hard to manage - as this in turn can result in larger staff of middle managers, causing costs to rise steeply
- Depreciation for *Small* organisations is \$30,196 per \$1m of operating revenue and takes up around 15.9% of their total corporate costs. One factor is that the great majority of them own their corporate facilities, so naturally do not pay rent. In comparison, the *Large* organisations figure is \$13,004 - just 8.0% of corporate costs. The larger organisations typically lease a corporate office. Corporate expenditure figures in the Survey show that 90% of the *Large* organisations have a component of rent in their corporate costs

The Survey ranked the *First 25%* of the Survey participants in terms of the lowest recorded administration costs as a percentage of operating revenue. The breakdown is as follows:

*Table 5: Composition of the organisations in the Survey First 25%*

Grouping	Count of organisations in Survey First 25%	Count of organisations in Survey First 25% EBITDAR
Large	1	3
Medium	7	3
Small	3	5
Small +no HCP	5	5
<b>Total</b>	<b>16</b>	<b>16</b>

There are organisations in each size grouping in the Survey *First 25%* showing that regardless of size low corporate administration costs can be achieved. However, it is clearly harder for *Large* organisations to achieve the similar results as smaller organisations. However, the larger organisations are better represented when ranking performance by EBITDAR return on revenue. Larger organisations tend to have experts in a variety of areas on staff such as in ICT, property management, HR, legal, marketing and strategy. They are more inclined to do some heavy lifting in the areas of research and policy development. Smaller organisations are less inclined to do some of this and employ these resources only when required by using external consultants.

## Group Definitions

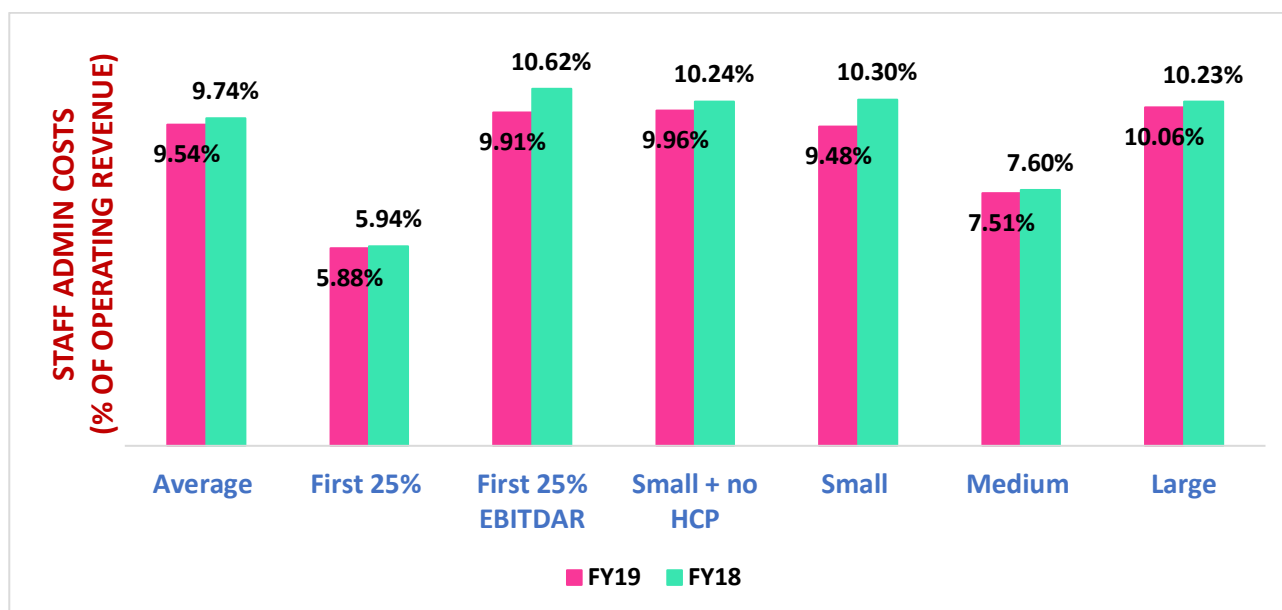
The following definitions apply for the groups:

- ◆ The Survey **Average** represents the average for the 65 participants of the 2019 Corporate Administration Survey
- ◆ The Survey **First 25%** is the *average of the first quartile* ordered by lowest to highest Corporate Administration costs as percentage of operating revenue
- ◆ The Survey **First 25% EBITDAR** is the *average of the first quartile* ordered by highest EBITDAR to lowest EBITDAR as a percentage of operating revenue
- ◆ A **Small with No HCP** organisation is defined as one with operational revenue less than \$35m and with no home care or community operations. These organisations have less than 220 operational places and generally have nil to four residential aged care facilities. There are 19 organisations in this category.
- ◆ A **Small** organisation is defined as one with operational revenue less than \$35m and with home care or community operations. These organisations have less than 220 operational places and generally have nil to four facilities. There are 14 organisations in this category and most are located in Regional only areas
- ◆ A **Medium** organisation is defined as one with operational revenue between \$35m and \$120m. These organisations generally have between five to twelve residential aged care facilities with more than 220 but less than 850 operational places in total. The medium-sized organisations include those both with and without home care and community operations - although most do have home care and community operations. There are 15 organisations in this category
- ◆ A **Large** organisation is defined as one with operational revenue more than \$120m. These organisations generally have twelve or more residential aged care facilities with more than 850 operational places in total. Most of the large organisations do have home care and community operations. There are 17 organisations in this category and all these organisations are located in City and Regional areas

## 6. Corporate Staff Costs and FTE Breakdown

Within the Aged Care sector, the largest portion of an organisation’s administration costs relates to its corporate staff expenses. The FY19 Survey *Average* for staff administration costs as a percentage of operating revenue is 9.54%, a 0.35% increase on the FY17 Budget figure of 9.19%. A similar increase was experience in the Survey *First 25%*. It appears to be growing very difficult for even the best performing organisations to control corporate staffing measured against the organisation’s revenue.

Figure 5: Corporate staff costs as a percentage of operational revenue



- Corporate staff costs are forecast to decrease in FY19 across all organisations
- *Medium*-sized organisations have the lowest corporate staff costs
- Interestingly, the Survey *First 25% EBITDAR* have higher corporate staff costs than the Survey *Average*

The following table sets out the breakdown by cost centre for the overall Survey *Average*, Survey *First 25%* and average by size of the organisation. Cost centres are sorted from those with the greatest administration staff costs to those with the lowest for the Survey *Average*.

Table 6: Staff costs for administration and shared

Administration STAFF costs	Average	First 25%	First 25% EBITDAR	Small + no HCP	SMALL	MEDIUM	LARGE
By cost centre	\$ per \$1m operating revenue						
Finance & Business Services	16,885	15,332	17,870	26,493	17,251	17,242	16,212
Executive & Mission	13,723	9,526	13,163	23,823	21,999	14,943	12,317
Human Resource	11,586	7,436	10,543	5,608	8,526	9,078	12,782
ICT	8,707	6,883	8,623	3,218	2,050	6,637	9,975
Residential Management	8,534	5,229	9,872	7,212	10,892	7,002	8,876
Property Services	7,584	2,225	7,057	10,308	5,913	5,438	8,097
Home Care Management	7,292	1,679	8,298	0	4,539	1,493	9,420
Quality & Risk/Compliance	5,832	3,162	3,017	6,056	9,496	4,636	5,917
Marketing	5,789	3,373	4,757	4,573	3,575	4,936	6,219
Other	5,578	2,855	8,579	4,606	3,946	2,028	6,675
ILU Management	2,434	637	1,626	2,457	1,896	965	2,856
Hotel Services	1,476	417	5,745	5,273	4,767	714	1,261
<b>Total corporate staff costs</b>	<b>95,421</b>	<b>58,753</b>	<b>99,150</b>	<b>99,626</b>	<b>94,848</b>	<b>75,113</b>	<b>100,606</b>

A comparison of staffing levels measured by FTEs is included in the table below. The Survey *Average* is less relevant as a comparator for smaller organisations here as the average is heavily skewed by the larger organisations.

Organisations have used slightly different methodologies to allocate corporate employee costs and FTEs. For example, where a staff member has responsibilities for finance and property the cost will be allocated between finance and property say 70%, 30% however the FTE will not be allocated and remain in finance. Despite this, it is still helpful to examine both the staff costs and staff FTEs in parallel with each other. In the table below costs centres are sorted from those with the highest number of FTEs to those with the lowest.

Table 7: Administration and Shared Service staff FTEs by type

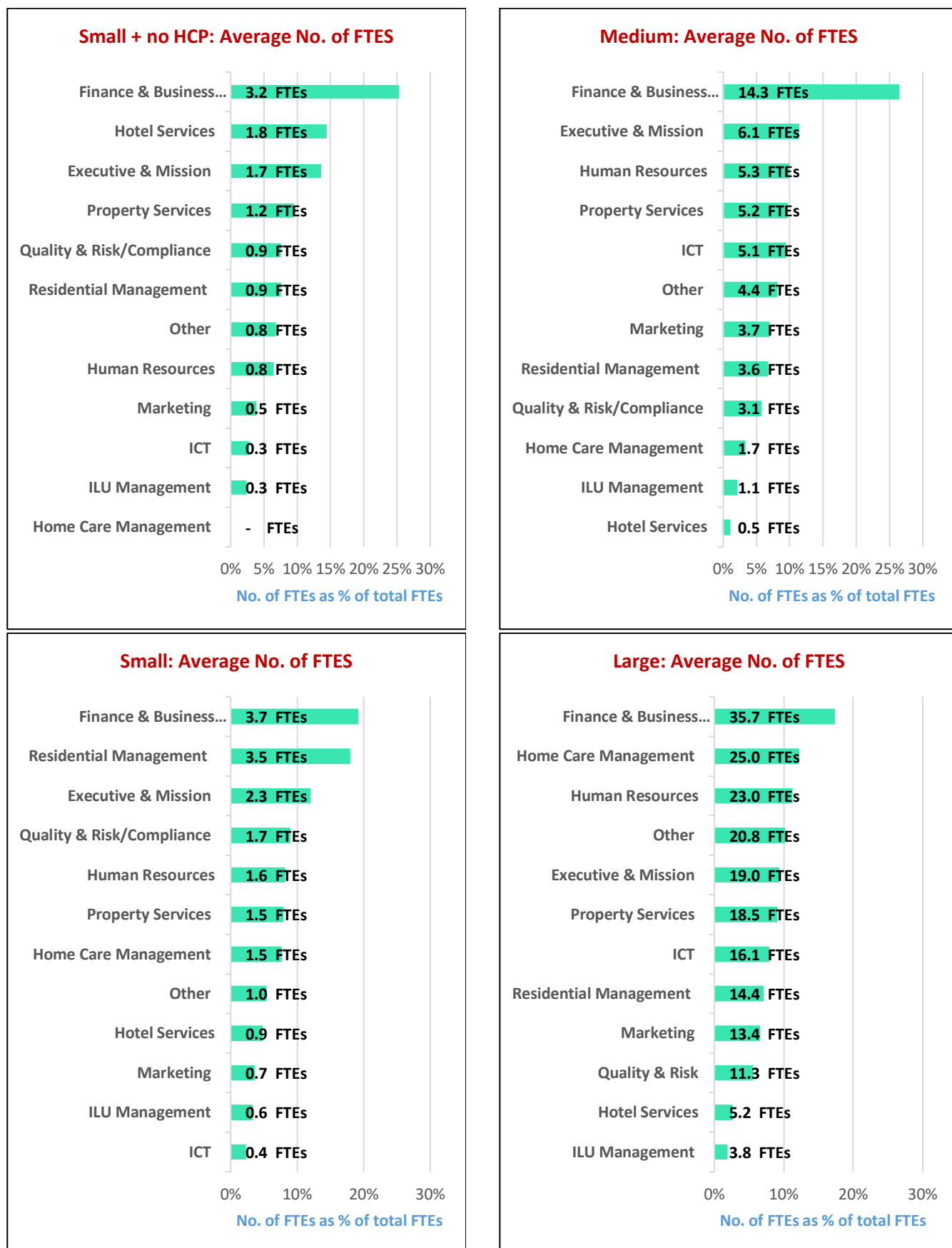
FY19	Average	First 25%	First 25% EBITDAR	Small + no HCP	SMALL	MEDIUM	LARGE
Administration staff FTEs	Average Number of FTEs						
By cost centre							
Finance & Business Services	14.4	9.5	12.8	3.2	3.7	14.3	35.7
Human Resources	7.8	4.1	5.7	0.8	1.6	5.3	23.0
Executive & Mission	7.4	3.3	5.3	1.7	2.3	6.1	19.0
Home Care Management	7.3	1.5	6.3	0.0	1.5	1.7	25.0
Other	6.9	3.0	6.6	0.8	1.0	4.4	20.8
Property Services	6.7	3.1	6.5	1.2	1.5	5.2	18.5
Residential Management	5.6	2.4	6.5	0.9	3.5	3.6	14.4
ICT	5.6	3.1	5.3	0.3	0.4	5.1	16.1
Marketing	4.6	2.3	3.0	0.5	0.7	3.7	13.4
Quality & Risk/Compliance	4.3	1.7	2.3	0.9	1.7	3.1	11.3
Hotel Services	2.2	1.4	6.8	1.8	0.9	0.5	5.2
ILU Management	1.5	0.6	1.4	0.3	0.6	1.1	3.8
<b>Total corporate staff</b>	<b>74.3</b>	<b>35.8</b>	<b>68.4</b>	<b>12.5</b>	<b>19.6</b>	<b>54.1</b>	<b>206.3</b>



Table 8: Percentage of cost centre FTEs against total corporate office FTEs

FY19 Budget	Average	First 25%	First 25% EBITDAR	Small + no HCP	SMALL	MEDIUM	LARGE
Cost Centre FTEs as a % of total FTES							
Finance & Business Services	19.3%	26.4%	18.7%	25.3%	19.1%	26.4%	17.3%
Human Resources	10.5%	11.3%	8.3%	6.5%	8.1%	9.9%	11.1%
Executive & Mission	10.0%	9.1%	7.8%	13.6%	11.9%	11.4%	9.2%
Home Care Management	9.8%	4.1%	9.3%	0.0%	7.6%	3.2%	12.1%
Other	9.3%	8.5%	9.6%	6.8%	5.3%	8.1%	10.1%
Property Services	9.0%	8.6%	9.5%	9.5%	7.8%	9.6%	9.0%
Residential Management	7.6%	6.8%	9.5%	7.5%	17.9%	6.7%	7.0%
ICT	7.5%	8.6%	7.8%	2.7%	2.2%	9.4%	7.8%
Marketing	6.2%	6.3%	4.3%	3.8%	3.5%	6.9%	6.5%
Quality & Risk/Compliance	5.8%	4.7%	3.4%	7.6%	8.9%	5.7%	5.5%
Hotel Services	3.0%	3.9%	9.9%	14.4%	4.7%	1.0%	2.5%
ILU Management	2.0%	1.7%	2.0%	2.3%	3.2%	2.0%	1.8%
<b>Total corporate staff</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Figure 6: Administration staff cost centre FTEs as a percentage of total corporate office FTEs for each size grouping



## Commentary

### *Finance and Business Services*

Finance and business services staff costs are the most significant staff costs for the Survey *Average*, reflecting the minimum level of financial and business services skills and staff required to operate within the aged care sector. *Small* organisations with home care and community operations are unable to achieve economies of scale and thus have higher costs at \$26.5k per every \$1.0m of operating revenue compared to the *Medium* and *Large* organisations at around \$17.2k and \$16.2k respectively.

### *Executive and Mission*

Many of these costs are organisation and governance specific and will mostly consist of the CEO salary so variances based on size and operations of the organisation are to be expected. The cost of executive and mission to the smaller organisations is much higher as there is a certain minimum cost which is necessary to attract the appropriately qualified and experienced staff.

### *Human Resources*

Human Resources includes People Services, WH&S and Training. *Medium* and *Large* organisations have higher costs in this area as often the smaller organisations do not have a full time HR general manager. The proportion of FTEs in this category also increases as the organisation size and hence staff numbers and Human Resource requirements increase.

### *ICT*

The number of FTEs in ICT and the ICT corporate costs increase as the organisation increases in size. The proportion of FTEs in this category also increases as the organisation size and hence ICT requirements increase resulting in large organisations spending more in this category compared to *Small* and *Medium* organisations.

### *Residential Management*

*Small* organisations (especially the organisations without home care and community operations) appear to have slightly higher residential management corporate staff costs than *Large* organisations, and their difference with the *medium*-sized is even more marked. This is likely to be because *Small* organisations are unable to benefit from economies of scale.

### *Property Services*

*Small* organisations without home care appear to have much higher property and hotel services corporate staff costs than the *Medium* and *Small* organisations who have home care and community services. This is likely to be because they are unable to benefit from economies of scale. *Large* organisations tend to have higher property and hotel services corporate staff cost than *Medium* and *Small* organisations that have home care. This is likely to be due to the additional layers of management required to manage a larger workforce.

### *Home Care & Community Management*

*Large* organisations have significantly more FTEs in home care and community management than other-sized organisations. The survey tells us however that *Small* and *Large* organisations spend more per \$1m of operating revenue the respective figures being approximately \$4,539 and \$9,420. In comparison, the average for *Medium* organisations is \$1,493. This may be because there is a minimum number of management staff required to run home care and community services, therefore *Small* organisations must employ them and suffer the financial impact. *Large* organisations' home care and community services are often operating in isolation from the rest of these organisations, which have their own administration and finance staff: this results in high Corporate Administration costs and these costs limit the benefit *Large* organisations can derive from economies of scale.

### *Quality & Risk/Compliance*

Again, *Small* organisations struggle to achieve the same costs as the other-sized organisations. The other-sized organisations have similar costs, so it could be that the administration costs are influenced mostly by compliance requirements relating to organisation size. It should be noted that the regional location of the organisations in the *Small* group influences these results.

### *Marketing*

Marketing staff costs are lower for *Small* organisations whether or not they have home care and community operations. This is consistent with their overall marketing expenses, reflecting the fact that smaller organisations generally conduct less marketing, having typically no full-time marketing staff, relying outside marketing firms *ad hoc*.

### *Other*

“Other” is composed of all other corporate administration staff expenses that are not listed by line item in the survey template. It is difficult to determine what drives these expenses as they will vary from provider to provider and will reflect the operation of any other business unit such as hospitals, children’s services, etc. This being the case, there is not much variation in costs by size for this category. The number of FTEs is higher for the larger organisations as their size and budget allows them to have more specialist roles.

### *Retirement Village (ILU) Management*

*Medium* organisations appear to achieve economies of scale as they record the lower costs per \$1m of operating revenue.

### *Hotel Services*

*Small* and *Medium* organisations do not appear to achieve economies of scale for hotel services as they record the higher costs per \$1m of operating revenue.

## 7. Consideration of Other Factors

StewartBrown has conducted analyses according to groupings on criteria other than size. Among these are:

- Location
- Net asset size
- Activity measure
- Operational revenue per activity measure per day
- Revenue type
- Rent/own
- ICT and computer expenditure.

Often these categories will overlap. For example, *Regional-only* providers (by Location) are also likely to have lower revenue (Operational revenue) and smaller net assets (Net asset size) on average compared to the other providers. Even so data analysis can indicate what is driving differences in Corporate Administration costs.

### Location

*Table 9: Analysis by Location*

Class	Count	Total Admin Costs/ operating revenue		Staff Admin Costs/ operating revenue	
		FY19 Budget	FY18 Actual	FY19 Budget	FY18 Actual
Regional only	18	15.90%	15.93%	8.06%	8.67%
City only	16	18.31%	20.00%	10.16%	10.32%
City & Regional	31	16.75%	16.69%	9.58%	9.76%
<b>Survey Total</b>	<b>65</b>	<b>16.82%</b>	<b>16.87%</b>	<b>9.54%</b>	<b>9.74%</b>

#### Key Findings

Providers with *Regional* locations have the lowest corporate administration expenses in both overall cost and administration staff cost. The *Regional only* also have the lowest average number of corporate staff FTEs (at 16). This is primarily due to the structure of a number of organisations in the *Regional only* group, that have only one facility and therefore have small corporate costs due to their structure and nature.

*City & Regional* providers are mostly *Medium* and *Large* organisations which can benefit from economies of scale and from efficient ICT systems. *City* providers as a category will tend to be the *Small* providers who typically will not include home care and community care among their operations. Similarly, they will pay high corporate wages as city areas tend to have high living costs, and staff require higher wages. Across the sector, staff costs are expected to fall as a percentage of operating revenue.

## Net Assets

Table 10: Analysis by FY19 Net Assets

Class	Count	Total Admin Costs/ operating revenue		Staff Admin Costs/ operating revenue	
		FY19 Budget	FY18 Actual	FY19 Budget	FY18 Actual
Less than \$5m	11	16.08%	15.79%	8.71%	9.21%
\$5m-\$12.5m	11	25.30%	25.89%	8.25%	9.44%
\$12.5m-\$25m	11	12.37%	13.28%	7.51%	8.51%
\$25m-\$80m	11	12.64%	13.35%	7.46%	8.09%
\$80m-\$170m	11	16.69%	17.09%	9.48%	9.25%
More than \$170m	10	17.77%	17.49%	10.77%	10.79%
<b>Survey Total</b>	<b>65</b>	<b>16.82%</b>	<b>17.04%</b>	<b>9.54%</b>	<b>9.74%</b>

### Key Findings

This grouping analysis proceeds on the hypothesis that *Medium*-sized organisations tend to outperform the rest of the providers in the comparison of corporate costs to operating revenue. The analysis above shows that providers with net assets between \$12.5m to \$80m (which correspond to mostly *Medium*-sized providers) have the lowest corporate administration costs.

The upper range of the *Smaller* sized organisations also performed well and they fell primarily within the net asset group of between \$12.5m to \$25m. These organisations have the lowest costs, benefiting as they do from economies of scale while yet keeping a tight rein on their operations. Interestingly the *smaller* sized organisations below \$12.5m Net assets threshold tend to have the highest corporate administration costs as % of operating revenue, and hence do not achieve the same level of economies of scale as the organisations with a greater level of net assets.

It appears that once an organisation's net assets exceed \$80m its efficiency decreases, and administration costs start to rise at a rate that exceeds operating revenue: this can be seen in the (expected) FY19 result: the class of provider with \$80m-\$170m net assets reports a rate 4.00% higher than the class below.

### Activity Measure

Providers were grouped into five cohorts based on their FY19 activity measure. Activity measure is defined as the number of residential operational places plus the number of occupied ILUs plus number of home care clients.

Table 11: Analysis by FY19 Activity Measure

Class	Count	Total Admin Costs/ operating revenue		Staff Admin Costs/ operating revenue	
		FY19 Budget	FY18 Actual	FY19 Budget	FY18 Actual
Less than 170	16	18.08%	16.25%	8.83%	8.18%
Between 170 and 300	12	17.81%	18.30%	9.90%	10.27%
Between 300 and 1000	15	16.13%	17.56%	8.47%	8.91%
Between 1000 and 2250	10	16.88%	16.94%	9.66%	10.19%
Greater than 2250	12	16.87%	16.60%	9.82%	9.86%
<b>Survey Total</b>	<b>65</b>	<b>16.82%</b>	<b>16.87%</b>	<b>9.54%</b>	<b>9.74%</b>

### Key Findings

Organisations with activity measures between 170 and 300 struggle to achieve the same level of corporate operational costs as the other activity groups and have on average the highest administration staff costs as a percentage of Operating revenue. However, as the activity measure reaches the 300 to 1000 range, there is a reduction in total corporate administration expense as percentage of operating revenue by 2%. After this, the administration costs as a percentage of Operating revenue start to increase.

## Operational Revenue per Activity Measure per day

Operational revenue includes residential aged care revenue, home care revenue, other community care revenue, retirement living revenue and other business unit revenue. The Activity Measure is defined as the number of residential operational places plus the number of ILUs plus the number of home care clients as at June 2019. The providers were grouped by operational revenue per client per day as follows:

Table 12: Analysis by FY19 Activity Measure per day

Class	Count	Total Admin Costs/ operating revenue		Staff Admin Costs/ operating revenue	
		FY19 Budget	FY18 Actual	FY19 Budget	FY18 Actual
\$0-\$145	12	15.41%	15.61%	8.67%	8.17%
\$145-\$165	10	20.07%	20.43%	10.98%	11.28%
\$165-\$185	14	15.57%	16.04%	8.61%	8.98%
\$185-\$235	14	15.96%	15.10%	10.06%	9.94%
\$235+	15	16.49%	16.90%	8.66%	9.41%
<b>Survey Total</b>	<b>65</b>	<b>16.82%</b>	<b>16.87%</b>	<b>9.54%</b>	<b>9.74%</b>

### Key Findings

Revenue of \$145-\$165 per client per day, seems to have a much higher percentage of corporate administration costs than the other categories. The remaining groups have very similar results with a general increase from low to high as the activity measure per day increases.

## Revenue Type

The number and type of operational revenue was looked at in relation to corporate administration costs. The five revenue streams are:

- Residential aged care
- Home care
- Other community care
- Retirement living revenue
- Other business unit revenue

Table 13: Analysis by Revenue Type

Class	Count	Total Admin Costs/ operating revenue		Staff Admin Costs/ operating revenue	
		FY19 Budget	FY18 Actual	FY19 Budget	FY18 Actual
Residential	13	14.08%	13.58%	7.50%	7.14%
Residential, HCP, Community	8	22.04%	24.11%	11.00%	11.37%
Residential, ILU	10	13.47%	14.89%	8.26%	8.47%
Residential, HCP, Community, ILU	19	17.11%	17.54%	9.67%	9.53%
Residential, HCP, Community, ILU, Other	15	16.67%	16.20%	9.58%	10.01%
<b>Survey Total</b>	<b>65</b>	<b>16.82%</b>	<b>16.87%</b>	<b>9.54%</b>	<b>9.74%</b>

#### Key Findings

Providers with home care and community operations have higher corporate staff administration costs than those with no home care and community operations. Residential and ILU-only providers have the lowest corporate administration costs as a percentage of operating revenue (13.47%). Those providers with residential, home care and community care, with no other business units, have the highest corporate administration costs (23.43%).

#### Rent vs Own

Providers were separated into two groups, renters and owners, based on their P&L and assessed whether there was any difference in total corporate administration expenses on average.

Table 14: Analysis by Rent/Own of corporate facility

Class	Count	Total Admin Costs/ operating revenue		Staff Admin Costs/ operating revenue	
		FY19 Budget	FY18 Actual	FY19 Budget	FY18 Actual
Pay rent	34	17.04%	17.22%	9.76%	10.03%
Don't pay rent (Own)	31	15.66%	15.10%	8.46%	8.29%
<b>Survey Total</b>	<b>65</b>	<b>16.82%</b>	<b>16.87%</b>	<b>9.54%</b>	<b>9.74%</b>

#### Key Findings

It appears that providers who do not pay rent have slightly lower corporate administration costs than those who do. This may be due to the cost of depreciation and amortisation not being as high as rent expenses. The difference between total administration costs as a percentage of operating revenue, however, is diminishing: there is only a difference of 1.38% compared to the previous year's difference of 2.12%.



## ICT and Computer Expenditure

Providers were allocated into one of three groups (low, medium or high) based on their ICT expenditure (P&L expenses plus hardware and software capital expenditure) as a percentage of operating revenue.

- Low includes providers with ICT & computer expenditure less than 0.7% of operating revenue
- Medium includes providers with expenditure that is more than 0.7% of operating revenue but less than 2.0%
- High includes providers with expenditure that exceeds 2.0% of operating revenue

*Table 15: Analysis by ICT Expenditure*

Class	Count	Total Admin Costs/ operating revenue		Staff Admin Costs/ operating revenue	
		FY19 Budget	FY18 Actual	FY19 Budget	FY18 Actual
Low	23	12.82%	12.89%	7.38%	7.51%
Medium	23	16.93%	17.14%	9.15%	9.47%
High	19	17.55%	17.48%	10.27%	10.39%
<b>Survey Total</b>	<b>65</b>	<b>16.82%</b>	<b>16.87%</b>	<b>9.54%</b>	<b>9.74%</b>

### *Key Findings*

Providers with low ICT expenditure have low corporate administration costs at 12.82%, compared to those with high ICT expenditure 17.55%. Generally, one would expect that the higher the investment in ICT the lower the Staff Administration costs, but from assessing this grouping analysis it would appear otherwise, with the high investors still recording a higher staff administration percentage. The trends are possibly obscured somewhat by the ICT investment required for home care operations. In the Low category only 48% of organisations have home care operations, compared to 78% in the Medium and 89% in the High.

Some of these results are likely to be affected by the high implementation costs associated with the investment in ICT. Many providers are currently making those investments and are likely to see spikes in ICT expenditure as these systems are implemented with a longer-term view to savings through efficiencies or the ability to drive increases in revenue using the new capacity provided by the investment in ICT.

There is also likely to be a relationship between the size of the provider and the ICT expenditure with larger providers requiring more investment in ICT. This means there could be other reasons for the higher staff administration costs.

## 8. Allocation of Corporate Costs

The Survey did not ask organisations to provide their corporate allocation methodology, only the allocation of corporate administration costs to business units at a high level. The average allocation split shows that 47.3% of FY19 costs are allocated to the Residential segment. This is an increase compared to FY17 result of 42.8% and reflects the composition of organisations in the Survey - there are more residential only organisations and less Residential & ILU in the 2019 Survey compared to the 2017 survey.

The remaining corporate / strategic figure percentage is the second highest at 20.5%; this however is a drop from the previous Survey of 29.2%. It appears that organisations are trimming their corporate costs and spreading these costs across other functions.

Figure 7: Allocation of business unit revenue as a percentage of operating revenue and business unit corporate administration expenses as percentage of total corporate administration expenses by business unit for FY19

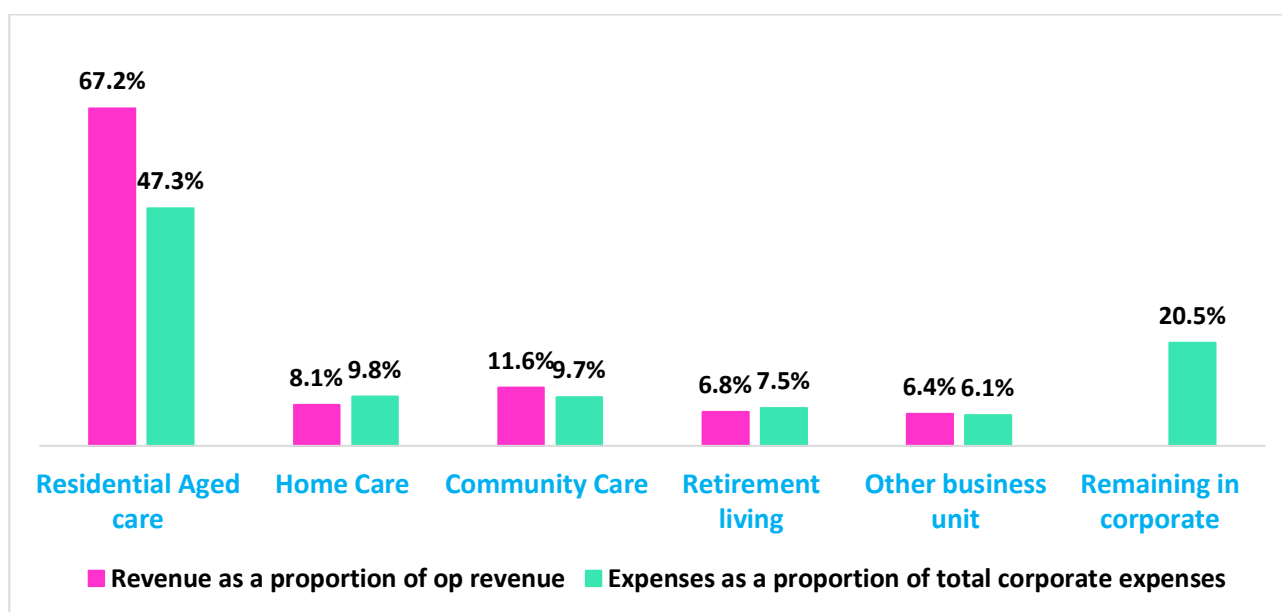
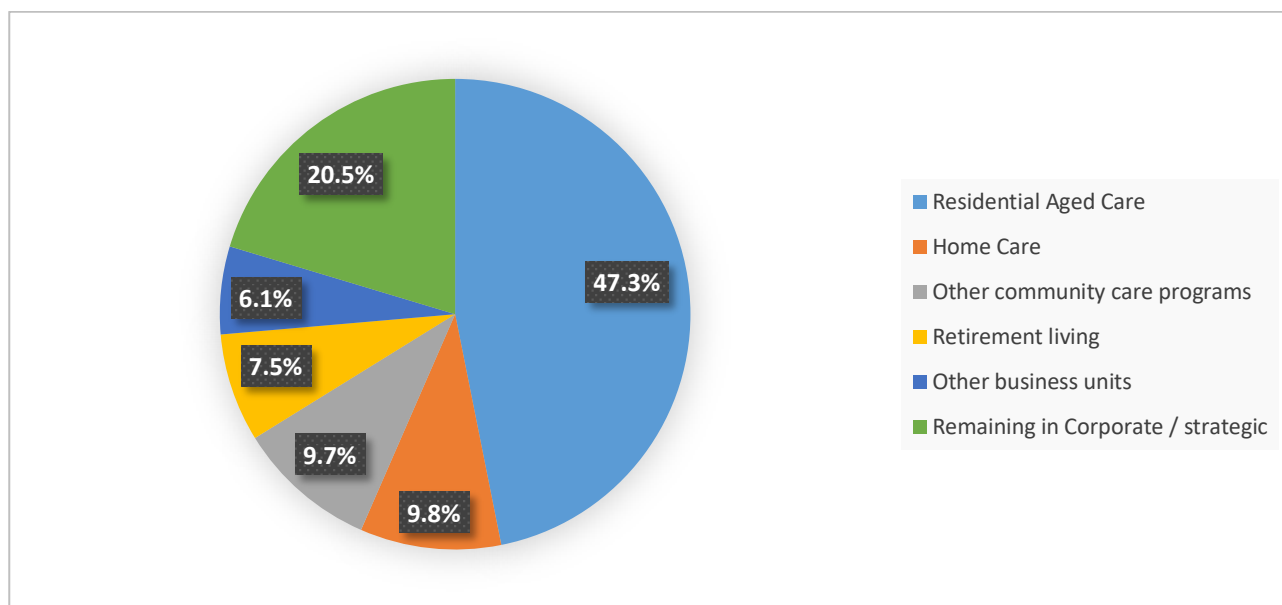


Figure 8: FY19 breakdown of Corporate Administration costs to operating unit



## 9. Systems

With productivity becoming a huge focus for organisations, the 2019 Survey requested additional data on the software applications being utilised by our participants across a variety of key functions. The purpose was to shed some light on the most popular systems per key area and to discover.

In this analysis we have categorised aged care homes into organisation size, but bundled the *Small* and *Small with no HCP* together.

### Payroll

*Table 16: The top 10 payroll systems used by organisations*

System	Large	Medium	Small	Total
Inerva		4	5	9
Chris21	6	2		8
Preceda	2	4		6
AIM		2	3	5
Sage Micropay	2		2	4
Care Systems		1	3	4
MYOB			4	4
CIM	1		3	4
Aurion	2		1	3
TechnologyOne	3			3

In terms of Payroll systems, the table above shows that Inerva is the most used by the participants. When broken down however by organisation size, only *Small* and *Medium* sized providers are using this system and the larger providers are tending to use *Chris21* or *TechnologyOne* for their payroll systems.

There is no clear standout system across the board for all the aged care homes; the larger organisations have a bigger budget and are likely to be purchasing a more expensive system which is tailored for them and provides the capacity for large numbers of employees working across a variety of business streams and possibly more than one EA, whereas the smaller organisations are using more “out-of-the-box” software - likely cheaper, but still adequate for their needs.

### Rostering

From assessing the data provided, it can be said that many organisations have different roosting systems for Residential Care and Home Care. The table below shows the roosting systems used for residential care.

*Table 17: Residential: The top 10 roosting systems used*

System	Large	Medium	Small	Total
TimeTarget	2	3	5	10
Kronos	7			7
Inerva		4	2	6
Emplive	1	3	2	6
Cim	1	3	1	5
Roster-On	3		1	4
Care Systems		3		3
AIM		3		3
Excel		2		2
Riteq		1	1	2

Clearly *TimeTarget* is the most popular across the board, what is interesting this time is that although mostly Small organisations are using it, there are medium and large ones that also have it as their main system for rostering, therefore it is clearly effective and scalable for larger organisations whilst being affordable for the smaller organisations to benefit from using it.

*Kronos* on the other hand is the second most popular in total, however it is only the Large organisations using it as their main rostering system. For many of these larger organisations, *Kronos* is used in conjunction with the Chris21 payroll system.

## Community and Home Care analysis

*Table 18: Community & Home Care: The top 9 rostering systems used*

System	Large	Medium	Small	Total
iCare	2	1	1	4
TimeTarget	1	1	1	3
Procura	2	1		3
ComCare	2	1		3
Emplive	1	1	1	3
Kronos	3			3
Carelink	2			2
HomeCare Manager		1	1	2
CIM	2			2

The most popular system for Community and Home Care rostering is *iCare*. When comparing to the Residential findings, *TimeTarget* and *Kronos* are still used in Home Care however it is assumed that *iCare*, *Procura* and *ComCare* some key functionality that is Home Care specific, hence the need to run off multiple systems.

## Home Care

*Table 19: Home Care - the top 6 time recording systems used*

System	Large	Medium	Small	Total
Procura	3	1		4
iCare	2		1	3
Kronos	3			3
CIM	1		1	2
ComCare	2			2
Inerva		1	1	2

For recording time for Home Care services, *Procura* seems to be the leader, followed by *iCare*. Again, neither of these software systems is used for Residential time recording, therefore they must offer some Home Care specific benefits that are not usable for Residential care time recording.

## Purchasing and Procurement

Table 20: Top 8 purchasing systems used

System	Large	Medium	Small	Total
Epicor	2	2	3	7
MYOB			5	5
Inerva		2	3	5
CIM	2		3	5
Care Systems		2	2	4
TechnologyOne	3			3
Microsoft Dynamics	2			2
AIM			2	2

For Purchasing and Procurement, *Epicor* is the most popular system and is represented across all sizes of organisations. *MYOB* is popular among the small providers, but clearly it is not suitable for those medium and large organisations. *TechnologyOne* and *Microsoft Dynamics* are used for Large organisations but not for Medium or Small providers.

## Billing

Table 21: Top 10 Billing systems used

System	Large	Medium	Small	Total
Epicor	5	4	4	13
CIM	3	1	3	7
Inerva		1	4	5
Care Systems		2	2	4
AIM		2	2	4
MYOB			3	3
KCS	1	1		2
LeeCare		1	1	2
PeoplePoint	2			2
IBA	2			2

*Epicor* is the most widespread billing system, regardless of the size of the organisation. This would indicate that it can be suitable for the smaller organisations whilst still being scalable for the larger organisations. *CIM* is also present across all the system types we have compared, but it seems to be particularly prominent with respect to billing with 7 of the organisations using it for that purpose. *Inerva*, *Care Systems* and *AIM* appear to suit the medium to smaller organisations. *PeoplePoint* and *IBA* on the other hand are more aligned to Large organisations.

In relation to Home Care, *Procura* is also used by 2 providers for billing purposes.

## Fixed Asset, Property and Maintenance Management Systems

Table 22: Top 10 systems used

System	Large	Medium	Small	Total
Epicor	1	3	4	8
CIM	2	1	3	6
Inerva		2	3	5
Care Systems		2	2	4
AIM		1	3	4
Mex	1	2		3
TechnologyOne	3			3
MYOB	1		2	3
Sage	1		1	2
Microsoft Dynamics	2			2

*Epicor* again is the most widespread system with respect to Asset Management although it is closely followed by the other integrated finance systems such as *CIM* and *Inerva*. *TechnologyOne* is the most popular with the larger organisations. Some of the larger organisations also use some specialist asset and property management/maintenance systems such *Beims*.

## Clinical Systems

Table 23: Top 5 clinical systems used

System	Large	Medium	Small	Total
iCare	11	8	9	28
LeeCare	3	3	7	13
Autumn Care	2	1		3
eCase	1		1	2
Manad			2	2

The most popular choice for clinical systems, regardless of the organisation size is *iCare*, with almost half the participants using this as their main system. There is then an obvious second choice in *LeeCare*. *LeeCare* appears less popular with the large and medium providers who seem to sway more towards *iCare*. There was no dominant system being used in relation to Home and Community care. *iCare* and *LeeCare* were popular in that space for clinical notes. Other systems being used included *Procura*, *TCM Home Care Manager* and *e-Tools* - mainly for the smaller providers.

## 10. Royal Commission

The 2019 Survey asked providers the following question:

“What is the estimated cost at a Corporate Administration level of preparing information for and making submissions to the Royal Commission including additional internal resources and external consultants and legal or other professionals? Estimate should be based on actual costs year to date and forecast of any additional expected costs for the remainder of FY19.”

An estimate was provided by 42 organisations. An additional two organisations responded with “unknown or not sure”. For the 42 organisations that provided data, the average cost was \$127,214. This is equivalent to 0.19% of operating revenue. The breakdown by organisation size is shown in the following table. The dollar value increases with organisation size, as expected. As a percentage of operating revenue, however, the cost is higher for *Small* organisations.

*Table 24: Royal Commission costs by organisation size*

	Average Royal Commission costs (\$)	Average Royal Commission costs (as a %of Operating Revenue)
Small + no HCP	\$14,769	0.12%
Small	\$88,483	0.59%
Medium	\$139,502	0.20%
Large	\$310,826	0.16%
<b>Average</b>	<b>\$127,214</b>	<b>0.19%</b>

## 11. Employee Productivity

This Survey requested additional data relating to employee productivity by function. The additional data related to the number of FTEs in Accounts Payable, Revenue, and Payroll Officer positions. Other relative information was requested, including the number of invoices processed per month, total number of employees (payroll activity) and the number of clients (billing activity). For those organisations with Home care and CHSP operations, data were requested relating to the number of Care Managers and Rostering/Scheduling FTEs as well as the number of clients serviced in March 2019.

### Accounts Payable, Revenue and Payroll Functions

Of the total 65 organisations that participated in the Survey, there were 55 organisations that provided data for this section. Notably, only one organisation outsources payroll; the rest carry out these functions in-house.

*Table 25: Average FTEs per Organisation Size*

	Small + no HCP	Small	Medium	Large	Average
<i>No. that provided data</i>	16	13	12	14	<b>55</b>
Average no. of Accounts Payable FTEs (March 2019)	0.9	1.1	1.8	5.5	<b>2.3</b>
Average no. of Revenue Officers FTEs (March 2019)	1.0	1.8	2.6	6.9	<b>3.0</b>
Average no. of Payroll Officers (including Payroll Manager)	0.8	1.1	2.0	5.4	<b>2.3</b>

The average number of FTEs across all three positions increases with the size of the organisations (as expected). There is a slightly higher number of Revenue Officers compared to Accounts Payable and Payroll Officers.

- Small organisations have on average 1 FTE to perform each the following three functions
  - Accounts Payable
  - Revenue
  - Payroll functions
- Small organisations with home care require an additional 0.8 of a Revenue Officer FTE compared to small organisations without home care, hence highlighting the additional back-office workloads required in running a home care programme
- As expected, the number of FTE increases per function as the organisation goes from medium to large by around 3.5 FTES on average



Table 26: Productivity KPIs per Organisation Size

KPI	Small + no HCP	Small	Medium	Large	Average
Accounts Payable FTE per 1000 invoices processed per month	2.5	3.0	0.9	0.8	1.0
Revenue Officer FTE per 1000 clients/residents billed each month	6.4	5.7	1.2	0.9	1.2
Payroll Officer FTE per 1000 total organisation headcount	5.3	4.7	2.4	1.9	2.3
Invoices processed per month per Accounts Payable FTE	394	330	1,108	1,237	1,019
Clients/residents billed each month per Revenue Officer FTE	155	176	811	1,133	848
Organisation headcounts per Payroll Officer FTE	188	215	416	519	431

Table 26 shows a consistent trend when comparing the size of the organisations to each KPI: i.e., that employee efficiency and productivity increases as the size of the organisation increases. There are several factors which this can be attributed to, however the most significant of these is simply down to the fact that the larger organisations' staff are more likely to be working at maximum capacity, as they are receiving a larger influx of clients and invoices to process. *Small* organisations still must attract suitably qualified personal to perform the accounts payable, payroll and revenue functions and it appears from the FTE analysis and the productivity analysis that a full-time position offering is required to attract staff to fulfil these positions. The following figures further illustrate this view.

Analysis of Table 25 and Figure 9 show that when assessing the average number of Accounts Payable staff, the number employed by *Small* organisations is between 0.8 and 1.1 FTEs and *Medium* organisations is 1.8 FTEs. However, the average invoices processed per Accounts Payable FTE jumps from 330-394 for *Small* organisations to 1,108 invoices for *Medium* organisations. Accounts Payable FTE efficiency improves as the organisation size increases with *Large* organisation Accounts Payable staff processing 1,237 invoices per FTE.

Figure 9: FY19 Accounts Payable FTE Productivity

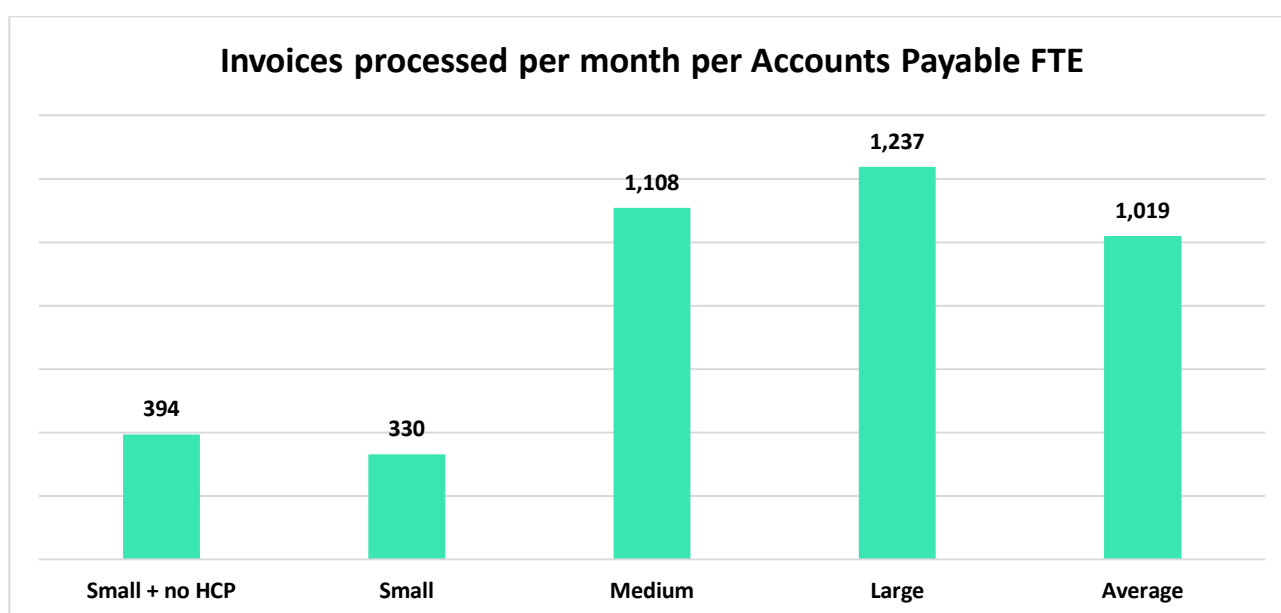


Figure 10 measures the Payroll Officer productivity by measuring the average head count processed per payroll cycle per payroll FTE. *Small* organisations generally get by with between 0.8 and 1.1 Payroll officer FTE's and have and process a headcount averaging between 330 to 394. Payroll Officer FTE productivity increases significantly for *Medium* and *Large* organisations with one payroll officer processing three to four times the volume of a payroll officer in a smaller organisation. This may indicate that smaller organisations are having to offer a full-time payroll position to attract a suitable candidate and are unable to achieve economies of scale.

Figure 10: Payroll Officer FTE Productivity

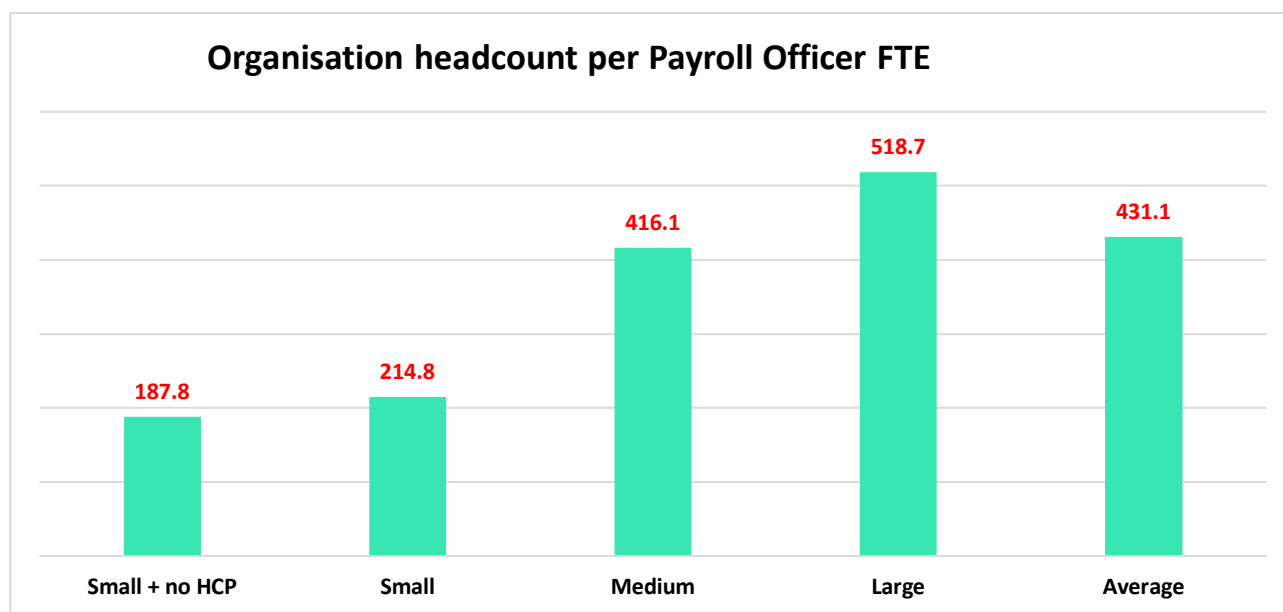
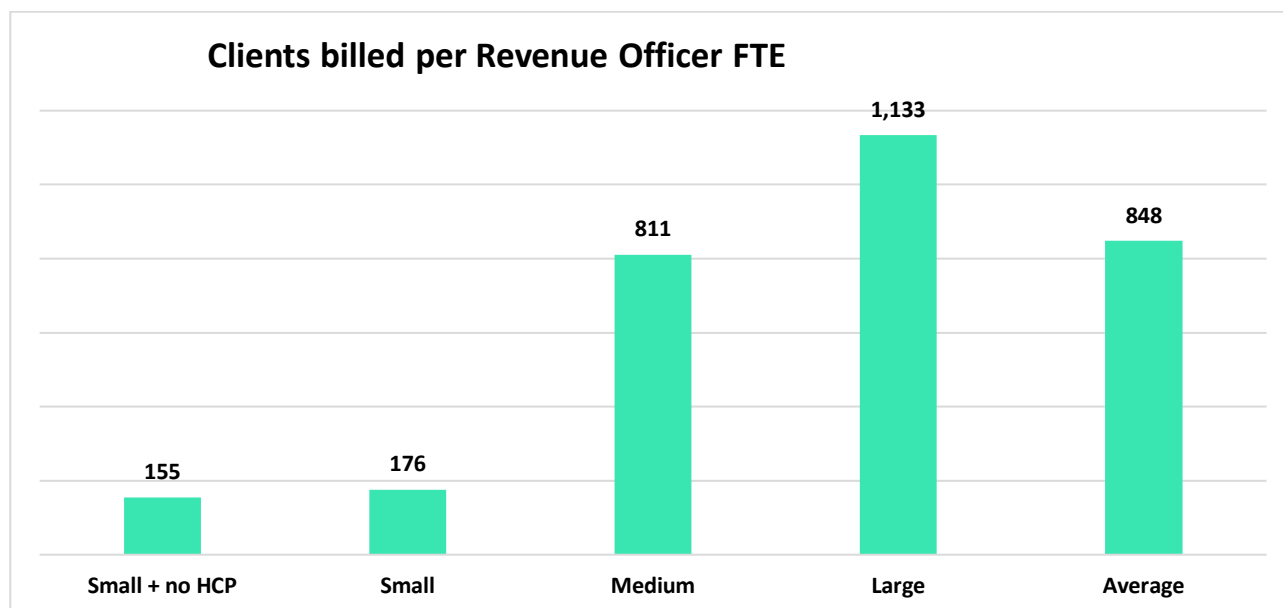


Figure 11 compares the Revenue Officer productivity by measuring the number of clients/residents billed per month per Revenue Officer FTE. *Small* organisations average 155 to 176 clients/residents billed per month per Revenue Officer FTE. Economies of scale is clearly evident with *Medium* and *Large* organisations averaging 811 clients/residents and 1,133 clients/residents billed per month per Revenue Officer FTE.

Figure 11: Revenue Officer FTE Productivity



## Home Care and CHSP

There were 39 organisations that provided data, this is 85% of the total number of organisations that operate Home Care and CHSP business units.

Table 27: Analysis of organisations that operate Home Care and CHSP business units

	Small	Medium	Large	Average
No. that provided data	13	11	15	39
Average no. of Case Managers FTEs (March 2019)	1.4	8.9	30.0	14.5
Average no. of Scheduling/Rostering function FTE's (March 2019)	0.8	5.2	13.5	6.9
Average no. of clients serviced during March 2019	83	569	2,307	1,075
<b>Average no. of clients per</b>				
Case Manager FTE	61.2	64.2	76.9	74.2
Scheduling/ rostering FTE	99.1	110.2	171.2	155.5

The general trend observed is an increase in average number of FTEs and clients serviced as organisation size increases. A Case Manager will be responsible for 61.2 to 76.9 clients depending on the size of the organisation. In Scheduling/Rostering the average number of clients per FTE ranges from 99.1 to 171.2. *Note that these caseloads included both HCP and CHSP clients.*

One note of caution is that the role of Case Manager (alternatively called Care Manager, Care Adviser or other derivatives) does vary across organisations and as a result the case load will vary. Similarly, some organisations have Case Managers that have a case load with a mix of HCP and CHSP clients.

## 12. Contact Details

For further analysis of the information contained in the report, please contact our specialist analyst team at StewartBrown.

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