

# *Aged Care Financial Performance Survey*

## **Sector Report** *(Nine months ended March 2019)*



This Sector Report is for the period ending March 2019 of the largest benchmark survey of Australia's aged care sector – the StewartBrown *Aged Care Financial Performance Survey*. This quarterly survey takes in financial and supporting data from over **1,011** residential care homes, and over **26,386** home care packages (498 home care programs) nationally. The survey offers insights into the trends and drivers of financial performance at the sector level and at the individual residential and home care levels.

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# 1. HIGHLIGHTS FROM THE MARCH 2019 SURVEY

## Residential Aged Care



**\$1.65**

EBT per bed day for Survey Average  
(Mar-18: \$3.93)



**\$29.78**

EBT per bed day for First 25%  
(Mar-18: \$33.44)



**\$6,873**

EBITDAR per bed per annum for Survey Average  
(Mar-18: \$7,271)



**\$16,507**

EBITDAR per bed per annum for First 25%  
(Mar-18: \$17,580)



**19.8%**

Proportion of facilities with negative EBITDAR  
(Mar-18: 19.5%)



**45.1%**

Proportion of facilities with negative EBT  
(Mar-18: 43.1%)

## Home Care



**\$3.48**

EBT per client day for Survey Average  
(Mar-18: \$4.39)



**\$18.02**

EBT per client day for First 25%  
(Mar-18: \$21.15)



**\$1,419**

EBITDA per client per annum for Survey Average  
(Mar-18: \$1,751)



**\$6,690**

EBITDA per client per annum for First 25%  
(Mar-18: \$7,928)



**\$6,788**

Survey Average for unspent funds  
(Mar-18: \$5,862)



**88.5%**

Survey Average revenue utilisation  
(Mar-18: 85.5%)



**9.7%**

Case management costs as % of income  
(Mar-18: 10.1%)



**24.1%**

Administration costs as % of income  
(Mar-18: 24.5%)

## Survey Analytics

Respondents to the *Aged Care Financial Performance Survey* (Survey) include some of the largest providers nationally, independent stand-alone providers, faith-based and community providers, culturally specific providers, as well as government bodies including the Department of Health (DOH) and Aged Care Financing Authority (ACFA), aged services sector peak bodies and other service providers to the sector.

The Survey takes in residential care and home care packages. This Sector Report includes StewartBrown's analysis of the operating income and expenses of participants. The Survey included the responses of:-

- ◆ 183 approved provider organisations
- ◆ 952 residential facilities (*59 additional facilities were excluded due to their operational circumstances*)
- ◆ 26,180 home care packages (*546 programs of which 48 were excluded*)

In respect of residential care, participants to the Survey represent approximately 40% of facilities within Australia. The profile of the residential care participants, based on the geographical spread, is:-

*Table 1: Residential Care Survey Metrics*

Number of Residential Facilities / ABS Remoteness	Major City	Inner Regional	Outer Regional, Remote & Very Remote	Total
<i>StewartBrown Residential Care Survey</i>				
Aged Care Homes (Facilities) included	619	237	96	952
Aged Care Homes (Facilities) excluded	38	13	8	59
<b>Total Survey facilities</b>	<b>657</b>	<b>250</b>	<b>104</b>	<b>1,011</b>
<i>GEN Aged Care Data Service Listing (30 June 2018)</i>				
Total (A)	1,680	647	368	2,695
State/local government	34	114	92	240
<b>Service Listing less state/local government (B)</b>	<b>1,646</b>	<b>533</b>	<b>276</b>	<b>2,455</b>
Coverage - % of (A)	39.1%	38.6%	28.3%	37.5%
Coverage - % of (B)	39.9%	46.9%	37.7%	41.2%

*Please note - to be consistent with the Department of Health's preferred terminology, we are transitioning from the term "residential facilities" to "residential aged care homes" for the 2019/20 Survey year. In the interim we will use both terms where appropriate.*

## StewartBrown Aged Care Reports

StewartBrown issues various detailed financial reports and analysis involving the aged care sector, including the following:-

- Residential and Home Care Sector Participants Reports (quarterly)
- Aged Care Sector Report (quarterly)
- Provider Organisation Report (bi-annual)
- Listed Provider Analysis Report (bi-annual)
- Corporate Administration Report (every second year)
- Managing Prudential Risk in Residential Aged Care (submission to DOH)

For copies of these reports, please go to <http://www.stewartbrown.com.au/>

## 2. EXECUTIVE SUMMARY

### Abstract

This Sector Report gives an overview of the financial performance of the aged care sector in Australia. It is based on the results of the StewartBrown *Aged Care Financial Performance Survey* (“the Survey”) for the nine months to 31 March 2019.

In addition to this report, every participant in the Survey also receives supplementary reports on their respective Residential and Home Care results: these contain finer granularity of analysis from a benchmarking viewpoint. Individual participant organisations also receive specific comparative data relevant to their location, size and the specific aged care homes within their organisation. They also have access to StewartBrown’s interactive analysis website.

The trend analyses contained in this Sector Report are a subset of the data received from participants. It needs to be noted that the primary purpose of the Survey is for participant organisations to obtain a granular comparison for each residential aged care home or home care program for their internal analysis using a range of Key Performance Indicators. StewartBrown advocates that the most effective uses of the benchmark comparisons are target setting into the future, forecasting and strategic decision-making.

What the March Survey highlights is this: the financial performance of the aged care sector continues to experience significant challenges due to the systemic decline in profitability in both the residential care and home care segments.

The Royal Commission into Aged Care Quality and Safety has already identified a number of issues that require resolution, including appropriate staffing hours, experience and conditions which would have a direct link to quality of care. The staffing hours as included in this Survey and all previous Surveys are not in any way reflective of what hours may be required from a clinical or care perspective. The hours are exactly as reported by providers, and we can confirm that there is not a material statistical variance between providers in this respect.

We now also repeat comments made previously by our firm in submissions to various government and legislative bodies - being, that through our extensive involvement within the sector at a number of levels, we are not aware of any provider that has irresponsibly placed financial performance (profit) before resident/client care. Clearly there are clinical and quality issues which have resulted in sanctions, or in not meeting all accreditation standards, and, accordingly, there must always be a continued focus on quality and standard of care.

*StewartBrown, through this Survey and other related publications or presentations is not an advocate for any stakeholder in the sector and we have professional relationships with the Department, Aged Care Financing Authority, peak bodies, provider organisations, aged care staff and aged care residents and clients.*

*Our primary agenda is that all financial policy and related public commentary should be factually based and objective.*

The March Survey shows little of the effect of the \$320 million one-off funding boost that is being received by residential care providers in the period 20 March 2019 to 30 June 2019. The June Survey will include the impact of this 9.5% additional funding. We will separately identify the financial effect to keep the overall trend analysis consistent.

## Mar-19 Survey Results Summary

The results show that the financial performance of the residential care and home care package segments has again deteriorated year on year. The deterioration began in the 2017 financial year. If such a deterioration continues, it will render some residential care homes more financially vulnerable. This in turn could affect the sustainability of their provider organisations.

Following is a summary of the key financial performance results and indicators by segment from participants in the Mar-19 *Aged Care Financial Performance Survey*. Comparisons are generally year-on-year (from Mar-18) with some analysis against the FY18 results.

### Residential Care

- Average ACFI and supplements per bed day (pbd) for Survey participants has risen by 3.4% to \$178.37 pbd (Mar-18 \$172.54 pbd)
- Occupancy levels for Survey participants marginally increased (94.96% average occupancy)
- Total care hours per resident per day rose by 0.03 hours to 3.14 hours (Mar-18 3.11 hours)
- Direct care costs increased by 4.8% (\$146.24 pbd)
- Costs for providing everyday living services exceeded contribution revenue by \$7.73 pbd
- Average Earnings Before Tax (EBT) for residential facilities fell by \$775 per bed per annum (pbpa) to \$573 pbpa (Mar-18 \$1,348 pbpa)
- Average Earnings Before Interest, Tax, Depreciation, Amortisation and Rent (EBITDAR) for residential aged care homes fell by \$398 pbpa to \$6,873 pbpa (Mar-18 \$7,271 pbpa)
- 45.06% of residential facilities recorded a negative Operating Result (EBT) (43.14% for Mar-18)
- 19.75% of residential facilities recorded a negative EBITDAR (19.54% for Mar-18) (*representing a cash loss*)
- 67% of outer regional, rural and remote facilities recorded an EBT loss (*43% recorded a cash loss*)

### Home Care Packages

- Revenue per client day (pcd) average for Survey participants rose by 3.5% (being \$2.54 pcd)
- Operating Result (EBT) surplus Average per client day for Survey participants fell by \$0.90 pcd to \$3.48 pcd (Mar-18 \$4.39 pcd)
- Direct service costs rose by \$3.20 pcd (61.02% of total revenue)
- Revenue utilisation (average unspent funds) has improved marginally to 88.52%
- Unspent funds average per client has risen by \$926 per client (to average \$6,788 per client)
- Staff hours per client per week fell by 0.26 hours (average 6.59 hours per week)
- 47% of clients transitioned to residential care (44% at Mar-18)
- 10% of clients transferred to another provider (8% at Mar-18) - the majority being due to change of place of residence

## Commentary

The Mar-19 financial results for the sector again highlight that the current funding model remains under significant strain. The underlying year-on-year results for both residential care and home care indicate a declining financial performance, as does the comparison with the FY18 annual results.

Residential Care average ACFI and supplements subsidy revenue has risen by \$5.83 pbd to \$178.37 pbd since Mar-18 mainly as a result of the average COPE increase of 1.17% since July 2018. In real terms the last few years have been an overall plateau in ACFI funding (and resident acuity).



We have noted in previous reports the resultant financial effect: when a resident exits an aged care home, it is likely that the resident coming in to replace him or her is one with lower assessed needs, and accordingly a lower daily ACFI subsidy - often by as much as \$20 or \$30 per day. The cost structure of residential aged care homes is largely fixed by its nature, so it is difficult to defray the subsidy reduction by a compensating reduction in costs. Profitability is immediately affected.

Regulatory changes and funding pressures have resulted in the disturbing statistic that over 45% of residential aged care homes reported an Earnings Before Tax (EBT) operating deficit for the nine months to Mar-18, with 20% of facilities having a negative EBITDA (indicating a cash loss from operations). While all geographic locations reported a decline in results, the outer regional, rural and remote locations have significant financial concerns.

Direct care staffing hours per resident per day increased marginally from 3.11 hours (Mar-18) to 3.14 hours. Direct Care staff costs have risen by \$6.69 per bed day since Mar-18. This increase alone is in excess of the average rise of ACFI subsidy revenue of \$5.83 per bed day. In simple terms, residential aged care revenue is not keeping pace with the rising costs.

Earnings Before Tax (EBT) for the nine months to March 2019 for residential care averaged \$573 per bed per annum - or, in terms of per bed per week, an unsustainable \$11.02. This is not enough to generate future growth or to support asset replacement and renewal.

Occupancy levels in residential aged care homes rose marginally, to 94.9% average occupancy. Despite this, it remains a concern that closures of aged care homes because of financial stress will increase the numbers of the vulnerable aged that require high-care accommodation and need placement in the remaining aged care homes.

The financial viability of outer regional, rural and remote aged care providers is reaching a pivotal point. Over 67% of residential facilities in these geographic locations are operating at a loss, with more than 43% now operating at a cash deficiency. The financial implications for these regional facilities of mandating additional staffing costs need to be seriously considered unless additional funding is received.

In-home care had also experienced a continuing financial performance decline in the current financial year: the nine months to Mar-19 show a \$0.91 decrease in the result from Mar-18 to \$3.48 per client per day.

The biggest single issue in relation to Home Care Packages in our opinion is the level of Unspent Funds. This level has kept rising each quarter, and now averages \$6,788 per client (care recipient). In aggregate, this represents close to \$600 million of funding residing in the bank accounts (as a liability) of approved providers.

We view with concern the prospect of continued growth in Unspent Funds, and many probable instances of their use for capital-related expenditure for care recipients (probably for a short-term benefit in many instances). A more effective utilisation of Unspent Funds would be the funding of more home care packages. This would help to cut the time that newly-approved care recipients spend on the wait list.

In conclusion: the overall funding arrangements for aged care require considerable adjustment. Residential aged care is under-funded, both from a government and consumer perspective. Consumers should be provided with more education and related data to understand the real costs of providing aged care services, including the cost of accommodation for residential aged care, and accordingly, the requirement that consumers co-contribute to the cost of care delivery where financially able to.

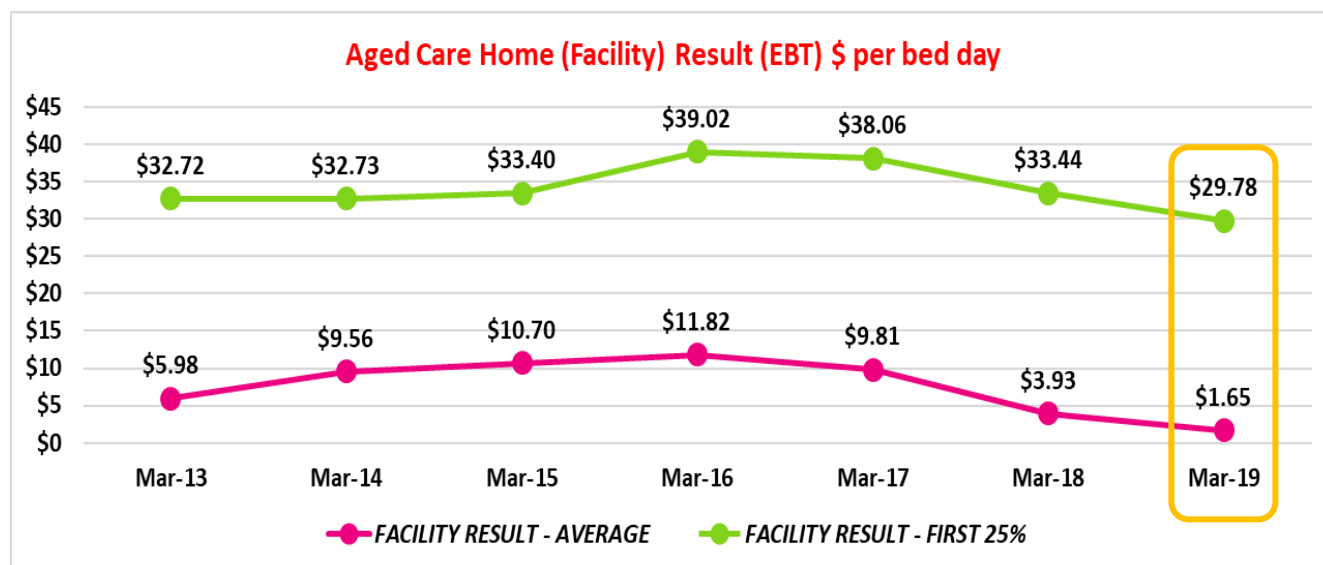
In-home care is in a slightly different situation: the overall funding package is not being fully utilised. We believe it may be preferable to broaden the funding so that it is available to more care recipients, rather than necessarily increasing the aggregate funding subsidy.

### 3. RESIDENTIAL CARE ANALYSIS

#### Aged Care Home (Facility) Result Trend

The residential care sector has experienced a further significant decline in Aged Care Home (Facility) Result (EBT) mainly due to care expenses increasing at a much higher rate (4.7%) than care revenue (3.4%). The Facility Result as shown below has decreased from \$3.93 per bed day (pbd) in the period to Mar-18 to \$1.65 pbd in the nine months to Mar-19.

Figure 1: Facility Result (EBT) for Survey Average (All) and Survey First 25%



#### Revenue

- Increase in ACFI and supplements revenue by \$5.83 pbd - in real terms there is a continuing stabilisation of acuity (care) levels. There has been a slight movement in the proportion of facilities from “low-care” bands to higher care bands - average ACFI subsidy per bed day increased from \$172.54 to \$178.37 partly as a result of the COPE (inflation) subsidy rate increases
- Increase in Every Day Living revenue by \$1.32 pbd mostly due to CPI increase in the Basic Daily Fee
- Increase in Accommodation revenue by \$1.04 pbd

#### Expenses

- Increase in total direct care costs of \$6.82 pbd and increase of roughly 2 minutes per resident per day in total care hours (total direct care hours - 3.14 per resident per day)
- Increase in hotel services \$1.07 pbd (2.6%)
- Increase in utilities of \$0.34 pbd (mostly due to increase in electricity \$0.32 pbd)
- Increase in administration of \$0.93 pbd mostly due to increase in compliance (new quality standards compliance and costs associated with Royal Commission)
- Increase in accommodation expenditure by \$1.08 pbd (5.8%)

#### Additional Trends

- Occupancy - slight increase from 94.06% to 94.96%
- Increase in supported resident ratio from 46.15% to 46.97%
- Increase in average Refundable Accommodation Deposit held and received during the year
- Increasing preference for DAPs over RADs - split is now 25.5% RAD, 54.4% DAP and 20.1% Combination



Table 2: Summary KPI Results for Mar-19 Survey (All Facilities)

	Mar-19 952 Facilities	Mar-18 911 Facilities		Difference
Facility Result (EBT) \$ per bed day	\$1.65	\$3.93	↓	(\$2.28)
Facility EBT \$ per bed per annum (pbpa)	\$573	\$1,348	↓	(\$775)
Facility EBITDAR \$pbpa	\$6,873	\$7,271	↓	(\$398)
Average Occupancy	94.96%	94.06%	↑	0.90%
Average ACFI and supplements per bed day	\$178.37	\$172.54	↑	\$5.83
Direct care hours per resident per day	3.14	3.11	↑	0.03
ACFI direct service costs as % of ACFI	81.98%	80.80%	↑	1.18%
Supported ratio	46.97%	46.15%	↑	0.82%
Average Bond/RAD held	\$319,452	\$292,669	↑	\$26,783
Average Full RAD taken during period	\$399,470	\$348,019	↑	\$51,451

## Survey First 25% by Financial Performance

Our analysis also includes reviewing each of the quartiles. We include the analysis of the *First 25%* as it allows an understanding of how these facilities perform. By way of clarification, the Survey *Average* includes all residential homes, and the Survey *First 25%* is the average of the first quartile based on the Care Result.

It is also important to note that the *First 25%* is at facility level (not organisation level) and most large providers have individual facilities in each of the quartiles, due to the differing circumstances, including geographic/demographic, of each facility.

We analyse the *First 25%* of aged care homes (remember: this is based on financial performance and not an indicator of quality of care) and find in most of them three characteristics:-

- ✓ **Stronger commercial management at facility level**
- ✓ **Newer builds or major refurbishments that have amended the building design to be more efficient in resident and staff movements**
- ✓ **Increased use of technology as an aide for delivering care**

Table 3: Summary KPI Results for Mar-19 Survey (First 25%)

	Mar-19 238 Facilities	Mar-18 228 Facilities		Difference
Facility Result (EBT) \$ per bed day	\$29.78	\$33.44	↓	(\$3.66)
Facility EBT \$ per bed per annum (pbpa)	\$10,477	\$11,764	↓	(\$1,287)
Facility EBITDAR \$pbpa	\$16,507	\$17,580	↓	(\$1,073)
Average Occupancy	96.40%	96.39%	↑	0.01%
Average ACFI and supplements per bed day	\$182.35	\$177.14	↑	\$5.21
Direct care hours per resident per day	2.86	2.85	↑	0.01
ACFI direct service costs as % of ACFI	70.88%	69.46%	↑	1.42%
Supported ratio	45.55%	44.33%	↑	1.22%
Average Bond/RAD held	\$330,865	\$318,789	↑	\$12,076
Average Full RAD taken during period	\$439,274	\$368,587	↑	\$70,687

Table 4: Summary Profit & Loss Results for Mar-19 and Mar-18 periods

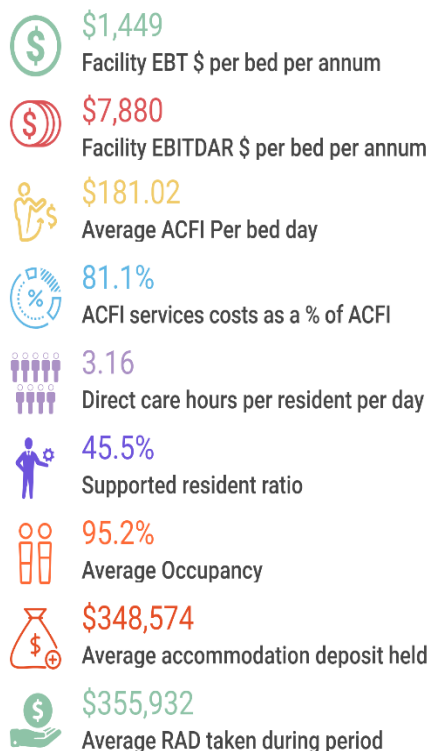
	Survey Average		Survey First 25%	
	Mar-19 952 Facilities	Mar-18 911 Facilities	Mar-19 238 Facilities	Mar-18 228 Facilities
<b>ACFI</b>				
Revenue	\$178.37	\$172.54	\$182.35	\$177.14
Expenditure				
Labour costs	138.05	131.80	122.55	116.37
Other direct costs	8.18	7.62	6.71	6.67
	\$146.24	\$139.42	\$129.26	\$123.04
<b>ACFI RESULT</b>	<b>\$32.14</b>	<b>\$33.12</b>	<b>\$53.09</b>	<b>\$54.10</b>
<b>EVERYDAY LIVING</b>				
Revenue	\$51.98	\$50.66	\$53.27	\$51.89
Expenditure				
Catering	29.56	28.59	28.45	27.96
Cleaning	8.19	8.16	7.61	7.04
Laundry	3.88	3.86	3.51	3.48
Overhead allocation (w/comp & education)	0.65	0.60	0.54	0.45
Utilities	7.10	6.76	6.54	6.33
Property, maintenance & motor vehicle	10.34	10.09	9.44	9.36
	\$59.71	\$58.07	\$56.08	\$54.62
<b>EVERYDAY LIVING RESULT</b>	<b>(\$7.73)</b>	<b>(\$7.41)</b>	<b>(\$2.81)</b>	<b>(\$2.73)</b>
<b>ADMINISTRATION COST</b>	<b>(\$33.94)</b>	<b>(\$33.01)</b>	<b>(\$30.55)</b>	<b>(\$28.16)</b>
<b>CARE RESULT</b>	<b>(\$9.54)</b>	<b>(\$7.30)</b>	<b>\$19.73</b>	<b>\$23.22</b>
<b>ACCOMMODATION</b>				
Revenue				
Residents	13.17	13.43	12.78	12.54
Government	17.78	16.48	15.97	15.83
	\$30.95	\$29.91	\$28.75	\$28.37
Expenditure				
Depreciation	17.09	16.12	16.48	16.28
Property rental	1.08	1.13	0.66	0.25
Other	1.59	1.43	1.57	1.62
	\$19.76	\$18.68	\$18.71	\$18.15
<b>ACCOMMODATION RESULT</b>	<b>\$11.19</b>	<b>\$11.23</b>	<b>\$10.04</b>	<b>\$10.22</b>
<b>FACILITY EBT (\$pbd)</b>	<b>\$1.65</b>	<b>\$3.93</b>	<b>\$29.78</b>	<b>\$33.44</b>
<b>FACILITY EBT (\$pbpa)</b>	<b>\$573</b>	<b>\$1,348</b>	<b>\$10,477</b>	<b>\$11,764</b>
<b>FACILITY EBITDAR (\$pbpa)</b>	<b>\$6,873</b>	<b>\$7,271</b>	<b>\$16,507</b>	<b>\$17,580</b>

## Snapshot: Mar-19 Aged Care Home (Facility) Results By ABS Region

### Major Cities



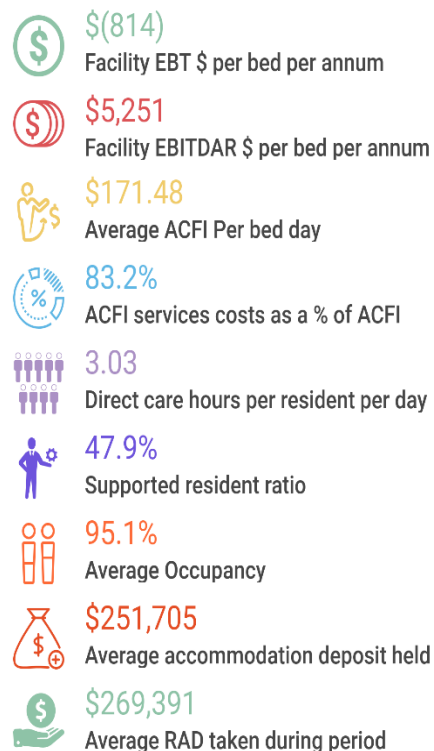
**619 Facilities**



### Inner Regional



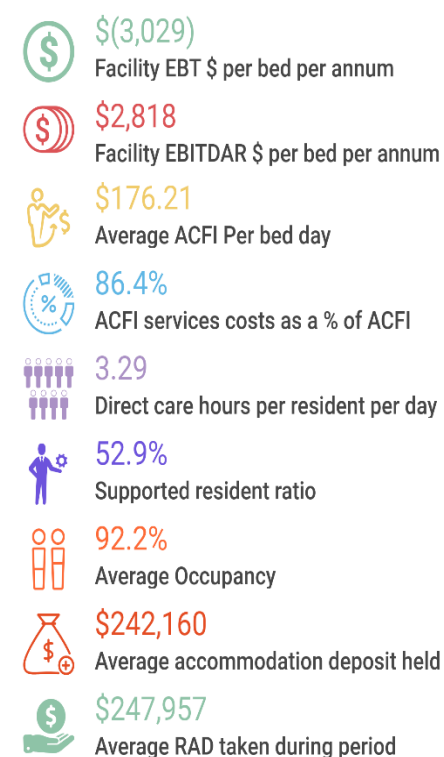
**237 Facilities**



### Outer Regional, Remote & Very Remote



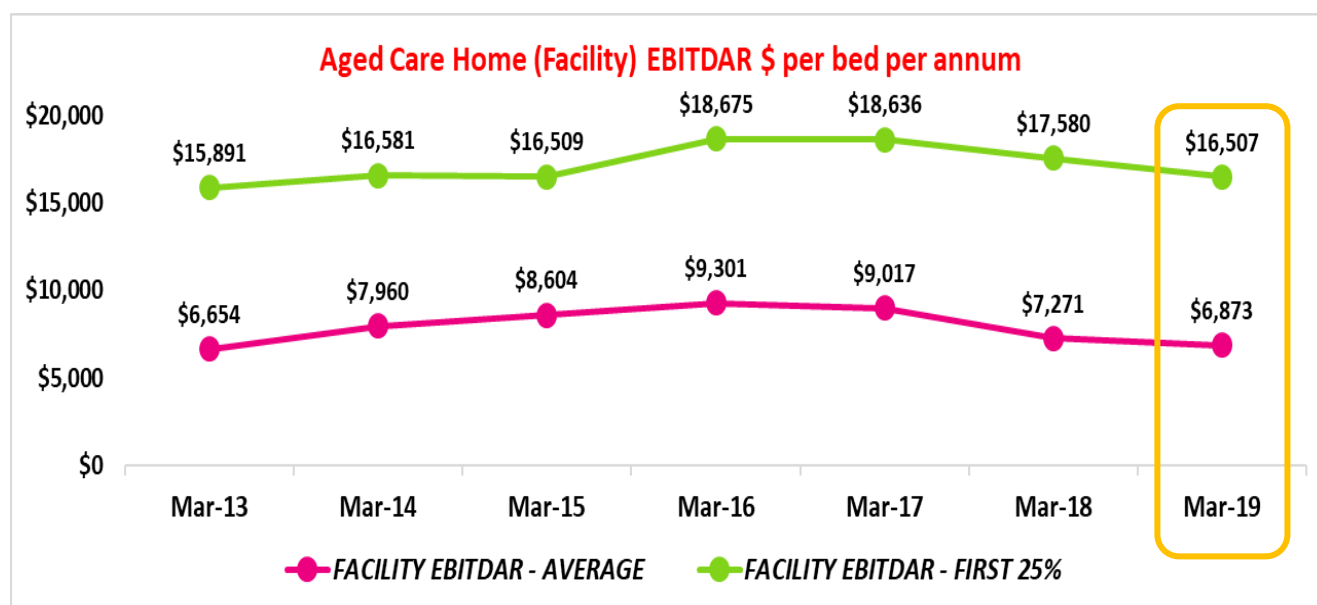
**96 Facilities**



## Aged Care Home (Facility) EBITDAR Trend

The below graph shows the Facility EBITDAR (Earnings Before Interest, Taxation, Depreciation, Amortisation and Rent) trend year on year since 2013 for the March Survey period. At the Survey Average (All) facility level it is becoming increasingly difficult to remain financially sustainable. A return of \$6,873 per bed per annum is unlikely to be sufficient to refurbish or replace infrastructure or to attract the necessary capital to encourage investment within the residential aged care sector.

Figure 2: Facility EBITDAR trend (Mar-13 to Mar-19 Survey periods)



At a regional level these results deteriorate further: the average EBITDAR for a facility in outer regional, remote or very remote areas was \$2,818 for the nine months to Mar-19. It will be of interest to analyse the financial effects of the increase in the viability supplements for those facilities that qualify for it.

## Impact of Mar-19 Performance: Number of Facilities with Negative Facility Result (EBT)

*Please note the earlier comment that the following analysis is based on the financial operating performance at residential aged care home (facility) level - not at the organisation level.*

The total percentage of aged care homes making an EBT loss has risen from 43% to 45%. The results have historically declined for the last two quarters, so we would anticipate the percentage to increase further from a recurrent-trend perspective. *Please note that the one-off (9.5%) ACFI subsidy will improve the overall results, however our opinion is that this should be discounted when considering the forecast trends.*

The total percentage of facilities making an EBITDAR (cash) loss is over 20% of the 952 facilities participating in the Survey. (A further 59 facilities were excluded from the Survey due to being outside the acceptable range due to having sanctions, undergoing a major rebuild or refurbishment or data not complete or accurate).

Figure 3: Analysis of Facilities making EBT losses (by remoteness) in total Survey

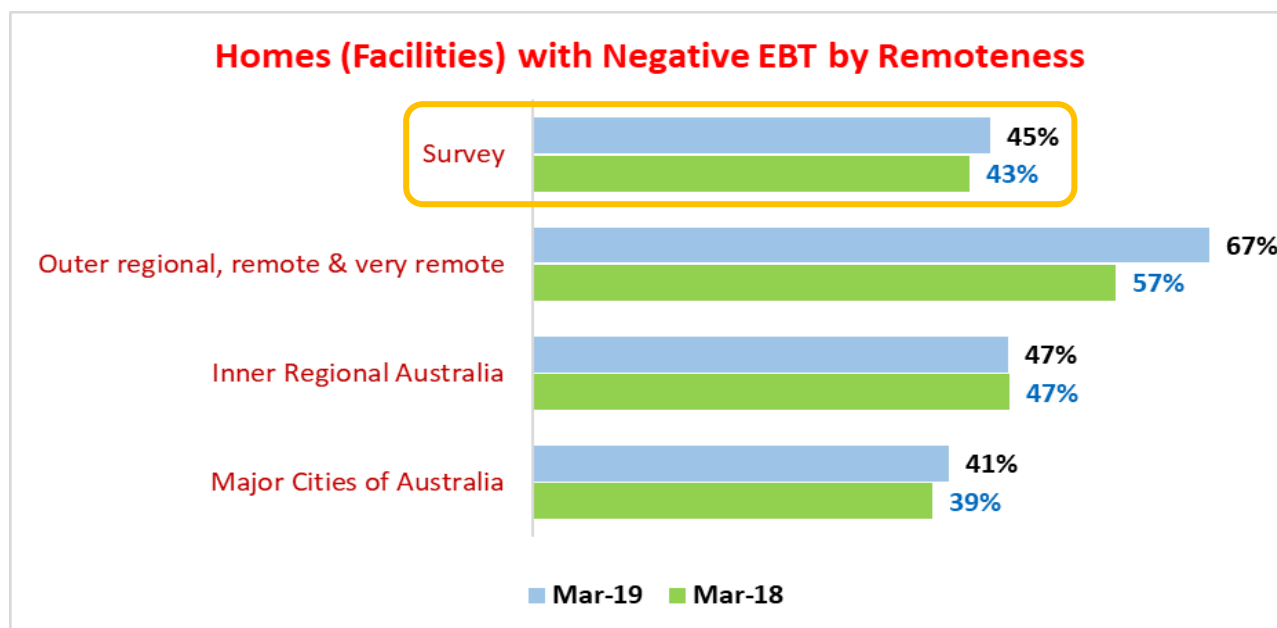
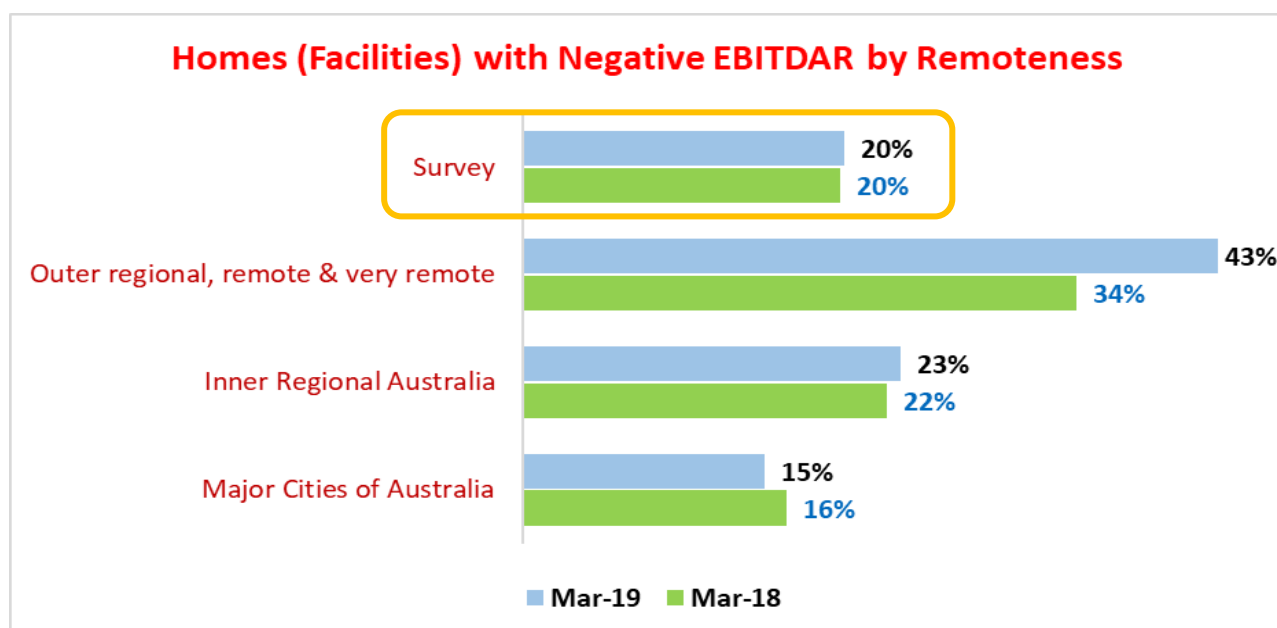


Figure 4: Analysis of Facilities making EBITDAR losses (by remoteness) in total Survey



#### **Brief commentary**

Figures 3 and 4 (above) graph the number of aged care homes making an EBT and EBITDAR loss as a percentage of total number of aged care homes in their respective geographic location (i.e. with the same degree of remoteness). For each location the number of aged care homes reporting a loss for the nine months ending Mar-19 is significant, as follows:-

- ◆ Outer regional/remote/very remote facilities - 67% of facilities in this geographic area made an EBT loss and 43% made an EBITDAR loss
- ◆ Inner regional facilities - 47% made an EBT loss and 23% made an EBITDAR loss
- ◆ Similarly, of the facilities located in major cities, some 41% made an EBT loss and 15% made an EBITDAR loss

## Direct Care Staffing Hours

Direct Care staffing metrics include care staff costs and care staff hours. Improvement in the financial performance of an aged care home is directly related to appropriately aligning staffing hours and levels to the funding, and to ensuring that the design of the facility is operationally efficient.

The table below summarises the direct care staff hours by category per resident per day for the Survey *Average* and Survey *First 25%*.

*Table 5: Direct Care staffing metrics for Survey Average and Survey First 25%*

	<b>Average</b>			<b>First 25%</b>		
	<b>Mar-19</b>	<b>Mar-18</b>		<b>Mar-19</b>	<b>Mar-18</b>	
<b>Hours by Staff Category - hours worked per resident per day</b>						
Care management	0.12	0.16	↓ -	0.12	0.11	↑
Registered nurses	0.38	0.38	-	0.32	0.32	-
Enrolled & licensed nurses	0.35	0.31	↑	0.29	0.26	↑
Other unlicensed nurses & personal care staff	2.11	2.10	↑	1.93	1.98	↓
Allied health & lifestyle	0.16	0.14	↑	0.19	0.16	↑
Imputed agency care hours implied	0.02	0.02	↑	0.02	0.02	↓
<b>Total Care Hours</b>	<b>3.14</b>	<b>3.11</b>	<b>↑</b>	<b>2.87</b>	<b>2.85</b>	<b>↑</b>

### **Brief commentary**

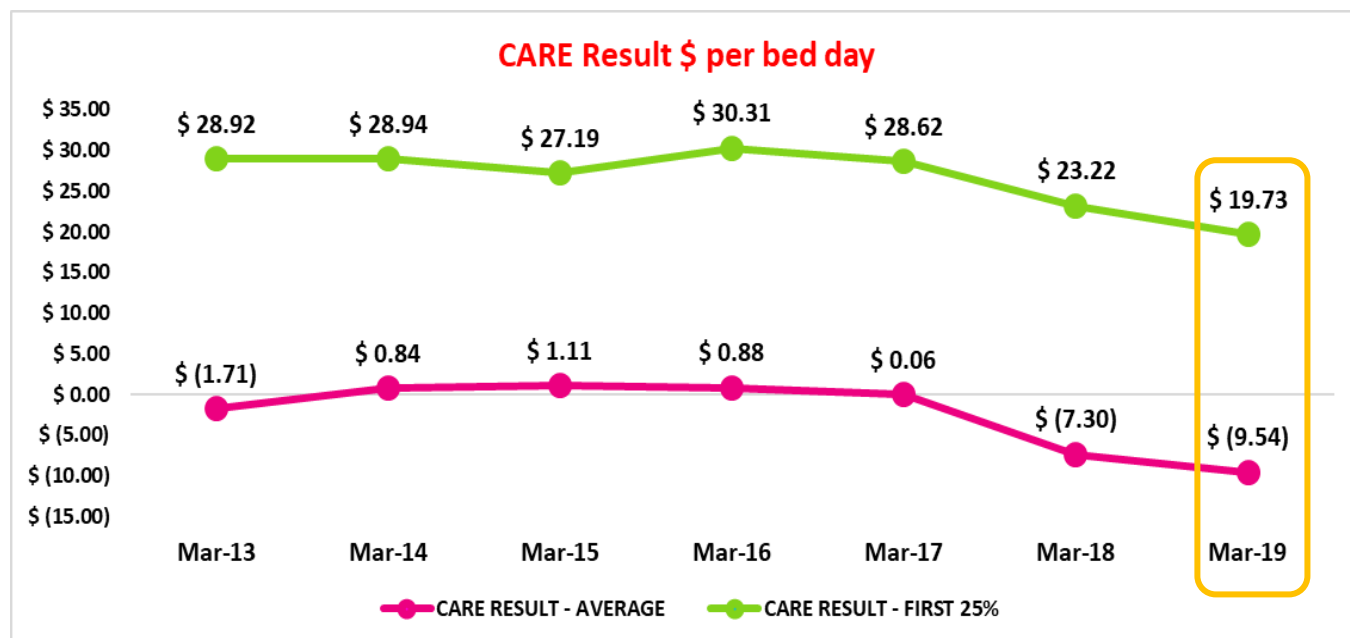
- ◆ The category allocations are consistent with that used by the Nurses and Midwifery Board of Australia, and accordingly AIN and TAFE qualified staff come under the “Other unlicensed nurses & personal care staff” classification
- ◆ Total labour costs have increased for both the Survey *Average* and *First 25%* since June 2017 by 4.7% and 5.3% respectively
- ◆ Total care hours have increased for both the Survey *Average* and for the *First 25%* by 1.0% and 0.4% respectively, and are now at 3.14 hours and 2.87 hours worked per resident per day respectively
- ◆ The financial impact (cost) of increasing staffing hours and rates of pay will be a defining issue that needs to be addressed. Higher staffing costs will require significant additional funding (government and consumer)



## Care Result Trend

The Care Result (ACFI + Everyday Living + Administration) trend is shown in the below graph. The Mar-19 Facility Care result is a deficit of \$9.54 per bed day (Mar-18 \$7.30 pbd deficit). This continued decline represents an unsustainable operating performance unless additional revenue is achieved.

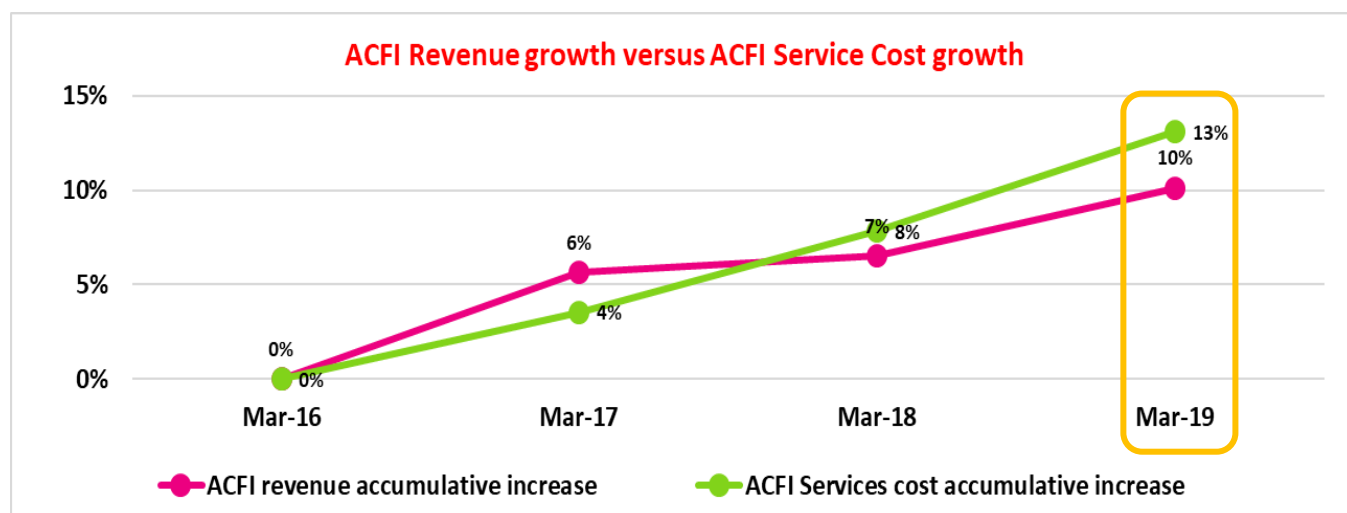
Figure 5: Care Result Trend for Survey Average and Survey First 25%



## ACFI Revenue and Direct Care Costs Trend

The relationship between ACFI subsidy received (based on resident assessed acuity) and direct care costs remains a key driver for maintaining a sustainable operating financial model. The graph below indicates that the direct care costs are now rising at a greater rate than the corresponding ACFI subsidy, and this gap is likely to increase as staff cost increases (average of 3.0% annually) are greater than ACFI COPE (inflation) increases (1.17% for FY19).

Figure 6: Cumulative increases in ACFI subsidy and Direct Care costs as compared to CPI



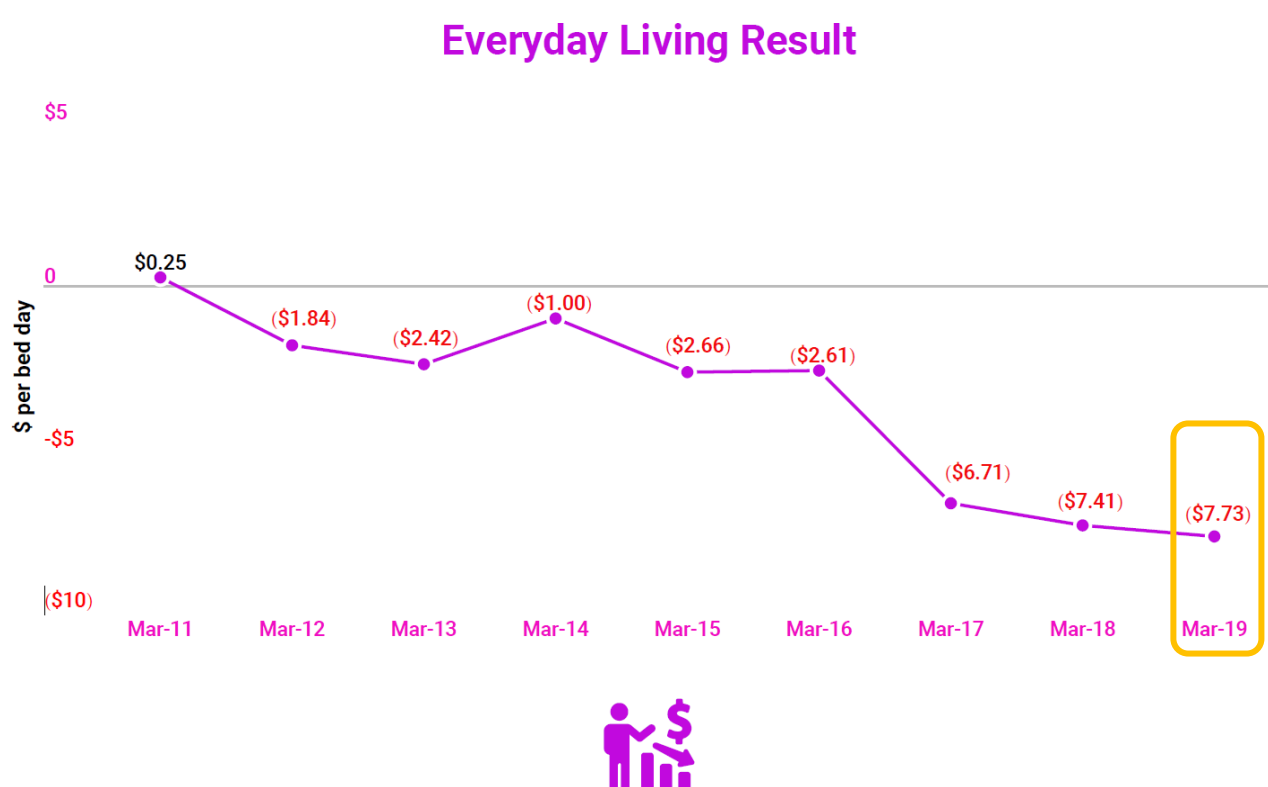
## Everyday Living Result

The recoupment of everyday living costs continues to be an area of concern for approved providers. Whilst opportunities exist to charge additional optional services to residents, several challenges exist in this regard. A major issue is in relation to supported residents who, by majority, do not have the financial means to pay for additional services, or indeed pay a higher Basic Daily Fee (85% of the single pension).

With a supported resident ratio averaging in excess of 46.9% across all aged care facilities, this will continue to be an issue for providers in addressing the introduction of additional services.

For the nine months to Mar-19 the costs of providing everyday living services exceeded the revenue by \$7.73 pbd (Mar-18 \$7.41 pbd). Refer to the Everyday Living snapshot (next page) for a summary of the various components.

Figure 7: Everyday Living Result trend graph

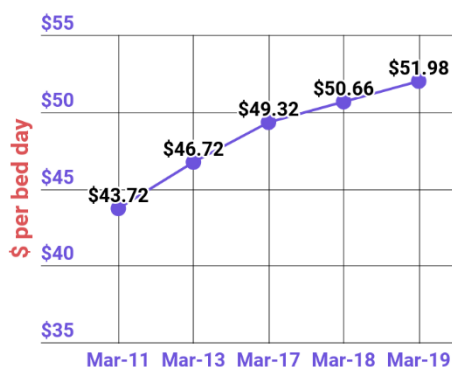


The Everyday Living Result has declined over the past 11 years by an average of **\$7.76** per bed day and by **\$8.34** per bed day from the peak result (Dec-08). In the past 12 months, the Everyday Living Result has declined by an average of **\$0.32** per bed day.

It is clear that the increase in the Basic Daily Fee has not kept pace with cost increases, particularly in catering, cleaning and laundry costs. As noted above, providers have had difficulty in introducing an effective strategy for additional services to overcome this shortfall so that these costs are being subsidised by other income streams.

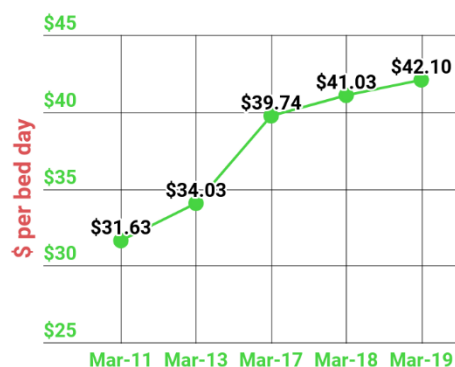
*StewartBrown continues to recommend that consideration be given to increasing the Basic Daily Fee base amount by up to \$10 per bed day. Supported residents should be funded by additional subsidy to ensure equity. Such an increase in the base amount will improve the financial sustainability of residential aged care significantly.*

### Everyday Living Revenue



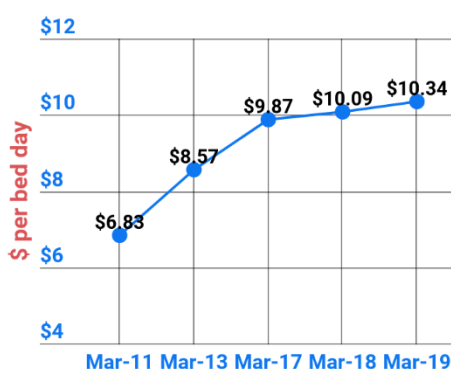
Since Mar-11 Everyday Living Revenue increased by an average of **\$8.26** per bed day or **18.9%**

### Hotel Services



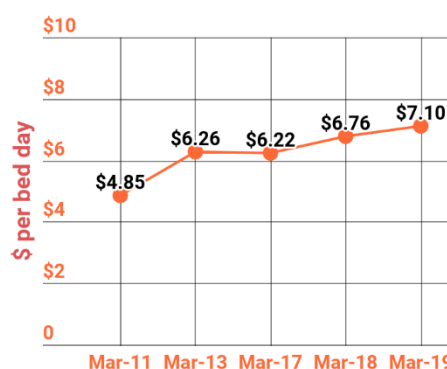
Hotel services costs increased by an average of **\$10.47** per bed day or **33.1%**

### Routine Maintenance



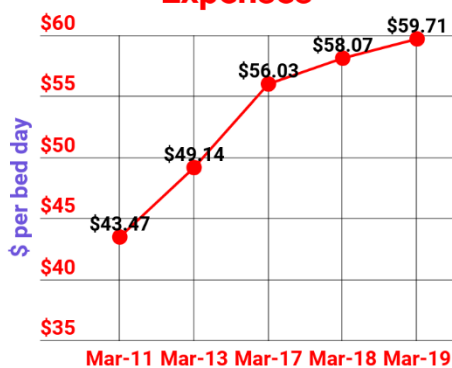
Routine Maintenance costs increased by an average of **\$3.51** per bed day or **51.4%**

### Utilities



Utility costs increased by an average of **\$2.25** per bed day or **46.4%**

### Everyday Living Expenses



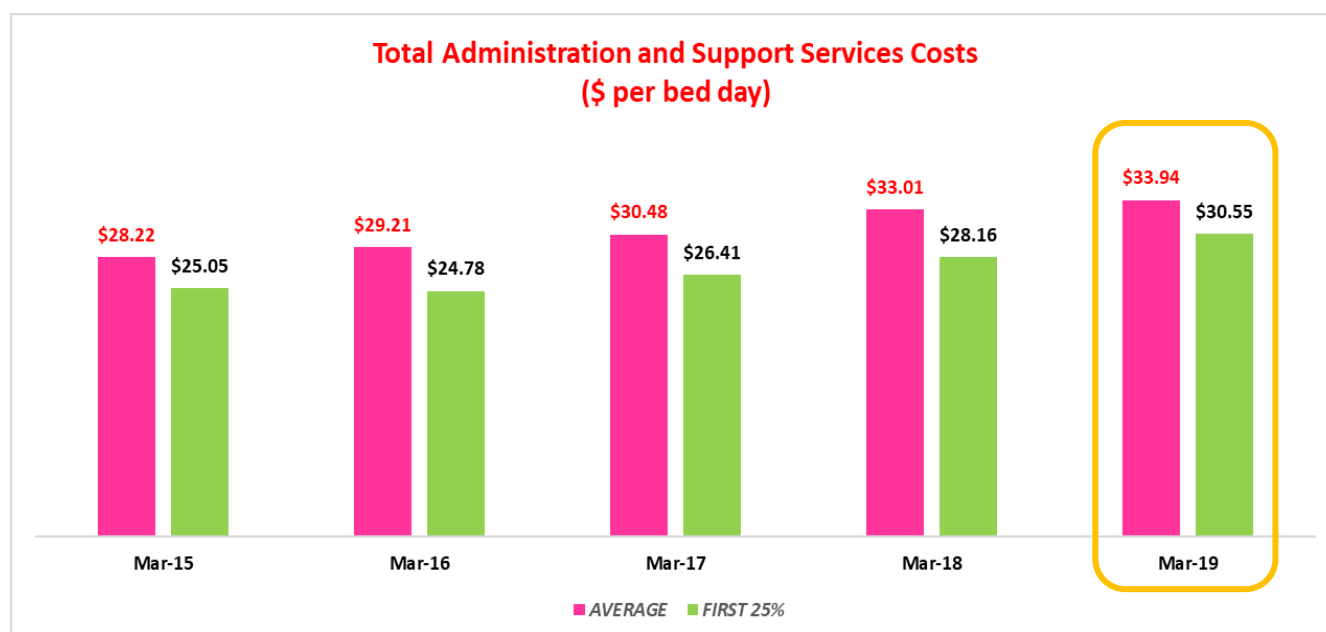
Total Everyday Living Expenses have increased by an average of **\$16.24** per bed day or **37.4%** during the same period that revenue increased by only **\$8.26** per bed day

## Administration Costs

Administration costs have continued to rise at a higher rate than CPI. One of the main drivers for this has been heavier compliance requirements; these have now been exacerbated by costs associated with fulfilling information requests from the Royal Commission. In its December half-year report to the ASX, Estia stated that the external direct costs associated with preparing for and making submissions to the Royal Commission amounted to \$914,000 during that reporting period. Even if not on this scale, most providers will be incurring additional costs in meeting their obligations to the Royal Commission.

It is likely that administration costs will increase again in the second half of this financial year due to increased compliance costs associated with the introduction of the new quality standards.

Figure 8: Administration Costs Trend (\$ per bed day)



## Accommodation Result

StewartBrown continually state the importance for aged care homes of achieving a surplus from the Accommodation Result, because we have concluded that this funding is essential for upkeep of the building and surroundings in line with consumer expectations. Discussions with providers, coupled with data collected from participants, indicate that a policy of a major internal refurbishment every 8 - 10 years may be required, even for new builds.

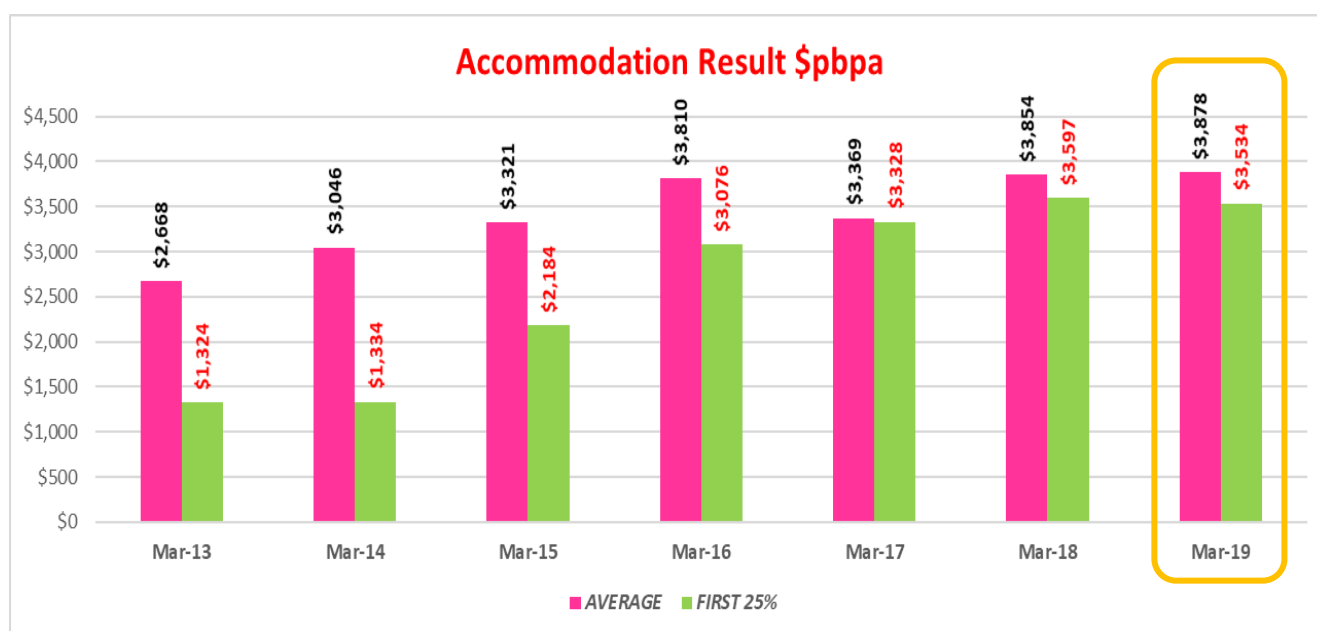
The Accommodation Surplus for Mar-19 was \$11.19 per bed day (Mar-18 \$11.23 pbd) which represents \$3,878 per room per annum. The increase in the percentage of new residents paying a Daily Accommodation Payment (DAP) rather than a RAD has been a contributing factor. This result is achieved after an average depreciation expense of \$5,923 pa.

A continuing consideration is that currently the surplus from the Accommodation Result is being used to offset the loss from the Care Result. In the nine months to Mar-19 the Care Result was a deficit of \$9.54 per bed day which, if funded from the Accommodation Result, impacts on the ability of organisations to fund future refurbishment of a facility. This not only affects the accommodation revenue (accommodation pricing) but does not allow for efficiency gains to be achieved through building design modifications.

Table 6: Residential Care Accommodation Result for Survey Average and First 25% for Mar-19 and Mar-18

	Survey Average			Survey First 25%		
	Mar-19	Mar-18		Mar-19	Mar-18	
	\$ pbd	\$ pbd		\$ pbd	\$ pbd	
<b>Accommodation Revenue</b>	<b>30.95</b>	<b>29.91</b>	↑	<b>28.75</b>	<b>28.47</b>	↑
Depreciation	17.09	16.13	↑	16.48	16.28	↑
Refurbishment	0.25	0.26	↓	0.24	0.25	↓
Other accommodation costs	2.42	2.29	↑	1.99	1.22	↑
<b>Accommodation Expenses</b>	<b>19.76</b>	<b>18.68</b>	↑	<b>18.71</b>	<b>18.15</b>	↑
<b>Accommodation Result</b>	<b>\$11.19</b>	<b>\$11.23</b>	↓	<b>\$10.04</b>	<b>\$10.22</b>	↓
<b>Accommodation Result \$pbpa</b>	<b>\$3,878</b>	<b>\$3,855</b>	↑	<b>\$3,533</b>	<b>\$3,597</b>	↓
<b>Depreciation charge \$pbpa</b>	<b>\$5,923</b>	<b>\$5,538</b>	↑	<b>\$5,799</b>	<b>\$5,728</b>	↑
<b>Depreciation charge \$pbpa for WDV of \$200,000 per bed at 4%</b>					<b>\$8,000</b>	
<b>Depreciation charge \$pbpa for new build of \$325,000 per bed at 4%</b>					<b>\$13,000</b>	

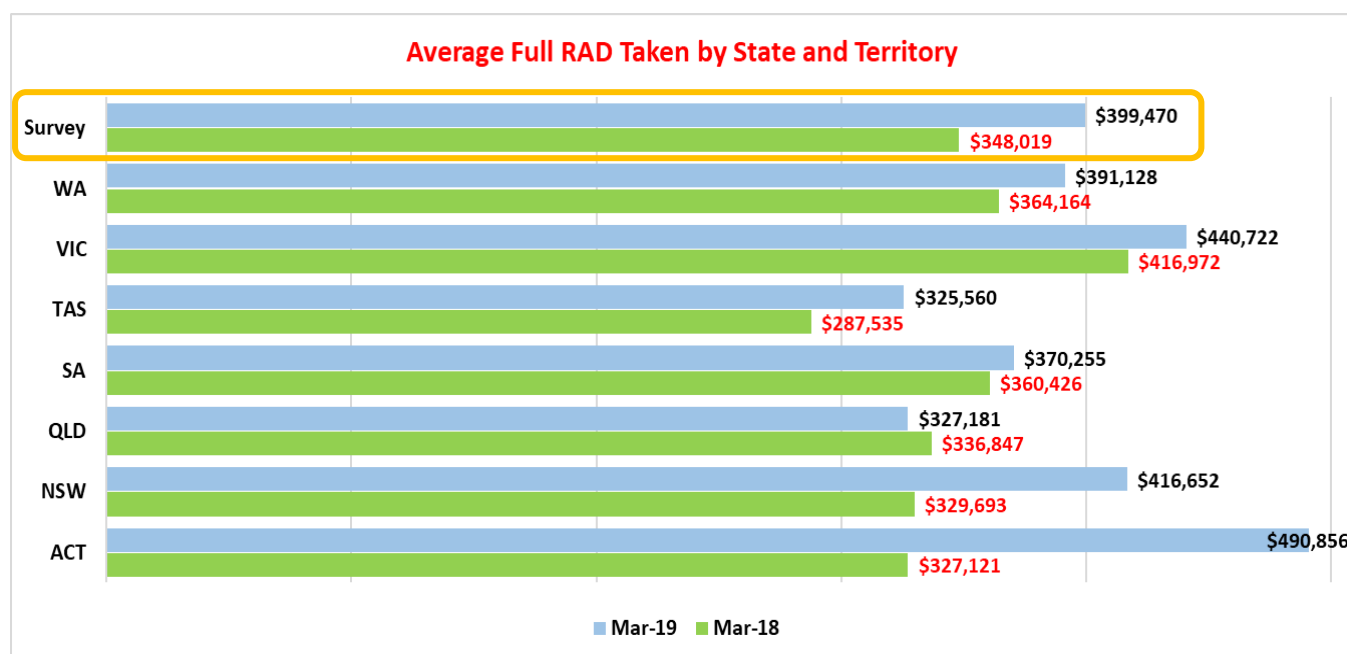
Figure 9: Residential Care Accommodation Result Trend



## Accommodation Pricing

We have observed a rise in the average published accommodation prices during the nine months to Mar-19. This has resulted in the average amount of Refundable Accommodation Deposits (RADs) received during the period increasing in each State other than Queensland. Accommodation pricing is an important component for the sustainability of a residential care home. It is a revenue benefit (DAP) or a capital benefit (RAD) depending upon the equity position of the organisation.

Figure 10: Average Refundable Accommodation Deposits Received for Mar-19 and Mar-18



Analysing feedback from both providers and consumers, StewartBrown concludes there is still some confusion about the pricing of accommodation. As a result, some providers do not have an effective strategy for accommodation pricing.

The acuity (care needs) of a resident is directly related to the ACFI funding and expenditure. Everyday living expenses are offset against the Basic Daily Fee and additional services (if charged).

Accommodation pricing is not assessed on care needs but on the standard of accommodation and the financial ability of an incoming resident to meet the price through either a RAD, DAP or a combination of both. The consumer expectation that the standard of accommodation, and accordingly the pricing, is relative to direct care provided is somewhat misconstrued. A higher accommodation price should not equate to a higher standard of direct care.

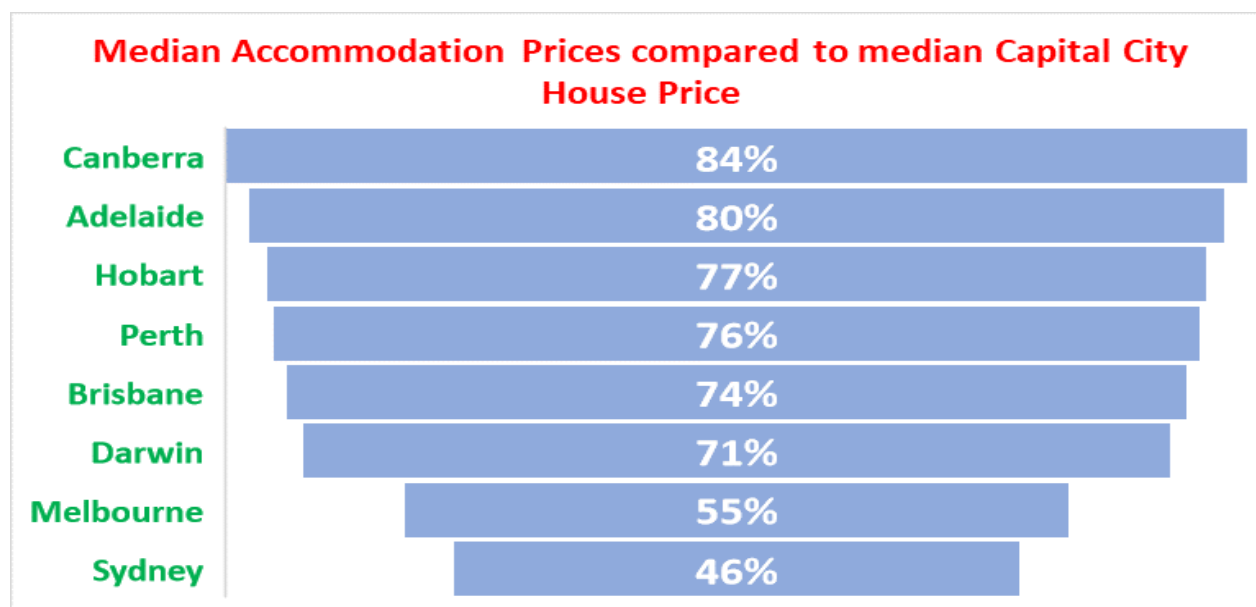
Accommodation pricing strategies should be more targeted to the local house or unit prices in the geographic area. The pricing strategy should also consider other factors such as:

- Amenity and general standard of accommodation offered
- Target market including linking standard of accommodation to prospective residents who are likely to pay for additional services
- Common areas and other facilities available to residents and their families
- Cost to build in the construction of the aged care home, and the quality of accommodation



The figure below indicates that there is a disparity in this relationship, particularly in Sydney and Melbourne.

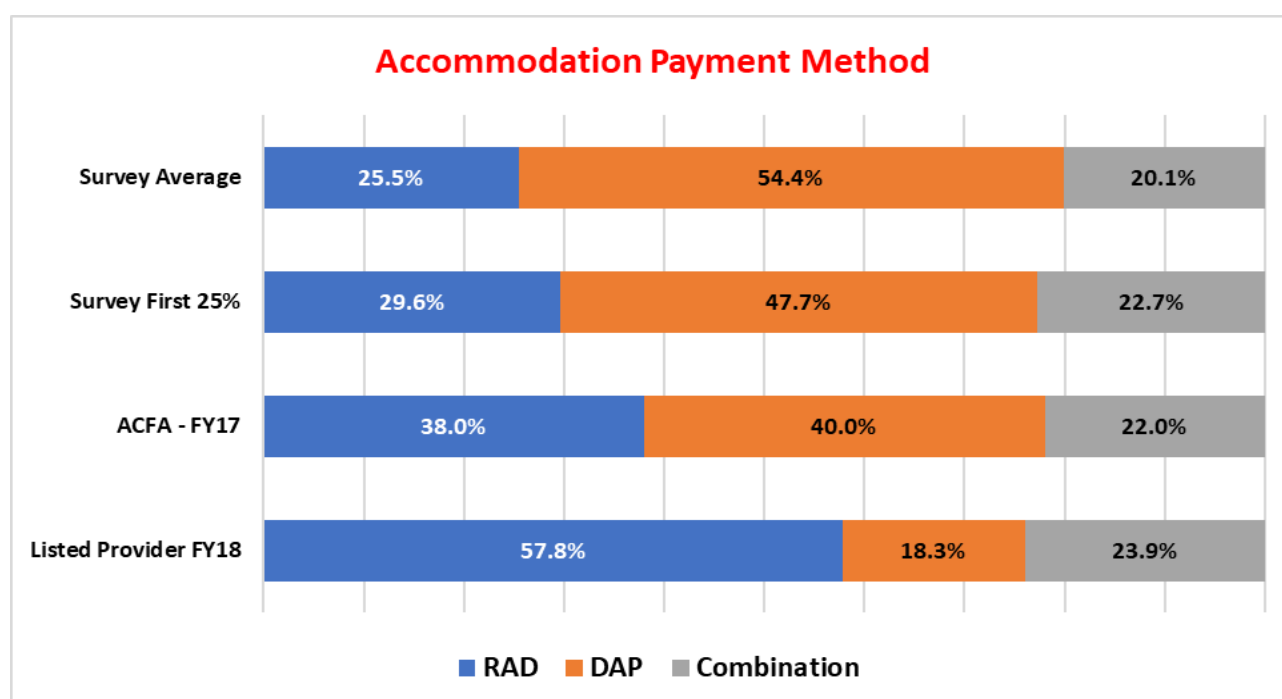
Figure 11: Median Published RAD compared to Median House Price



Many providers are reporting that there is a continuing drift by consumers to pay a Daily Accommodation Payment (DAP) rather than a full Refundable Accommodation Deposit (RAD). The figure below highlights the change from FY17 (sourced from ACFA) and the current payment preferences.

StewartBrown has suggested that it may be beneficial for providers to target receiving more combination (RAD/DAP) payments. Essentially, this can be through increasing the Accommodation price to be more commensurate with the average house or unit price in the geographic location, while however receiving the increase by way of a DAP for the differential between the accommodation price and any RAD.

Figure 12: Accommodation payment preferences



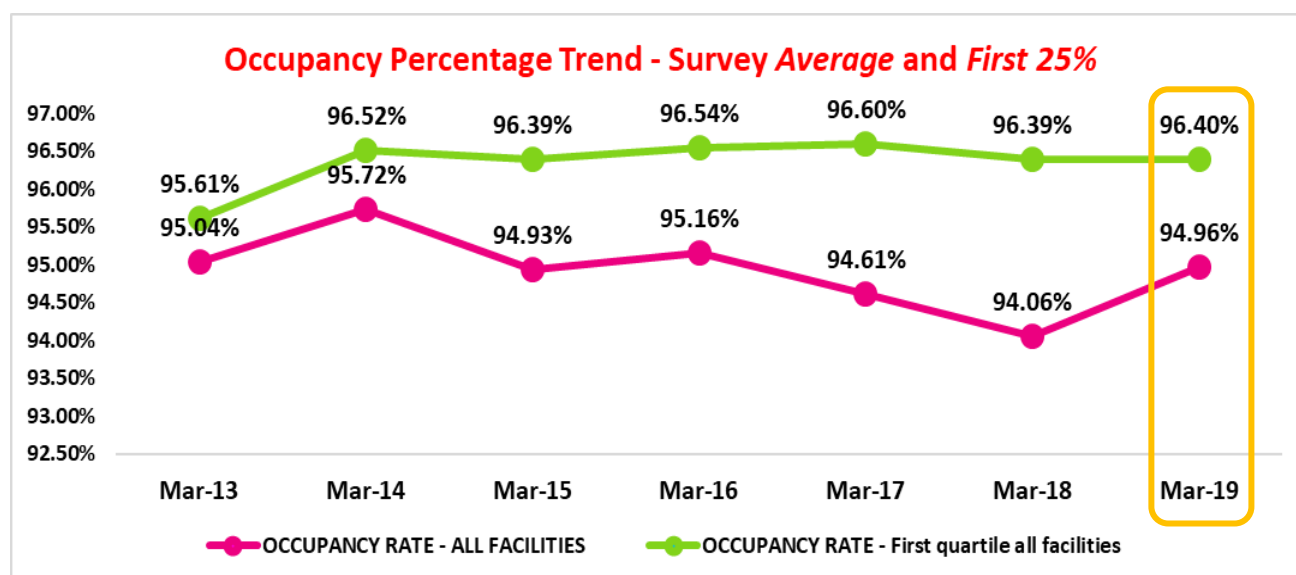
## Occupancy

The occupancy percentage overall remains relatively steady at 94.96% nationally (94.06% at Mar-18) with the *First 25%* of providers (based on Care Result) having an average occupancy of 96.40% (96.39% at Mar-18).

Please note that the DOH calculates occupancy on approved places (and unfilled places as advised by providers) whereas StewartBrown calculates the occupancy based on number of operational (available) places, which excludes off-line places due to refurbishment or other strategic reasons.

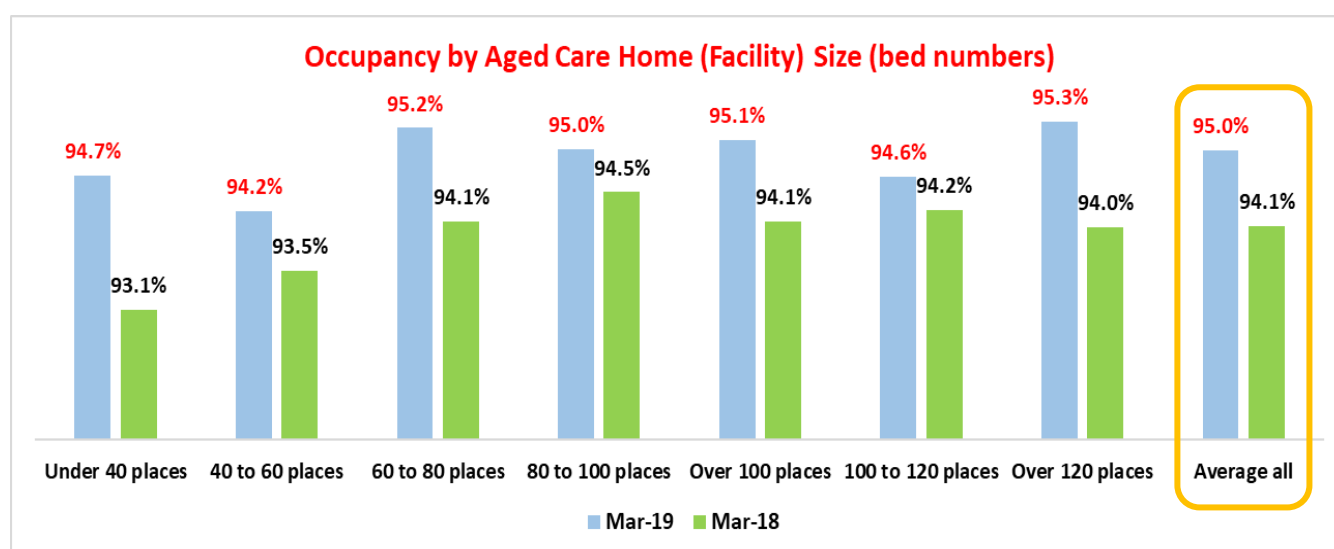
A trend analysis of occupancy levels is included in the figure below.

Figure 13: Occupancy Percentage Trend Analysis



It is also interesting to analyse the occupancy levels categorised by the size (number of beds) of the residential aged care home. The figure below suggests that whilst there are variances, they are not materially different.

Figure 14: Occupancy percentages by facility size



## 4. HOME CARE ANALYSIS

### Overview

For the nine months to Mar-19, there has been a further deterioration in the financial performance of Home Care Package providers for both the Survey *Average* (All) and Survey *First 25%*.

The overall Survey *Average* EBT result was a surplus of \$3.48 per client day (Mar-18 \$4.39 pcd) however Band 4 (highest acuity mix) have seen their results decline from \$15.96 pcd to \$8.35 pcd. The Survey *First 25%* also had a reduction in surplus to \$18.02 pcd (Mar-18: \$21.15 pcd).

#### Revenue

- Increased by 3.6%
- Pricing pressure continues due to increased competition
- Revenue utilisation improved from 85.54% (Mar-18) to 88.52%
- Higher average unspent funds (Mar-19 \$6,788 per client compared to Mar-17 \$5,862 per client) despite improvement in revenue utilisation

#### Expenses

- Fell by 9.9%
- Direct service costs rose by \$3.46 pcd
- Cost of direct service and brokered/sub-contracted as a percentage of total income has risen to 61.02% from 58.72% (Mar-18)
- Decrease in case management and advisory by 0.44% (reduction in staff costs)
- Decrease in administration costs by 0.41%

For both the Survey *Average* and *First 25%* the profitability declines were in Bands 1 and 2, whilst Bands 3 and 4 had slight improvements in results. Most of the packages in the Survey are in Band 3 (30%) followed by Band 4 (28%). Band 2 accounted for 18% of packages whilst Band 1 has risen from 4 % (Mar-18) to 24% of packages.

*Table 7: Summary KPI Results for Mar-19 Survey (All programs)*

	Mar-19 498 Programs (26,180 packages)	Mar-18 412 Programs (21,702 packages)		Difference
Total revenue \$ per client day	\$74.20	\$71.66	↑	\$2.54
EBT \$ per client day	\$3.48	\$4.39	↓	(\$0.91)
EBITDA \$ per client per annum	\$1,419	\$1,751	↓	(\$332)
Average total staff hours per client per week	6.59	6.85	↓	(0.26)
Revenue utilisation % (year to date)	88.52%	85.54%	↑	2.98%
Average unspent funds per client	\$6,788	\$5,862	↑	\$926
Direct care (incl brokerage) as % of revenue	61.02%	58.72%	↑	2.30%
Case management and coordination as % of revenue	9.69%	10.13%	↓	(0.44%)
Administration and support costs as % of revenue	24.05%	24.46%	↓	(0.41%)

Table 8: Summary KPI Results for Mar-19 Survey First 25%

	Mar-19 125 Programs (5,299 packages)	Mar-18 103 Programs (5,334 packages)		Difference
Total revenue \$ per client day	\$90.75	\$93.36	↓	(\$2.61)
EBT \$ per client day	\$18.02	\$21.15	↓	(\$3.13)
EBITDA \$ per client per annum	\$6,690	\$7,928	↓	(\$1,238)
Average total staff hours per client per week	7.04	7.68	↓	(0.64)
Revenue utilisation % (year to date)	88.77%	85.15%	↑	3.62%
Average unspent funds per client	\$6,412	\$5,460	↑	\$952
Direct care (incl brokerage) as % of revenue	51.56%	47.61%	↑	3.95%
Case management and coordination as % of revenue	7.56%	8.62%	↓	(1.06%)
Administration and support costs as % of revenue	20.68%	20.51%	↑	(0.17%)

## Financial Performance Measures

The following figures provide an analysis of the financial performance (profitability) for the Survey Average (all packages) based on several metrics.

Figure 15: Comparison of Survey Average EBT (operating surplus) for periods ending Mar-19 and Mar-18

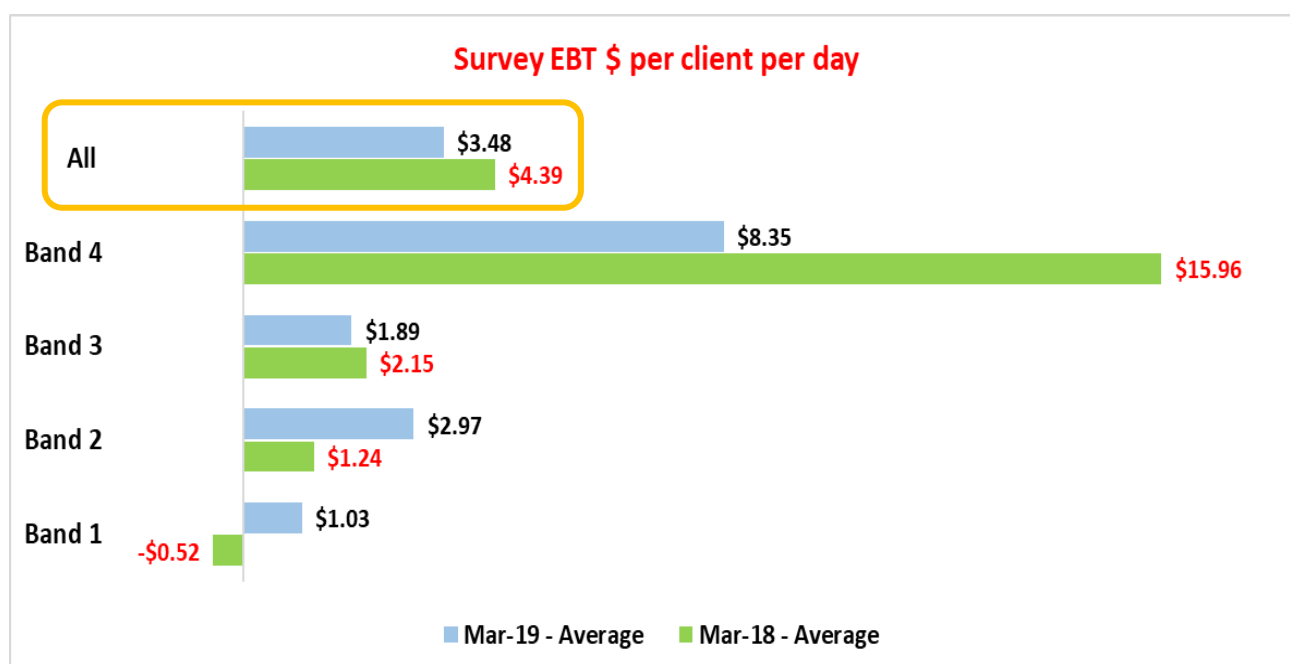


Figure 16: Comparison of Survey Average EBTDA per client per annum for periods Mar-19 and Mar-18

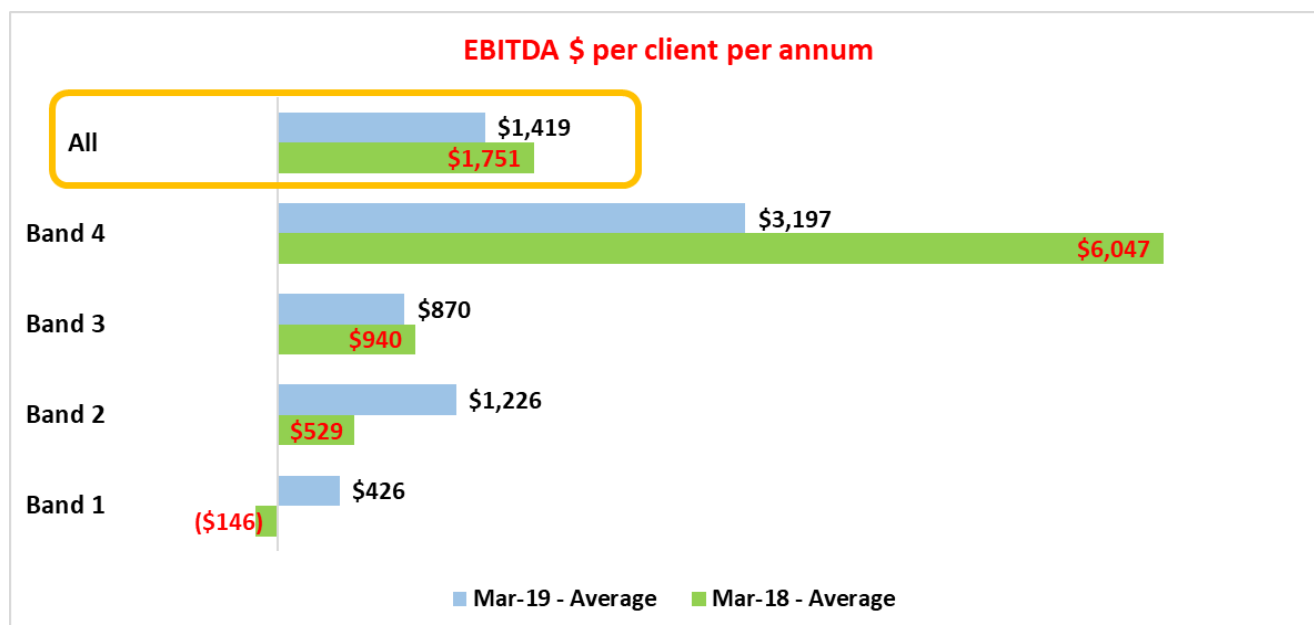
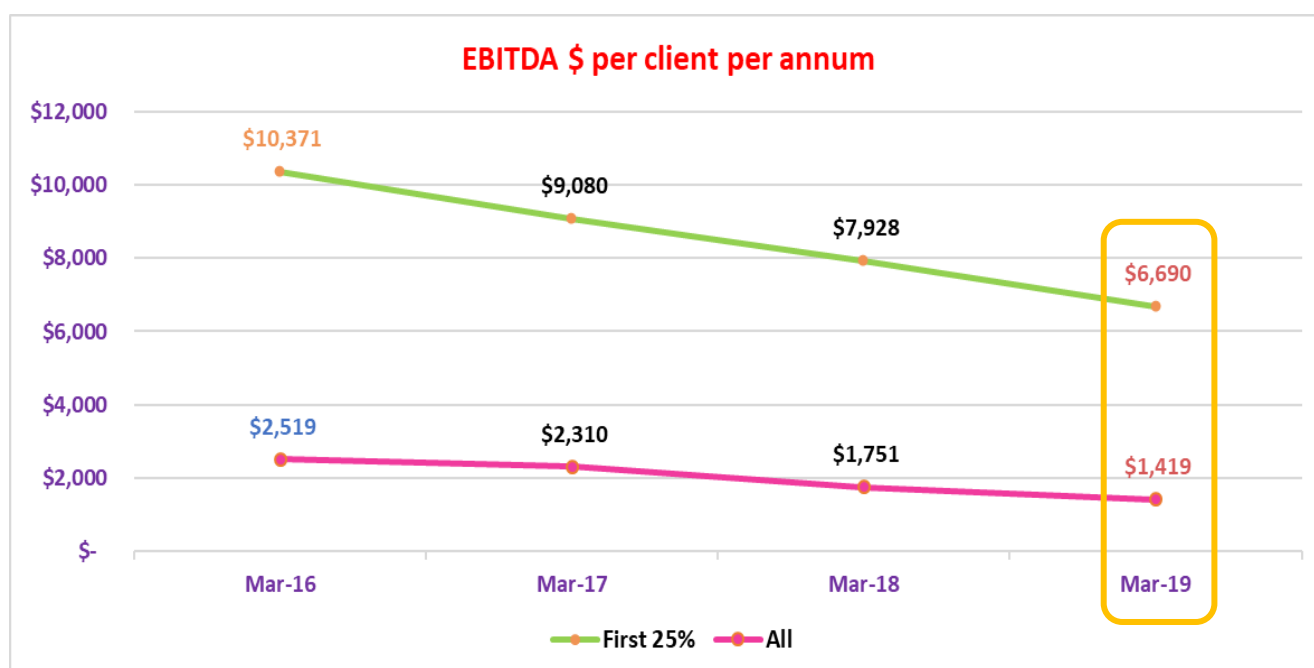
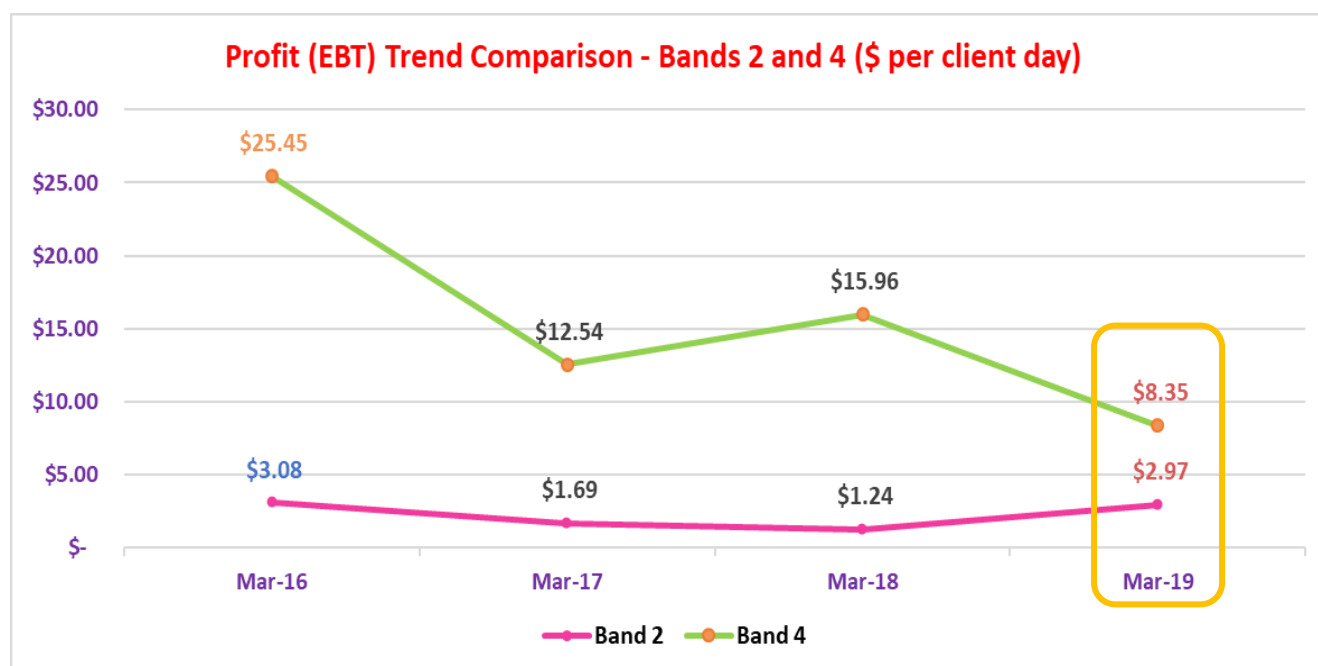


Figure 17: Comparison of Survey Average EBTDA Per client per annum trends



The trend graph above clearly shows the continuing decline in operating results since the introduction of Consumer Directed Care with the Survey *First 25%* being affected in a more significant way than the Survey *Average*.

Figure 18: Trend analysis for EBT Band 2 and Band 4 for periods Mar-16 through Mar-19



Similarly, as shown by Figure 18, the decline in results for Band 4 (high care) packages has been dramatic. At the commencement of Consumer Directed Care (CDC) on 1 July 2015, Band 4 packages had an *Average* result of \$24.80 per client per day but this has now declined to \$8.35 per client per day for the Mar-19 survey.

This represents a low return on revenue which will be unsustainable for many providers (and particularly new providers) given the investment that providers are now required to make in technology, staff recruitment and retention and growth.



# Snapshot: Home Care Packages

## Profitability



- \$ 3.5%**  
Increase in revenue
- 88.5%**  
Revenue utilisation compared to **85.5%** in Mar-18
- 5.1%**  
Increase in Expenses
- \$3.48**  
EBT per client per day compared to average of **\$4.39** in Mar-18
- \$18.02**  
EBT per client per day for *First 25%* down from **\$21.15** in Mar-18



## Client Profile



Average Age			Average Length of Stay		
	2018	2017		2018	2017
Level 1	81.8	73.5	Level 1	2.2	1.4
Level 2	83.5	82.8	Level 2	2.2	2.0
Level 3	82.8	82.7	Level 3	1.4	1.6
Level 4	84.0	83.0	Level 4	1.9	1.4
(Years)			(Years)		

## Client Exits



-  Data received from **342** home care programs
-  Total client exits in data set
- 47%**  
Exited to residential care **44%** in Mar-18
- 10%**  
Exited to other home care providers **8%** in Mar-18
- 42%**  
Exited system as a result of passing or other reason **48%** in Mar-18

## EBT for Survey First 25%

The EBT performance of the Survey First 25% for Mar-19 continued to decline similarly to the Survey Average. The predominant reasons appear to be the effects of reduced service pricing, revenue utilisation and increased administration costs.

Figure 19: Comparison of Survey First 25% EBT (operating surplus) Mar-19 and Mar-18

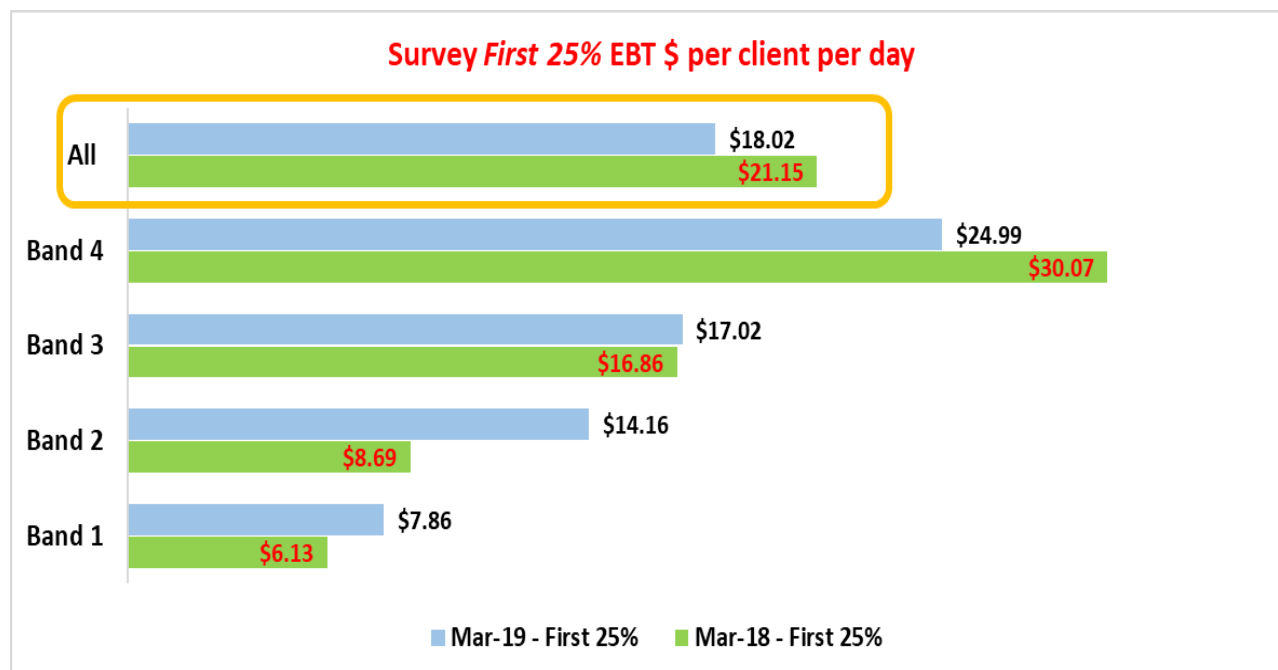
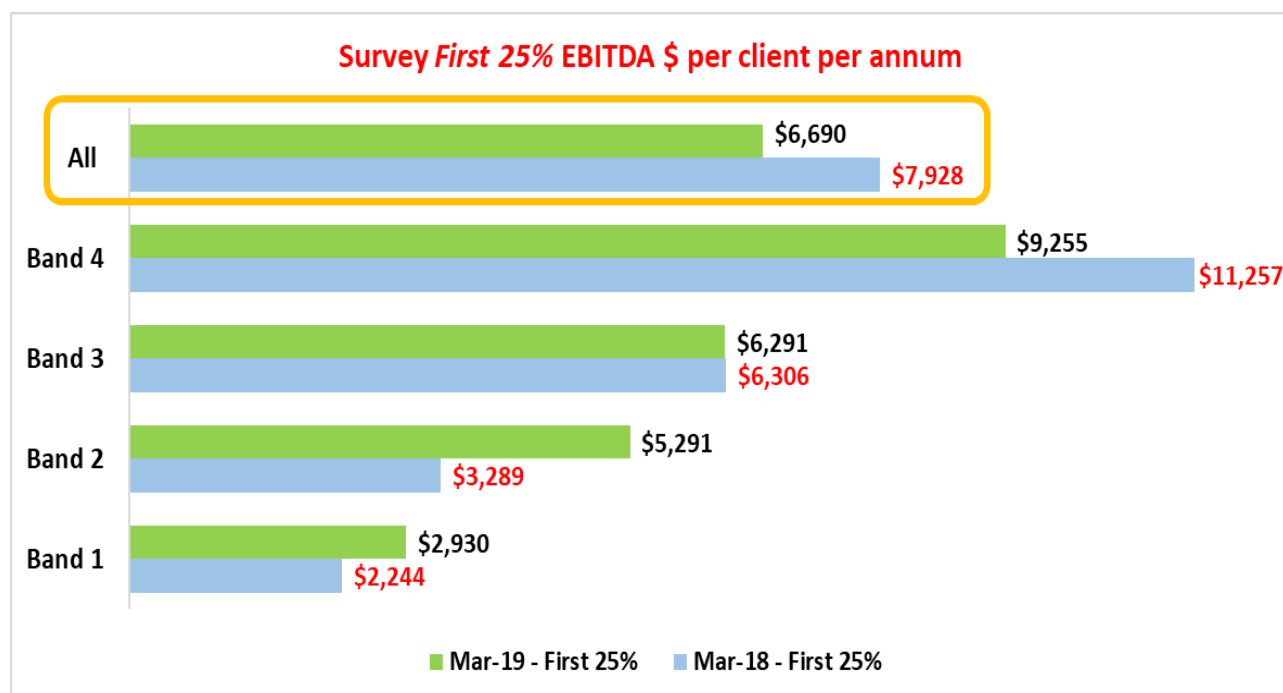


Figure 20: Comparison of Survey First 25% EBTDA Per client per annum Mar-19 and Mar-18

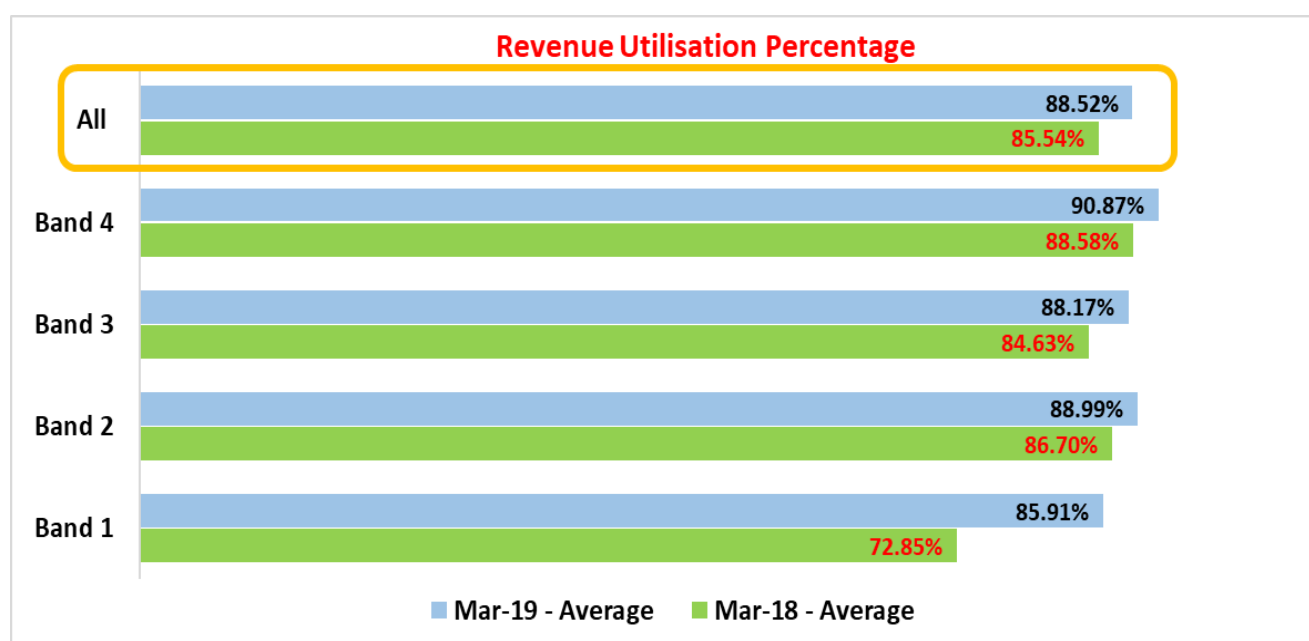


## Revenue Utilisation

While there had been a significant decline in revenue utilisation since FY16 the year-on-year trend for Mar-19 has been a marginal improvement in revenue utilisation from 85.54% at Mar-18 to 88.52% at Mar-19. This should have seen a marginal improvement on profitability due to the fixed overhead costs being spread over slightly improved revenues and variable costs remaining proportional to revenue levels.

However, profits will generally only be impacted positively in this way if the increased utilisation is result of providing additional services. If the additional utilisation is a result of capital or other sub-contract purchases, there is little, if any, flow-on effect to profit margins for providers. The improvement in revenue utilisation must be a continuing priority for the remainder of FY19 and if possible this should be through the provision of additional services directly by providers based on the care needs and desires of the consumer.

Figure 21: Revenue Utilisation comparison for Mar-19 and Mar-18

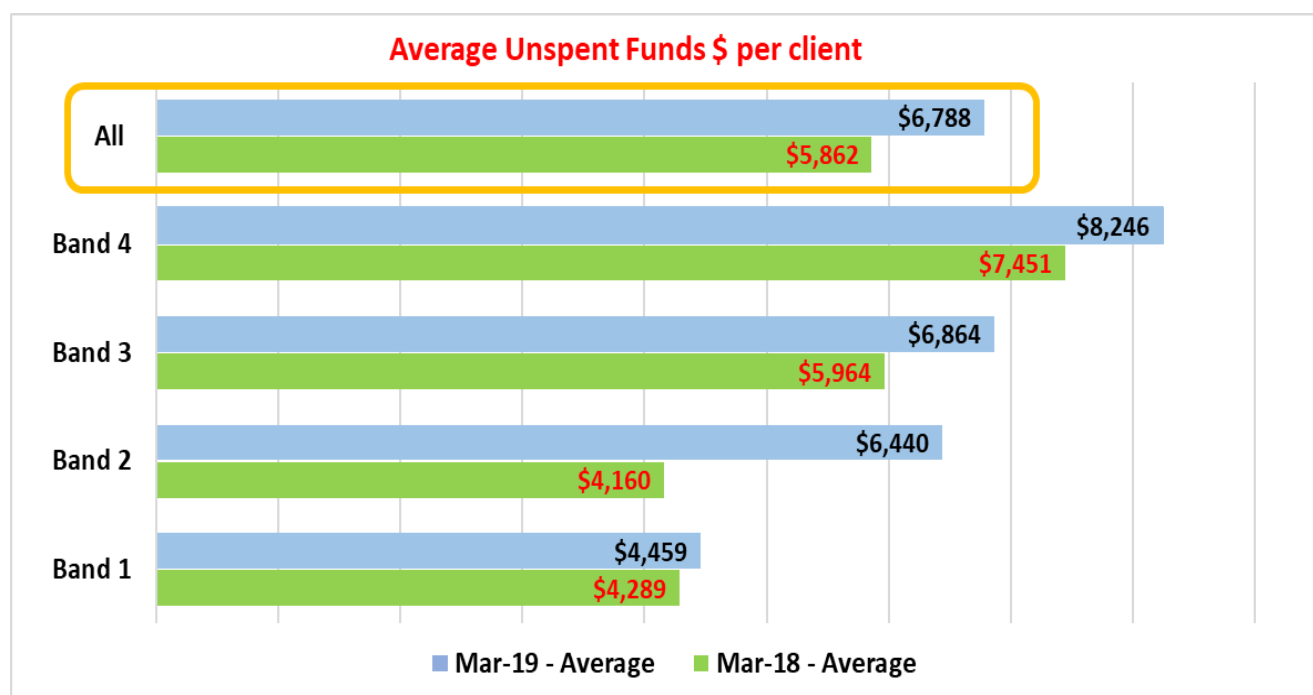


## Unspent Funds

In StewartBrown's opinion, the continued increase in the quantum of unspent funds per client is a major issue. Interestingly, the average unspent funds has risen despite an improvement in the revenue utilisation.

ACFA estimated the unspent funds liability for FY18 to be \$530 million and this is likely to be over \$600 million as at FY19 year-end. Most of this is subsidy funds: if these are not being utilised for direct care delivery they could be diverted toward those consumers on the national prioritisation queue that do not yet have funding.

Figure 22: Average Unspent Funds per client as at Mar-19 and Mar-18



### Comment

Increasing level of unspent funds remains the most significant issue, from both a service delivery and financial performance perspective.

From a consumer's point of view, large unspent funds could be a result of not fully utilising the subsidy to for the overall package of care and support that it is intended to enable. We have noted previously that our estimate is that between 8% - 12% of unspent funds are later utilised by a care recipient; the remainder we estimate is used for capital purchases or returned to the government because the consumer moves out of in-home care.

From a provider's point of view, unspent funds affects profitability (and sustainability) of a provider. This is because the fixed costs for each client (care recipient) have already been absorbed; thus, should the funds be utilised, only the additional variable costs would be incurred. We estimate the additional variable costs would be in the order of 35% - 40%: the balance would be profit (in an overall sense).

We would anticipate that all providers would prefer to either deliver care services commensurate to the funding or have the under-utilised funds reallocated to other new care recipients who are currently awaiting packages.

Another related issue is that due to the high level of unspent funds per client, there is a reluctance by some providers to levy (and consumers to be charged) a client contribution (basic daily care fee), as it would effectively only add to the quantum of unspent funds. In some cases there have been instances where the means-tested fee also has not been levied for the same reason.

This practice distorts the overall funding model and discourages the notion of consumers "co-contributing" to their care needs.

## Staff Hours Worked per Client

The average direct care hours per client per week have declined from the levels in FY17 and FY18. This is partly due to lower available package revenue as a direct result of the increased unspent funds.

A decrease in administration and support staff hours was observed across the survey for the FY18, and there has been a further fall in hours when we compare the Mar-19 period to the Mar-18 period.

*It is important to note that the staffing hours are for direct care service delivery by providers to clients (care recipients). These hours do not include sub-contract services which may include home maintenance, cleaning, social support and allied health. Sub-contractors as well as providers perform these services.*

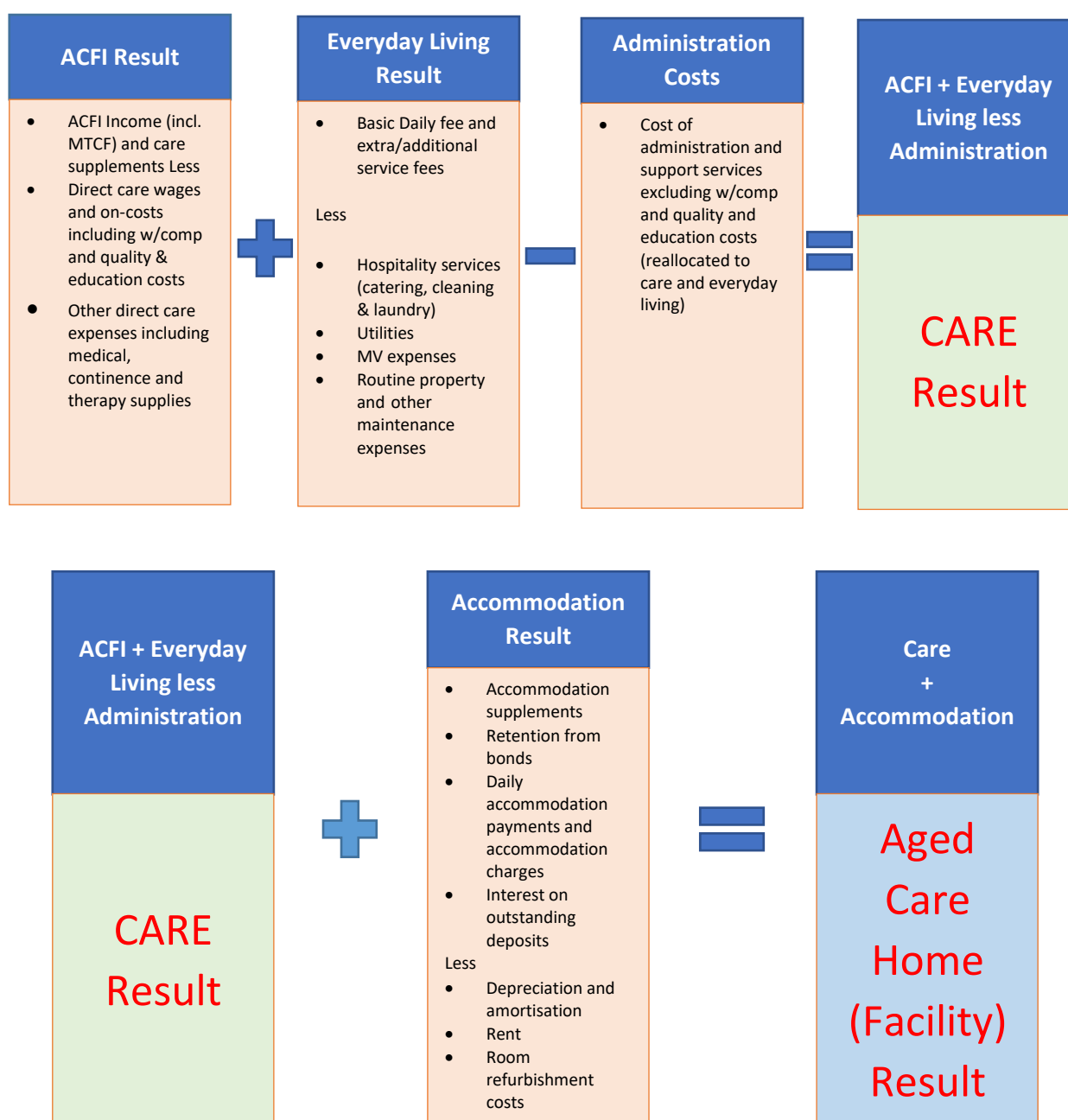
*Table 9: Home Care Staff Hours per client per week from Mar-19 and Mar-18*

	Survey Average			Survey First 25%		
	Mar-19	Mar-18		Mar-19	Mar-18	
<b>Direct service provision</b>	4.98	5.14	↓	5.18	5.57	↓
<b>Agency</b>	0.21	0.34	↓	0.33	0.29	↑
<b>Case management &amp; advisory</b>	0.90	0.80	↑	1.05	1.16	↓
<b>Administration &amp; support services (including co-ordination)</b>	0.50	0.57	↓	0.48	0.67	↓
<b>Total Staff Hours</b>	<b>6.59</b>	<b>6.85</b>	↓	<b>7.04</b>	<b>7.69</b>	↓

## 5. APPENDIX A - GLOSSARY

### Aged Care Home (Facility) Result

*The Aged Care Home (Facility) Result is made up of the components shown in the diagram below. The Care Result is derived from the resident acuity (care) needs; the Accommodation Result is derived from revenue streams not directly related to resident acuity, but to the resident's financial ability to pay for residential accommodation.*





### **Accommodation Result**

Accommodation Result is the net result of accommodation revenue (DAPs/DACs/Accommodation supplements) and expenses related to capital items such as depreciation, property rental and refurbishment costs. It no longer includes costs associated with recurrent repairs and maintenance and motor vehicles.

### **ACFA**

Aged Care Financing Authority - the statutory authority which provides independent advice to the government on funding and financing issues, informed by consultation with consumers, and the aged care and finance sectors.

### **ACFI revenue**

Aged Care Funding Instrument (ACFI) revenue includes the subsidy received from the Commonwealth and the means-tested care fee component levied to the resident. ACFI revenue includes the additional care supplement subsidies and some specific grant (not capital) funding.

### **ACFI Result**

ACFI Result represents the net result from revenue and expenses directly associated with care. It includes ACFI and Supplements (including means-tested care fee) revenue less total care expenditure, and this includes an allocation of workers compensation and quality and education costs.

### **Administration Costs**

Administration Costs includes the direct costs related to administration and support services and excludes the allocation of workers compensation and quality and education costs to ACFI and Everyday Living.

### **Averages**

For residential care 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 aged care home (facilities) in the Survey.

For home care 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 client days for the programs in the group. For example, the average for sub-contracted and brokerage costs across all programs would be the total amount submitted for that line item divided by the total client days for all programs 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.

### **Bed day**

The number of days that a residential care place is occupied in the Survey period. Usually represents the days for which an ACFI subsidy or equivalent respite subsidy has been received.

### **Benchmark**

We consider the benchmark to be the average of the *First 25%* in the group of programs being examined. For example, if we are examining the results for aged care homes (facilities) / programs in Band 4, then the benchmark would be the average of the *First 25%* of the aged care homes (facilities) / programs in Band 4.

## Benchmark Bands

### *Residential Care*

Based on Average ACFI + Care Supplements (including respite) (\$ per bed day)

Band 1 - Over \$187

Band 2 - Between \$172 and \$187

Band 3 - Between \$157 and \$172

Band 4 - Under \$157

### *Home Care*

Based on Total Revenue (Direct Care + Brokered + Case Management + Administration) (\$ per client day)

Band 1 - Under \$45

Band 2 - Between \$45 and \$65

Band 3 - Between 65 and \$85

Band 4 - Over \$85

## Care Result

This is the element of the aged care home (facility) result that includes the direct care expenses and everyday living costs and administration and support costs. It is calculated as ACFI Result *plus* Everyday Living Result *minus* Administration Costs.

### Dollars per bed day

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

### Dollars per client day

This is the common measure used to compare items across programs. The denominator used in this measure is the number of client days for any programs or group of programs.

## EBIT

Earnings Before Interest (including investment revenue) 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.

## EBITDAR

This measure represents earnings before interest (including investment revenue), taxation, depreciation, amortisation and rent. The calculation excludes interest (and investment) revenue as well as interest expense on borrowings. *EBITDAR is used for residential care analysis only, whereas Home Care uses EBITDA only.*

The main reason for this is to achieve some consistency in the calculation. Different organisations allocate interest and investment revenue differently at the “aged care home (facility) level”. To ensure that the measure is consistent across all organisations we exclude these revenue and expense items.

### EBITDAR per bed per annum

Calculation of the overall aged care home (facility) EBITDAR for the financial year to date divided by the number of operational beds in the aged care home (facility).

## EBT

Earnings before tax. This may also be referred to as the net result or, in the residential aged care home (facility) analysis, as the aged care home (facility) result.

## Facility

An aged care home is sometimes called a “facility” for convenience. The Facility Result is the result for each aged care home being considered.

## Facility EBITDAR

The starting point for this calculation is the Aged Care Home (Facility) Result which is the combination of the Care and Accommodation results. It excludes all “provider revenue and expenditure” including fundraising revenue, revaluations, donations, capital grants and sundry revenue. It also excludes those items excluded from the EBITDAR calculation above. This measure is more consistent across the aged care homes (facilities) because it excludes all those items which are generally allocated at the aged care home (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 the aged care home (facility) operating performance.*

## Everyday Living Result

Revenue from Basic Daily Fee plus Extra or Optional Service fees less Hotel Services (catering, cleaning, laundry), Utilities, Motor Vehicles and regular Property & Maintenance (includes allocation of workers compensation premium and quality and education costs to hotel services staff).

## First 25% - Home Care Packages (HCP)

Home Care results (EBT) are distributed for the Survey period from highest to lowest by \$ per client per day (\$pcd). This is then divided into quartiles - the first 25% is the first quartile, second 25%, third 25%, fourth 25% and the average of each quartile is reported. The *First 25%* represents the quartile of programs with the highest EBIT \$pcd, the second 25% represents the quartile with the second highest EBIT \$pcd, the third 25% represents the quartile with the third highest EBIT \$pcd, whilst the fourth 25% represents the quartile of programs with the lowest (fourth highest) EBIT \$pcd.

## First 25% - Residential Care Packages

The Residential Care results are distributed for the Survey period from highest to lowest by Care Result. This is then divided into quartiles - the first 25% (the first quartile), second 25%, third 25%, fourth 25% and the average of each quartile is reported. The *First 25%* represents the quartile of programs with the highest Care Result, the second 25% represents the quartile with the second highest Care Result, the third 25% represents the quartile with the third highest Care Result, whilst the fourth 25% represents the quartile of programs with the lowest (fourth highest) Care Result.

## 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.

## Survey

Survey is the abbreviation used in relation to the *Aged Care Financial Performance Survey*.

## CONTACT DETAILS

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

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