



# StewartBrown

Integrity + Quality + Clarity

## Aged Care Sector Report



The StewartBrown June 2021 Aged Care Financial Performance Survey incorporates detailed financial and supporting data from **1,277 aged care homes (102,427 beds/places)** and **53,559 home care packages across Australia**. The quarterly survey is the largest benchmark in the aged care sector and provides invaluable insight into the trends and drivers of financial performance at the sector level and at the aged care home or programme level.

For the 12 months ended 30 June 2021

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# 1. EXECUTIVE SUMMARY

## Abstract

The *Aged Care Financial Performance Survey* (Survey) June 2021 Sector Report provides an overview of the financial performance of the aged care sector in Australia. It is based on the results of the StewartBrown Survey for the 12 months ended 30 June 2021.

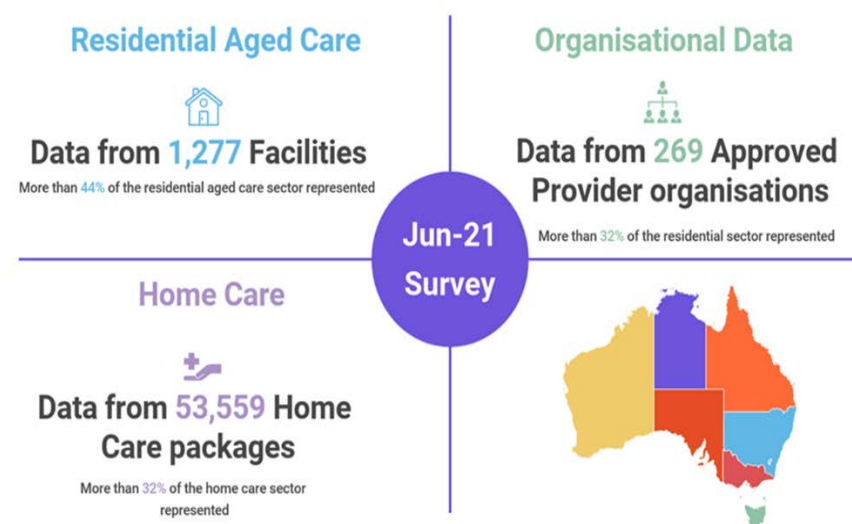
In addition to this report, every participant in the Survey also receives supplementary reports on their respective Residential and Home Care results - these contain a greater level of granularity of analysis from a benchmarking perspective. Individual participant organisations also receive specific 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, should they wish to conduct their own analysis of the data.

The Survey data undergoes an intensive data cleansing and quality checking procedure, with each participating organisation. Individual aged care homes (residential) and programs (home care packages) are cross checked against previous results by each revenue and expense line item, compared to all similar sized and regionally located comparators, and filtered against predetermined criteria. After this screening process all material variances are subjected to explanatory confirmation by the respective Survey participant before being uploaded into the database.

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. Our primary agenda is that all financial policy and related public commentary should be evidenced based and objective and supported by accurate data.

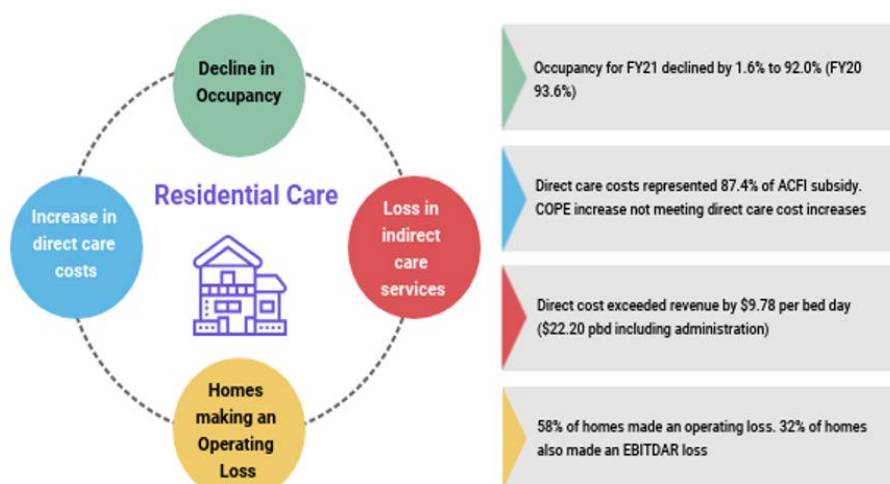
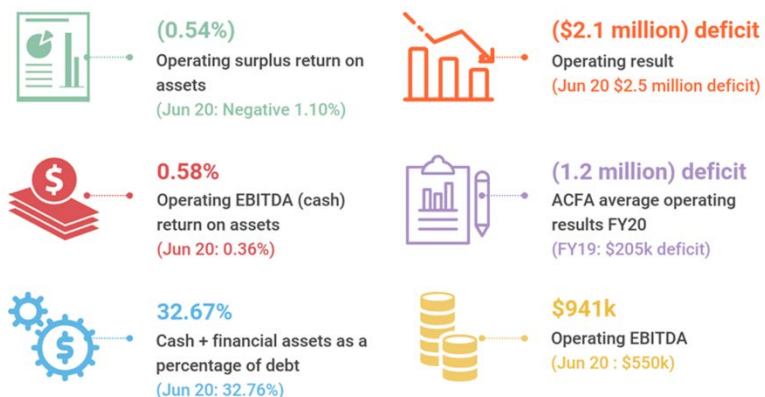
Refer *Appendix A*, which provides a graphical depiction of the Data Collection, Data Cleansing and Survey Metrics processing.

*StewartBrown, through this Survey and other related publications or presentations is not an advocate for any specific stakeholder in the sector. StewartBrown is an independent firm that maintains professional relationships with a large representation of sector participants with the common goal of benefiting the future of aged care in Australia.*

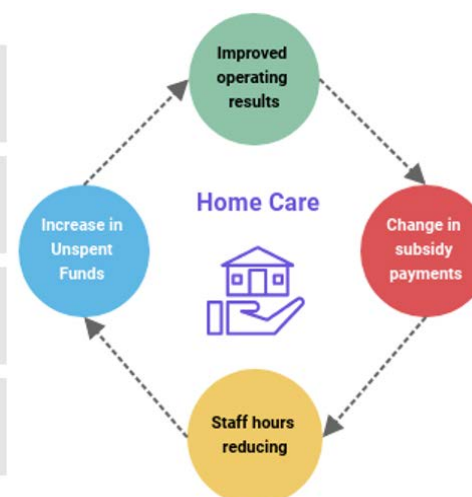
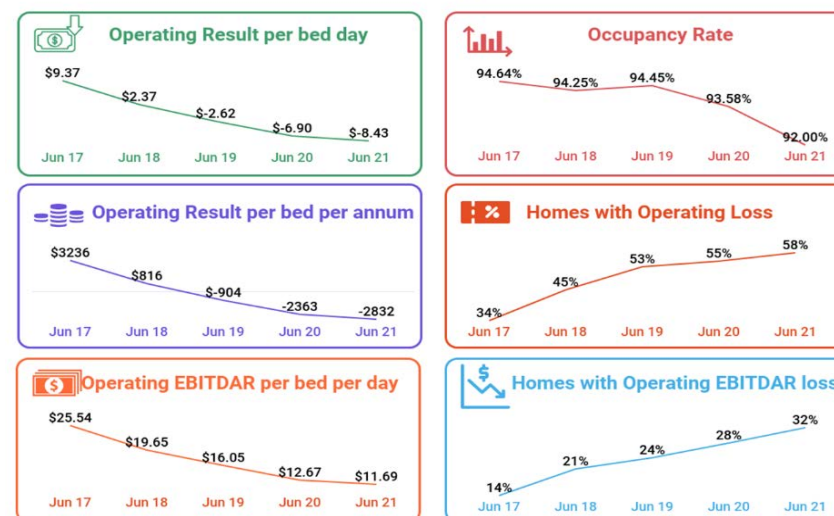


## FY21 Results Snapshot

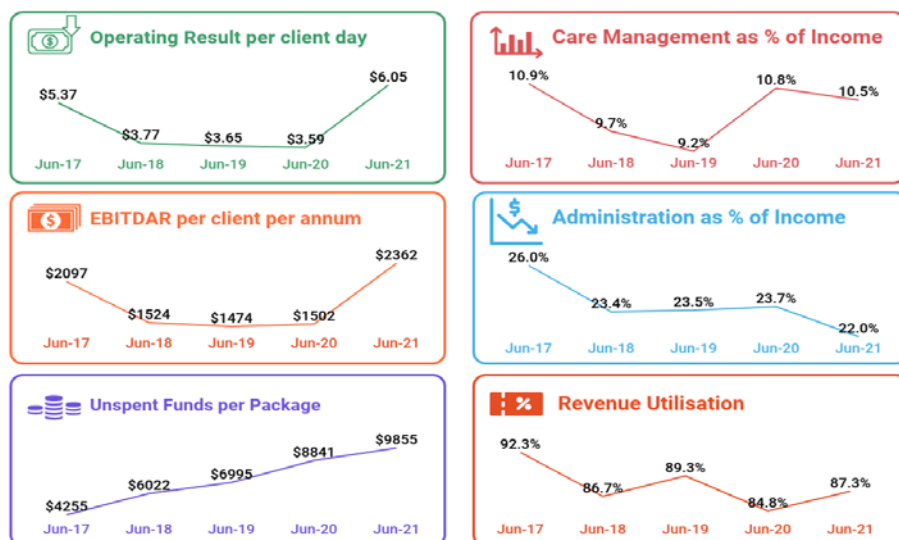
### Approved Provider - Aggregate Results



## Residential Aged Care



## Home Care



## Commentary

The Survey for the 12 month period ending June 2021 shows a continuing decline in the underlying financial performance and sustainability of the residential aged care sector. The average operating results for homes in all geographic sectors was an operating loss of \$8.43 per bed per day after net COVID-19 funding support of \$3.71 per bed per day (which is unlikely to continue in FY22).

The \$10 basic daily fee supplement introduced on 1 July 2021 is welcome relief to residential aged care providers, however a component will be required to be utilised to supplement additional compliance costs as a requirement of obtaining the supplement, and providers will need to ensure that the quality and nutritional components of resident food is meeting expectations and is continually improved.

Despite the basic daily fee supplement, FY22 is posed to be another challenging year for residential aged care providers.

The COPE (indexation) increase of 1.1% is offset against the Superannuation Guarantee Scheme increase of 0.5%, workforce award increases ranging between 1.75% to 3.5%, and higher inflation (3.8% for June year-on-year).

Additional specific targeted funding and structural reform is required, and in particular with respect to the accommodation pricing model. The present model is inequitable for consumers where there is a distinct financial benefit if an incoming resident has access to funding a RAD, and a similar reduced revenue stream for providers. The deregulation of the Basic Daily Fee is also a reform that requires further strong consideration.

The home care operating results have improved for FY21, however much of this has been driven by reduced costs, particularly direct care staff costs and hours. Revenue per client day has marginally increased by 1.4% and revenue utilisation has increased by 2.5% (still being a low 87.3%) with unspent funds increasing to be an average of \$9,855 per consumer (over \$1.6 billion in total).

The major reform required for home care is in relation to the funding model, with the current arrangements of having large funding differentials between each of the package levels being a major contributor to the exponential increase in unspent (unutilised) subsidy funding.

## COVID-19 Funding - Financial Effect

Based on the data provided, for residential aged care, COVID-19 revenue exceeded COVID-19 expenditure by an average of \$3.71 per bed day at the aged care home level in the June 2021 12 month period. (for June 2020, revenue exceeded expenditure by an average of \$2.88 per bed day).

Table 1: Net COVID-19 benefit/(cost)

	FY20	FY21
COVID-19 support subsidies and grants	\$4.48	\$11.23
Less Additional COVID-19 Expenditure	\$1.60	\$7.52
Net COVID-19 benefit (cost)	\$2.88	\$3.71

## FY21 Financial Performance Analysis

### Approved Provider (Organisation) Results

<b>Net Profit Before Tax (NPBT)</b>	The average result (NPBT) per Approved Provider was a <b>\$56k surplus</b> . This is an improvement on the prior year average result per provider which was deficit of \$1,157k. The improvement in total result has been driven by improvement in operating result (\$464k), increase in net COVID-19 funding (\$395k), and increase in net non-recurrent result (\$354k).
<b>Net COVID Result</b>	The average net COVID result per provider for FY21 was a <b>surplus of \$929k</b> . The FY21 COVID-19 grants were a significant support for aged care providers during the pandemic.
<b>Operating Result</b>	<p>The average financial performance continued to remain at unsustainable levels for many providers. The FY21 results show that the average operating result per provider was a <b>deficit of \$2,055k</b>. This result means that the operations of the sector are not recovering the cost of the capital employed.</p> <p>The FY21 operating deficit is an improvement of \$464k on the FY20 result due to a combination of revenue growth (4.96%) and minor staffing and administration efficiencies to reduce costs.</p>
<b>Operating EBITDA</b>	<p>The average operating average EBITDA (cash) result was a small <b>surplus of \$941k</b>, which is not sufficient to maintain the standard of accommodation and care delivery. Due to the operating result being in deficit the depreciation and financing costs are not being recovered.</p> <p>The very low EBITDA return is a significant deterrent to future investment in the sector.</p>
<b>Staff Costs as % of Operating Revenue</b>	Aged care operators have managed minor staffing and roster efficiencies for FY21, with staffing costs as a percentage of operating revenue being 71.9%. This ratio is marginally down from 72.1% for FY20.
<b>Depreciation Rate</b>	Average depreciation rate of 3.2% (31.25 years effective life) has reduced by 0.2%. We would assess that the depreciation rate is low and should be at least 4% pa for buildings and 10% for furniture and equipment.
<b>Profitability Ratios</b>	From an investment perspective, the operating surplus return on assets ratio has marginally improved to be <b>negative 1.28%</b> for FY21 (FY20 negative 1.64%), which places a potential burden on required future capital and equity. The operating EBITDA (cash) return on assets has also marginally increased from 0.36% (FY20) to 0.58% (FY21).

### Aged Care Financial Report (ACFR) Comparison for FY20

<b>Financial Performance</b>	The ACFR aggregate result shows that FY20 was a particular challenging financial year for approved providers, with an average NPBT <b>deficit of \$637k</b> per provider organisation. The operating result (excludes non-recurrent revenues and expenses) was an average <b>deficit per provider of \$1.431 million</b> .
<b>Balance Sheet</b>	Liquidity for the ACFR aggregate results has deteriorated to 27.8% in FY20 from 29.6% in FY19. Expectations are that liquidity levels are likely to have been maintained for FY21 results due to the COVID-19 financial relief.

## Listed Entities FY21 Results

<b>Financial Performance</b>	<p>The listed entities average results show that the <i>operating result</i> has declined from \$12.36m surplus for FY20 to an aggregate <b>\$1.87m loss for FY21</b>. The FY21 operating loss has been driven by operating expenditure growth of 4.3%, compared to operating revenue growth of 1.6%.</p> <p>The net COVID-19 funding of \$3.7m and net non-recurrent activities of \$5.5m improved the Net Profit Before Taxation result to a <b>\$6.37m surplus</b>. This is significantly favourable compared to the FY20 NPBT result of a \$131.98m loss. The FY20 losses were predominantly driven by intangible asset impairments.</p>
<b>Liquidity</b>	<p>Average liquidity for the three listed entities remains highly leveraged, with a 2.5% cash and financial assets coverage to total debt at FY21. This level of liquidity remains unchanged compared to the FY20 ratio, also at 2.5% cash and financial asset coverage to total debt.</p> <p>The COVID-19 support package appears to have protected the listed entities from potential deterioration of their liquidity levels. The nature of residential aged care, particularly regarding refundable lump sum accommodation deposits, means that liquidity is a very dynamic metric and needs to be monitored. Profitability of the sector is marginal, and resident accommodation payment trends have been showing a trend towards shifting from refundable deposits (RADs) to daily accommodation payments (DAPs). These payment trends have the potential to apply pressure to the listed entities liquidity levels due to the increasing likelihood of net resident liability outflows, caused by RAD paying residents being progressively replaced by DAP paying residents, or a combination of both payment types.</p>
<b>Net Tangible Assets</b>	<p>The listed entities have an average <b>net tangible asset deficiency of \$254m</b>. They reported an average of \$226m in bed licenses, and an average of \$320m in goodwill. In addition, intangible assets made up approximately 33% of the assets on their balance sheets. The listed entities' aggregate balance sheet position is at a potential risk of deterioration, should future aged care reforms cause significant impairment to bed licenses.</p>

## Residential Aged Care Results

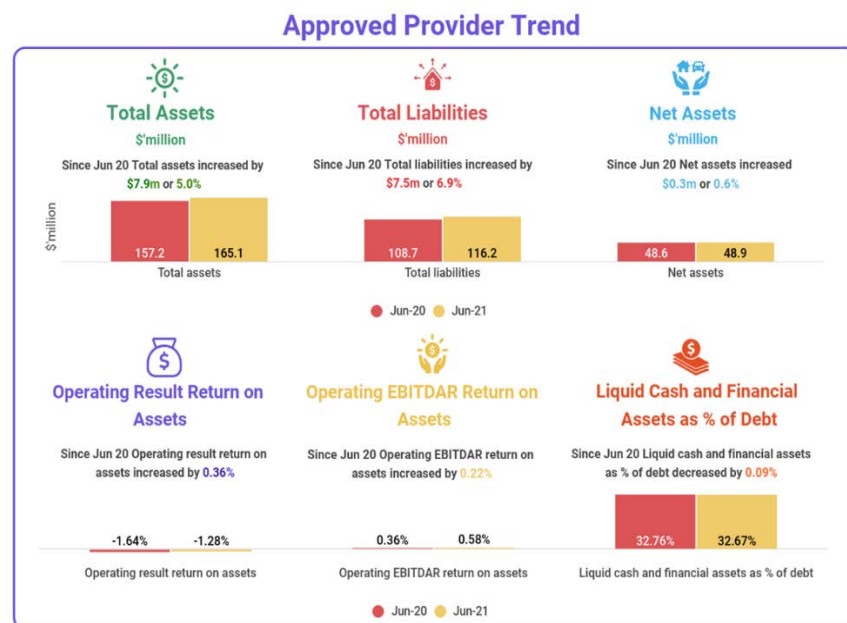
<b>Revenue</b>	<ul style="list-style-type: none"> <li>Average ACFI was \$187.73 pbd an increase of 3.4% from FY20 (\$181.49 pbd)</li> <li>Everyday living revenue was \$54.79 pbd an increase of 1.67% from FY20 (\$53.89 pbd)</li> <li>Accommodation revenue was \$32.86 pbd an increase of 0.89% from FY20 (\$32.57 pbd)</li> <li>Covid funding support was \$11.23 pbd (FY20 \$4.48 pbd)</li> </ul>
<b>Expenses</b>	<ul style="list-style-type: none"> <li>Direct care labour costs averaged \$134.60 pbd an increase 2.9% from FY20 (\$130.83 pbd)</li> <li>Other direct care costs averaged \$29.45 pbd an increase of 12.2%, in part due to effects of additional medical supplies relating to covid-19 and to further meet the new quality standards</li> <li>Everyday living costs was \$64.57 pbd (excluding administration) an increase of 2.3% (FY20 \$63.09 pbd)</li> <li>Administration costs was \$37.20 pbd an increase of 1.3% (FY20 \$36.71 pbd)</li> </ul>

<b>Operating Result</b>	<ul style="list-style-type: none"> <li>ACFI result declined by \$0.91 pbd to a surplus of \$9.93 pbd (decline 8.4%)</li> <li>Everyday Living result declined by \$0.75 pbd to a deficit of \$22.29 pbd (including administration) (decline 3.5%)</li> <li>Accommodation result declined by \$0.71 pbd to a surplus of \$0.22 pbd (decline 76.3%)</li> <li>Operating result was a <b>deficit of \$8.43 pbd</b> (FY20 operating deficit \$6.90 pbd)</li> <li>Operating EBITDAR decreased by \$417 per bed per annum to \$3,924 pbpa (FY20 EBITDAR \$4,341 pbpa)</li> </ul>
<b>Additional Trends</b>	<ul style="list-style-type: none"> <li>Direct care minutes (RN/EN/PCA) was <b>175.81 minutes per resident per day</b> (FY20 was 174.31 minutes)</li> <li>Occupancy for mature homes <b>declined to 92.4%</b> (FY20, 93.58%) (<i>occupancy based on actual available beds</i>)</li> <li>Occupancy for all homes decreased to 90.2% (FY20 91.4%) (<i>occupancy based on approved places</i>)</li> <li>Supported resident ratio increased by 0.2% to 47.0% (FY20 46.8%)</li> <li>Average full RAD received for FY20 was \$448,532 (FY20 \$433,252)</li> <li>Proportion of full RADs received was 27%, full DAPs was 49% and Combinations (RAD/DAP) was 24%</li> </ul>

### Home Care Package (HCP) Results

<b>Revenue</b>	<ul style="list-style-type: none"> <li>Revenue was \$72.08 per client per day an increase of 1.4% from FY20 (\$71.08 pcpd)</li> <li>Revenue utilisation <b>increased by 2.5% to 87.3%</b> of funding received for FY21 (84.8% for FY20)</li> </ul>
<b>Expenses</b>	<ul style="list-style-type: none"> <li>Direct service costs decreased by \$0.35 pcpd (58.4% of total revenue compared to 59.8% at FY20)</li> <li>Cost of direct service and brokered/sub-contracted as % of revenue has <b>decreased by 1.3%</b> to 58.4%</li> <li>Case management cost as % of revenue has marginally declined to 10.5% of revenue (FY20 10.8% of revenue)</li> <li>Administration and support costs represent 22% of revenue (FY20 with 23.7%)</li> </ul>
<b>Unspent Funds</b>	The amount of unspent funds per client (care recipient) has continued to rise and now <b>averages \$9,855 per client</b> (FY20 \$8,841 per client). In aggregate across the sector, this represents in excess of <b>\$1.6 billion of funds</b> that have not been utilised.
<b>Operating Result</b>	Operating results have improved from \$3.59 per client per day for FY20 to <b>\$6.05 per client per day</b> for FY21. The profitability margin has improved from 5.1% for FY20 to 8.4% for FY21. Profitability improvements are being driven by a \$1 increase in package revenue per client per day, in parallel with efficiency gains in direct service delivery, care management and administration.
<b>Other Trends</b>	<ul style="list-style-type: none"> <li>Average staff hours per week was <b>5.36 hours</b> (FY20 5.45 hours)</li> <li>The number of packages has increased 17% (24,688 packages) from Jun-20 to Mar-21</li> <li>In the same period the number of approved home care operators has increased marginally by 5 approved home care providers. There were 934 approved home care providers as at 31 March 2021</li> <li>The median package growth rate was <b>13.8%</b>. The weighted average growth rate of packages was 15.9%</li> </ul>

## 2. APPROVED PROVIDER ANALYSIS



### Abstract

This section provides a summary of financial performance for the 12 month period to June 2021 of aged care providers at an Approved Provider (whole organisation) level rather than at individual segment or aged care home level. For the purposes of this analysis, we have included the detailed information relating to 235 approved providers (of the 269 approved providers who participated) who are representative of various ownership structures, location and demographics.

Each of the approved provider organisations included were used in the analysis of their financial position and operating performance at FY21 and FY20 to ensure comparability.

Several observations with respect to the profile of the organisations:

- Operating revenue increased by \$2.4 million (5.0%) along with an increase in net property assets of \$5.4 million (5.0%)
- Refundable loans increased by \$6.2 million (7.2%)
- Cash and financial assets (liquid cash assets) increased by \$2.2 million (7.2%) from FY20 to FY21
- Borrowings, other than refundable loans, increased by \$6.6 million (7.2%)

### Operating Results for FY21

Table 2: Income & Expenditure Comparison (average by approved provider)

	Survey FY21 235 Providers (Average)	Survey FY20 235 Providers (Average)	ACFR FY20 744 Providers (Average)	Listed Providers FY21 3 Providers (Average)
<b>Income &amp; Expenditure</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>				
Service revenue	48,760	46,455	33,075	566,647
Investment revenue	871	808	601	178
<b>Total operating revenue</b>	<b>49,631</b>	<b>47,264</b>	<b>33,677</b>	<b>566,824</b>
<b>Expenses</b>				
Employee expenses	35,681	34,089	23,180	427,049
Depreciation and amortisation	3,819	3,778	2,528	38,590
Finance costs	330	390	550	8,474
Other expenses	11,856	11,526	8,849	94,580
<b>Total operating expenses</b>	<b>51,686</b>	<b>49,783</b>	<b>35,107</b>	<b>568,693</b>
<b>Operating surplus (deficit)</b>	<b>(2,055)</b>	<b>(2,519)</b>	<b>(1,431)</b>	<b>(1,869)</b>
Non-recurrent income and expenses	1,182	828	514	4,511
Net COVID result	929	534	279	3,724
<b>Total surplus (deficit) (NPBT)</b>	<b>56</b>	<b>(1,157)</b>	<b>(637)</b>	<b>6,366</b>
<b>Operating EBITDA</b>	<b>941</b>	<b>550</b>	<b>1,046</b>	<b>41,121</b>
<b>EBITDA</b>	<b>2,123</b>	<b>1,379</b>	<b>1,561</b>	<b>45,632</b>
<b>Ratios</b>				
Operating surplus return on assets (ROA)	(1.3%)	(1.6%)	(1.4%)	(0.1%)
Operating EBITDA return on assets	0.6%	0.4%	1.0%	2.5%
Operating surplus % of operating revenue	(4.1%)	(5.3%)	(4.2%)	(0.3%)
Employee expenses % of operating revenue	71.9%	72.1%	68.8%	75.3%
Depreciation as % of property assets	3.2%	3.4%	4.0%	3.6%

## Equity Summary at FY21

Table 3: Summary Equity (Balance Sheet) comparison

	Survey Jun-21 235 Providers (Average)	Survey Jun-20 235 Providers (Average)	ACFR Jun-20 744 Providers (Average)	Listed Providers Jun-21 3 Providers (Average)
Balance Sheet	\$'000	\$'000	\$'000	\$'000
<b>Assets</b>				
Cash and financial assets	32,937	30,721	17,842	26,956
Operating assets	10,127	10,088	13,704	22,311
Property assets	113,944	108,517	63,661	1,005,023
Right of use assets	1,806	1,725	4,295	31,264
Intangibles - other	3,580	3,200	3,152	319,673
Intangibles - bed licences	2,723	2,993	4,251	226,359
<b>Total assets</b>	<b>165,117</b>	<b>157,244</b>	<b>106,905</b>	<b>1,631,586</b>
<b>Liabilities</b>				
Refundable loans - residential	52,584	50,135	40,372	887,632
Refundable loans - retirement living	39,107	35,384	14,965	21,076
HCP unspent funds liability	1,924	1,474	752	-
Borrowings	7,012	6,583	7,810	173,090
Other liabilities	15,597	15,078	13,990	226,950
<b>Total liabilities</b>	<b>116,225</b>	<b>108,654</b>	<b>77,889</b>	<b>1,308,748</b>
<b>Net assets</b>	<b>48,891</b>	<b>48,589</b>	<b>29,017</b>	<b>322,838</b>
<b>Net tangible assets</b>	<b>42,588</b>	<b>42,396</b>	<b>21,613</b>	<b>(223,194)</b>
<b>Ratios</b>				
Net assets proportion % total assets	29.6%	30.9%	27.1%	19.8%
Property assets proportion % total assets	69.0%	69.0%	59.5%	61.6%
Cash + financial assets % refundable loans	62.6%	61.3%	44.2%	3.0%
Cash + financial assets % debt	32.7%	32.8%	27.8%	2.5%

## Brief Commentary

### Operating Results











- The operating result includes investment income and excludes non-recurrent other income (e.g., COVID subsidy, fair value revaluations, donations, fundraising etc). Non-recurrent expenses (such as COVID related expenses, fair value losses, impairment) have been offset against other non-recurrent income
- The operating result has marginally improved, achieving an average deficit by approved providers of \$2.1m for FY21 (FY20: deficit of \$2.5m)
- The improvement is as a direct result of the net covid-19 funding support

- The operating result excluding investment income and finance costs was a deficit by approved providers of \$2.60m for Jun-21 period (deficit of \$2.94 for Jun-20)
- Operating EBITDA was a surplus of \$941k for the 12 months to Jun-21 (\$550k for 12 months to Jun-20)
- Employee expenses as a percentage of operating revenue remained steady at around 71.9% (Jun-20, 72.1%)

### Equity

- Net assets and net tangible assets have marginally increased (0.5%)
- Liquid cash assets to debt ratio remains steady at around 32.7%, with the increase in refundable loans from residents amounting to a \$6.2 million increase (7.2% increase)
- Borrowings have increased by \$0.4 million (6.5% increase)
- Property assets have increased by \$5.4 million per provider (5.0% increase) (funded from the growth in resident refundable loans and borrowings)
- The results for the sector indicate that the operating surplus expressed as a return on assets employed by approved providers continues to stress the ongoing financial sustainability challenges of the current operating environment
- COVID-19 stimulus and other non-current activities have helped to offset the operating shortfalls for FY21. The average Net Profit before Tax (NPBT) is a 59k surplus. This is a \$1.2m improvement on the FY20 result which was a \$1.16m NPBT loss
- For survey approved providers Intangible bed licences have reduced \$270k (negative 9% decrease on FY20). This indicates some approved providers are recognising that future reforms around the allocation of bed licenses will likely result the future devaluation of bed licenses held on the balance sheet.
- The listed entities hold significant amounts of intangible assets in the form of goodwill and bed licenses. They have an average Net Tangible Assets of negative \$223m
- The listed entity liquidity levels remain extremely leveraged with 2.5% cash and financial asset coverage to debt. In the month of July 2021, Japara was acquired by Calvary Care, a large Not-for-Profit Provider

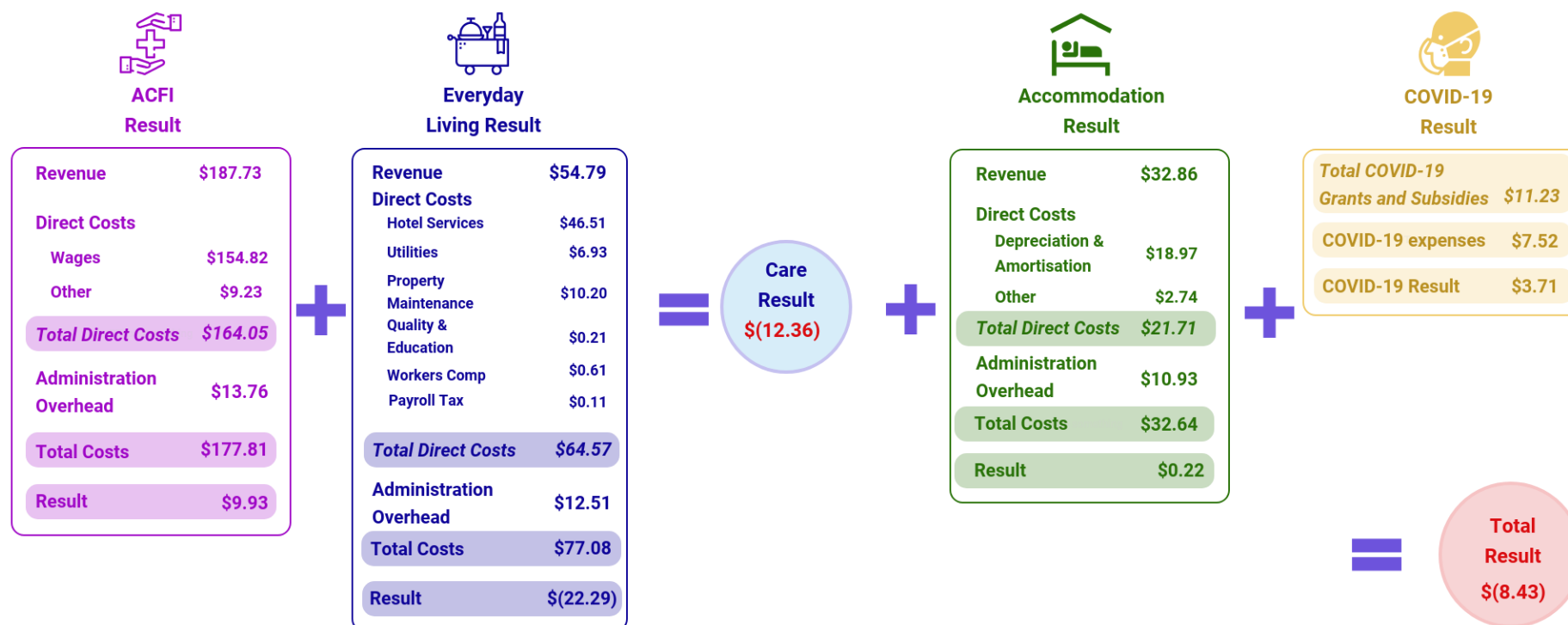
## Financial Performance by Size of Provider

 <b>235</b> Providers included in the data set	 <b>\$7.7 billion</b> Cash and Financial Assets (FY20: \$7.2 billion)	 <b>\$1.5 billion</b> Intangible Assets (FY20: \$1.4 billion)	 <b>\$21.5 billion</b> Refundable Resident Loans (FY20: \$20.1 billion)	 <b>\$27.3 billion</b> Total Liabilities (FY20: \$25.5 billion)
 <b>\$12.7 billion</b> Total Revenue (FY20: \$11.8 billion)	 <b>\$26.8 billion</b> Property Assets (FY20: \$25.5 billion)	 <b>\$38.8 billion</b> Total Assets (FY20: \$37.0 billion)	 <b>\$1.6 billion</b> Borrowings (FY20: \$1.5 billion)	 <b>\$11.5 billion</b> Net Assets (FY20: \$11.4 billion)

	Survey Average \$'000s	1st Quartile \$'000s	Bottom Quartile \$'000s	Revenue >\$75M \$'000s	Revenue \$20M - \$75M \$'000s	Revenue \$10M - \$20M \$'000s	Revenue <\$10M \$'000s	Total Assets >\$150M \$'000s	Total Assets \$50M - \$150M \$'000s	Total Assets \$25M - \$50M \$'000s	Total Assets <\$25M \$'000s
<b>Operating Surplus / (Deficit)</b>	(\$2,055)	\$1,826	(\$4,699)	(\$8,689)	(\$1,681)	(\$647)	(\$351)	(\$6,557)	(\$880)	(\$709)	(\$191)
<b>Average NPBT</b>	(\$873)	\$1,372	(\$2,516)	(\$4,307)	(\$751)	(\$15)	(\$43)	(\$3,272)	(\$92)	(\$279)	\$106
<b>Operating EBITDA</b>	\$941	\$4,717	(\$3,376)	\$4,649	\$541	\$191	\$54	\$3,402	\$468	(\$136)	\$111
<b>EBITDA</b>	\$2,123	\$4,263	(\$1,192)	\$9,031	\$1,470	\$823	\$362	\$6,687	\$1,256	\$294	\$408
<b>NPBT Return on Assets</b>	(0.54%)	0.92%	(1.84%)	(0.68%)	(0.42%)	(0.03%)	(0.18%)	(0.63%)	(0.11%)	(0.79%)	0.70%
<b>Operating Surplus Return on Assets</b>	(1.28%)	1.23%	(3.43%)	(1.38%)	(0.93%)	(1.18%)	(1.45%)	(1.26%)	(1.05%)	(2.02%)	(1.27%)
<b>Cash &amp; Financial Assets % of Debt</b>	32.67%	20.39%	33.39%	29.22%	32.17%	47.56%	50.44%	28.11%	48.91%	52.81%	65.3%

### 3. RESIDENTIAL CARE ANALYSIS

#### Residential Result Snapshot



#### Operating Result

The Operating Result as shown below has further deteriorated from a deficit of \$6.90 per bed day (pbd) for the 12 months to Jun-20 to a **deficit of \$8.43 pbd** for the 12 months to Jun-21 - a decline of \$1.53 pbd.

Administration costs have been allocated to each revenue stream based on the average dissection adopted by providers derived from the annual Corporate Administration Survey.

Table 4: Summary Income & Expenditure Comparison

	Survey		Survey FY19 1,045 Homes
	FY21 1,163 Homes	FY20 1,113 Homes	
<b>ACFI</b>			
Revenue	\$187.73	\$181.49	\$177.79
Expenditure			
Direct care labour costs	\$134.60	\$130.83	\$125.15
Other direct costs	\$29.45	\$26.24	\$23.92
Administration	\$13.76	\$13.58	\$12.60
	\$177.81	\$170.65	\$161.67
<b>ACFI RESULT (A)</b>	<b>\$9.93</b>	<b>\$10.84</b>	<b>\$16.12</b>
<b>EVERYDAY LIVING</b>			
Revenue	\$54.79	\$53.89	\$52.32
Expenditure			
Catering	\$32.90	\$31.73	\$30.09
Cleaning	\$9.25	\$8.65	\$8.37
Laundry	\$4.29	\$4.12	\$3.93
Overhead allocation (workcover & education)	\$0.93	\$0.90	\$0.82
Utilities	\$6.93	\$7.05	\$7.06
Routine maintenance & motor vehicle	\$10.27	\$10.64	\$10.56
Administration	\$12.51	\$12.34	\$11.45
	\$77.08	\$75.43	\$72.30
<b>EVERYDAY LIVING RESULT (B)</b>	<b>(\$22.29)</b>	<b>(\$21.54)</b>	<b>(\$19.98)</b>
<b>CARE RESULT (C) (A + B)</b>	<b>(\$12.36)</b>	<b>(\$10.71)</b>	<b>(\$3.86)</b>
<b>ACCOMMODATION</b>			
Revenue			
Residents	\$13.03	\$13.51	\$13.41
Government	\$19.83	\$19.06	\$17.91
	\$32.86	\$32.57	\$31.32
Expenditure			
Depreciation	\$18.97	\$18.49	\$17.61
Property rental	\$0.53	\$1.08	\$1.06
Other	\$2.20	\$1.28	\$1.41
Administration	\$10.93	\$10.79	\$10.01
	\$32.64	\$31.64	\$30.08
<b>ACCOMMODATION RESULT (D)</b>	<b>\$0.22</b>	<b>\$0.93</b>	<b>\$1.24</b>
<b>NET COVID RESULT (E)</b>	<b>\$3.71</b>	<b>\$2.88</b>	<b>n.a</b>
<b>OPERATING RESULT (\$ per bed day) (C + D + E)</b>	<b>(\$8.43)</b>	<b>(\$6.90)</b>	<b>(\$2.62)</b>
<b>OPERATING RESULT (\$ per bed per annum)</b>	<b>(\$2,832)</b>	<b>(\$2,363)</b>	<b>(\$904)</b>
<b>EBITDAR (\$ per bed per annum)</b>	<b>\$3,924</b>	<b>\$4,341</b>	<b>\$5,531</b>

Table 5: Summary KPI Results Comparison

Summary KPI Results	FY21 1,163 Homes	FY20 1,113 Homes	Difference (YoY)	FY19 1,045 Homes
Operating Result (\$pbd)	(\$8.43)	(\$6.90)	↓ (\$1.53)	(\$2.62)
Operating Result (\$pbpa)	(\$2,832)	(\$2,363)	↓ (\$469)	(\$904)
EBITDAR (\$pbpa)	\$3,924	\$4,341	↓ (\$416)	\$5,531
Average Occupancy (all homes)	90.2%	91.4%	↓ (1.3%)	92.3%
Average Occupancy (mature homes)	92.0%	93.6%	↓ (1.6%)	94.4%
Average ACFI (\$pbd)	\$187.73	\$181.49	↑ \$6.25	\$177.79
Total Care minutes per resident per day	175.81	174.31	↑ 1.50	170.85
ACFI services costs as a % of ACFI	87.4%	86.5%	↑ 0.8%	83.8%
Supported Ratio	47.0%	46.8%	↑ 0.2%	47.6%
Average Full RAD/Bond held	\$408,359	\$386,631	↑ \$21,727	\$362,312
Average Full RAD received during year	\$448,532	\$433,252	↑ \$15,280	\$402,384

## Trend Analysis

Figure 1: Residential Operating Results by Region (\$ per bed day)

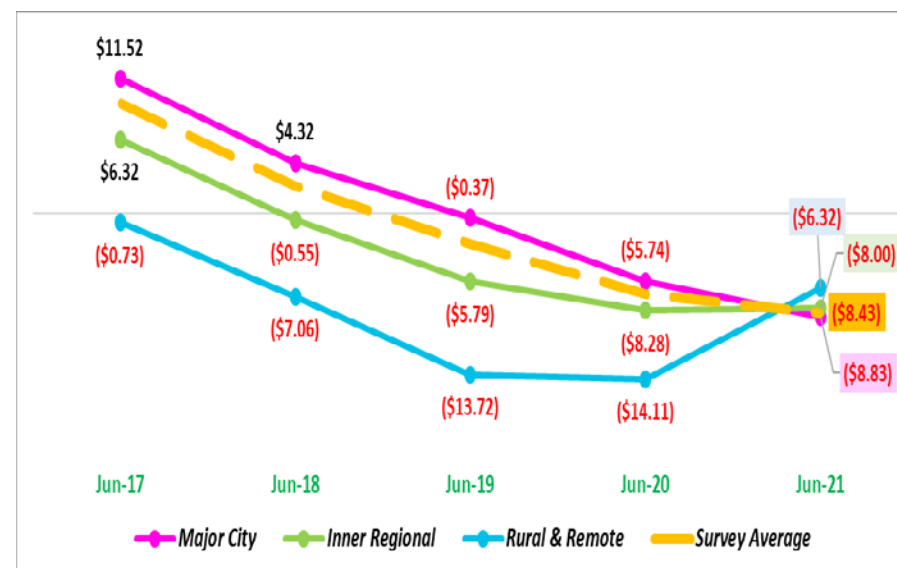
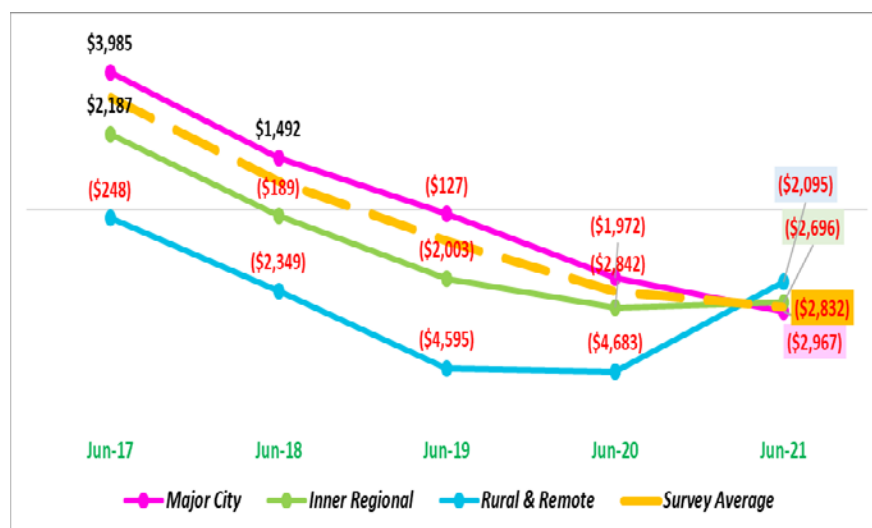
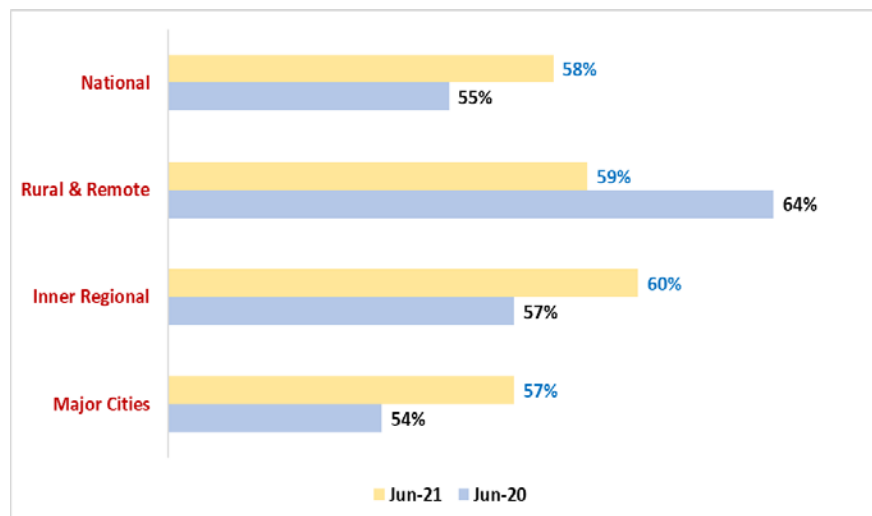


Figure 2: Residential Operating Results by Region (\$ per bed per annum)



### Number of Aged Care Homes making an Operating Loss

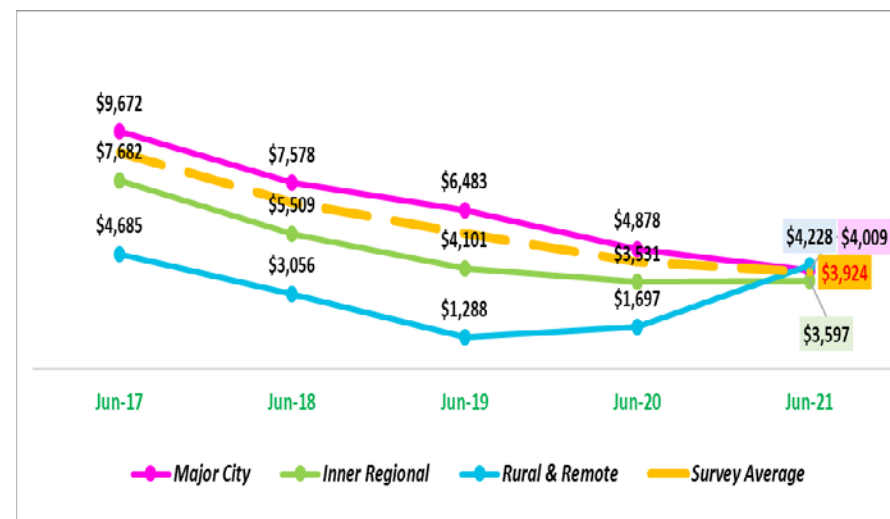
Figure 3: Aged care homes making an operating loss by remoteness



### EBITDAR Result

The graph below displays residential operating EBITDAR (Earnings Before Interest, Taxation, Depreciation, Amortisation and Rent) trend for the years from FY17 to FY21.

Figure 4: Residential EBITDAR Results by Region (\$ per bed per annum)



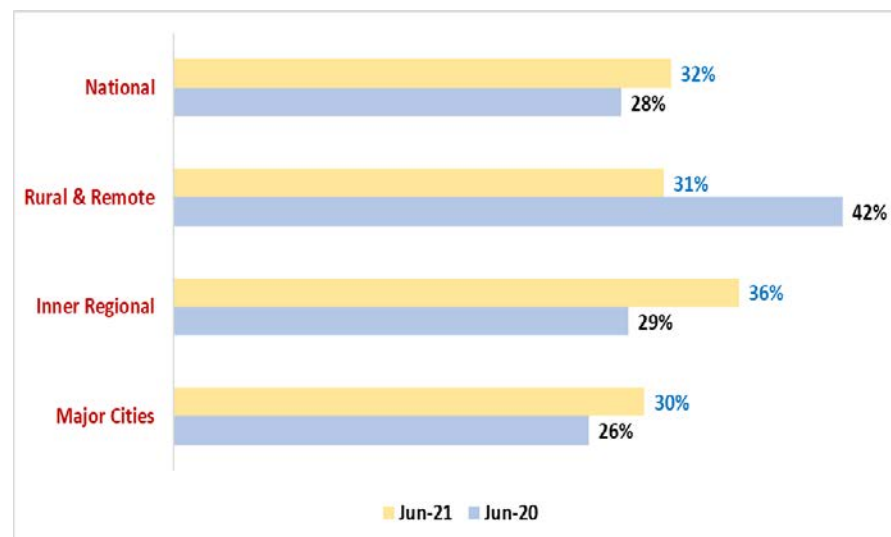
### Number of Aged Care Homes making an EBITDAR loss

The following graph (Figure 5) highlights the percentage of aged care homes nationally that are operating at an EBITDAR loss. This is significant in that an EBITDAR loss represents an effective cash operating loss, which is very unsustainable for any extended period of time.

The resultant effect is that those homes with a continual EBITDAR losses will need to be cross subsidised by other business activities, which may be difficult or, in the case of small providers, unlikely to be feasible. If cross subsidisation is not possible, then these providers can only erode their balance sheet position.

Based on current settings, it is expected that the number of homes with an EBITDA deficit might increase to 36% in FY21 and 37% in FY22.

Figure 5: Aged care homes making an EBITDAR loss by remoteness



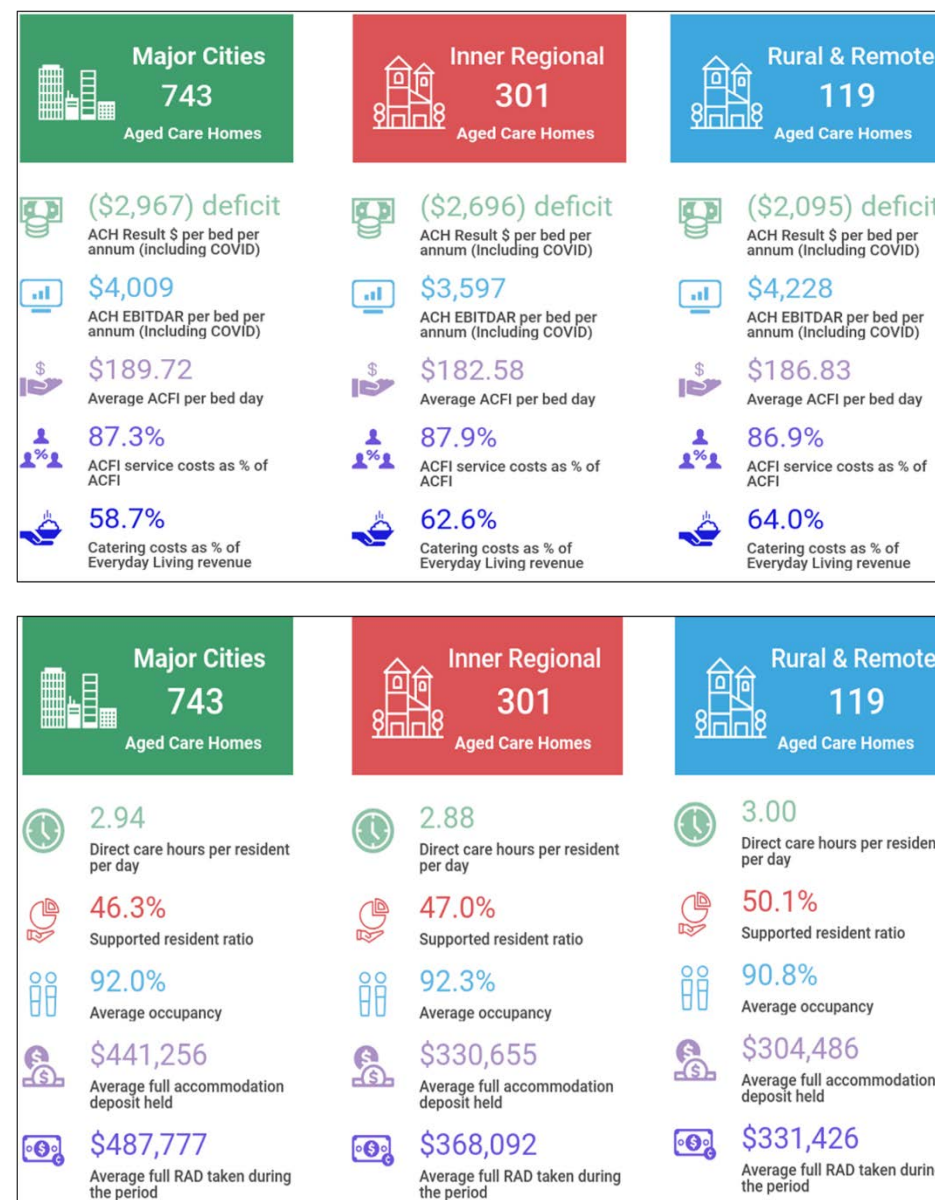
## Results by Geographic Location

Homes in all locations, including metropolitan, regional and remote locations are making operating losses, which is unsustainable in the longer term.

Metropolitan homes have been impacted by the COVID-19 pandemic more profoundly than homes in regional and remote areas. Metropolitan homes have also received lower COVID-19 funding levels and now have worse financial results than providers in other regions, with an operating loss of \$8.83 per bed day compared to a reduced operating loss of \$8.00 per bed day and \$6.32 per bed day for the inner regional and rural and remote homes respectively.

Regional and remote homes also benefitted from the 30% viability supplement.

The following graphs highlight the varying results by geographic region.



## Analysis of Results by Size of Aged Care Home

Figure 6: Operating result comparison by size of aged care home (\$ pbd)



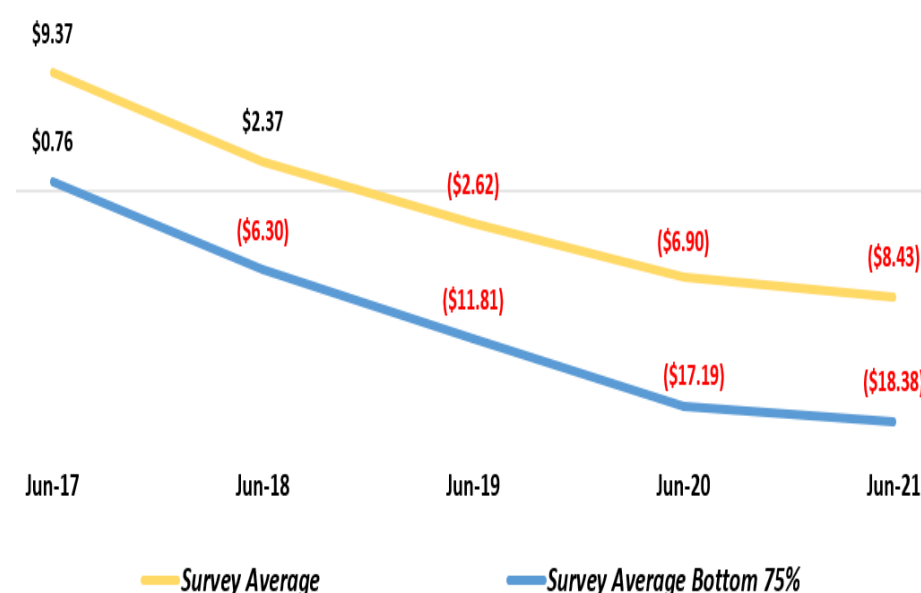
The above graph indicates a continued shift in the operating performance of aged care homes based on their size (available beds). Homes that are over 100 places are proving to be greater loss makers over time.

Mid-range size homes (particularly in the 40 to 60 places and 80 to 100 places), on the other hand, have performed somewhat better. Small homes with 40 and under places have also performed lower.

One of the considerations when reviewing the size of homes and their financial performance is in relation to resident acuity mix. Larger homes generally have a broader mix to retain occupancy levels whereas mid-size homes can target a resident mix that suits the functionality of the home (such as more weighting toward dementia residents or palliative residents).

## Disparity with Aged Care Home Performance

Figure 7: Operating result comparison of Bottom 75% of homes (\$ pbd)



The operating results of the *Bottom 75%* (based on financial performance not on clinical performance) of aged care homes continues to decline, now recording an average loss of \$18.38 per bed day (a further deterioration of \$1.19 per bed day compared to Jun-20).

The *Bottom 75%* cohort comprises 872 aged care homes and represents a very large cohort of approved providers within the sector.

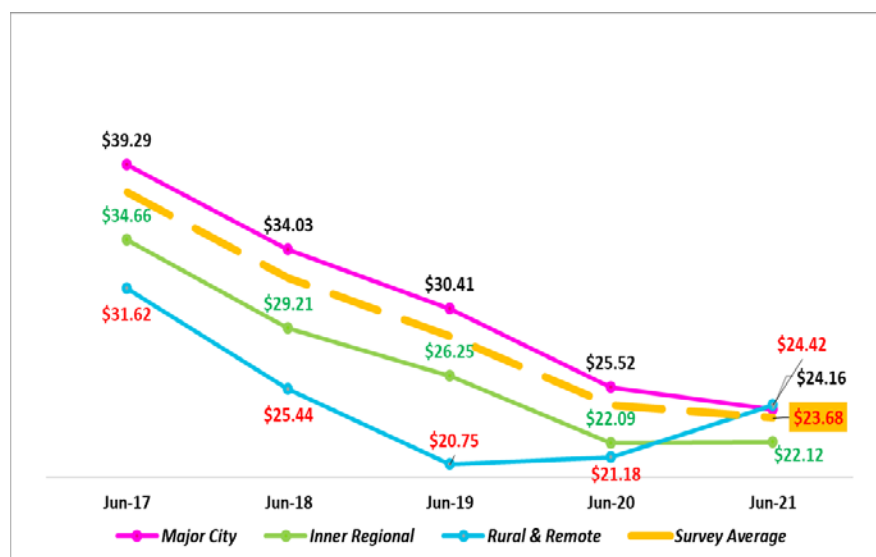
The future funding (pricing) model needs to consider the impact on this cohort as it represents a considerable viability risk.

## ACFI (Direct Care) Analysis

ACFI subsidy funding is determined by each resident's assessed care needs. A higher assessed acuity results in higher ACFI (direct care) subsidy payments, which are primarily directed to the costs of providing direct care to residents.

ACFI revenue comprises of subsidy funding paid by the Government (including care related supplements) plus the means-tested care fee, which is the resident contribution to direct care services (as an offset to ACFI) as calculated following an income and assets assessment.

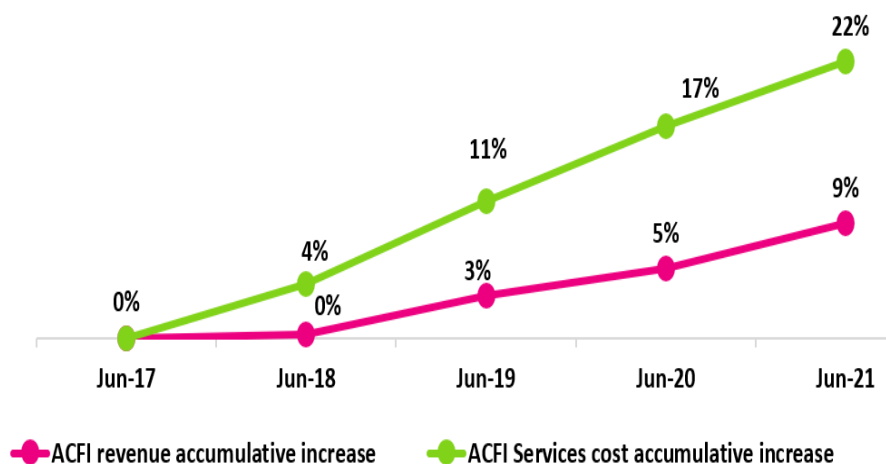
Figure 8: ACFI result by geographic region (\$ pbd)



## ACFI Revenue and Direct Care Costs Trend

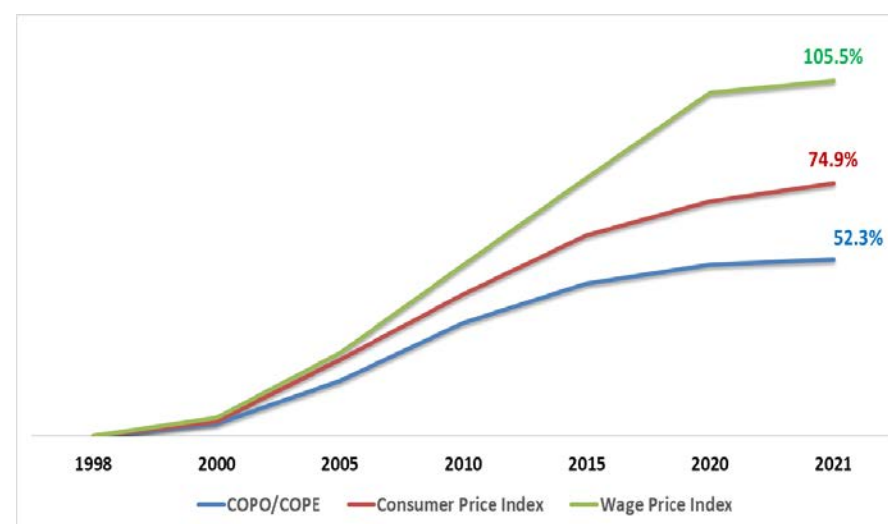
The relationship between ACFI subsidies received and direct care costs is important in maintaining a sustainable operating financial, care-centred business model. Figure 9 indicates that direct care costs are now rising at a greater rate than the corresponding ACFI subsidy: this gap is likely to increase, as staff costs increase (average of 2.5% - 3.0% annually) are greater than ACFI COPE (indexation) increases (1.6% for Jun-21).

Figure 9: Cumulative increase in ACFI subsidy and Direct Care costs



The below graph highlights the differential between cumulative increases in CPI, Wage Price Index and COPO/COPE since the 1998 base year.

Figure 10: Cumulative increase in COPE, CPI and Wage Price Index



## 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 staffing levels to the funding and ensuring that the design of the home is operationally efficient.

Due to the recent reform to mandate minimum staffing hours per resident per day for Registered Nurses, Enrolled Nurses and Personal Carers (including unlicensed nurses) we have now separately aggregated those staff categories for analysis purposes.

A summary of the direct care staff hours by category per resident per day for the Survey is included in the table below, which show that Direct Care staffing hours have increased by an average of 0.7% and Total Care hours per resident per day have increased by 1.9%.

Table 6: Direct Care staffing metrics

Staffing Category	Survey Average			Survey Average
	FY21	FY20		FY19
Registered nurses	0.44	0.41	↑	0.39
Enrolled & licensed nurses	0.28	0.29	↓	0.32
Other unlicensed nurses & personal care staff	2.19	2.19	↓	2.12
Imputed agency care hours implied	0.03	0.02	↑	0.02
<b>Total Direct Care Hours</b>	<b>2.93</b>	<b>2.91</b>	↑	<b>2.85</b>
Care management	0.12	0.12	↑	0.11
Allied health	0.11	0.09	↑	0.08
Diversional/Lifestyle/Activities	0.11	0.10	↑	0.09
<b>Total Care Hours</b>	<b>3.27</b>	<b>3.21</b>	↑	<b>3.13</b>
<b>Total Direct Care minutes per resident day</b>	<b>175.81</b>	<b>174.31</b>	↑	<b>170.85</b>

Figure 11: Direct Care staff hours by region

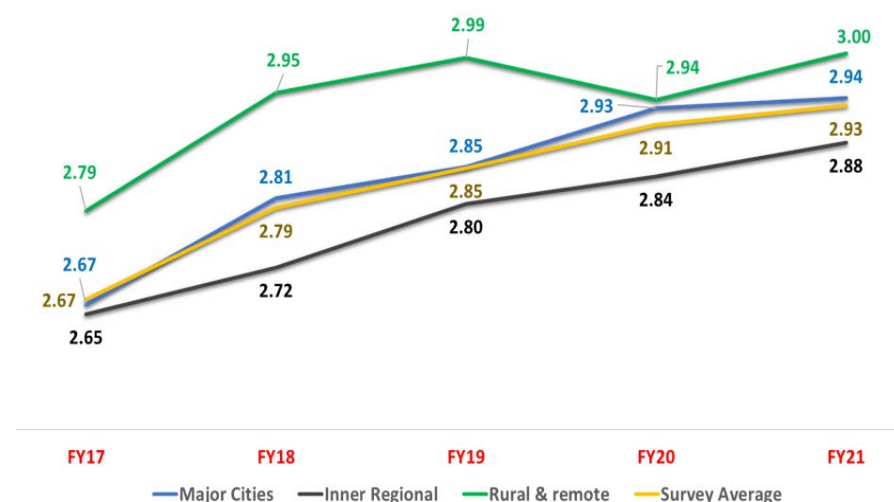
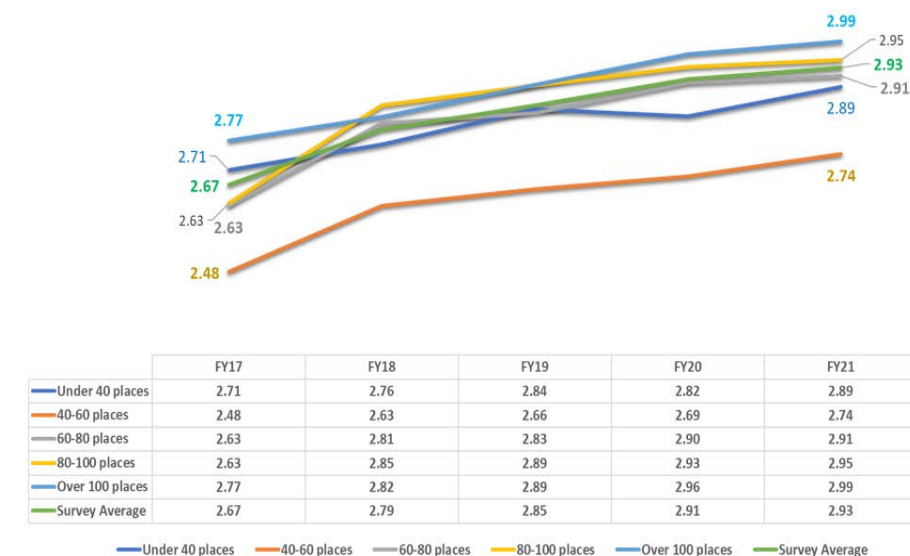


Figure 12: Direct Care staff hours by facility size



### Average Direct Care Minutes Trend per resident day

The minimum mandated minutes per resident per day (200 minutes for RN/EN/PCA staff) will require increased staffing by an average 24.19 minutes from the staffing levels for FY21. This represents an increase of 13.8%.

To achieve this mandated level will require additional direct care staff to be employed. This will be a significant challenge for the sector, particularly in regional, rural and remote locations where registered nurse availability is at a premium.

Targeted initiatives designed to attract and retain staff will be the major strategic imperative in the coming years. Incentives which may include the provision of low cost accommodation and increased remuneration will require the funding and support from Government.

The graph below highlights that providers have progressively increased the number of minutes per resident per day

Figure 13: Direct Care staff (RN/EN/PCA) trend (minutes per resident per day)

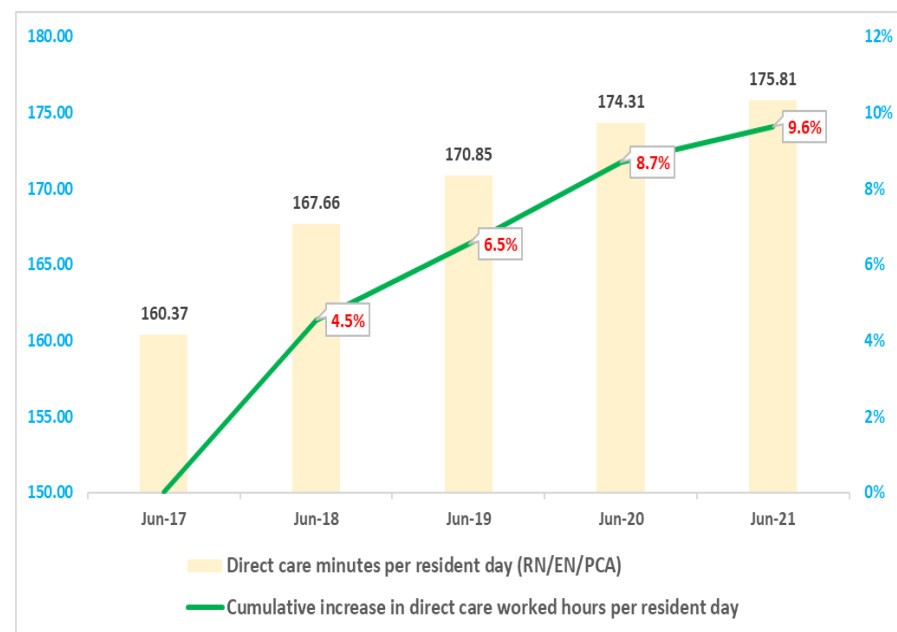


Figure 14: Direct Care Minutes Gap and required FTE's

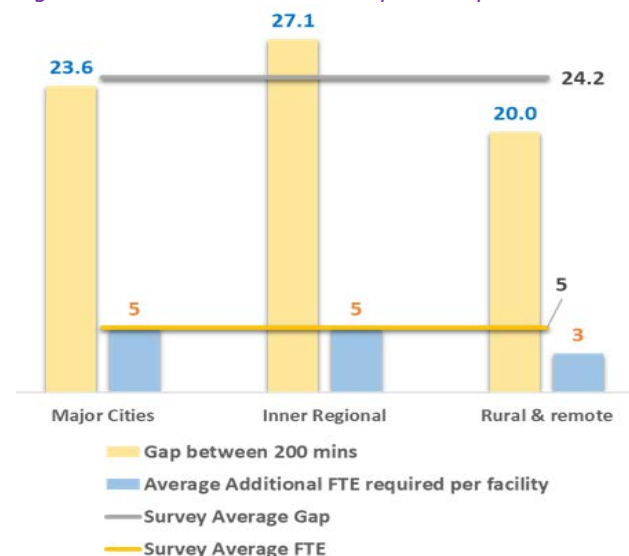
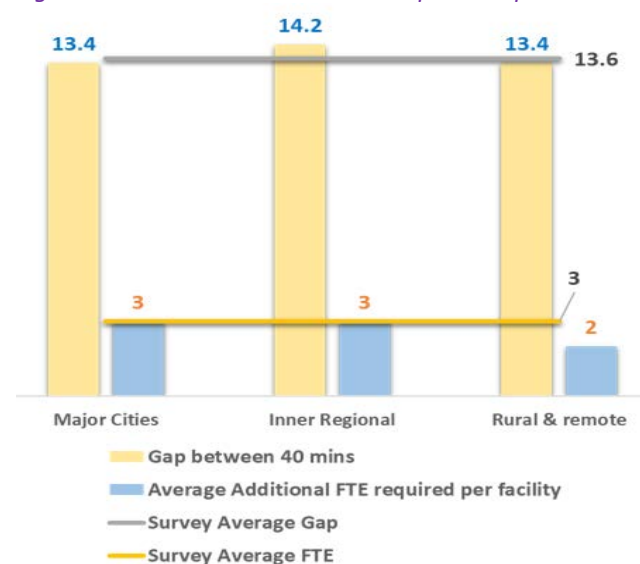
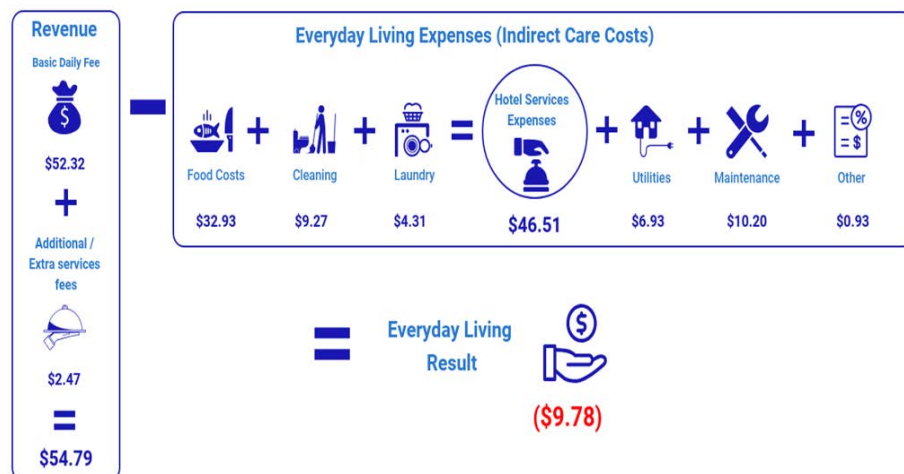


Figure 15: Direct Care RN Minutes Gap and required FTE's



## Everyday Living (Indirect Care) Analysis

Figure 16: Components of Everyday Living revenue and expenses (\$ pbd)



The lack of recoupment of everyday living costs is a major contributor to the poor financial performance in residential care. Whilst opportunities exist to charge additional optional services to residents, several challenges exist in this regard.

With a supported resident ratio averaging 47.0% across all aged care homes, this will continue to be an issue for providers in addressing the introduction of additional optional services.

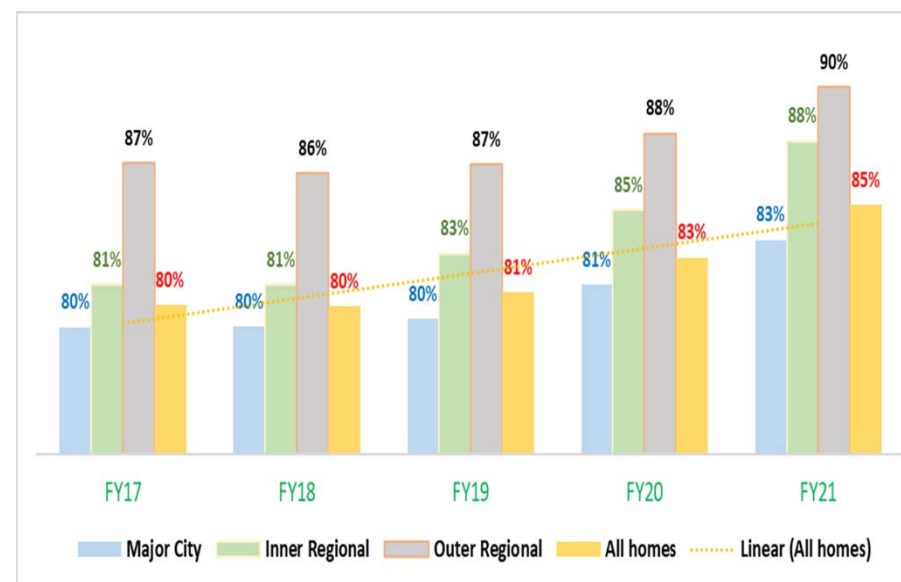
For FY21 the direct costs of providing everyday living services (excluding administration allocation) exceeded the revenue by \$9.78 pbd (FY20 \$9.20 pbd). However, with an allocation of administration costs (including procurement, payroll, rosters, accounts, quality control, insurances, human resources and corporate costs) the deficit (loss) further increases **\$22.29 pbd**.

The \$10 basic daily fee supplement introduced 1 July 2021 will offer some relief to aged care home providers, noting this is additional funding will be partially offset by associated additional compliance costs.

Table 7: Everyday Living revenue and expenses (\$ pbd)

	FY21 1,163 Homes	FY20 1,113 Homes	Movement
Basic daily fee	52.32	51.67	↑
Other resident income	2.47	2.22	↑
<b>Everyday Living revenue</b>	<b>\$54.79</b>	<b>\$53.89</b>	
Hotel services	46.51	44.50	↑
Allocation of W/Comp to hotel services	0.61	0.59	↑
Payroll tax - everyday living	0.11	0.12	↓
Utilities	6.93	7.05	↓
Maintenance costs (regular) and motor vehicles	10.20	10.64	↓
Quality and education allocation to everyday living	0.21	0.19	↑
<b>Everyday living expenses</b>	<b>\$64.57</b>	<b>\$63.09</b>	
<b>Everyday living result (before Administration)</b>	<b>(\$9.78)</b>	<b>(\$9.20)</b>	↑
Administration	12.51	12.34	↑
<b>Everyday Living Result</b>	<b>(\$22.29)</b>	<b>(\$21.54)</b>	↓

Figure 17: Hotel services costs as % of Everyday Living Revenue (by region)



## Catering Costs

There has been considerable and important discussion in relation to food, including the cost of food. Reports that the daily food content is in the range of \$6.50 per resident are incorrect. The following graphs provide a detailed summary.

<b>Fact 1:</b>  <b>\$33.09</b> Average spent on food and food preparation per resident per day in FY21 ( <b>\$32.00 in FY20</b> )				
		All Facilities Average (1,163 Homes)	In-House Catering Average (796 Homes)	Contract Catering Average (367 Homes)
<b>FY21 Data</b>	 Staff costs	16.52	20.93	7.21
	 Consumables	9.40	12.17	3.58
	 Contract catering costs	7.18	-0.01	22.34
	<b>Total Catering Costs</b>	<b>\$33.10</b>	<b>\$33.09</b>	<b>\$33.14</b>



### Fact 2:



**60.4%**

The proportion of everyday living revenue that is spent on food and food preparation costs

Aged care homes receive a basic daily fee from residents and this should cover everyday living costs of residents such as food, cleaning, laundry, utilities and general maintenance of the home as well as an allocation of the costs of administration of the home.

The average everyday living revenue received by homes for FY21 was \$54.79 per day. The total of everyday living costs incurred by aged care homes, including food, was \$64.57 per day. This is before an allocation of administration costs of \$12.51 per day.

The cost of food ingredients and the cost to prepare and serve the meals averaged \$33.10 per resident per day accounting for 60.4% of the total everyday living revenue.



### Fact 3:

**\$12.92 pbd**



Average spent on food, supplements and cooking ingredients in FY21 (**\$12.50 in FY20**).  
Total of \$ 13.48 per day on catering consumables including crockery and cutlery

Based on the data received from 249 homes who operate their own kitchens, the average cost of food and other cooking ingredients was \$12.92 per resident per day. The other components of catering consumables includes crockery, cutlery and paper products. Included in the food costs was \$0.45 in supplements, down from \$0.57 per day in FY20.



## Catering Service Delivery Models

### Fact 4:



**63%**

63% of the aged care homes surveyed operate their own kitchen. A further 12% have a contract service model but use their own on-site kitchen to prepare meals.

## Accommodation Analysis

Achieving an acceptable accommodation result is considered essential to facilitate the continued refurbishment, major maintenance and upkeep of buildings and their surroundings in line with current and future consumer expectations, as well as meeting safety and compliance requirements.

The returns on accommodation provision should also provide sufficient incentives for providers to invest in new building stock, particularly considering the future growth projections for the sector.

Table 8: Accommodation revenue and expenses (\$ pbd)

	FY21 1,163 Homes	FY20 1,113 Homes	YoY Movement
Accommodation revenue	\$32.86	\$32.57	↑
Accommodation expenses			
Depreciation	18.97	18.49	↑
Refurbishment	0.32	0.22	↑
Property rental	0.53	1.08	↑
Other accommodation costs	1.88	1.06	↑
Administration	10.93	10.79	↑
Accommodation expenses	32.64	31.64	
Accommodation Result	\$0.22	\$0.93	↓
Accommodation Result \$ per bed per annum	\$74	\$317	↓
Imputed DAP (based on RAD holdings x 65%) (\$pbpa)	\$4,125	\$4,889	↓
Accommodation Result with imputed DAP (\$pbpa)	\$4,199	\$5,206	
Depreciation charge \$ per bed per annum	\$6,370	\$6,332	↑

Consultations with providers, coupled with data collected from Survey participants, indicate that a policy of undertaking a major internal refurbishment every 8 - 10 years would be considered best practise. This policy should also be applied to new constructions.

The Accommodation Surplus for FY21 was **\$0.22 per bed day** (FY21 \$0.93 pbd) which represents \$74 per room per annum.

Please refer to the separate report which provides a subjective case for a necessary reform to the accommodation pricing model to ensure equitability.

## Accommodation Pricing

Figure 18: Median Accommodation Price Trend (by region)

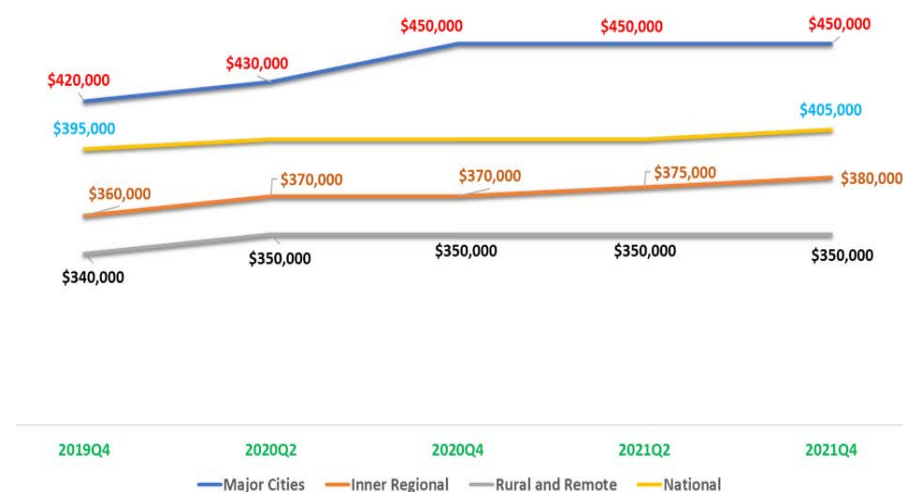


Figure 19: Median Accommodation Price as % of Medium House Price

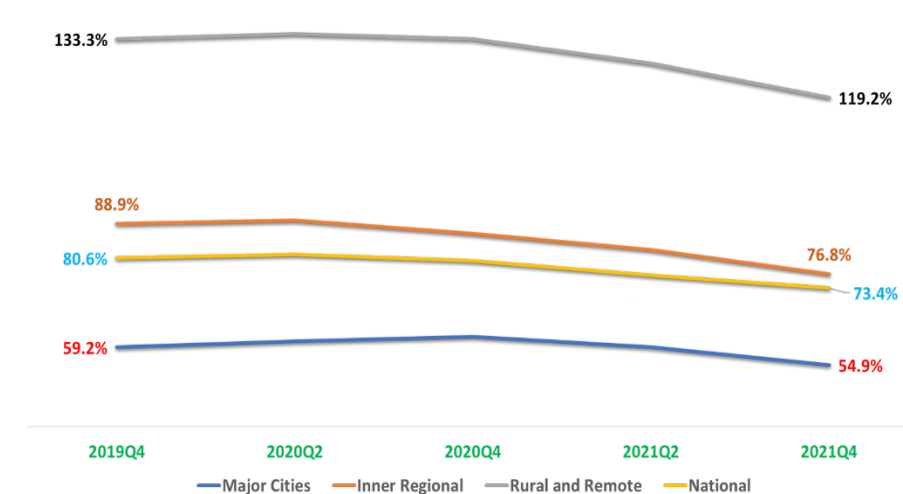
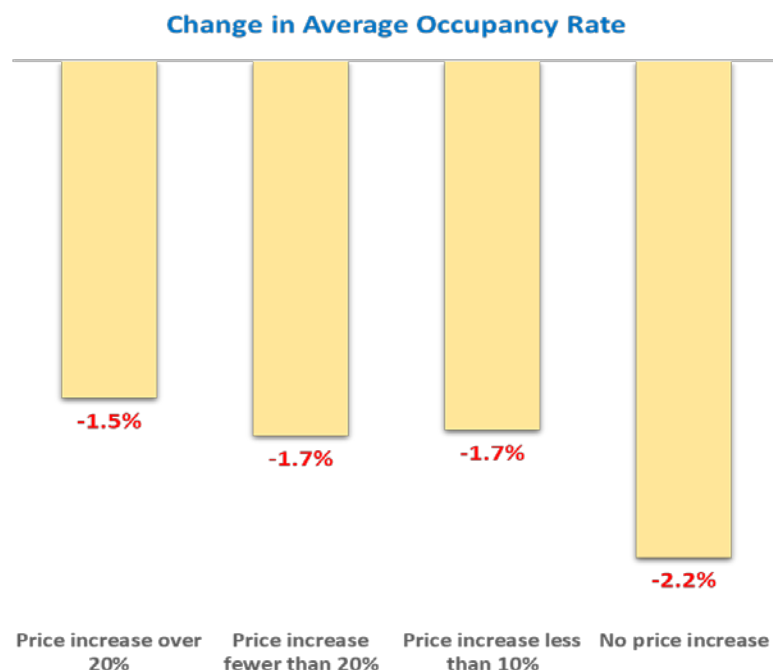


Figure 20: Case Study - Effect of Accommodation Price Increase on Occupancy



### Commentary

- Homes are grouped based on changes in accommodation prices over past five years. **726** homes are included in the case study
- 31%** of the homes had not had a change in their median accommodation price
- A further **22%** had an increase in median accommodation price of less than 10%
- The average decline in occupancy across all homes in the survey for the same period is **2.4%**
- Note that 20% of the group with no price increase are Victorian homes so occupancy may have been affected by the Covid-19 second wave*

Figures 18 and 19 shows that accommodation prices have not increased proportionately in relation to medium house prices, with the above case study providing an interesting aspect on the relationship between occupancy and accommodation price increases.

### Occupancy

Figure 21: Residential Occupancy by region (mature homes)

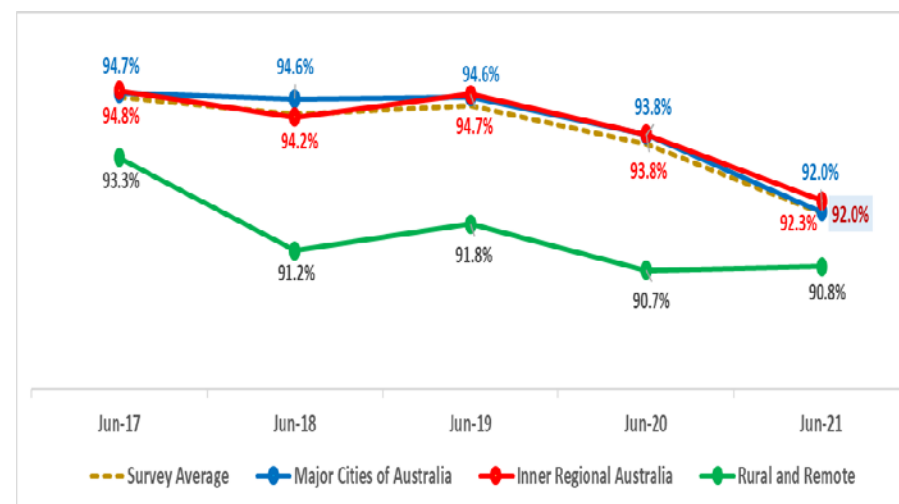


Figure 22: Residential Occupancy by facility size (number of available places)

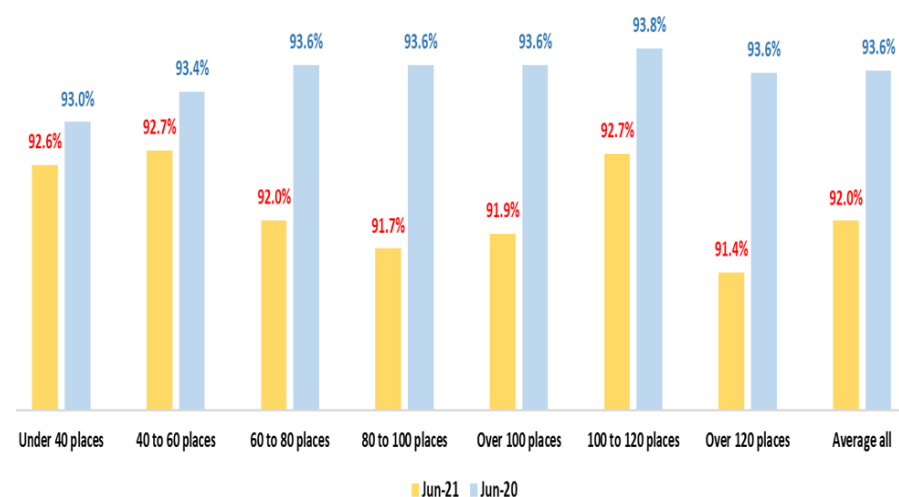


Figure 23: Residential Occupancy by State/Territory (mature homes)

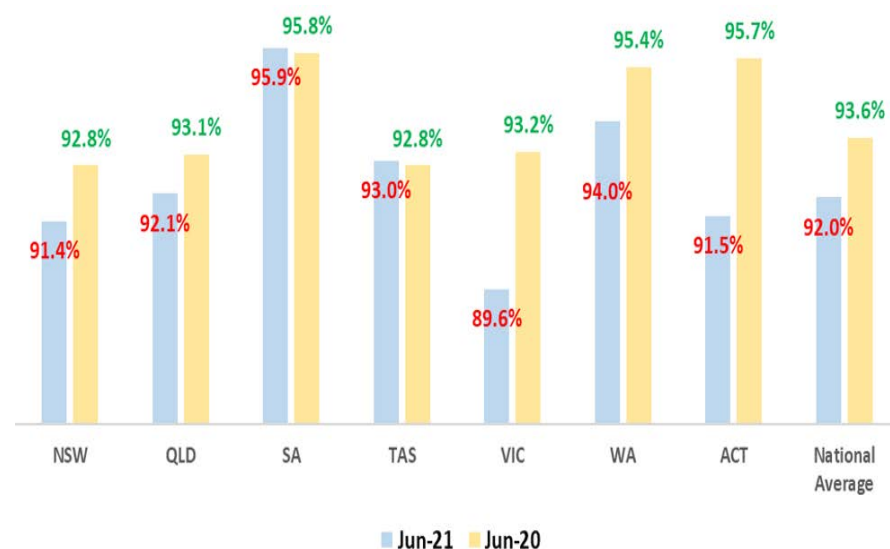
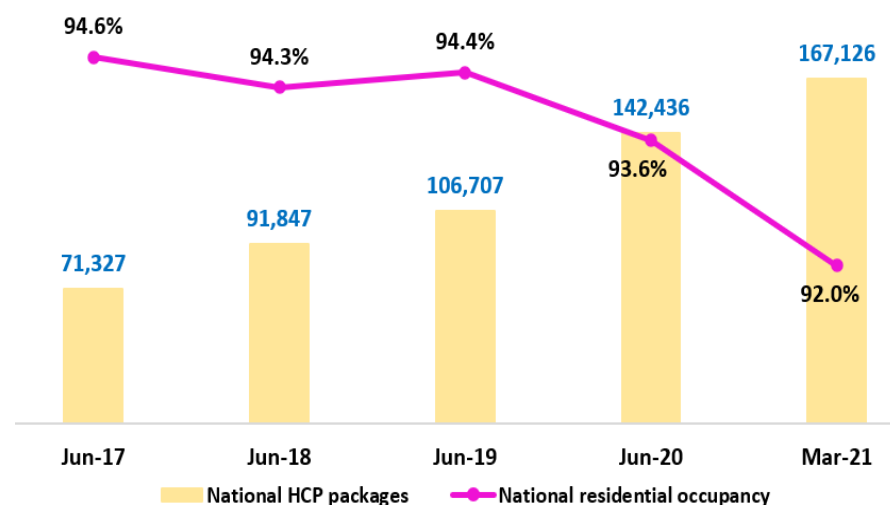


Figure 24: Residential Occupancy comparison to Increase in Home Care Packages



## Administration Costs

Administration costs have continued to increase at a rate higher than CPI. One of the main drivers for this is related to increasing compliance requirements.

It is likely that administration costs will continue to increase over the FY22 due to increased compliance costs associated with the Quality and Safety Standards, Serious Incident Response Scheme (SIRS), COVID-19, ACFR reporting, and greater scrutiny on direct care staffing costs and care service delivery by consumers and stakeholders.

Table 9: Administration costs (\$ pbd)

	Jun-21 1,163 Homes	Jun-20 1,113 Homes	YoY Movement
Administration (corporate) recharges	23.00	21.98	↑
Labour costs - administration (facility)	7.03	7.33	↓
Other administration costs	5.66	6.10	↓
Workers compensation	0.16	0.16	↓
Payroll tax - administration staff	0.03	0.03	-
Fringe Benefits Tax	0.02	0.02	-
Quality & education - labour costs	0.04	0.04	↑
Quality and education - other	0.02	0.02	↑
Insurances	1.24	1.03	↑
<b>Total Administration Costs</b>	<b>\$37.20</b>	<b>\$36.71</b>	<b>↑</b>

## Allocation of Administration Costs

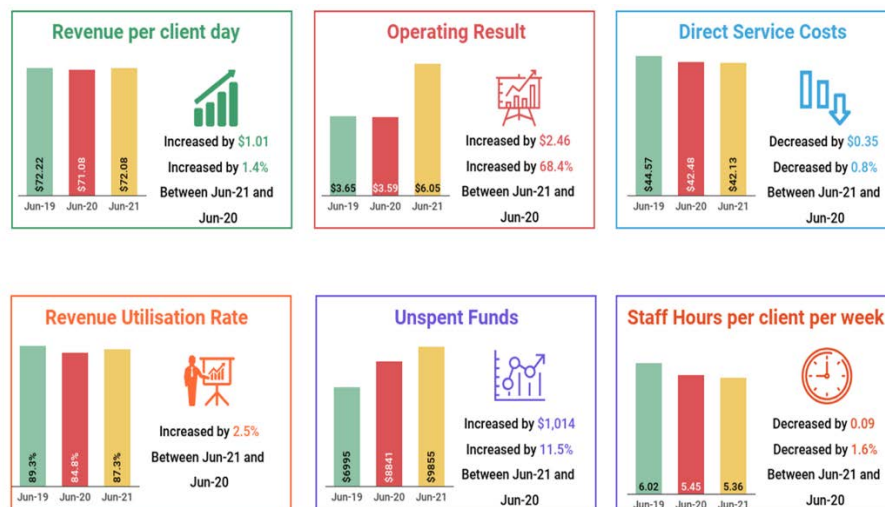
Although administration costs are unfunded specifically, each of the respective revenue streams requires a significant component. The allocation of the administration costs has been based on the average provider responses received from the annual Administration Survey.

The allocation for each revenue stream is as follows:-

- ACFI: 37% (\$13.76 per bed day)
- Everyday Living: 33.6% (\$12.51 per bed day)
- Accommodation: 29.4% (\$10.93 per bed day)

## 4. HOME CARE ANALYSIS

### Operating Result



### Overview

Compared to FY20, there has been an increase in home care revenue per client day together with a tightening of expenses across direct care costs, care management and advisory, and administration and support. This has led to an operating result of **\$6.05 per client per day** (pcpd) an increase of \$2.46 pcpd from FY20.

The average unspent funds is now **\$9,855 per client** compared to FY20 (\$8,841 per client). In aggregate, across the sector this represents in excess of \$1.6 billion nationally.

Revenue utilisation has increased from 84.8% FY20 to **87.3% for FY21**. Staff hours worked per client week continue to decline, with the average for FY21 at **5.36 staff hours per client per week** (FY21 5.45 hours). Some of this decline is likely due to efficiencies from the introduction of technology, however, the primary reason is in the direct service provision of staff hours. Together with an increase in unspent funds and below optimum revenue utilisation, it appears that a broader decrease in staff hours is being driven by declining client directed needs.

Table 10: Summary KPI Results Comparison

HCP Summary Results	Jun-21 50,567 Packages	Jun-20 42,821 Packages	Difference (YoY)	Jun-19 42,821 Packages
Total revenue \$ per client per day	\$72.08	\$71.08 ↑	\$1.01	\$71.08
Operating result per client per day	\$6.05	\$3.59 ↑	\$2.46	\$3.59
EBITDA per client per annum	\$2,362	\$1,502 ↑	\$860	\$1,502
Average total Internal Staff hours per client per week	5.36	5.45 ↓	(0.09)	5.45
Median growth rate	13.82%	21.28% ↓	(7.5%)	21.28%
Revenue utilisation rate for the period	87.3%	84.8% ↑	2.5%	84.8%
Average unspent funds per client	\$9,855	\$8,841 ↑	\$1,014	\$8,841
Cost of direct care & brokered services as % of total revenue	58.4%	59.8% ↓	(1.3%)	59.8%
Care management & coordination costs as % of total revenue	10.5%	10.8% ↓	(0.2%)	10.8%
Administration & support costs as % of total revenue	22.0%	23.7% ↓	(1.6%)	23.7%
Profit Margin	8.4%	5.1% ↑	3.3%	5.1%

Figure 25: Operating Result by revenue band (\$ per client per day)

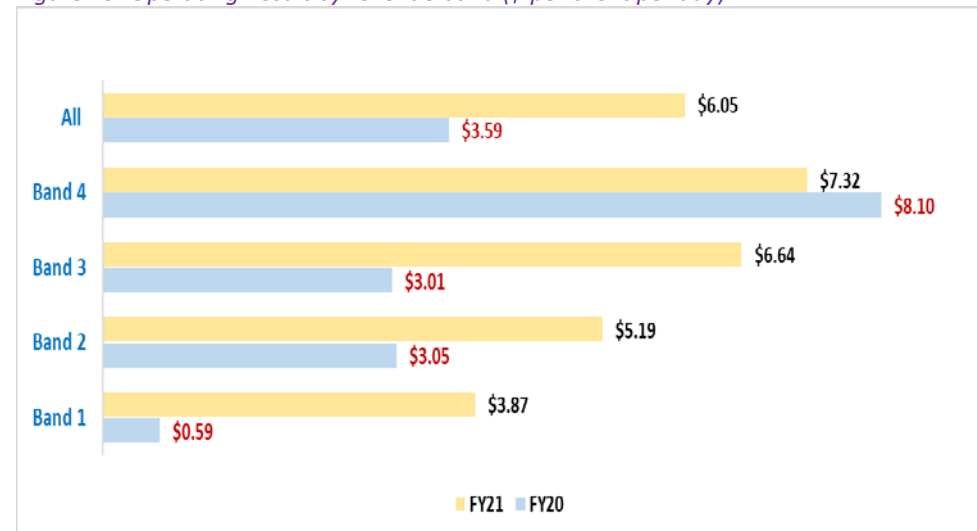


Figure 26: EBITDA Result by revenue band (\$ per client per annum)

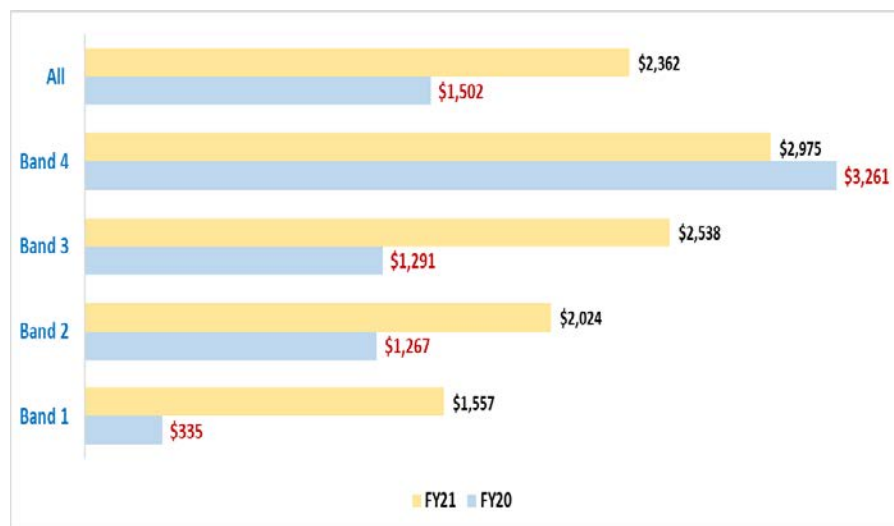


Figure 27: Revenue Utilisation percentage by revenue band

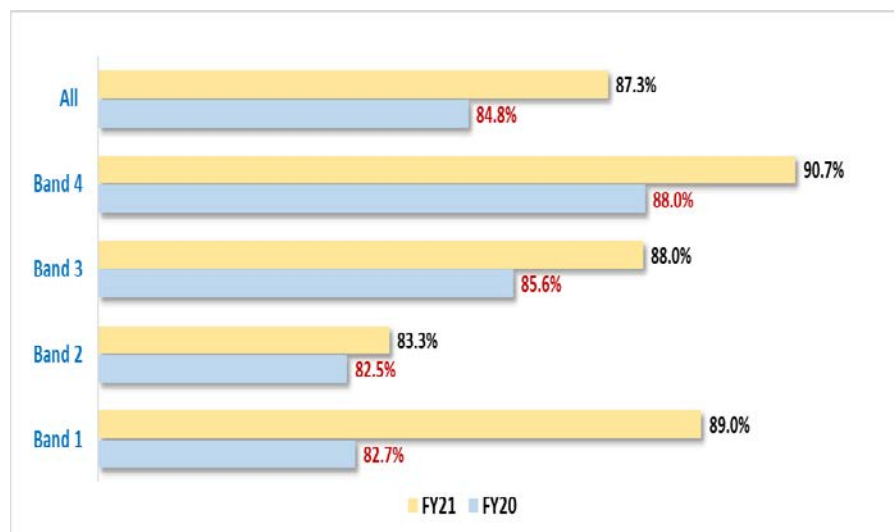
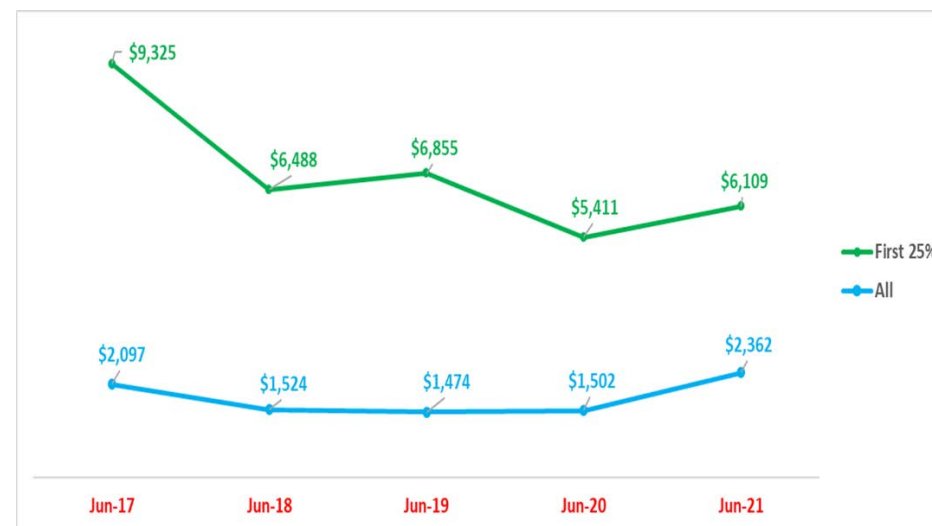


Figure 28: EBITDA trend analysis Survey First 25% vs Survey Average 4 (\$ pcpa)



## Unspent Funds

From a care recipient's perspective, large unspent funds could be a result of not fully utilising the subsidy for the overall package of care and support that it is intended to provide based on the ACAT assessment. An estimate of 96% of unspent funds are not utilised by care recipients and returned to the Government.

From a provider's perspective, unspent funds have a direct effect on the profitability (and sustainability) of their home care operation. As the fixed costs for each client (care recipient) have already been absorbed, 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%, with the balance being margin (profit).

Another related issue is that due to the high level of unspent funds per care recipient, there is a reluctance by some providers to levy (and recipients to be charged) a client contribution (basic daily care fee), as it would effectively only add to the quantum of unspent funds.

Figure 29: Average Unspent Funds by revenue band (\$ per client)

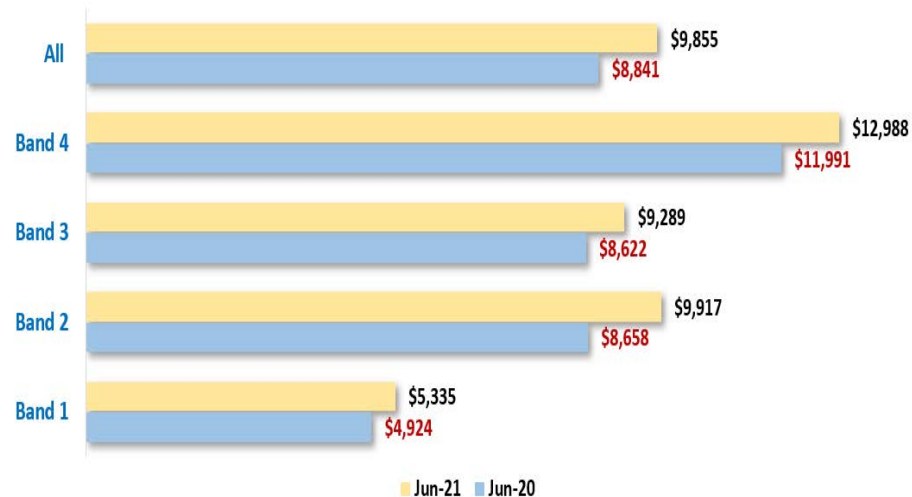
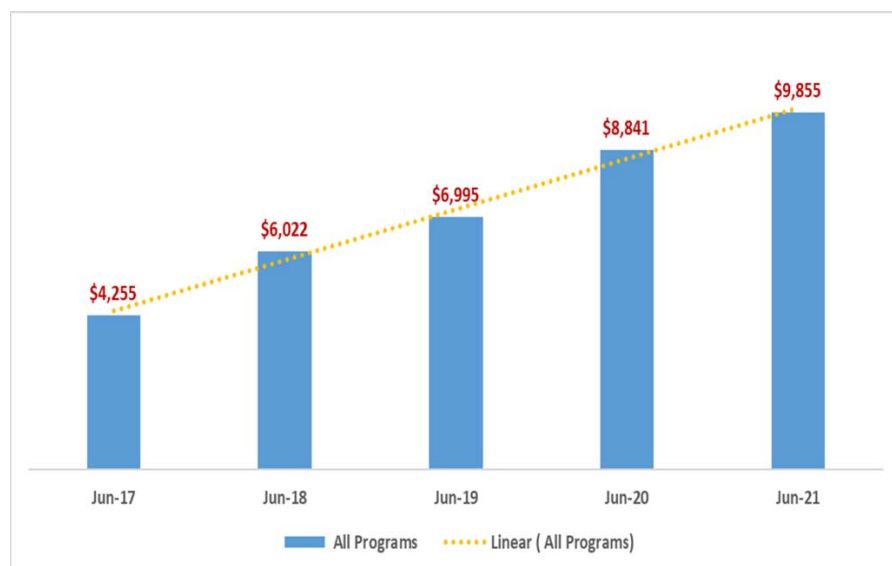


Figure 30: Unspent Funds trend analysis (\$ per client)



## Staff Hours Worked per Care Recipient

Direct service hours per care recipient per week (including agency staff) has declined to 3.89 hours (on average) for FY21 compared to 4.16 hours for FY20.

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

Table 11: Staff Hours worked per care recipient per week

	FY21	FY20	Difference
Direct service provision	3.79	3.93	↓ (0.15)
Agency	0.10	0.23	↓ (0.13)
Care management & coordination	1.00	0.81	↑ 0.19
Administration & support services	0.48	0.48	↓ (0.00)
<b>Total Staff Hours</b>	<b>5.36</b>	<b>5.45</b>	<b>↓ (0.09)</b>

Figure 31: Staff Hours per care recipient per week trend analysis

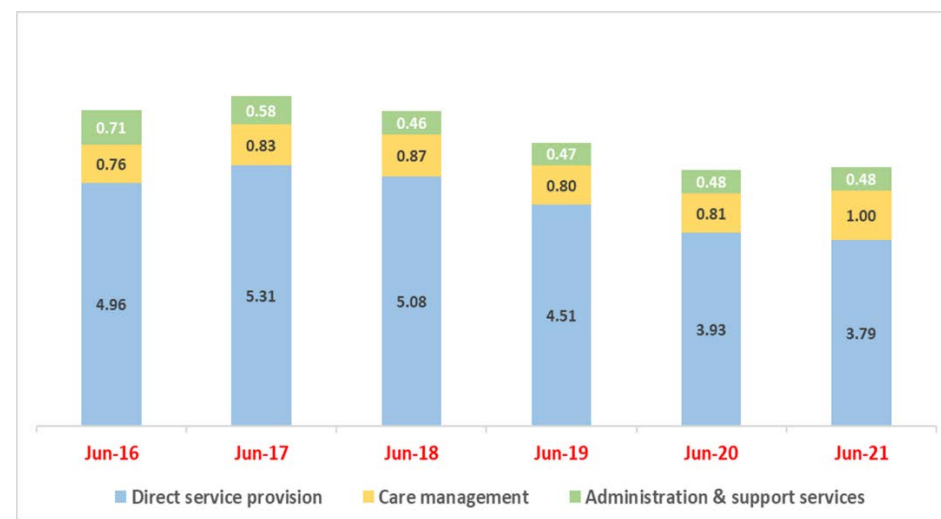


Figure 32: Staff Hours per care recipient week trend analysis (Levels 2 and 4)

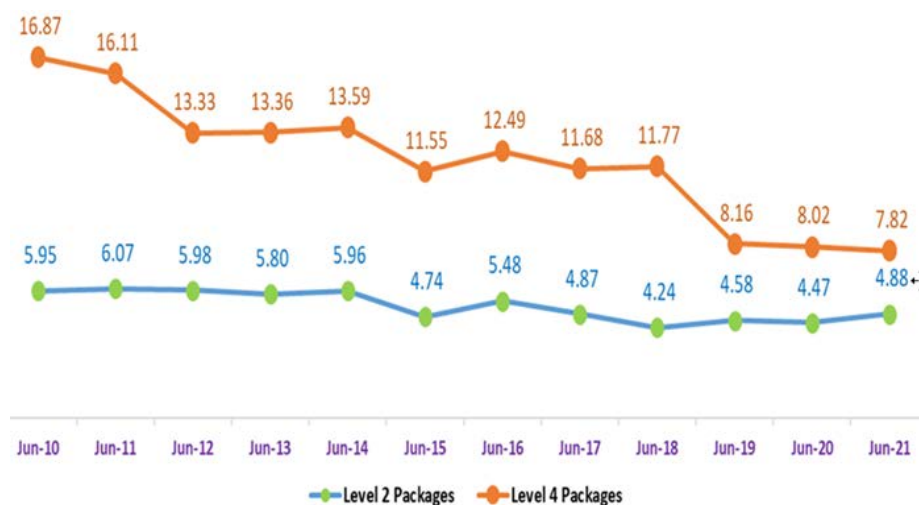


Figure 33: Internal and Brokered Services staff costs comparison

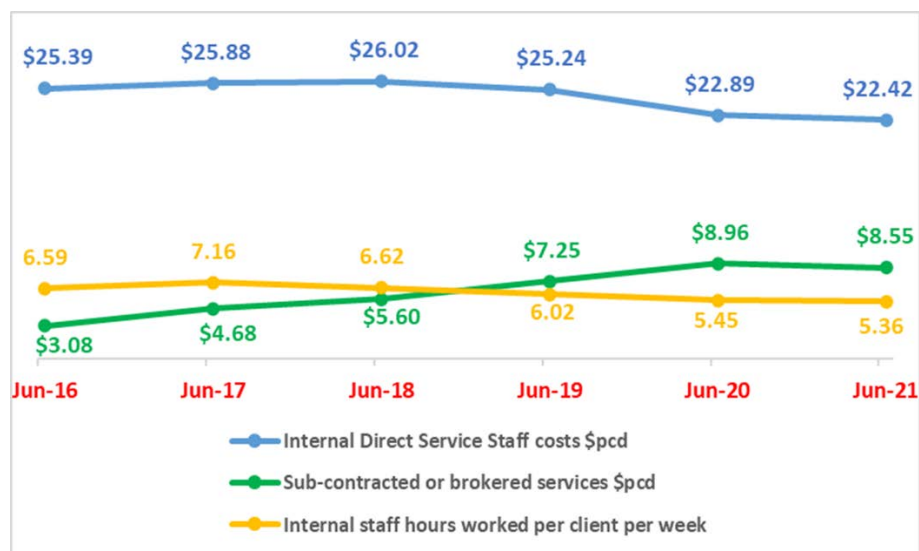
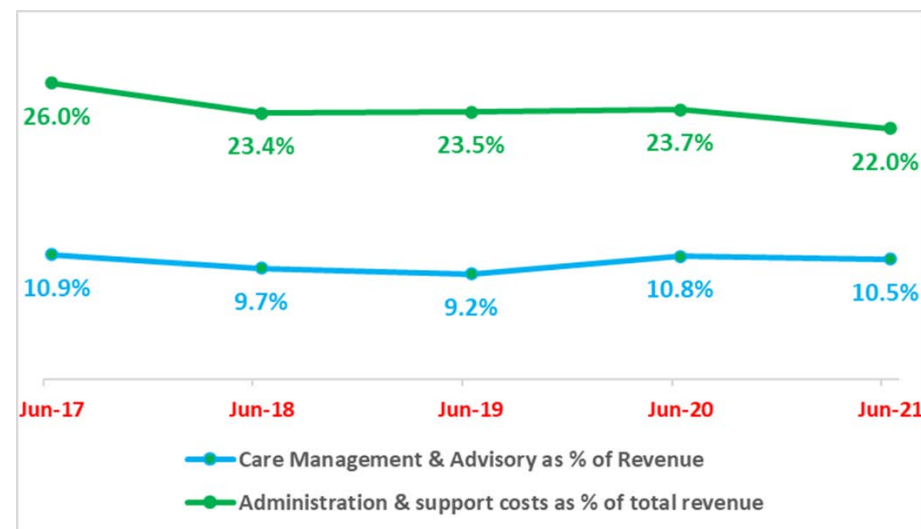


Figure 34: Case Management and Administration cost as % of revenue



## Package Growth

The Government has made several announcements to increase the number of home care packages in the aged care system:

- On 8 July 2020 the Government announced that \$347.4 million over 5 years would be spent on an additional 6,105 home care packages (2,035 at level 1, 2 and 3) in 2020-21. These packages commenced being rolled out in July 2020
- 23,000 packages announced in the 2020-21 Budget are in addition to the 6,105 packages already announced in July (5,000 at level 1, 8,000 at level 2 and 4 and 2,000 at level 4). These packages commenced roll out in November 2020
- On 16 December 2020 the Government announced an additional 10,000 packages (2,500 at each level) costing a total of \$850.8 million over 4 years (to FY24). These additional home care packages will be released with roll out from January 2021 to June 2021
- On 11 May 2021, the May Budget announced **an additional 80,000 packages** to be released over the FY22 and FY23 periods at a total cost of \$6.5 billion. This investment is expected to increase the total package pool to 275,598 packages by the end of FY23

Figure 35: Number of People in a Home Care Package

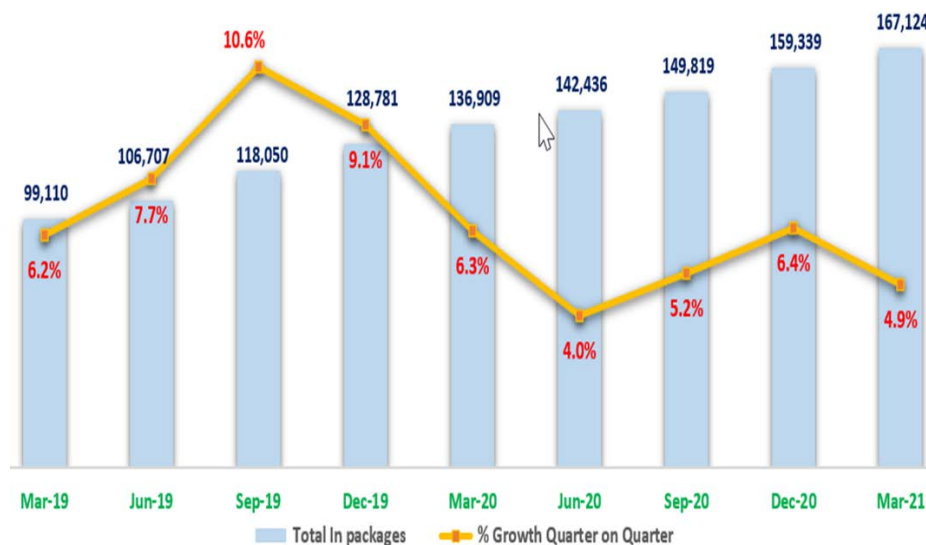


Figure 36: Demand for Home Care Packages

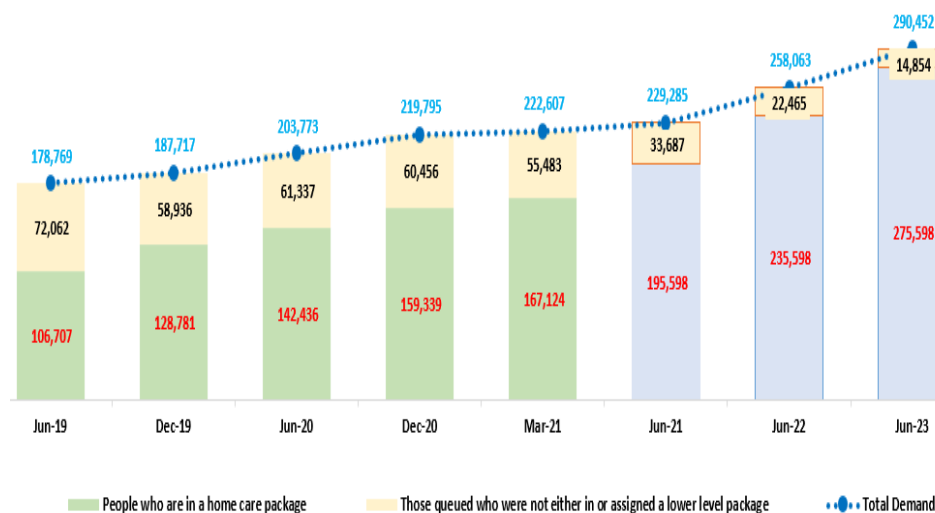
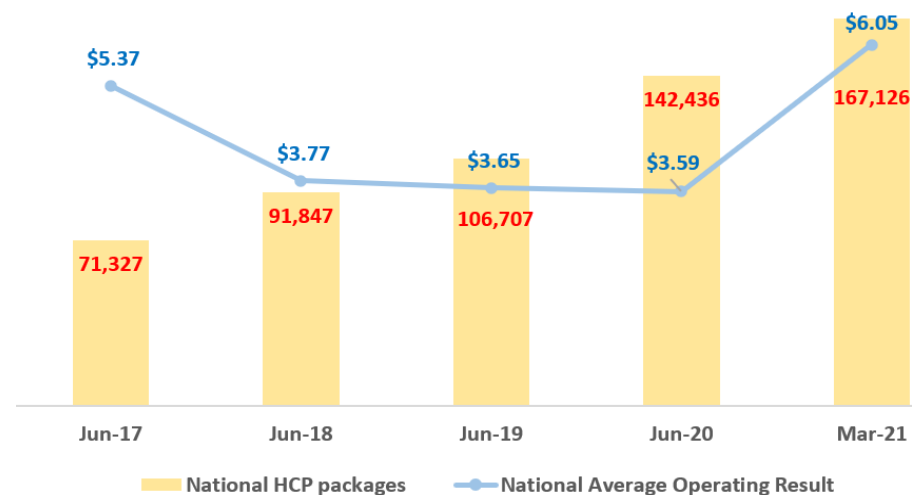


Figure 37: Number of People in a Package compared to Operating Result (\$ pcpd)



## Funding Reform

The following table indicates that unspent funds represent a significant percentage of the total subsidy:

Home Care Package	Subsidy (\$) (average 1.1 years)	Unspent Funds (\$ per care recipient)	Unspent Funds % of Subsidy
Level 1	\$9,900	\$5,068	51.2%
Level 2	\$17,325	\$9,421	54.4%
Level 3	\$37,675	\$8,824	23.4%
Level 4	\$57,200	\$12,339	21.6%

\* Subsidy is based on maximum subsidy per package per annum x 1.1 years

\*\* Unspent funds represent the Government's portion (95% of average unspent funds balance by package level)

If there were (say) 8 funding package levels between the lowest and highest this may assist in better utilisation of the funding to equate to actual services required by care recipients (refer below example):

	Current Subsidy (\$ pa)	Proposed Subsidy (\$ pa)
Level 1	\$9,000	\$9,000
Level 2	\$15,750	\$13,000
Level 3	\$34,250	\$17,500
Level 4	\$52,000	\$22,500

	Proposed Subsidy (\$ pa)
Level 5	\$29,000
Level 6	\$36,000
Level 7	\$43,000
Level 8	\$52,000

## 5. GLOSSARY

### 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 (former) 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.

### ACH (Facility) Result

This refers to the Operating Result may also be referred to as the net result or the NPBT Result.

### ACH EBITDAR

The same as 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.

### 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.

### Aged Care Home

Individual discrete premises that an approved provider uses for residential aged care. “Aged Care Home” is the term approved at the Department of Health; in some contexts, “facility” is used, with an identical meaning.

### 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 aged care homes in the group. For example, the average for contract catering across all homes would be the total amount submitted for that line item divided by the total occupied bed days for all aged care homes 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 aged care homes that provide data for that line item. All other measures are *averaged* across all the homes 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 \$195

Band 2 - Between \$180 and \$195

Band 3 - Between \$165 and \$180

Band 4 - Under \$165

#### *Home Care*

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

Band 1 - Under \$47

Band 2 - Between \$47 and \$67

Band 3 - Between \$67 and \$87

Band 4 - Over \$87

### **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.

### **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).

### **NPBT**

Net Profit Before Tax. For the context of the Survey reports, NPBT is referred to as Operating Result or net result or, in the aged care home (facility) analysis, as the ACH Result (Aged Care Home, or 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. Often called Aged Care Home and abbreviated to ACH.

### **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).

### Home Care Packages (HCP)

Home Care results (NPBT) 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 NPBT result.

### Residential Care

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 homes with the highest Care Result.

### Location - City

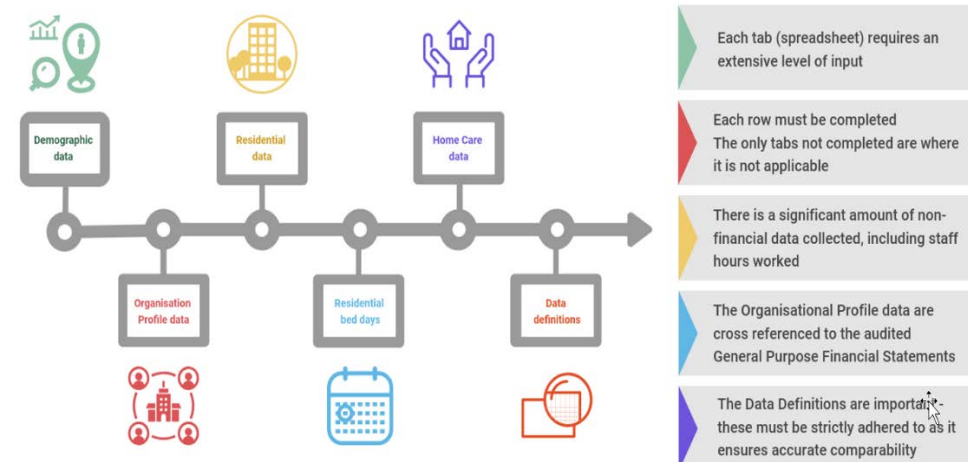
Aged care homes have been designated as being city based according to the designation by the Department of Health in their listing of aged care services. Those that were designated as being a “Major City of Australia” have been designated City.

### Location - Regional

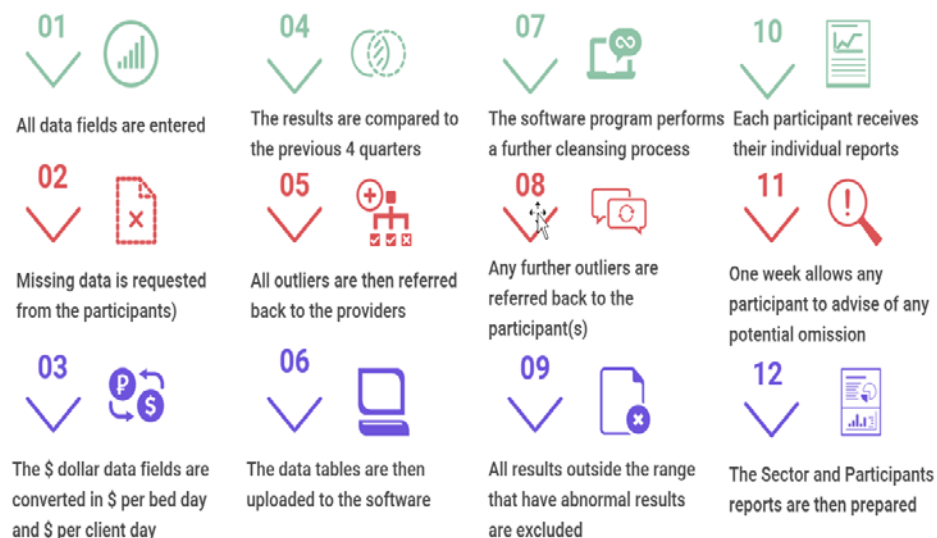
Aged care homes have been designated as being regionally based according to the designation by the Department of Health in their listing of aged care services. Those that were designated as being an “Inner Regional”, “Outer Regional” or “Remote” have been designated as Regional.

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

### Data Collection Process



### Data Cleansing Process

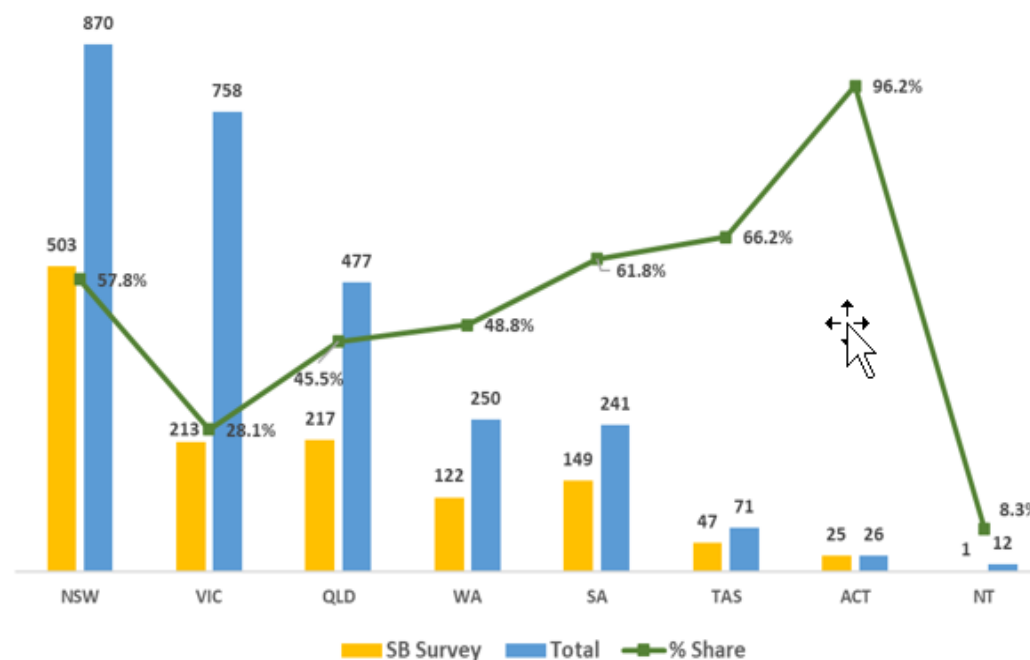


## Survey Data and Metrics

### Residential Data Set

Number of Residential homes in Survey	Total
StewartBrown Residential Survey	
Homes included	1,163
Homes excluded	114
<b>Survey total</b>	<b>1,277</b>
GEN Aged Care Data Service Listing (30 June 2021)	
<b>Total</b>	<b>2,705</b>
<b>Coverage % = (A)/(B)</b>	<b>47.2%</b>

**StewartBrown Survey Aged Care Homes Representation by State**

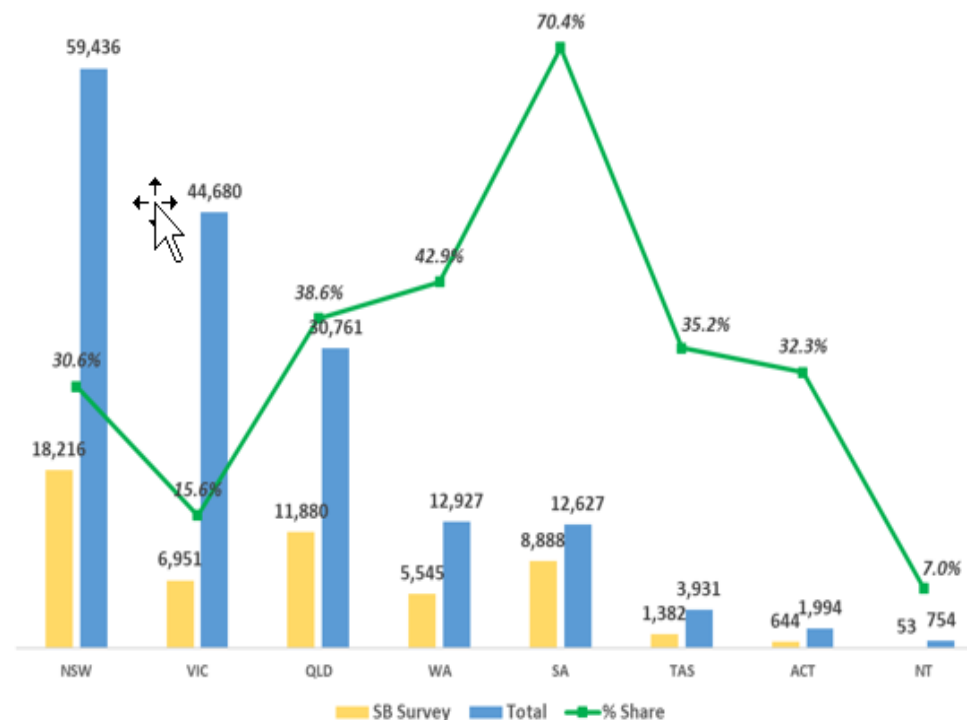


State/territory	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SB Survey	503	213	217	122	149	47	25	1	1,277
Total	870	758	477	250	241	71	26	12	2,705
% Share	57.8%	28.1%	45.5%	48.8%	61.8%	66.2%	96.2%	8.3%	47.2%

## Home Care Data Set

Number of Home Care Packages in Survey	Total
<i>StewartBrown Home Care Survey</i>	
Package included	50,567
Package excluded	2,992
<b>Survey total</b>	<b>53,559</b>
<i>GEN Aged Care Data Service Listing (31 March 2021)</i>	
<b>Total</b>	<b>167,124</b>
<b>Coverage % = (A)/(B)</b>	<b>32.0%</b>

SB Survey Package Representation by State



State/territory	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Unknown	Total
SB Survey	18,216	6,951	11,880	5,545	8,888	1,382	644	53	0	53,559
Total	59,436	44,680	30,761	12,927	12,627	3,931	1,994	754	14	167,124
% Share	30.6%	15.6%	38.6%	42.9%	70.4%	35.2%	32.3%	7.0%	0.0%	32.0%

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