StewartBrown

Integrity + Quality + Clarity

Aged Care Financial Performance Survey Report

The StewartBrown December 2022 (six months) *Aged Care Financial Performance Survey* incorporates detailed financial and supporting data from **1,138 aged care homes (92,312 beds/places)** and **66,703 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.

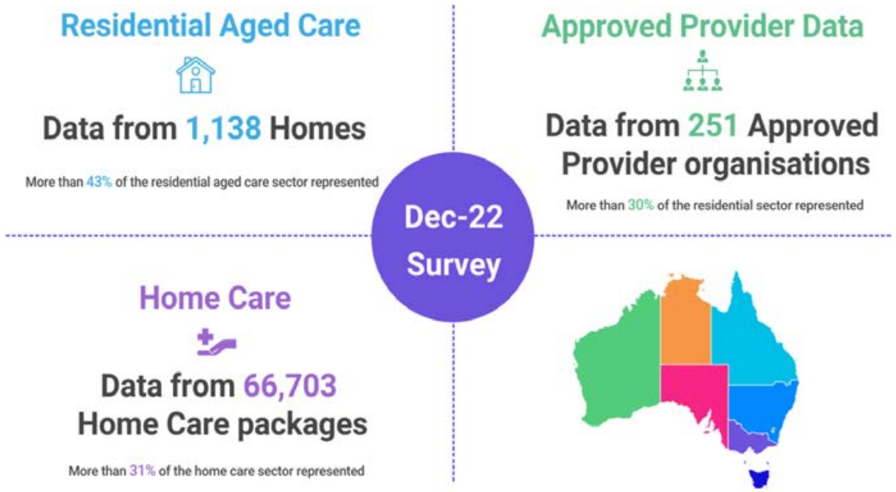
6 months ended 31 December 2022

CONTENTS

1. EXECUTIVE SUMMARY

Abstract

The *Aged Care Financial Performance Survey* (Survey) December 2022 (Dec-22) 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 six months ended 31 December 2022 which includes the below metrics.



Refer Glossary, which provides a graphical depiction of the Data Collection and Data Cleansing processes as well as explanations for some of the key terms and metrics used throughout this report.

Commentary

The aged care sector, and the residential aged care segment in particular, is continuing to have considerable concerns over financial sustainability, with sustained financial operating losses.

There remains a severe shortage in staffing capacity which impacts care service delivery across all levels of aged care. The recent Fair Work Commission ruling will assist to a certain extent with staff retention but is only a part of the solution to attract new staff into the sector.

The government is demonstrating a strong commitment to implementing the reforms recommended by the Royal Commission and has already signalled a positive and multilateral approach with all stakeholders.

However **more funding reforms are still required** which must also involve a greater level of consumer contribution for indirect care (everyday living) and accommodation services in particular. To be successfully implemented, these reforms will require unilateral support from all stakeholders and increased community understanding of the financial aspects of providing aged care services.

The funding reform agenda needs to clearly articulate each specific area to be addressed. Additional financial reforms need to be strongly considered including:

- **Funding to increase staff remuneration, on-costs and benefits**
- **Taxpayer subsidy funding, including indexation, to directly correlate to direct costs of care (particularly staff)**
- **Regulated consumer contributions for Home Care (and CHSP) based on ability to pay**
- **Deregulation of residential Basic Daily Fee**
- **Structural enhancement of residential Accommodation Pricing model**
- **Increased capital grants for rebuilding and refurbishment**
- **Alternate Home Care funding model**

As these reforms will take a while to be considered and, hopefully, implemented we will continue to provide our rationale in each Survey Report as an *Appendix*.

The underlying issue for providers is that there is a lag period of some years between the date of implementation of reforms such as these and when any positive impact financial performance will be felt. This is why pressure on financial viability and performance will continue to occur and short-term remedial assistance may be required.

It is the opinion of StewartBrown that after more than 5 years of significant aggregate operating losses in the residential aged care sector, structural funding reforms (including increased and appropriate care recipient co-contribution) are essential. However, to avoid closure of homes and reduced service delivery, especially in regional locations, an emergency funding package also needs to be considered in the short term to ensure current viability and allow for the necessary funding reforms to be properly implemented.

Financial Results Overview

Summary

The Survey for the six months ending December 2022 confirms the continued declining financial sustainability of the sector, with residential aged care continuing to be at a **critical financial sustainability position** for many providers.

The average operating results for residential aged care homes in all geographic sectors was an operating loss of $15.98 per bed day *(Dec-21 $10.31 pbd loss)* for mature homes (which exclude the outliers). This represents a loss of $5,295 per bed per annum, and a continuation of losses for over 5 successive years. Extrapolating the deficit per bed represents a **residential sector loss in excess of $575 million** for the six month period.

Staffing shortages have been required to be managed with increased levels of agency staff and overtime for existing staff. Agency staff now represents $15.33 per bed day, an increase of $8.81 per bed day compared to the same period in 2021 (Dec-21 $6.52 per bed day).

Occupancy has further declined to be 90.8% of available beds for mature homes (Dec-21 91.5%). The fixed costs per bed increase when occupancy declines to these levels and further erodes financial performance.

This all equates to the concerning statistic that 63% of aged care homes operated at a loss (60% at Dec-21) and 42% operated at an EBITDA (cash loss) (35% at Dec-21) with these percentages being lower due to the short-term benefit of the AN-ACC subsidy *(refer below)*.

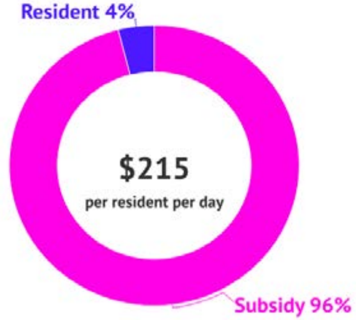
Home Care continues to operate in a climate of operating issues. Uncertainty as to design of the Support at Home program (implementation date is 1 July 2024) and the potential implications, have caused a policy void which has led to a stagnation of innovation for many providers.

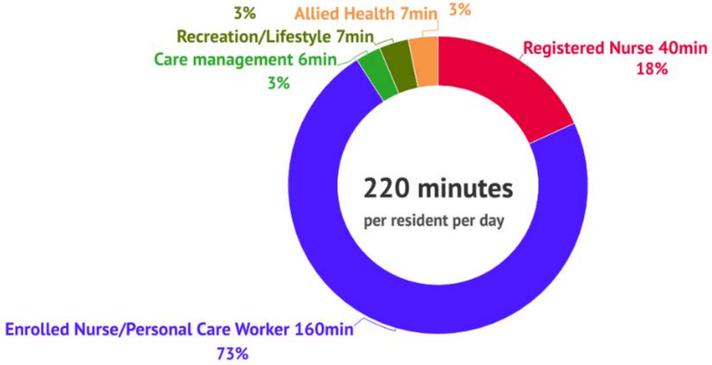
Consistent with residential aged care, staffing remains the most crucial concern, and this coupled with the current complicated regulatory environment has seen the financial performance declining. The current operating result has decreased to a surplus of $2.54 per client per day *(Dec-21 $4.51 pcpd).* Revenue utilisation has decreased to 84.5% of available package funding and unspent funds have increased to an average of $11,241 for every care recipient *(unspent funds are now in excess of an aggregate $2.4 billion)*.

Direct Care Funding (AN-ACC)

Direct care funding is determined by the assessed acuity of the resident, and under the current AN-ACC subsidy the level of funding is an average of $215 per resident per day (excluding the $10 pbd Basic Daily Fee Supplement). From 1 October 2023 the requirements are for a mandated average of 200 minutes per resident per day of direct care, in addition to providing allied health, recreation, lifestyle and management services.

Figure 1: Components of Direct Care services





The above graphics are based on the current AN-ACC subsidy funding level and the percentages of care delivery by type that will be required once the mandated direct care minutes is enacted. *It is important to highlight that direct care is funded by the taxpayer for 96% of the subsidy and the resident contributes only 4% of funds based on their ability to pay as determined by means testing.*

Transition Effect of AN-ACC subsidy

The introduction of the AN-ACC subsidy model from 1 October 2022 had, on average, a transitional financial benefit, due to the subsidy including funding for additional direct care staffing minutes with the mandated minutes not being obligatory until 1 October 2023.

The effect of this transition benefit was $13.22 per bed day when comparing the Direct Care result from the December quarter in isolation (AN-ACC subsidy) to the September quarter (ACFI subsidy).

Table 1: Comparison of AN-ACC (Dec-22) to ACFI (Sep-22) quarters ($ pbd)

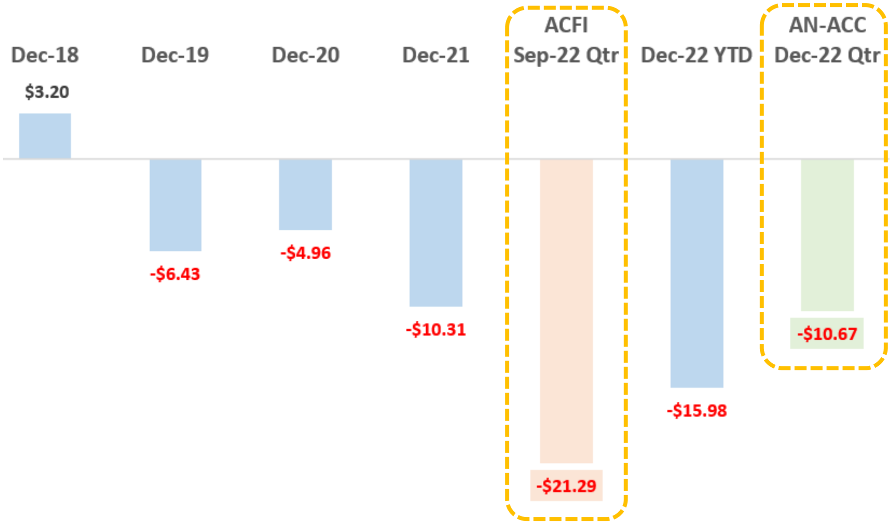
Direct Care - All Homes	Sep-22	Dec-22	Difference
Direct Care Revenue	$ 196.97	$ 216.77	$ 19.80
Direct Costs			
Staff costs	$ 160.68	$ 165.34	$ 4.66
Agency Staff	$ 13.49	$ 14.88	$ 1.39
Other	$ 5.82	$ 6.46	$ 0.64
Expenditure - Direct Care Services	$ 179.98	$ 186.67	$ 6.69
Administration Overhead	$ 16.48	$ 16.37	-$ 0.11
Direct Care Expenditure	$ 196.46	$ 203.05	$ 6.58
Direct Care Result	**$ 0.50**	**$ 13.72**	**$ 13.22**

The increased AN-ACC transition benefit had the following effect on the overall operating results for the sector in the Dec-22 quarter (operating results includes direct care, indirect care and accommodation results).

The results for the six month period was a loss of $15.98 per bed day, however the Dec-22 quarter result in isolation was a reduced loss of $10.67 per bed day, largely due to the transition benefit (refer *Figure 2*).

Over the next three quarters, the transition benefit (margin) of the AN-ACC subsidy will progressively decrease as the subsidy will remain (in real terms) at the same amount (average $215 per bed day) however the direct care staffing costs will escalate as the minutes will increase from the current average level (186.27 minutes per resident per day) to the average mandated level (200 minutes per resident per day).

Figure 2: Comparison of Operating Results for Sep-22 and Dec-22 quarters ($ pbd)



Adequacy of AN-ACC Subsidy

As noted, the AN-ACC subsidy is providing a transitional benefit to providers due to the subsidy including funding for the mandated direct care minutes, but the minutes are not required to be met until 1 October 2023.

The following graph (*Figure 3*) highlights the projection of the declining AN-ACC result (subsidy less direct care costs) based on the current data. The assumption is that the increased staff and other direct care costs (and including the 15% FWC increase from 30 June 2023 and inflation) will be offset by an increase in the current AN-ACC subsidy level (ie a neutral overall effect).

In summary, should the AN-ACC subsidy not be increased in real terms by at least $6.34 per bed per day (before allowing for the increase for the 15% FWC and inflation) there will be a significant funding shortfall. **This will be an area that the Independent Hospital and Aged Care Pricing Authority (IHACPA) will consider as part of its costing review.**

Figure 3: AN-ACC margin forecast Dec-22 to Sep-23 ($ pbd) (expressed in real terms)

Indirect Care (Everyday Living)

Indirect care includes hotel services (catering/cleaning/laundry), utilities and an administration cost allocation. The major revenue components comprise the Basic Daily Fee (BDF), BDF Supplement and additional/extra services charged in some facilities (where applicable).

A characteristic of these services is that the BDF (calculated at 85% of the single pension) is the same for all residents irrespective of financial means and acuity. The costs of providing these services have been greater than the revenue and currently the sector average is $6.36 loss per resident per day.

StewartBrown advocates that the "Tune Review Recommendation 14" be adopted to effectively deregulate the BDF for those residents with the financial ability to pay for these everyday living services at a rate that is commensurate with the quality of services provided.

Accommodation

The accommodation results represent the major component of the poor financial performance, and the sector averaged a $14.14 loss per resident per day for Dec-22. Depreciation represented $21.85 per bed day, and whilst it is a non-cash component (and excluded from EBITDA calculations) it is a critical expense that needs to be covered given the cost associated with maintaining, refurbishing and eventual replacement of an aged care facility.

StewartBrown has advocated for changing the model to be more focussed on a "rental" payment for accommodation whereby the rent amount is determined by the actual upfront contribution paid. The underlying principle is that a rental portion is paid irrespective of whether a full contribution (currently a RAD) is paid.

Home Care Revenue Utilisation

Home Care financial performance has stagnated over the last four financial years with the average operating result for Dec-22 being $2.54 per care recipient (client) per day. Such a financial return is not adequate based on the investment required and business risk to provide these essential services to the elderly in a domestic home setting.

Revenue utilisation, being the actual services provided as a percentage of the funding received, continues to remain less than 90% (84.5% for Dec-22). There are a number of valid reasons for such a low utilisation, a major contributory being the current funding model together with staffing shortages, however increased utilisation is required to fully cover the fixed costs, encourage investment in technology and innovation and therefore improve financial performance.

The resultant effect of the low utilisation is that unspent funds (being funding not being used by care recipients) has increased year on year to amount to an average of $11,241 per consumer (over $2.4 billion nationally in aggregate). It is estimated that 96% of these unspent funds are never utilised and subsequently returned to Treasury (or not consumed in the first place due to unspent funds now being held by Services Australia until such time as being required, if at all).

Residential Aged Care Sector Financial Sustainability

One of the valid observations is the consideration as to how the residential aged care sector has not endured greater provider failure after more than five years of successive losses. In this time there has also been a number of acquisitions, including several large acquisitions which seem contradictory to the declining financial performance.

Whilst there are several reasons that could assist in providing an explanation, it is relevant to consider a number of important aspects.

<u>Structure of equity</u>

For the purposes of this analysis, reference is to the *"Financial Report on the Australian Aged Care Sector 2020-21"* (Financial Report) prepared by the Department of Health and Aged Care and released in October 2022.

Table 2 following is an extract from the Financial Report, which when disaggregated, includes the following in relation to the 2020-21 financial year:-

- Cash and financial assets represent 24.1% coverage of RAD liability and have only marginally increased in the five year period
- Other liabilities include external borrowings of $2,811m
- Related party loans are net $5,702m as a net receivable (asset)
- Intangible assets (bed licences and goodwill) are stated at $5,340m
- Net tangible assets are $5,021m
- Fixed assets have grown by $5,278m (23.0%) in the five year period
- RADs have grown by $9,521m (38.5%) in the five year period

Table 2: Summary Balance Sheet of residential care providers (FY17 to FY21)

Assets/liabilities	2016-17 ($m)	2017-18 ($m)	2018-19 ($m)	2019-20 ($m)	2020-21 ($m)
Financial assets	$8,199	$9,047	$9,248	$8,931	$8,274
Fixed assets	$22,963	$24,061	$27,997	$27,675	$28,241
Right of use assets	–	–	–	$2,933	$2,694
Other assets	$13,855	$15,292	$15,323	$16,862	$18,114
Total assets	**$45,017**	**$48,400**	**$52,568**	**$56,401**	**$57,323**
RADs	$24,710	$27,523	$30,183	$32,205	$34,231
Lease liabilities	–	–	–	$2,976	$2,790
Other liabilities	$8,981	$9,050	$9,703	$9,663	$9,941
Total liabilities	**$33,691**	**$36,573**	**$39,886**	**$44,844**	**$46,962**
Net worth/equity	**$11,326**	**$11,827**	**$12,682**	**$11,557**	**$10,361**

Source: Financial Report to the Australian Aged Care Sector 2020-21 (page 148)

<u>Financial Performance</u>

When assessing the financial performance, StewartBrown make a clear distinction between recurrent and non-recurrent revenue and expenses. This allows the operating result (which excludes non-recurrent items) to more clearly state the actual operating trends for the sector, as many providers treat non-recurrent items differently.

For the purpose of this commentary, the operating results as shown in the Financial Report which include the non-recurrent items have been used. For the five year period, the Net Profit Before Tax (NPBT) was an aggregate surplus of only $115m.

Of more relevance, however, is that the EBITDA (cash) aggregate surplus for the same period was $7,188m. *Please note that the FY22 results will be a further deterioration of the NPBT loss and EBITDA surplus.*

Brief Commentary

The residential aged care sector has relied upon both the net RAD inflow and EBITDA surplus to remain viable in this period. Net equity (including intangible assets) has declined by $965m in the five year period (and by $2,321m from FY19 to FY21).

For the five year period, the net funding growth in RADs received ($9,521m) less property acquisitions/builds/refurbishment ($5,278m) amounted to $4,243m, and together with the EBITDA aggregate surplus of $7,188m has effectively financed the sector through this difficult operating environment. A further deterioration of financial performance occurred for FY22 and the Dec-22 six month period.

RADs are unique to the residential aged care sector, in that they are in effect subordinated interest-free loans with no principal repayment. It is anticipated that new RADs received replace outgoing RADs thereby placing less pressure on requiring external borrowings. Whether this is the best model going forward is debateable, and a hybrid system of using external debt facilities may be more preferable, particularly as the increase in net RADs (as highlighted in this commentary) can mask significant capital adequacy and liquidity issues.

It is also important to note that the receipt of RADs is governed by legislation around the permitted uses of refundable deposits (section 52N-1 of the *Aged Care Act 1997*) and accordingly, it is likely that the majority of financial assets as included in *Table 2* are effectively quarantined and cannot be used for other purposes.

StewartBrown Survey

Survey Outline

The StewartBrown *Aged Care Financial Performance Survey* (Survey) commenced in 1995 and has grown exponentially since that date. The use of the term "Survey" is probably a misnomer, as unlike many public surveys which have a limited data set, the StewartBrown Survey is subscription based, quarterly and very granular in respect of data covered and depth.

The Survey is primarily for the benefit of aged care providers in reviewing their financial performance and considerations of strategic direction on an individual aged care home (facility) basis and home care package program basis.

Providers compare their performance on a number of metrics with facilities (in this instance) through a range of data attributes, including resident mix and acuity, staffing levels (cost and hours/minutes), geographic region, age of building, size of building, number of places (beds), accommodation pricing and administration. Home care has a similar range of metrics. The Survey participants utilise an interactive website with high level dashboards, business intelligence tools and the ability to drill down on all data fields as required.

A secondary benefit is that the aggregate of the data provides a significant level of trend data and detailed analysis as included in our Survey reports and now through independent analysis undertaken by the University of Technology (UTS Ageing Research Collaborative) which provides an additional level of academic rigour.

Each participant completes detailed data input sheets for each quarter. Once received, the data undergoes a substantial cleansing and checking process (refer Glossary) which identifies all material variances, by comparison to previous quarters for each facility and comparison to equivalent benchmark facilities. In this context, all variances identified through this automated cleansing process are followed up with the respective provider for comment and further amendment if required.

Survey Results Matrix

As noted above, the primary purpose of the Survey is for participating providers to benchmark individual aged care facility and home care programs against similar de-identified comparators using a range of metrics. To ensure accurate and relevant benchmark comparisons, all outlier aged care facilities and home care programs are excluded from the Survey results. Examples of outliers include:

- Facilities/programs under sanction
- Facilities with significant infectious disease outbreaks (such as covid-19)
- Facilities undergoing major refurbishment
- Newly built facilities still in the ramping up stage
- Recently acquired facilities/programs undergoing structural operation changes
- Facilities/programs closed during the financial year (and reporting period)
- Facilities with occupancy less than 80%

For the purpose of the Survey analysis, all facilities/programs included are referred to as being **mature**.

Dec-22 YTD Results Snapshot

Approved Provider - Aggregate

(1.86%)
Operating surplus return on assets
(Dec 2021: Negative 1.43%)

($1.5 million) deficit
Operating result
(Dec 2021: $1.2 million deficit)

(0.14%)
Operating EBITDA (cash) return on assets
(Dec 2021: 0.51%)

($1.2 million) deficit
ACFA average operating results June 2020
(June 2019: $205K deficit)

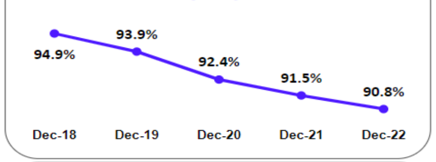
34.28%
Cash + financial assets as a percentage of debt
(Dec 2021: 37.74%)

($114K)
Operating EBITDA
(Dec 2021: $413K)

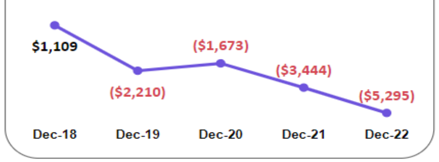
Residential Aged Care

Operating Result per bed day

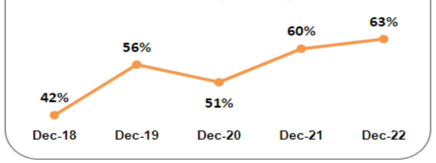
Occupancy Rate



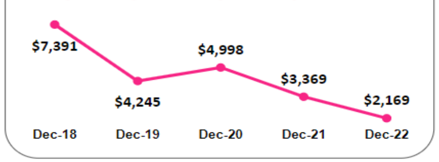
Operating Result per bed per annum



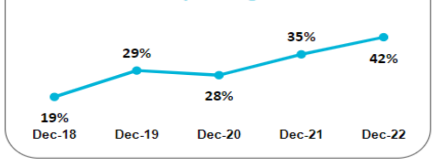
Homes with Operating Loss



Operating EBITDA per bed per annum

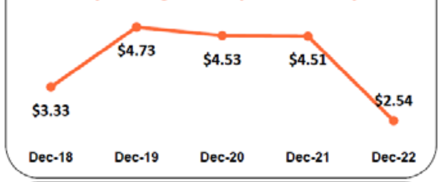


Homes with Operating EBITDA Loss

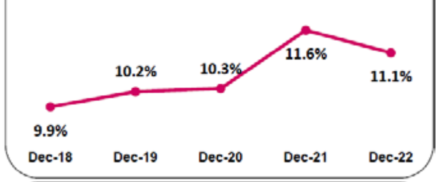


Home Care

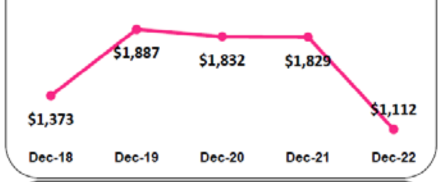
Operating Result per client day



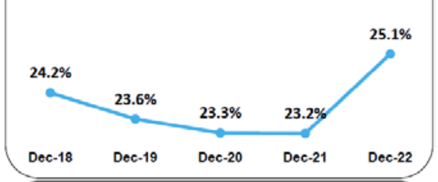
Care Management as % of Income



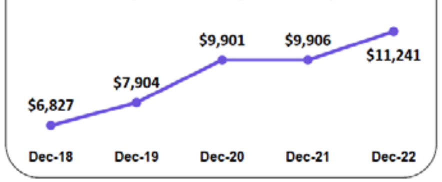
EBITDA per client per annum



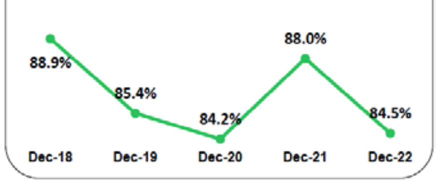
Administration as % of Income



Unspent Funds per Package



Revenue Utilisation



Dec-22 YTD Financial Performance Analysis

Approved Provider (Organisation) Results

Net Profit Before Tax (NPBT)	The average result (NPBT) per Approved Provider for the six month period was a **$705k deficit**. This is a deterioration on the YTD Dec-21 average result per provider which was a deficit of $493k. The decrease in total result has been driven by a further operating deficit and a decrease in net non-recurrent result ($670k).
Net COVID Result	The average net COVID result per provider for Dec-22 YTD was a **surplus of $171k** (Dec-21 deficit $138k). The accounting treatment for the COVID-19 grants varied between providers, however for the purposes of the Survey all grants claimed/claimable but not received by 31 December 2022 were accrued to ensure matching of revenue and expenditure. The impact of the Omicron variant has continued to create significant staffing and costs issues for the aged care sector.
Operating Result	The average financial performance continued to remain at unsustainable levels for many providers. The Dec-22 YTD results show that the average operating result per provider was a **deficit of $1,546k** (Dec-21 $1,158k deficit). This result means that the operations of the sector continue to have an under-recovery of the cost of the capital employed. Whilst revenue increased (due to the higher AN-ACC subsidy from 1 October 2022, the additional staff costs and compliance costs offset the increased revenue.
Operating EBITDA	The average operating average EBITDA (cash) result for the Dec-22 YTD was a small **deficit of $114k** (Dec-21 surplus of $413k), 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. The average property assets for each provider was $120 million and the negative EBITDA return creates a heightened financing risk profile for providers. The negative EBITDA return is a significant deterrent to future investment in the sector.
Staff Costs as % of Operating Revenue	Aged care operators continue to manage staffing and rosters as effectively as possible in the current difficult operating climate including the impact of Omicron and significant staffing shortages. Staffing costs as a percentage of operating revenue were 72.2%. This ratio is higher than the 71.0% for Dec-21 period due to increase agency (contract costs) and overtime to cover staffing shortages.
Depreciation Rate	Average depreciation rate of 2.9% (34.5 years effective life) has remained stable. We continue to consider that the depreciation rate is low and should be at least 4% pa for buildings and 10% or higher for furniture and equipment.
Gearing ratio	Liquid cash assets (cash and cash equivalents + financial assets) as a percentage of debt (resident refundable loans + external debt) had reduced to 34.3% at Dec-22 from 37.7% at Dec-21 reflecting the increased deficit and negative EBITDA. With the residential prudential requirements a significant proportion of the liquid cash assets is effectively quarantined under the prudential rules for permitted uses of RADs meaning gearing ratios and financing lines of credit are impacted.

Residential Aged Care Results

Revenue	• Average Care subsidy (AN-ACC and ACFI and supplements) was $206.98 pbd an increase of 6.88% from Dec-21 ($193.66 pbd) *(due to AN-ACC subsidy including uplift for mandated direct care staffing average 200 minutes per resident per day from 1 October 2022)* • Indirect care (everyday living) revenue *including the BDF supplement* was $69.10 pbd an increase of 5.4% from Dec-21 ($65.58 pbd) • Accommodation revenue was $34.85 pbd an increase from Dec-21 ($32.73 pbd)
Expenses	• Direct care labour costs (RN/EN/PCA) averaged $152.80 pbd an increase of 12.7% from Dec-21 ($135.57 pbd) • Other direct care labour costs (Care Management/Allied Health/Lifestyle) averaged $26.30 pbd an increase of 1.0% from Dec-21 ($26.04 pbd) • Other direct care costs averaged $6.67 pbd a decrease from Dec-21 ($13.25 pbd) *(due to less covid-19 costs)* • Indirect care (everyday living) costs was $75.47 pbd an increase of 9.5% (Dec-21 $68.94 pbd) • Catering expenditure averaged $36.69 pbd an increase of 8.6% (Dec-21 $33.80 pbd) *(this is as a result of the targeted BDF supplement)* • Administration costs averaged $45.11 pbd an increase of 13.8% (Dec-21 $39.63 pbd) *(due to increase quality, reporting and compliance requirements)* • Accommodation expenditure averaged $48.98 pbd (depreciation $21.85 pbd) compared to Dec-21 $43.81 pbd (depreciation $19.58 pbd)
Operating Result	• Direct care result for Dec-22 YTD increased by $0.38 pbd to a surplus of $4.52 pbd (including administration) from Dec-21 $4.14 pbd (*refer AN-ACC commentary below)* • *The effect of the AN-ACC subsidy increase not being fully offset by the requirement to meet the average 200 mandated minutes per resident per day (this not being required until 1 October 2023) resulted in an improved direct care surplus of $13.22 pbd in the December quarter (in isolation). This surplus will erode in the period to September 2023 as providers increase the direct care staffing minutes (cost) with no projected further increase in the AN-ACC subsidy (in real terms)* • Indirect care result declined to a deficit at $6.36 pbd (including administration) (Dec-21 $3.37 pbd) • Accommodation result (including administration) was a deficit of $14.14 pbd (Dec-21 $11.08 pbd) • Operating result was a **deficit of $15.48 pbd** (Dec-21 operating deficit $10.31 pbd) *(refer AN-ACC comment above)* • Operating EBITDA averaged $2,169 pbpa (Dec-21 EBITDA $3,369 pbpa)
Additional Trends	• Direct care minutes (RN/EN/PCA) was **186.27 minutes per resident per day** (Dec-21 178.22 minutes) • Occupancy for mature homes **declined to 90.8%** (Dec-21 91.5%) *(occupancy based on actual available beds)* • Occupancy for all homes slightly decreased to 90.1% (Dec-21 90.2%) *(occupancy based on approved places)* • Supported resident ratio remained constant at 45.8% (Dec-21 45.9%) • Average full RAD received for Dec-22 period was $476,968 (Dec-21 $449,043) • Proportion of full RADs received for non-supported residents was 22.1%, full DAPs was 59.0% and Combinations (RAD/DAP) was 19.0%

Home Care Package (HCP) Results

Revenue	• Revenue was $69.13 per client per day a slight decrease from Dec-21 ($69.72 pcpd) • Care management revenue as a proportion of total revenue was 18.98% (Dec-21 18.03%) • Package management revenue as a proportion of total revenue was 11.8% (Dec-21 10.2%) • Revenue utilisation **decreased by 3.5% to 84.5%** of funding received for Dec-22 YTD (Dec-21 88.0%)
Expenses	• Direct service costs increased by $0.67 pcpd to be 59.4% of total revenue (Dec-21 57.9%) • Case management cost as % of revenue has increased to 11.1% of revenue (Dec-21 11.6% of revenue) • Administration and support costs represent 25.1% of revenue (Dec-21 23.2%)
Unspent Funds	• The amount of unspent funds per client (care recipient) has continued to rise and now averages **$11,241 per client** (Dec-21 $9,906 per client) • In aggregate across the sector, this represents **in excess of $2.5 billion** of funds that have not been utilised.
Operating Result	• Operating results have declined by $1.97 per client per day to $2.54 pcpd (Dec-21 $4.51 pcd) • The profitability margin has declined from 6.5% for Dec-21 YTD to 3.7% for Dec-22 • Profitability decline is being driven by the decrease in revenue utilisation
Other Trends	• Average staff hours per week was **5.41 hours** (Dec-21 5.46 hours) • The number of packages in the survey has increased to represent 60,102 packages for Dec-22 YTD

2. FINANCIAL RESULTS - KEY METRICS

Organisation (Approved Provider)

Trend Graph

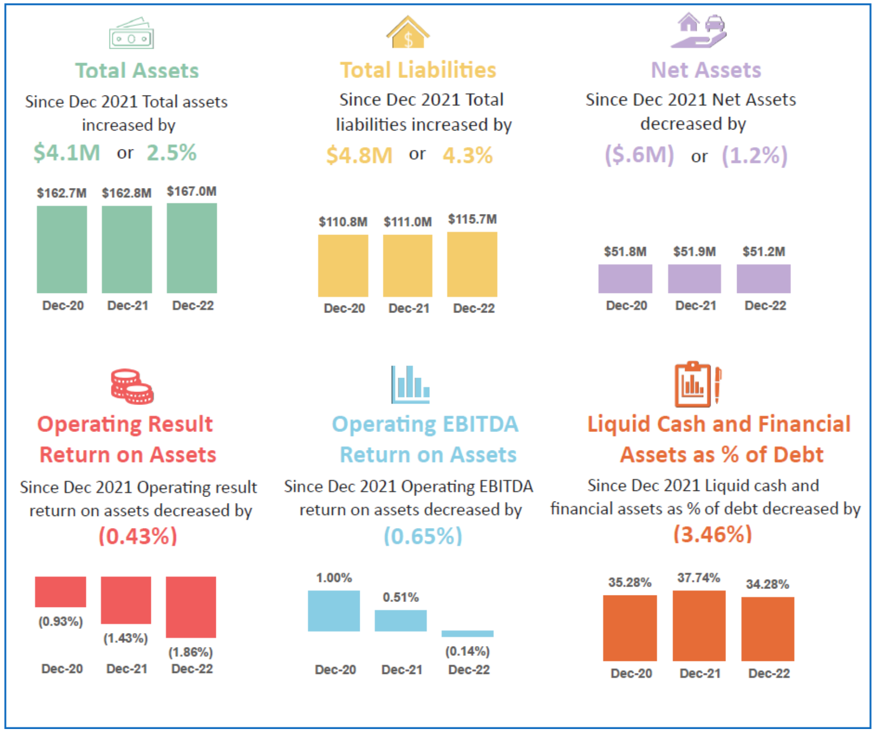


Table 3: Income & Expenditure Comparison (average by Approved Provider)

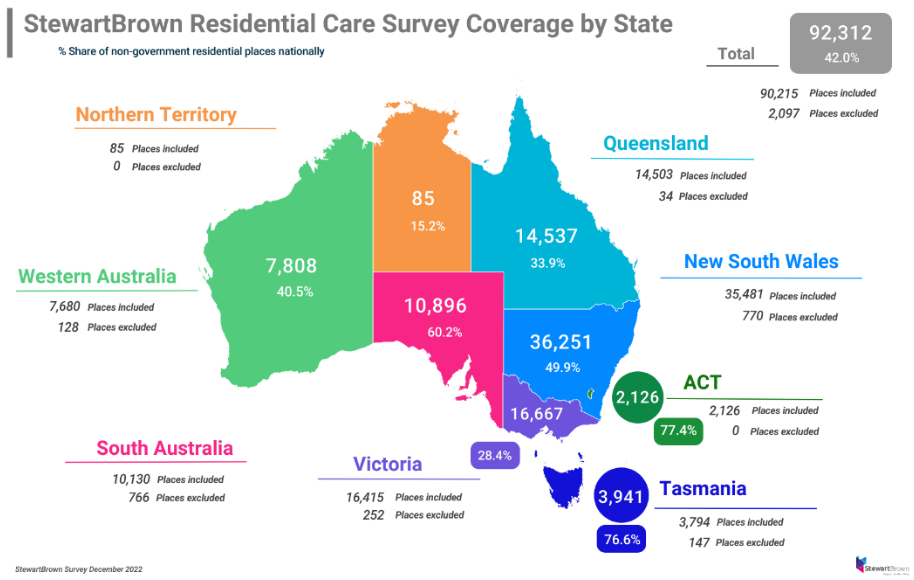
	Survey YTD Dec-22 216 Providers *(Average)*	Survey YTD Dec-21 216 Providers *(Average)*
Income & Expenditure	**$'000**	**$'000**
Revenue		
Service revenue	26,470	24,858
Investment revenue	470	274
Total operating revenue	**26,940**	**25,131**
Expenses		
Employee expenses	19,445	17,843
Depreciation and amortisation	1,847	1,738
Finance costs	236	265
Other expenses	6,959	6,443
Total operating expenses	**28,486**	**26,289**
Operating surplus (deficit)	**(1,546)**	**(1,158)**
Non-recurrent income and expenses	670	804
Net COVID result	171	(138)
Total surplus (deficit) (NPBT)	**(705)**	**(493)**
Operating EBITDA	**(114)**	**413**
EBITDA	**556**	**1,216**
Ratios		
Operating surplus return on assets (ROA)	*(1.9%)*	*(1.4%)*
Operating EBITDA return on assets	*(0.1%)*	*0.5%*
Operating surplus % of operating revenue	*(5.7%)*	*(4.6%)*
Employee expenses % of operating revenue	*72.2%*	*71.0%*
Depreciation as % of property assets	*2.9%*	*2.9%*

** EBITDA calculations exclude AASB 16 Leases accounting entries*

Table 4: Summary Equity (Balance Sheet) comparison

	Survey YTD Dec-22 216 Providers *(Average)*	Survey YTD Dec-21 216 Providers *(Average)*
Balance Sheet	**$'000**	**$'000**
Assets		
Cash and financial assets	33,957	35,587
Operating assets	8,915	8,164
Property assets	120,406	113,580
Right of use assets	2,095	2,300
Intangibles - other	554	859
Intangibles - bed licences	1,032	2,350
Total assets	**166,960**	**162,840**
Liabilities		
Refundable loans - residential	50,160	48,853
Refundable loans - retirement living	41,613	36,843
HCP unspent funds liability	1,045	1,793
Borrowings	5,779	6,290
Other liabilities	17,134	17,195
Total liabilities	**115,731**	**110,975**
Net assets	**51,229**	**51,864**
Net tangible assets	**49,643**	**48,656**
Ratios		
Net assets proportion % total assets	*30.7%*	*31.8%*
Property assets proportion % total assets	*72.1%*	*69.7%*
Cash + financial assets % refundable loans	*37.0%*	*41.5%*
Cash + financial assets % debt	*34.3%*	*37.7%*

Residential Aged Care



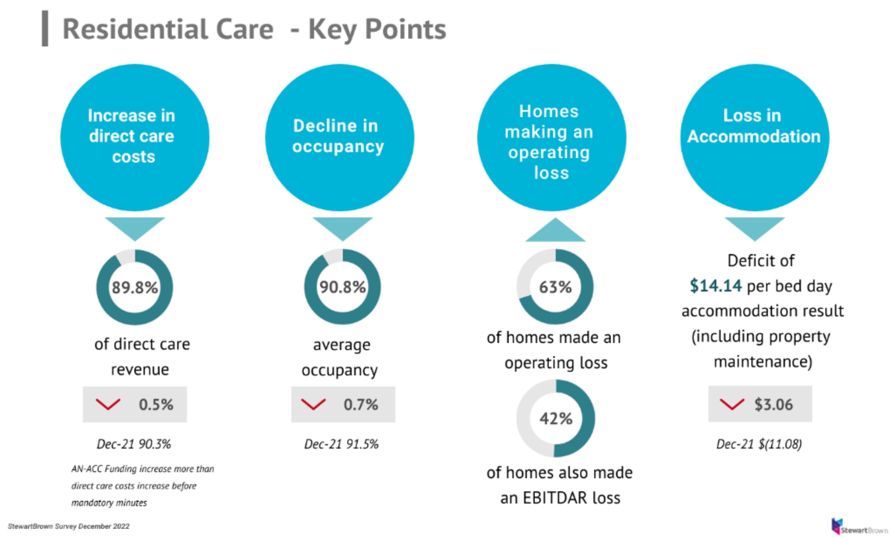


Table 5: Summary Income & Expenditure Comparison ($ per bed day)

	Survey Dec-22 *1,099 Homes*	Survey Dec-21 *1,192 Homes*	Survey FY22 *1,202 Homes*
DIRECT CARE			
Revenue	$206.98	$193.66	$194.77
Expenditure			
Direct care labour costs	152.80	135.57	139.17
Other direct care labour costs	26.30	26.04	26.43
Other direct care costs	6.67	13.25	12.16
Administration	16.69	14.66	15.16
	$202.46	*$189.53*	*$192.92*
DIRECT CARE RESULT (A)	**$4.52**	**$4.14**	**$1.85**
INDIRECT CARE			
Revenue	$69.10	$65.58	$66.33
Expenditure			
Catering	36.69	33.80	34.51
Cleaning	10.21	9.46	9.88
Laundry	4.52	4.25	4.31
Other hotel services expense	0.10	0.06	0.08
Payroll tax	0.10	0.12	0.13
Overhead allocation (workcover & education)	0.91	0.81	0.80
Utilities	7.76	7.13	7.29
Administration	15.17	13.32	13.77
	$75.46	*$68.94*	*$70.78*
INDIRECT CARE RESULT (B)	**($6.36)**	**($3.37)**	**($4.45)**
CARE RESULT (C) *(A + B)*	**($1.84)**	**$0.77**	**($2.60)**
ACCOMMODATION			
Revenue			
Residents	14.44	13.06	13.03
Government	20.40	19.67	19.82
	$34.85	$32.73	$32.84
Expenditure			
Depreciation	21.85	19.58	19.54
Property maintenance	11.83	10.62	11.08
Property rental	0.68	0.81	1.00
Other	1.37	1.14	1.24
Administration	13.26	11.65	12.05
	$48.98	*$43.81*	*$44.91*
ACCOMMODATION RESULT (D)	**($14.14)**	**($11.08)**	**($12.06)**
OPERATING RESULT ($ per bed day) *(C + D)*	**($15.98)**	**($10.31)**	**($14.67)**
OPERATING RESULT ($ per bed per annum)	**($5,295)**	**($3,444)**	**($4,871)**
EBITDA ($ per bed per annum)	**$2,169**	**$3,369**	**$1,949**

Figure 4: Residential Operating Result Snapshot ($ per bed day)

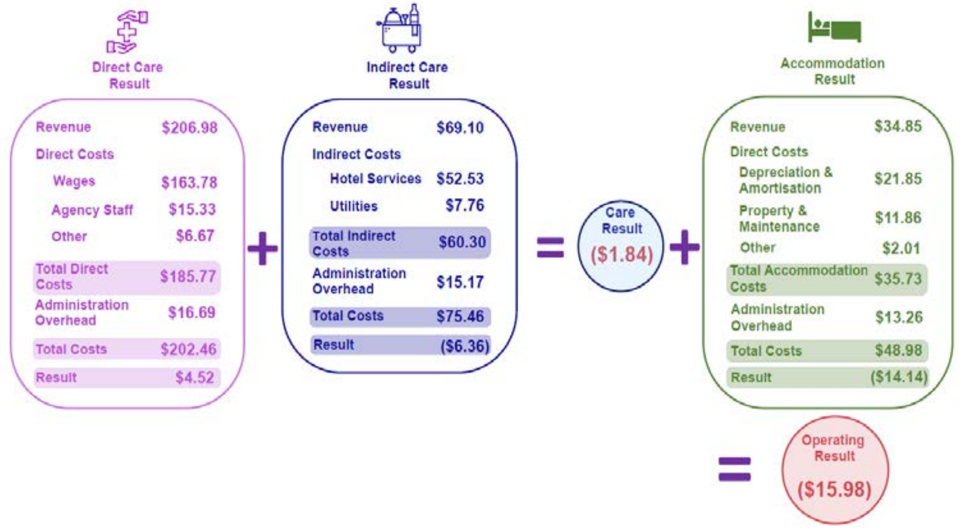
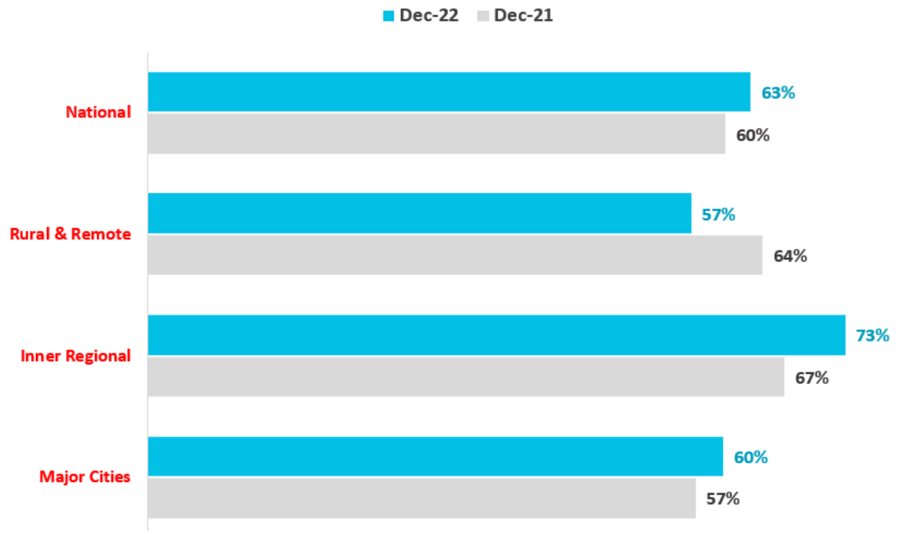


Table 6: Summary KPI Results Comparison

Summary KPI Results	**Dec-22** *1,099 Homes*	**Dec-21** *1,192 Homes*		**Difference** *(YoY)*	**FY22** *1,202 Homes*
Operating Result ($pbd)	($15.98)	($10.31)	↓	($5.67)	($14.67)
Operating Result ($pbpa)	($5,295)	($3,444)	↓	($1,851)	($4,871)
EBITDA ($pbpa)	$2,169	$3,369	↓	($1,199)	$1,949
Average Occupancy *(all homes)*	*90.1%*	*90.2%*	↓	(0.1%)	*89.7%*
Average Occupancy *(mature homes)*	*90.8%*	*91.5%*	↓	(0.7%)	*91.0%*
Average direct care revenue ($pbd)	$206.98	$193.66	↑	$13.32	$194.77
Total direct care minutes per resident per day	186.27	178.22	↑	8.05	176.91
Direct care services costs as a % of direct care revenue	*89.8%*	*90.3%*	↓	(0.5%)	*91.3%*
Supported Ratio %	*45.8%*	*45.9%*	↓	(0.1%)	*45.3%*
Average Full RAD/Bond held	$437,665	$419,766	↑	$17,900	$425,852
Average Full RAD taken during period	$476,968	$449,043	↑	$27,924	$455,006

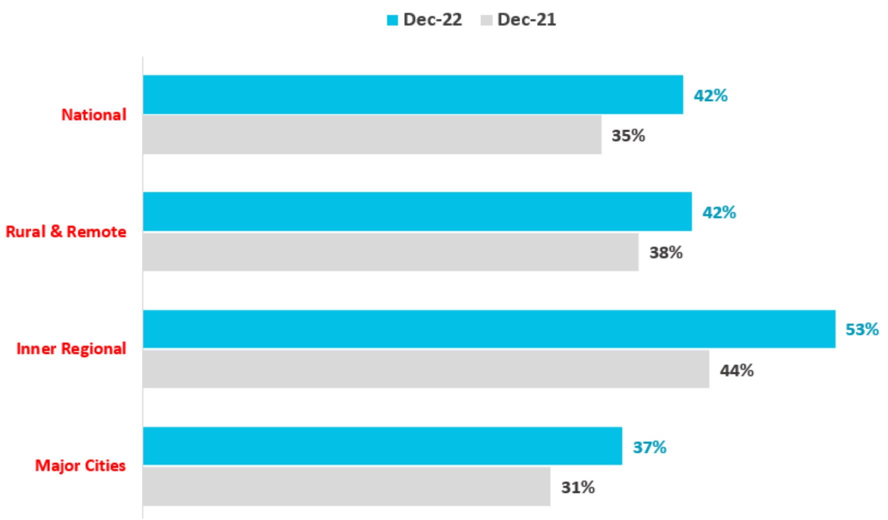
Number of Aged Care Homes making an Operating Loss

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



Number of Aged Care Homes making an EBITDA loss

Figure 6: Aged care homes making an EBITDA (cash) loss by remoteness



Results by Geographic Location

Table 7: Summary KPI Results by geographic location

	Major Cities 705 Aged Care Homes	Inner Regional 278 Aged Care Homes	Rural & Remote 116 Aged Care Homes
Operating Result $ per bed per annum	($4,302)	($8,453)	($4,303)
Operating EBITDA per bed per annum	$3,334	($1,378)	$2,865
Average Direct Care Revenue per bed day	$207.52	$204.25	$210.54
Direct care services costs as % of Direct Care revenue	89.5%	91.7%	86.5%
Catering costs as % of Indirect Care revenue	51.5%	56.4%	57.6%
Direct care minutes per resident per day	187.26	182.89	188.08
Supported resident ratio	45.3%	45.3%	52.2%
Average occupancy	91.1%	90.6%	88.7%
Average full accommodation deposit held	$473,078	$353,494	$338,812
Average full RAD taken during the period	$513,844	$388,990	$377,988

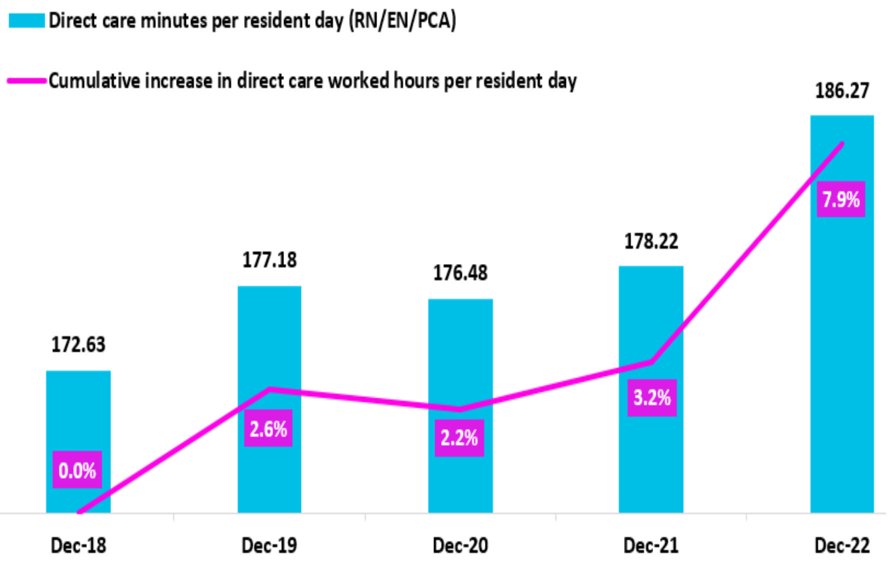
Direct Care Staffing Minutes (per resident per day)

Table 8: Direct Care staffing metrics

Staffing Category	Survey Average Dec-22	Survey Average Dec-21		Survey Average FY22
Registered nurses	30.59	27.30	↑	27.11
Enrolled & licensed nurses	12.79	16.51	↓	13.16
Other unlicensed nurses & personal care staff	142.67	132.56	↑	135.85
Imputed agency direct care minutes implied	0.23	1.86	↓	0.79
Total Direct Care Minutes	**186.27**	**178.22**	↑	**176.91**
Care management	5.51	7.73	↓	7.52
Allied health	5.89	5.57	↑	5.07
Diversional/Lifestyle/Activities	6.63	7.03	↓	7.20
Imputed agency other care minutes implied	0.19	n.a		n.a
Total Care Minutes	**204.49**	**198.55**	↑	**196.70**

** Imputed agency is decreasing as actual agency is now included with direct staffing costs*

Figure 7: Direct Care staff (RN/EN/PCA) trend (minutes per resident per day)



Indirect Care (Everyday Living)

Table 9: Indirect Care (everyday living) revenue and expenses ($ pbd)

	Dec-22	Dec-21	$pbd change	% change
Indirect Care Revenue	**$69.10**	**$65.58**	***$3.52***	***5.4%***
Indirect Costs				
Hotel Services	$52.53	$48.49	*$4.04*	*8.3%*
Utilities	$7.76	$7.13	*$0.63*	*8.8%*
Expenditure- Indirect Care Services	**$60.30**	**$55.62**	***$4.67***	***8.4%***
Administration Overhead	$15.17	$13.32	*$1.85*	*13.9%*
Indirect Care Expenditure	**$75.46**	**$68.94**	***$6.52***	***9.5%***
Indirect Care Result	**($6.36)**	**($3.37)**	***($3.00)***	***89.1%***

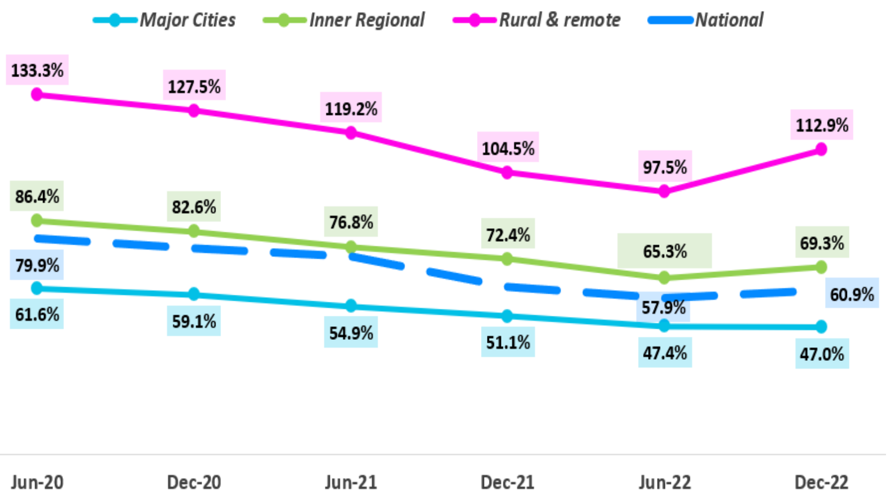
Accommodation Analysis

Table 10: Accommodation revenue and expenses ($ pbd)

	Dec-22	Dec-21	$pbd change	% change
Accommodation Revenue	**$34.85**	**$32.73**	***$2.12***	***6.5%***
Direct Costs				
Depreciation & Amortisation	$21.85	$19.58	*$2.27*	*11.6%*
Property & Maintenance	$11.86	$10.65	*$1.21*	*11.38%*
Other	$2.01	$1.92	*$0.09*	*4.8%*
Expenditure- Accommodation	**$35.73**	**$32.16**	***$3.57***	***11.1%***
Administration Overhead	$13.26	$11.65	*$1.61*	*13.8%*
Accommodation Expenditure	**$48.98**	**$43.81**	***$5.18***	***11.8%***
Accommodation Result	**($14.14)**	**($11.08)**	***($3.06)***	***27.6%***

Accommodation Pricing

Figure 8: Median Accommodation Price as % of Medium House Price



Occupancy

Figure 9: Residential Occupancy by region (mature homes)

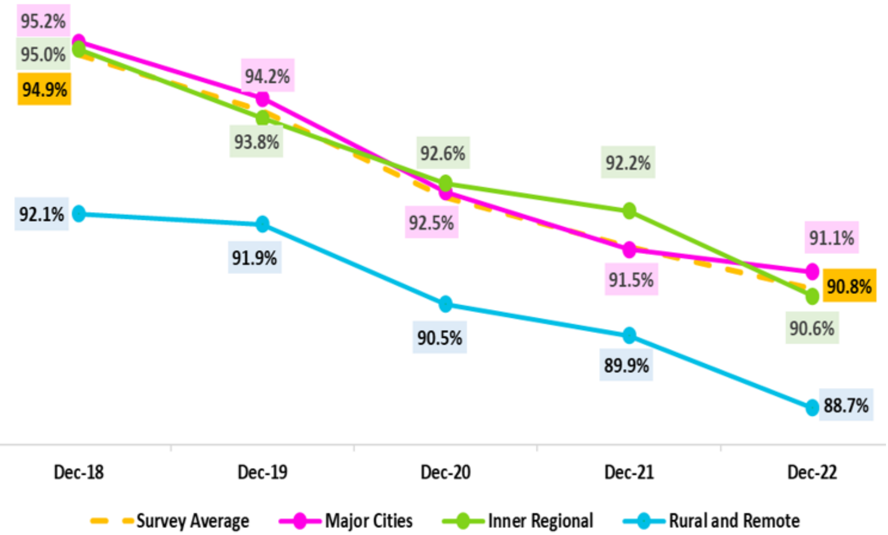
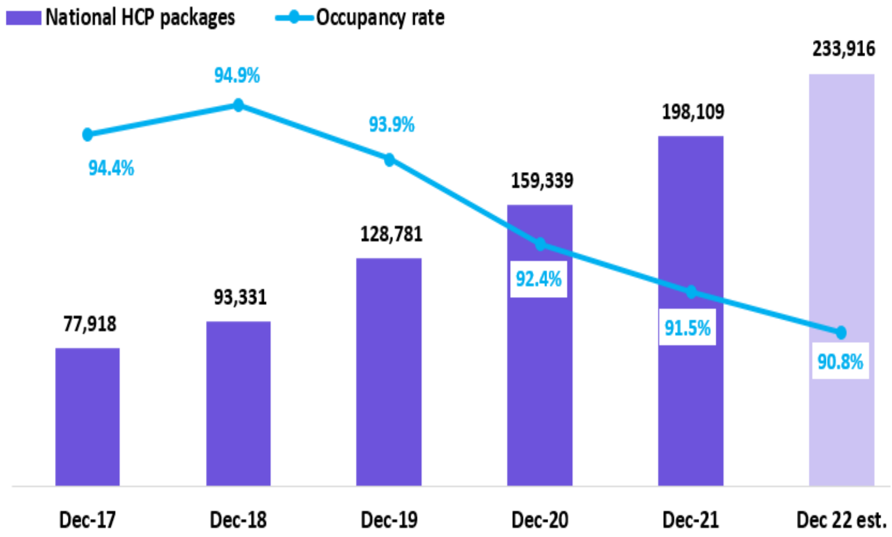


Figure 10: Residential Occupancy comparison to Home Care Packages

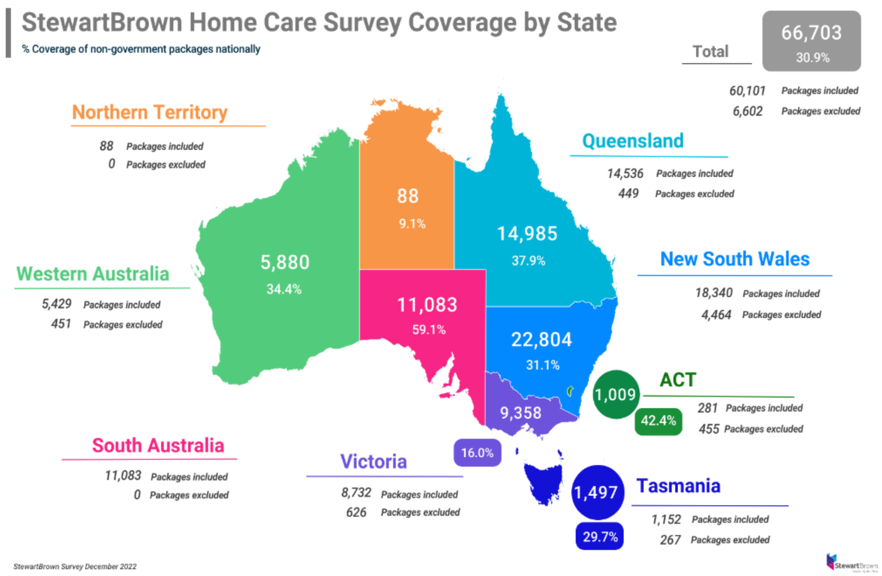


Administration Costs

Table 11: Administration costs ($ pbd)

	Dec-22 *1,099 Homes*	Dec-21 *1,192 Homes*	*YoY Movement*	FY22 *1,202 Homes*
Administration (corporate) recharges	$27.66	$24.50	↑	$25.29
Labour costs - administration (facility)	$8.94	$7.58	↑	$7.79
Other administration costs	$6.61	$5.90	↑	$6.19
Workers compensation	$0.21	$0.18	↑	$0.17
Payroll tax - administration staff	$0.03	$0.04	↓	$0.04
Fringe Benefits Tax	$0.02	$0.02	↑	$0.02
Quality & education - labour costs	$0.07	$0.04	↑	$0.05
Quality and education - other	$0.02	$0.02	↑	$0.02
Insurances	$1.54	$1.36	↑	$1.41
Total Administration Costs	**$45.11**	**$39.63**	↑	**$40.98**

Home Care



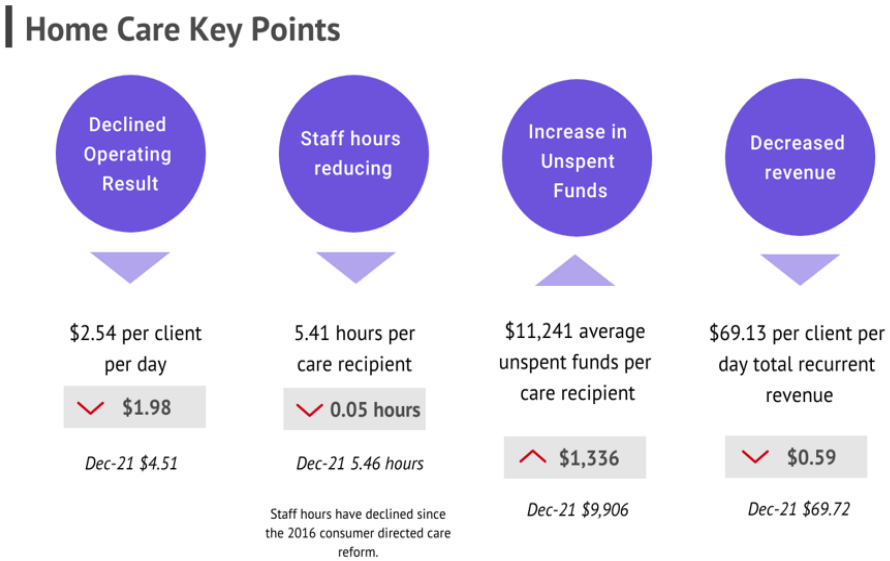


Figure 11: Home Care key metrics summary

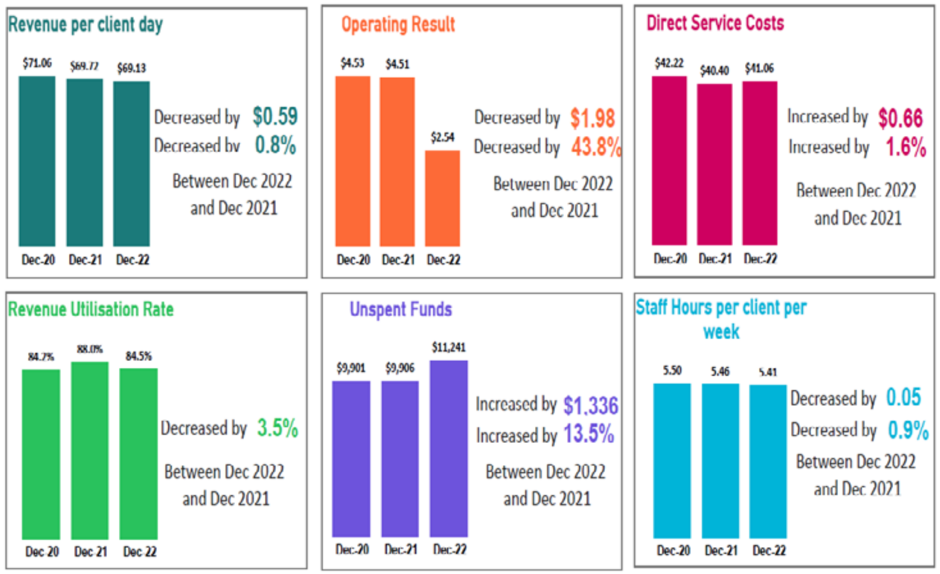


Table 12: Summary Home Care KPI Results Comparison

	Dec-22 60,102 Packages	Dec-21 55,822 Packages	Difference (YoY)	FY22 60,630 Packages
Total revenue $ per client per day	$69.13	$69.72	($0.59)	$68.98
Operating result per client per day	$2.54	$4.51	($1.98)	$3.98
EBITDA per client per annum	$1,112	$1,829	($717)	$1,632
Average total Internal Staff hours per client per week	5.41	5.46	(0.05)	5.28
Median growth rate	6.7%	8.0%	(1.3%)	14.3%
Revenue utilisation rate for the period	84.5%	88.0%	(3.5%)	85.0%
Average unspent funds per client	$11,241	$9,906	$1,336	$10,736
Cost of direct care & brokered services as % of total revenue	59.4%	57.9%	1.5%	58.6%
Care management & coordination costs as % of total revenue	11.1%	11.6%	(0.5%)	11.8%
Administration & support costs as % of total revenue	25.1%	23.2%	1.8%	23.1%
Profit Margin	3.7%	6.5%	(2.8%)	5.8%

Figure 12: Operating Result by revenue band ($ per client per day)

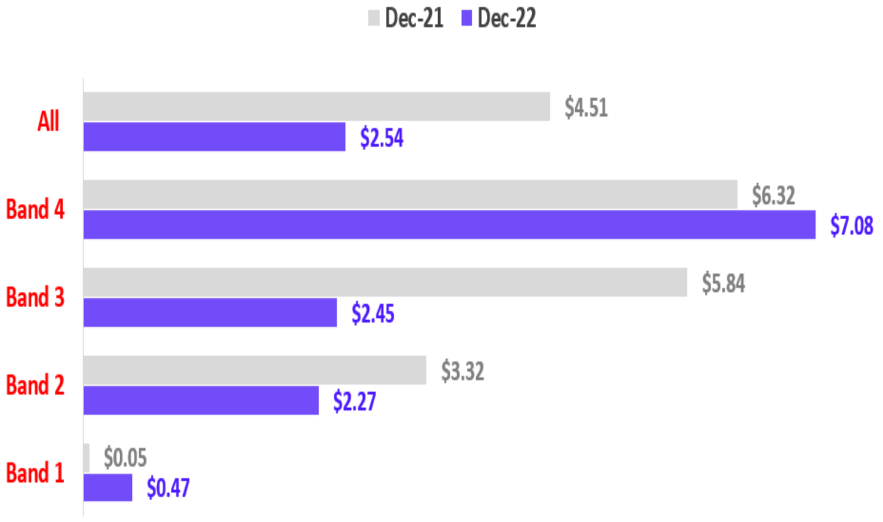


Figure 14: Revenue Utilisation percentage by revenue band

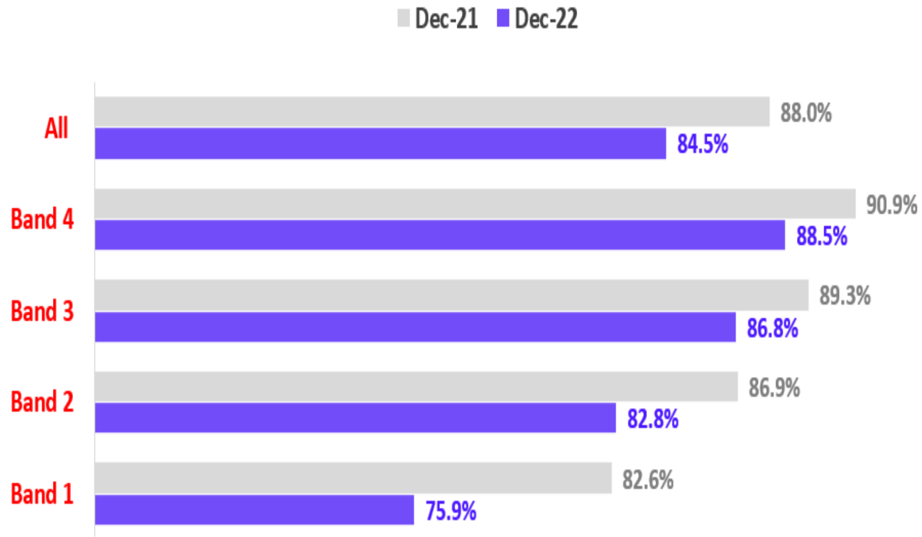


Figure 13: EBITDA Result by revenue band ($ per client per annum)

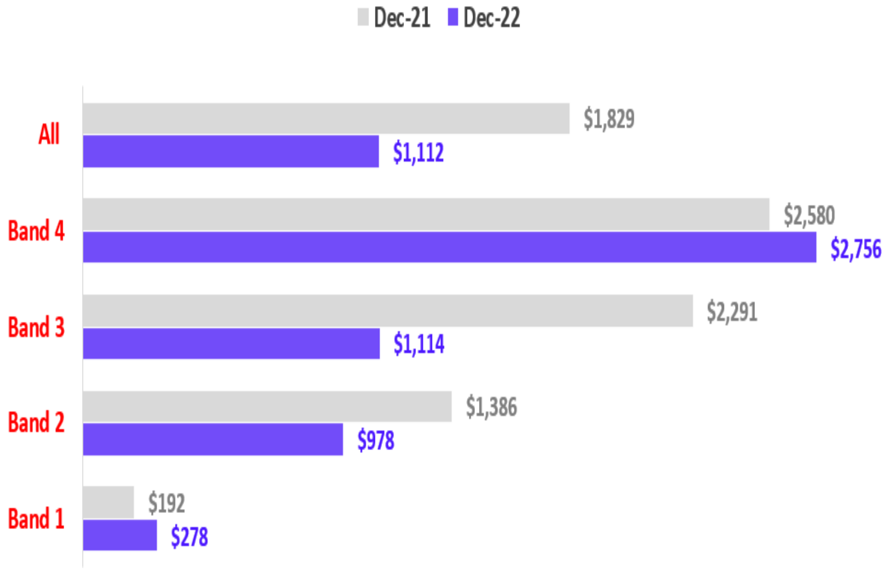
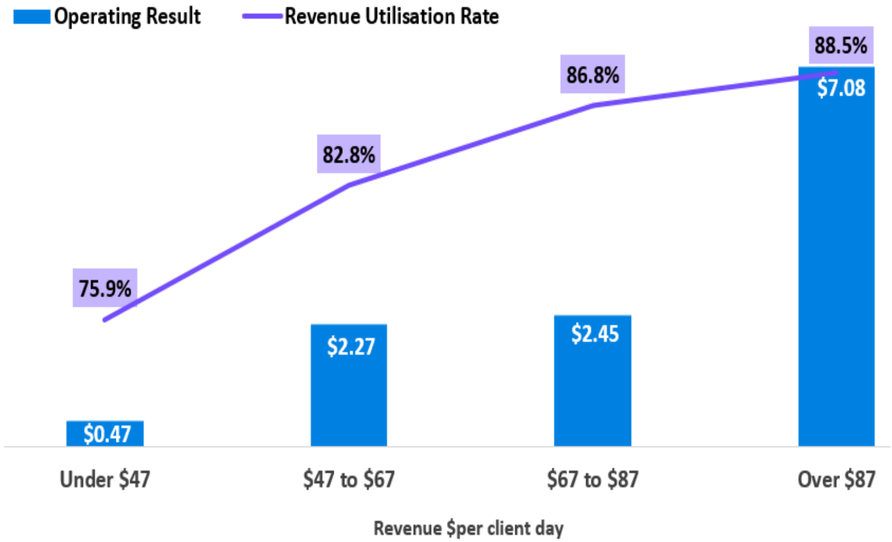


Figure 15: Operating Result and Revenue Utilisation revenue band



Unspent Funds

Figure 16: Unspent Funds trend analysis ($ per client)

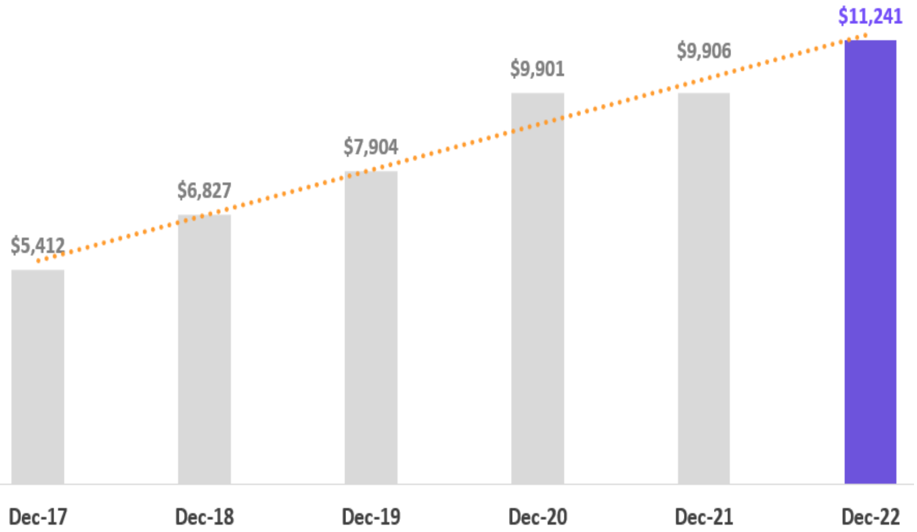
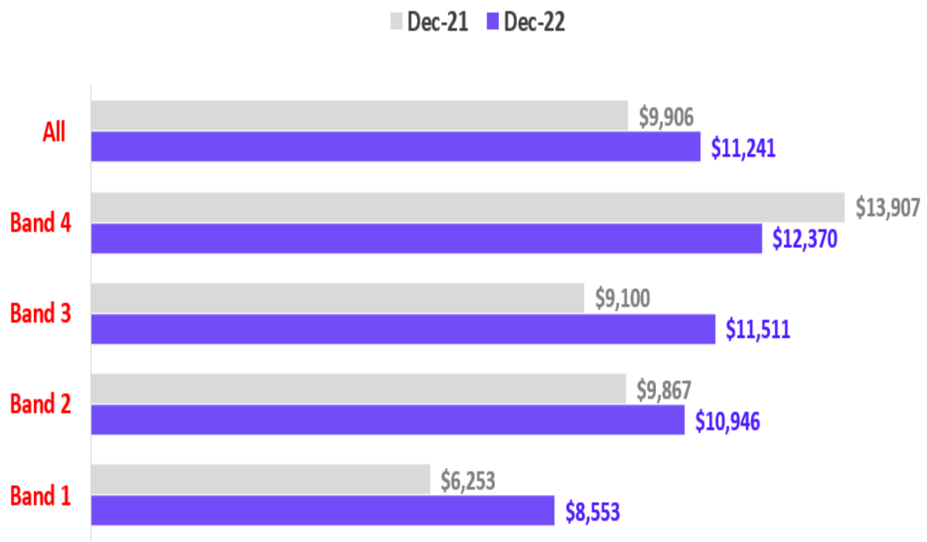


Figure 17: Unspent Funds by revenue band ($ per client)



Staff Hours Worked per Care Recipient

Table 13: Staff Hours and Minutes worked per care recipient per week

Internal staff hours worked per client week	Dec-22	Dec-21		Difference
Direct service provision	3.43	3.72	↓	(0.29)
Agency	0.15	0.09	↑	0.06
Care management & coordination	1.06	1.05	↑	0.01
Administration & support services	0.77	0.60	↑	0.17
Total Staff Hours	**5.41**	**5.46**	↓	**(0.05)**

Internal staff minutes worked per client week	Dec-22	Dec-21		Difference
Direct service provision	205.9	223.3	↓	(17.4)
Agency	8.9	5.4	↑	3.5
Care management & coordination	63.4	63.1	↑	0.4
Administration & support services	46.5	36.0	↑	10.5
Total Staff Minutes	**324.6**	**327.7**	↓	**(3.1)**

Figure 18: Staff Hours per care recipient week trend analysis

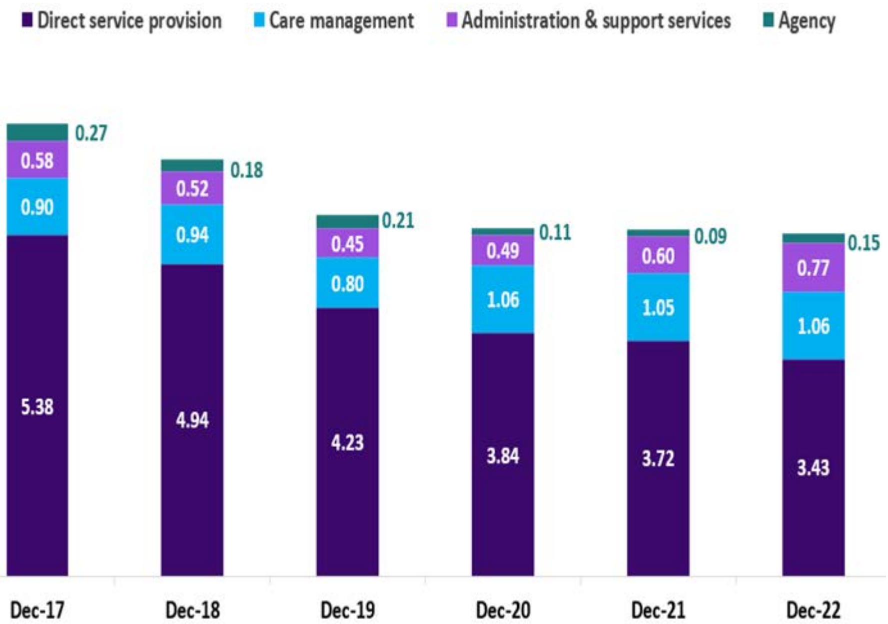


Figure 19: Internal and Brokered Services staff costs comparison

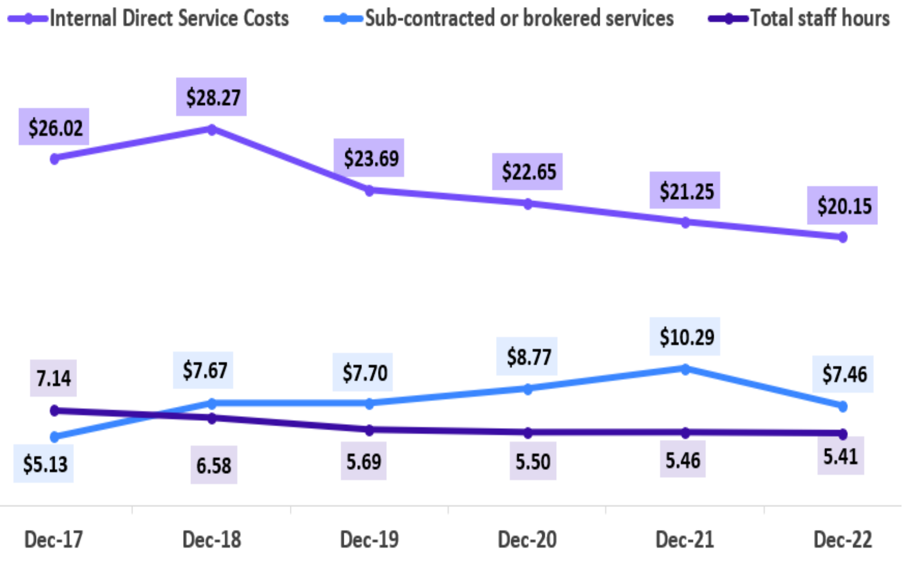
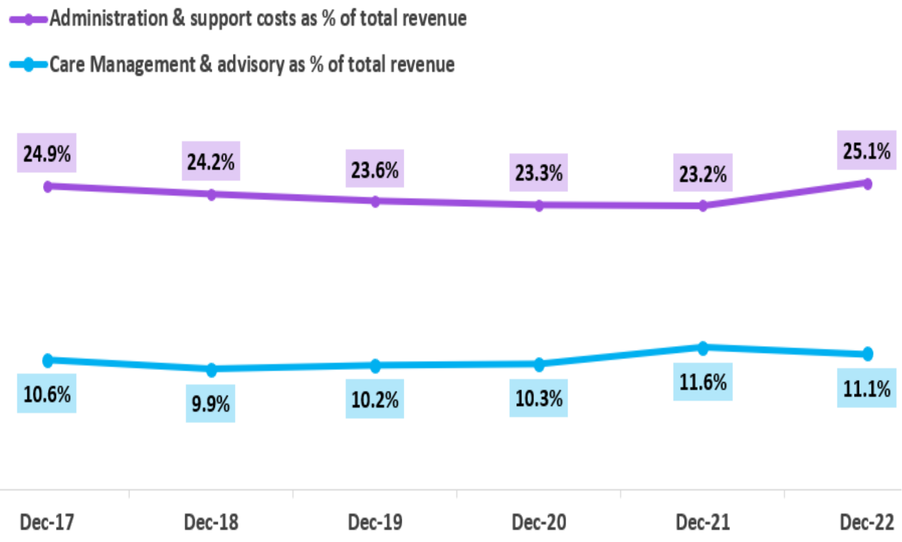


Figure 20: Case Management and Administration cost as % of revenue



Package Growth

Figure 21: Number of People in a Home Care Package

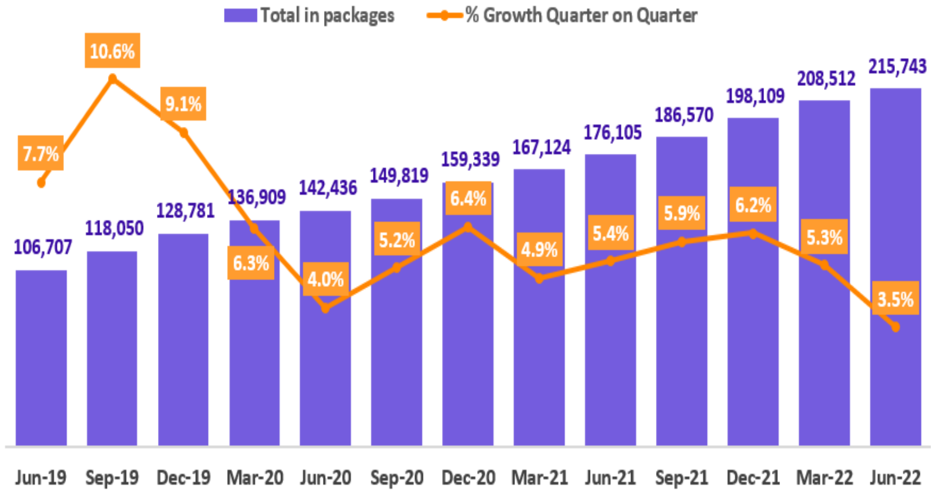
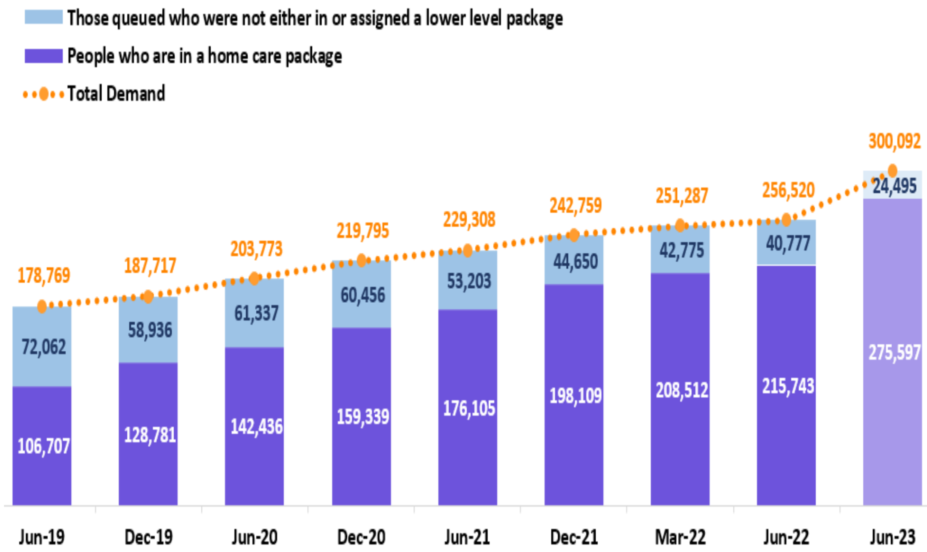


Figure 22: Demand for Home Care Packages



3. APPENDIX

Financial Reform Considerations

A number of potential reforms to the financing of aged care have been considered over many years and during countless reviews. Unfortunately, the lack of a consistent strategy and agreement from all sector stakeholders has inhibited some of the significant reform that is required.

The Department of Health and Aged Care has been very active in considering, implementing reforms where required and supporting regulatory changes but the sector, including all stakeholders, needs to embrace reform and provide solutions and not just focus on Government funding issues.

Ultimately, this will come down to requiring a greater level of consumer co-contribution in funding aged care. Clearly, where the consumer does not have the financial means to further contribute to the costs of services this must not in any respect disadvantage them. A safety net must be enshrined within aged care, as with other areas of health care and social services.

A brief overview of some financial reforms to be considered is as follows.

Staff Remuneration and Benefits

The biggest challenge facing aged care is workforce, with considerable shortages in staff numbers being felt in all regions of Australia. The ability to attract and retain staff has reached a critical stage.

The recent Fair Work Commission wage ruling effective from 30 June 2023 of 15% increase (for Direct Care, recreation and head chef staff only) is a positive step. Whether this increase is sufficient on its own to attract additional staff is questionable, and other incentives and benefits may be required.

Several possible considerations could include:-

- Increase the Fringe Benefits Tax exemption for aged care employees to a cap of $40,000 (current cap of $30,000 has been in place since 1 April 2001)
- Expand the exemption criteria to include all aged care workers, not just those employed by a public benevolent institution
- Allow travel to work cost to be tax deductible for aged care workers (many of whom travel quite a distance to their place of employment)
- Provide a payroll tax supplement where applicable

A characteristic of the FBT exemption is that this amount must be consumed (as a fringe benefit) and not saved, and accordingly will have a lower economic cost and impact than a straight wage increase.

Subsidy Funding

A major and appropriate reform is for the Independent Hospital and Aged Care Pricing Authority (IHACPA) to be responsible for the review of the various cost components in providing aged care services for residential and community care. IHACPA will provide recommendations to the Government as to the appropriate subsidy required to fund these costs which will provide greater transparency.

<u>AN-ACC Subsidy</u>

From 1 October 2022, residential aged care subsidy for the provision of direct care services has changed from the Aged Care Funding Instrument (ACFI) to the Australian National Aged Care Model (AN-ACC).

AN-ACC has been designed to more accurately reflect the funding required for each resident to align with their acuity and care needs and is welcomed by the sector.

The AN-ACC subsidy has been expanded to include funding for providing additional direct care minutes (Registered Nurses/Enrolled Nurses/Personal Care Workers) to be in line with the mandated levels as recommended by the Royal Commission. In this sense, it has morphed into a hybrid funding model.

As with any new funding model in such a complex and diverse area as aged care there will need to be refinements over time. In this regard, the role of IHACPA is paramount to ensure that the funding matches the input costs, and that inflation and wage increases are appropriately covered, unlike the recent experience of COPE not being adequate in this regard.

Regulated Consumer Contribution for Home Care

Home care providers (HCP and CHSP) are entitled to receive a consumer contribution of up to 17.5% of the single aged pension amount. Due to the less than optimal revenue utilisation in home care packages (refer earlier commentary) there has been little incentive for providers to seek a consumer contribution as it merely adds to the unspent funds and a portion is ultimately returned to the care recipient when they leave the home care program.

This has distorted the overall funding, and, importantly, has created a climate whereby consumers do not regard co-contribution as being a necessary component of aged care.

Recommendation 12 of the "Legislated Review of Aged Care 2017" (Tune Review) included requiring providers to charge the basic daily fee (consumer contribution) for home care packages.

Recommendation 16 recommended that mandatory consumer contributions be levied for CHSP services.

Implementation of these recommendations together with a new funding model designed to ensure that approved funding for each care recipient is appropriately utilised (services provided) should significantly improve the home care financial performance, and importantly, enable care recipients to receive a more inclusive care service delivery.

Amendments to the Means-Tested Care Fee Criteria

Recommendation 13 of the Tune Review stated "include the full value of the owner's home in the means test for residential care when there is no protected person in that home".

Recommendation 15 sought the abolishment of the annual and lifetime caps on income-tested fees in home care and means-tested care fees in residential care.

These are fundamental to ensuring that aged care funding is appropriately also being contributed to by the consumer.

In residential aged care, the means-tested care fee represents only 3.8% of the direct care subsidy. If this was lifted to (say) 9% and the means-tested care fee added to the funding envelope (rather than being deducted from the subsidy paid by the government) this would add in excess of $1.25 billion pa in the overall direct care funding envelope based on the Sep-22 ACFI.

Deregulation of the Basic Daily Fee

The Basic Daily Fee is levied to reimburse for the costs associated with everyday living services. The costs are currently greater than the revenue received.

The Tune Review *Recommendation 14* effectively sought to deregulate the BDF by proposing that providers be allowed to charge a higher basic daily fee to non-low means residents up to a $100 per day cap before requiring pricing commissioner approval.

This proposal would eliminate the current unwieldy additional services and extra services regime and provide consumers with a greater choice and clarity.

Structural Reform of the Accommodation Pricing Model

This represents possibly the least understood aspect of residential aged care funding. The current RAD/DAP model infused with a prescriptive MPIR is cumbersome and confusing. It is also inequitable for consumers and providers as paying a RAD where possible is far less cost than paying a daily fee (DAP).

StewartBrown has advocated for changing the model to be more focussed on a "rental" payment for accommodation whereby the rent amount is determined by the actual upfront contribution paid. The underlying principle is that a rental portion is paid irrespective of whether a full contribution (currently a RAD) is paid.

As the name suggests, a Refundable Accommodation Deposit has no rental component included, and accordingly when paying a RAD the loss of alternate revenue from the RAD (such as interest) is the only actual cost for the accommodation in an aged care home. If the RAD amount still resides in the residential home, it is likely that the value of the home increase will be greater than the amount of lost interest income.

4. 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.

AN-ACC Direct Care Subsidy

From 1 October 2022 the Australian National Aged Care Classification (AN-ACC) replaced the previous Aged Care Funding Instrument (ACFI) funding model. Direct care revenue includes the subsidy received from the Commonwealth and the means-tested care fee component levied to the resident. Direct Care revenue includes the additional care supplement subsidies and some specific grant (not capital) funding.

AN-ACC Direct Care Result

The Direct Care (AN-ACC and formerly ACFI) Result represents the net result from revenue and expenses directly associated with direct care. It includes AN-ACC (formerly ACFI) and Supplements (including means-tested care fee) revenue less total direct 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 EBITDA

The same as Facility EBITDA. 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 EBITDA 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 Direct Care (ACFI) and Indirect Care (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 and Aged Care; in some contexts, "facility" is used, with an identical meaning.

***Average*s**

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 *average*d 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 a Direct Care 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 Direct Care + Supplements (including respite) ($ per bed day):

Band 1 - Over $200 *(Over $210 from Dec-22 quarter)*
Band 2 - Between $185 and $200 *($200 to $210 from Dec-22 quarter)*
Band 3 - Between $170 and $185 *($190 to $200 from Dec-22 quarter)*
Band 4 - Under $170 *(Under $190 from Dec-22 quarter)*

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 Indirect Care (everyday living) costs and administration and support costs. It is calculated as Direct Care Result *plus* Indirect Care 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.

EBITDA

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

The main reason for this is to achieve some consistency in the calculation. Different organisations allocate interest and investment 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.

EBITDA per bed per annum

Calculation of the overall aged care home (facility) EBITDA 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.

Indirect Care (Everyday Living) Result

Revenue from Basic Daily Fee plus Extra or Optional Service fees less Hotel Services (catering, cleaning, laundry) and Utilities (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.

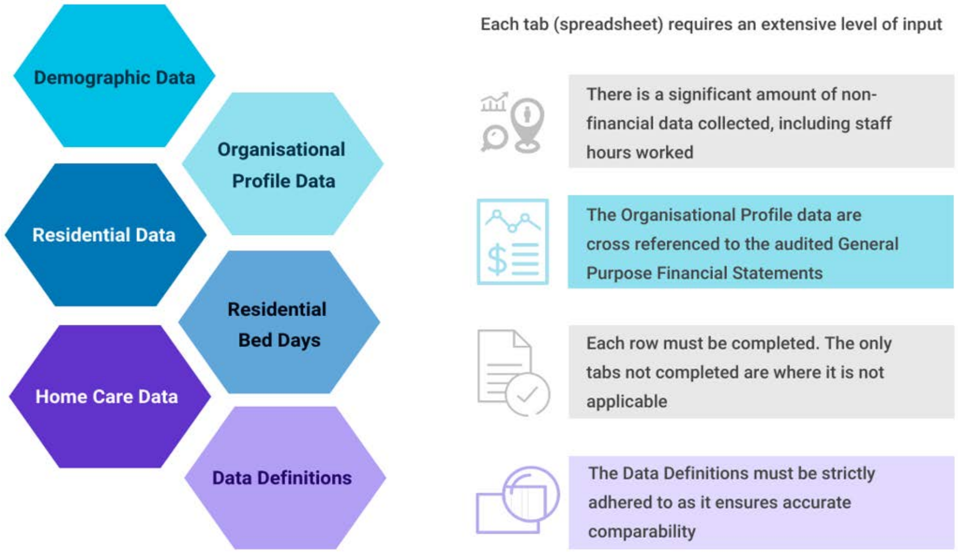
Residential Care
The Residential Care results are distributed for the Survey period from highest to lowest by <u>Care Result</u>. This is then divided into quartiles - the *First 25%* (the first quartile), second 25%, third 25%, fourth 25% and the average of each quartile is reported. The *First 25%* 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 and Aged Care in their listing of aged care services. Those that were designated as being a "Major City of Australia" have been designated City.

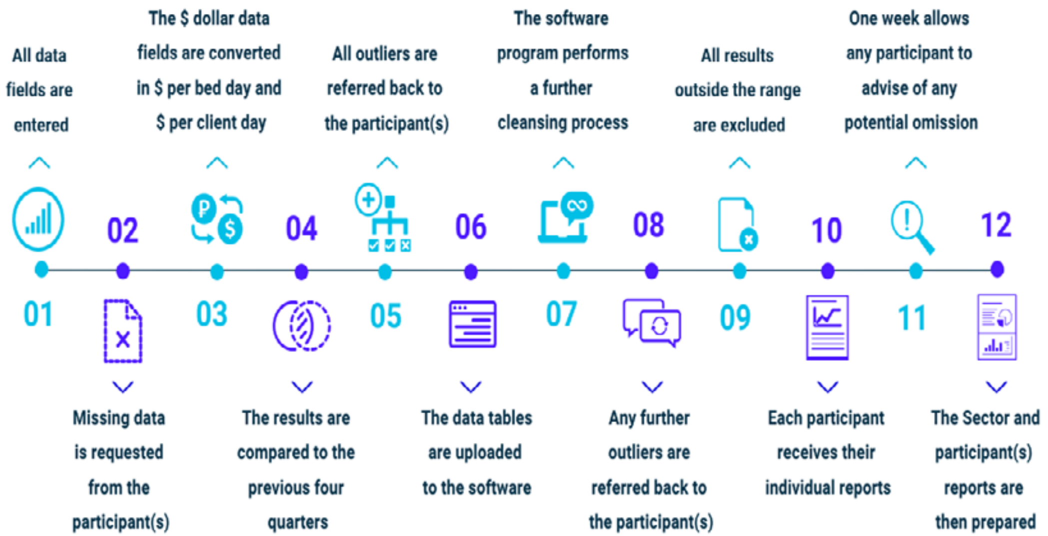
Location - Regional
Aged care homes have been designated as being regionally based according to the designation by the Department of Health and Aged Care in their listing of aged care services. Those that were designated as being an "Inner Regional", "Outer Regional" or "Remote" have been designated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

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

Data Collection Process



Data Cleansing Process



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