

Aged Care Financial Performance Survey Report



Six months ended 31 December 2023

The StewartBrown December 2023 (six months) Aged Care Financial Performance Survey incorporates detailed financial and supporting data from

1,203 Aged Care Homes
(98,902 beds/places)

&

73,829
Home Care Packages

from

223
Approved Providers

across
Australia

The quarterly survey is the **largest financial benchmark** in the aged care sector and provides invaluable insights into the **trends and drivers of financial performance** at the sector level and at the aged care home or program level

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1. EXECUTIVE SUMMARY

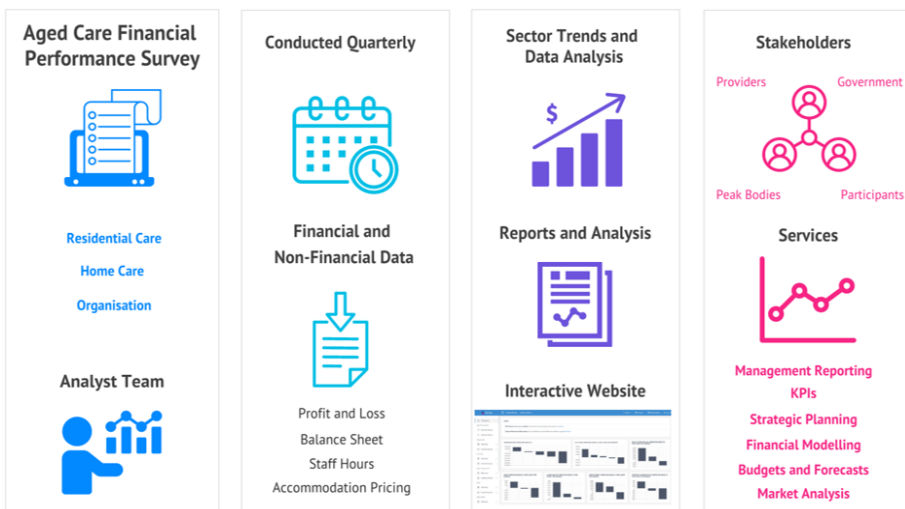
Abstract

The *Aged Care Financial Performance Survey* (Survey) Sector Report for the December 2023 six-month period (Dec-23) provides an overview of the financial performance of the aged care sector in Australia.

Survey Overview

The Survey is derived from detailed financial and non-financial granular data submitted each quarter by Providers to benchmark their performance and Key Performance Indicators (KPIs) with comparable residential facilities and home care programs, and accordingly, the financial results are from the Provider's perspective.

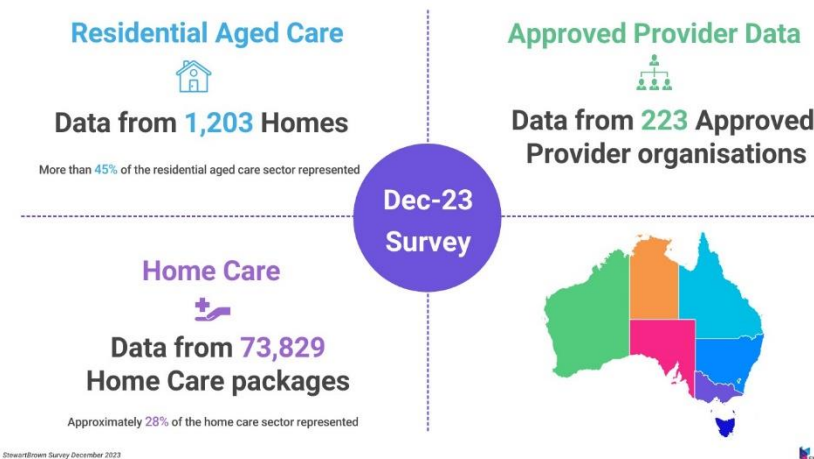
The primary objective of the Survey Report is that all financial policy and related public commentary should be evidenced based, objective and supported by accurate data. The Survey provides the results from an extensive data base.



Refer to the 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.

Survey Metrics

The aggregated StewartBrown Survey results for the six months ended 31 December 2023 are derived from data contributed by the following:



Commentary

The Government has continued its positive commitment to implementing the much-needed reform agenda for the delivery of quality aged care services for elderly Australians.

The Royal Commission highlighted a significant number of areas of concern and provided key recommendations to lift the standards and processes, and these have been foremost in the Government's legislative and structural design implementation.

The AN-ACC starting price increased from \$243.10 to \$253.82 from 1 December 2023 to assist with the effect of the 5.75% National Wage Case pay increase.

Mandatory direct care minutes became effective from 1 October 2023 based on a sector-wide average of 200 minutes of direct care per resident per day, including 40 minutes of direct care by registered nurses.

The persistence of significant staffing shortages remains a challenge for many aged care Providers, especially for registered nurses in aged care facilities under the mandatory minute requirements. With an increased use of agency registered nurses in residential aged care facilities has resulted, however, based on StewartBrown Survey data, average registered nurses minutes are still lower than the sector average target of 40 minutes.

The Fair Work Commission (FWC) decision for the Stage 3 Work Value Case was handed down on 15 March 2024. The decision specified increases in the SCHADS Award for each level, and the Aged Care Award by level and staff categories (direct care vs indirect care workers). Decisions on registered and enrolled nurses remain outstanding. Funding arrangement details and the impact for the decision on aged care Providers has not been provided by the Department at this stage.

The Aged Care Outbreak Management Supplement of \$2.81 per day per occupied bed will fund approved aged care Providers from February 2024. It replaces the existing COVID-19 grants application process.

The Aged Care Taskforce (Taskforce) final report was released on 11 March 2024. ([Final report of the Aged Care Taskforce \(health.gov.au\)](https://www.health.gov.au/aged-care-taskforce-report)).

The Taskforce Report contained 23 separate Recommendations in relation to the below terms of reference:

- Funding and contribution approaches to support innovation in the delivery of care
- A fair and equitable approach to assessing the means of older people accessing residential and in-home aged care, including the scope of income and assets included in the assessment of means
- Issues and trade-offs for including and excluding different service types in the new in-home aged care program (the service list)
- Consumer contributions for in-home aged care, and reforms that support a future transition to a single in-home aged care system
- Reforms to arrangements for pricing and funding hotel and accommodation costs in residential aged care, including the phasing out of refundable accommodation deposits.

With respect to residential aged care, the following recommendations are specified.

Recommendation 10: Funding for daily living needs to cover the full cost of providing these services. It is recommended this be comprised of the Basic Daily Fee and a supplement.

Recommendation 13: Require Providers to retain a portion of the RAD in the near-term to make an immediate improvement to sector financial sustainability. To base the amount on the length of stay, with a cap on the number of years a RAD is subject to retention to protect residents who stay for a long time.

Recommendation 14: Review the Accommodation Supplement, including improving incentives to meet the accommodation design principles.

StewartBrown have estimated additional revenue streams for residential aged care from an **increase in consumer contributions of \$1.8b per year** (after the phasing in period) and an **increase taxpayer subsidy of \$844.5m per year** (after the phasing in period) should the recommendations be fully implemented.

For home care, StewartBrown has forecast the increase in consumer contributions to amount to **\$1.02 billion per year** (after the phasing in period).

Refer to [StewartBrown Taskforce Report](#) for more detailed analysis.

The effects of reform implementations like these may not yield positive financial results until several years after their implementation. Consequently, the need for financial sustainability and performance improvement will persist, necessitating potential short-term interventions. StewartBrown will continue to advocate for reform, and further financial support, until the full impact of reform is realised.

It is the opinion of StewartBrown, the involvement of IHACPA for direct care funding has led to observable improvements in the direct care results. In addition to maintaining sufficient funding for direct care service, structural funding reforms for other services in residential aged care segment are required. In the interim period, however, to avoid closure of homes and reduced service delivery, especially in regional locations (MMM2 to MMM5 in particular) additional block funding may be required in the short/medium term.

Financial Results Overview

Summary

The Survey for the six months ending December 2023 shows a decrease in operating result for residential aged care while a marginal improvement for the home care segment.

The average operating result for residential aged care homes across all geographic sectors was an **operating loss of \$2.25 per bed day** (Dec-22 \$15.98 pbd loss) for mature homes (which exclude outliers). This represents an **operating loss of \$764 per bed per annum**, compared to Sep-23 YTD operating surplus of \$289 per bed per annum. The decrease in operating result is mainly due to a decrease in the direct care result as more Providers work toward meeting their mandated direct care minutes target. A more thorough analysis of the change in direct care result is provided in subsequent sections of this report.

Direct care staffing levels delivered to residents continued to increase in response to the 24/7 registered nurse requirement and the mandatory direct care minutes from 1 October 2023. On average, Survey participants recorded registered nurses (RN) minutes of 37.23 per resident per day and total direct care minutes of 202.74 per resident per day for the standalone Dec-23 Quarter, compared to the 40 RN and 200 total direct care minutes targets respectively. This is an increase from the Sep-23 quarter average of 196.36 minutes including 36.12 RN minutes.

The staffing or registered nurses staffing remains a significant challenge. Despite a decrease in agency usage of enrolled nurses and personal care workers in the Dec-23 quarter the usage of agency RNs continued to increase. There is still however a 2.77 minutes per bed day gap between the Survey average and sector target requirement of an average of 40 RN minutes.

Occupancy significantly improved to 92.8% of available beds for mature homes (Dec-22 90.8%), which is also a marginal increase from 92.7% in the Sep-23 Survey. The Survey reports on beds (places) that are actually *available* to be filled by residents, rather than using approved places as the denominator, which includes off-line beds. This is due to there being a large number of places not available for use due to: refurbishment, new builds, sanctions or approved places that have been allocated, but never utilised.

The fixed costs per bed increases when occupancy declines, and this further erodes the financial performance.

The corollary is that an increase in occupancy does improve financial performance by spreading the fixed costs over a larger revenue base. Direct care staff costs are somewhat variable when increasing the minutes to meet the mandated targets, but generally are fixed to the extent that it is difficult to adjust rosters to meet the differential change of movements in AN-ACC or resident numbers.

For the Dec-23 six month period, 51.6% aged care homes continue to operate at a loss (63.1% at Dec-22) and 31.4% operated at an EBITDA (cash loss) (41.6% at Dec-22).

In summary, the impact of additional funding through the AN-ACC direct care subsidy is continuing to have a positive impact on the results of residential aged care Providers. However, as Providers continue to work towards meeting their mandated direct care minutes the direct care margin will continue to deteriorate to a level that will not be able to be sustained without increases to other revenue streams.

The sector continues to make significant losses through the delivery of everyday living and accommodation services. As the AN-ACC margins continue to decrease, Providers will have to find additional funding to supplement the losses in these services.

Financial sustainability needs to be achieved from all service areas of a residential aged care home. With limited scope for improvements, Providers have been seeking solutions through providing additional or extra services to residents to reduce the deficit from indirect care services.

Recommendations from the Aged Care Taskforce Final Report, if implemented, will bring additional income to indirect care and accommodation services, and significantly improve the financial sustainability of residential aged care facility operations.

Home Care continues to operate with uncertainty as the sector awaits the reform of the Support at Home program. The implementation date is now scheduled to be 1 July 2025.

Further information to that already received will be needed to inform Providers' strategic planning under the new program.

Consistent with residential aged care, staffing remains the most crucial concern for home care.

The current home care operating result has improved to a **surplus of \$2.69 per client per day** (Dec-22 \$2.54 pcpd). Revenue utilisation has **decreased to 82.7% of available package funding** and unspent funds have increased to an average of \$13,963 for every care recipient. *Unspent funds are now estimated to be in excess of an aggregate \$3.7 billion across balances held by Providers and the Government.*

Average staffing hours in providing direct home care services has decreased to be 5.37 hours per client per week (Dec-22 5.41 hours). It is significantly below the average 9 hours per client per week provided prior to the implementation of the Consumer Directed Care model in July 2015.

Consumer contributions to home care remains low and represent less than 2.6% of the overall funding envelope.

Effect of Fair Work Commission 15% Award Increase

Background:

The Fair Work Commission (FWC) interim “work value case” ruling increased the minimum award wage by 15% for direct care staff in the aged care sector. For employees affected by the FWC ruling this meant that the minimum wage changed from the first pay period commencing on or after 30 June 2023.

Accounting Treatment

As noted in the Sep-23 Survey Report, there was no uniform treatment within the sector as to how and when to post the leave entitlement adjustment related to this increase in pay rates. A slight majority of Providers indicated that they posted the increase in their FY23 financial statements (including the FY23 Survey), others posted it in the FY23 financial statements only (as a separate entry), and other Providers chose to post the adjustment in FY24.

Survey Result Implications

For Providers who posted the adjustment in FY24 this affected the Dec-23 Survey and impact all remaining Surveys in FY24. Based on responses from the Survey participants, the following financial effect was:

- For Providers who posted the increase, the Dec-23 YTD staff costs were increased by an average of \$6.52 per bed day for their individual results
- For the Survey *overall average*, the net effect was that staff costs were increased by \$1.58 per bed day (as this includes those that did posted the increase during FY23 rather than FY24)

Direct Labour Hourly Costs Increase

StewartBrown previously conducted an analysis to assess the effective increase for each eligible labour category of passing on the equivalent of the 15% award increase to employees as in following table:

The effective increase was lower than 15%, especially for nursing staff, as they were already being paid higher than award.

Table 1: Forecast impact to pass on 15% award increase

Labour Category	Worked hourly cost (A)	Median award rate (B)	Rate after 15% pay rise (Bx15% = C)	Base rate to pass on (C – B = D)	28% on costs + Super increase (Dx28.65% = E)	Hourly rate increase to pass on (D+E = F)	Pass on rate as % of current Cost (F / A)
Registered Nurses	\$72.00	\$36.09	\$41.50	\$5.41	\$1.55	\$6.97	9.7%
Enrolled Nurses	\$52.55	\$25.89	\$29.77	\$3.88	\$1.11	\$5.00	9.5%
Personal Care staff	\$44.48	\$23.80	\$27.37	\$3.57	\$1.02	\$4.59	10.3%
Recreational/Lifestyle	\$37.36	\$23.80	\$27.37	\$3.57	\$1.02	\$4.59	12.3%

Stage 3 Ruling

The Fair Work Commission published its full decision on aged care industry Stage 3 “work value case” on 15 March 2024. The full decision for registered nurses and enrolled nurses is not yet resolved and will be dealt with in conjunction with the Australian Nursing and Midwifery Federation application.

In the Stage 3 decision, a general 3% increase applies to all indirect care workers covered by Aged Care Award and SCHADS Award. While a further 3.96% increase applies to laundry hands, cleaners and food services assistants, bringing 6.96% increase in total for the three categories. There will be no further increase for Head Chefs/Cooks based on the final decision.

For direct care services staff covered by the two awards as well as Assistant in Nursing (AIN) previously covered by Nurses Award, a full increase rate ranges from 13.3% to 28.5%, which includes the interim increase of 15%, and the additional increase depending on existing award level.

It is estimated that the stage 3 ruling will lead to \$13 pbd increase in staff costs for residential aged care facilities excluding any impact on historical leave entitlement.

It is critical that this additional cost is funded through additional subsidies and supplements paid for by Government.

Direct Care Result

Direct care subsidy & supplements for the six months ended Dec-23 quarter averaged \$261.11 pbd, which is an increase from \$258.74 pbd for Sep-23 quarter. This is partly due to the new AN-ACC starting price increasing by 4.4% from 1 December 2023. The direct care subsidies & supplements includes the registered nurses supplement for homes with fewer than 60 occupied beds, which is estimated to amount to \$2.20 pbd when averaged across all homes in the Survey.

Misallocation of *Respite Accommodation Supplement* to AN-ACC direct care funding rather than accommodation supplement identified in the Sep-23 Survey was addressed in Dec-23 Survey.

Due to the increase in staffing levels to meet direct care minutes targets, the direct care result decreased from a surplus of \$18.22 pbd for YTD Sep-23 to \$13.26 pbd for YTD Dec-23, despite the increase in direct care revenue. The \$13.26 pbd surplus is equivalent to 5% margin for direct care services.

When looking at Dec-23 quarter in isolation, direct care result for Dec-23 quarter is a surplus of \$7.97 pbd with \$263.56 pbd direct care subsidies & supplements. Direct care services margin for the Dec-23 quarter is 3%.

A detailed breakdown of the movement and general reasons for the increase in direct care result is shown in the following table.

Table 2: Dec-23 Quarter direct care result movement compared to Sep-23 Survey

Sector Average (\$ per bed day)	Sep-23 QTR	Dec-23 QTR	Movement
Direct care revenue	\$260.84	\$264.87	\$4.04
Total direct care labour costs	\$191.33	\$204.99	\$13.66
<i>Direct care labour costs increase due to minutes increase*</i>			\$6.67
<i>Direct care labour costs increase due to increase in hourly costs</i>			\$6.98
Other direct care expenditure	\$33.25	\$33.18	(\$0.08)
Administration - direct care overhead allocation	\$18.03	\$18.74	\$0.71
Direct Care Result	\$18.22	\$7.97	(\$10.25)

**Estimated based on the variance in direct care minutes between the two Surveys, and hourly costs from Dec-23 Survey*

The Dec-23 quarter reported average RN minutes lower than the targeted 40 minutes despite increased usage of agency RN, while total direct care minutes were higher than target. Due to the staffing shortage for registered nurses in the sector, it is challenging for Providers to reach the average 40 RN minutes target.

Table 3: Change in direct care labour costs and hours including agency usage (QTD)

	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Registered nurses (RN)	\$35.17	\$36.11	\$40.02	\$41.98	\$49.10	\$53.08
Other direct care labour costs	\$113.81	\$117.34	\$119.66	\$128.29	\$142.23	\$151.91
Total direct care labour costs	\$148.98	\$153.45	\$159.68	\$170.27	\$191.33	\$204.99
Registered nurses minutes	30.45	30.26	32.66	32.54	36.12	37.23
Other direct care minutes	156.03	154.69	157.92	158.02	160.24	165.52
Total direct care minutes	186.48	184.94	190.58	190.56	196.36	202.74
Agency RN costs	\$3.40	\$3.76	\$6.27	\$5.97	\$7.07	\$7.85
Other agency direct care labour costs	\$9.75	\$11.28	\$13.65	\$11.84	\$9.89	\$9.67
Total agency costs	\$13.15	\$15.04	\$19.92	\$17.81	\$16.96	\$17.52
Agency RN minutes	2.40	2.55	4.02	3.68	3.39	3.78
Other agency direct care minutes	10.51	11.20	13.10	10.38	8.28	7.73
Total agency minutes	12.92	13.75	17.12	14.06	11.68	11.51
<i>Agency RN minutes as % of total RN minutes</i>	7.9%	8.4%	12.3%	11.3%	9.4%	10.2%
<i>Agency direct care staff minutes as % of total direct care labour minutes</i>	6.9%	7.4%	9.0%	7.4%	5.9%	5.7%
Internal RN hourly rate	\$67.96	\$70.07	\$70.72	\$74.88	\$77.05	\$81.15
Agency RN hourly rate	\$84.94	\$88.31	\$93.40	\$97.30	\$125.17	\$124.44

Providers were able to reduce other direct care agency staff usage through active recruitment and retention activities. However, the usage of agency for RNs remains around 10% of total RN usage after extensive recruitment activity over the past year. The average agency RN hourly rate is very high at \$124.44/hr, which is a financial burden to Providers who have to rely on these staff.

If Providers are to fill the gap between current RN minutes and the target 40 minutes using agency RN staff, there will be an additional \$5.75 pbd agency RN costs. This is based on the Dec-23 quarter minutes and agency hourly rate.

Based on the Dec-23 quarter result, the direct care result after meeting target minutes is estimated to decrease by \$2.22 pbd to a forecast result of \$11.78 pbd, which is a marginal surplus. Providers might be able to save labour costs by restructuring other direct care staff, in particularly, agency staff.

However, it is not likely to be sufficient to allow Providers the ability to achieve a higher than average Star Rating for staffing which would require the Provider to increase their staff minutes well above their target.

Average direct care revenue for the remaining two quarters will be higher than Dec-23 quarter as this quarter only includes one month with new AN-ACC price.

While AN-ACC funding of direct care has been a focus of funding reform, it is unlikely that Providers will be able to use this funding to increase their staff minutes as losses are still being incurred in indirect care and accommodation services. Additional funding sources are required for indirect care and accommodation to ensure that AN-ACC funding is spent only on direct care.

FY24 Operating Result Forecast

Based on the YTD Dec-23 results, and looking at what is likely to occur over the next six months, projections have been made to forecast the result for the full FY24 period. It is expected that fair work case Stage 3 award increases will commence during FY25 and will not impact FY24.

It is assumed that labour costs will not significantly increase during the remainder of the year with the exception of increases to mandated minutes, while non-labour costs will be indexed by the annualised inflation rate of 5.4%.

FY24 is forecasted to have **\$3.24 pbd deficit** in operating result, which is a slight decrease to the \$2.25 pbd deficit in the Dec-23 Survey. The decrease is related to direct care result, as the increase in direct care revenue is not sufficient to cover the agency RN costs for additional RN minutes and indexation.

It is apparent from this high-level analysis that even with the significant increase in direct care funding through AN-ACC and other initiatives, the overall results on average will still be a deficit. It is also clear that Providers will be restricted from channelling those additional funds into providing higher quality care services, including different models of residential care (small homes and dementia specific homes etc) and innovative solutions to care delivery that would come at a cost until sufficient funding is available to cover indirect care costs and the cost of providing accommodation.

Of equal importance is that this low level of profitability will not be conducive to increased investment in the sector which is crucial.

Table 4: Forecast FY24 result compared to Dec-23 Survey result.

Survey Average (\$ pbd)	Operating result YTD Dec-23	Forecast FY24 result
Direct care revenue	\$263.26	\$268.02
Direct care labour costs	\$198.12	\$203.87
Other care labour costs	\$23.82	\$23.82
Other care costs	\$9.53	\$9.73
Direct care - admin allocation	\$18.52	\$18.83
Direct care result	\$13.26	\$11.78
<i>Direct care margin</i>	<i>5.04%</i>	<i>4.40%</i>
Indirect care revenue	\$75.26	\$76.76
Indirect care staff costs	\$30.58	\$30.58
Indirect care other costs	\$33.24	\$33.91
Indirect care - admin allocation	\$16.84	\$17.11
Indirect care result	(\$5.40)	(\$4.83)
<i>Indirect care margin</i>	<i>(7.17%)</i>	<i>(6.29%)</i>
Accommodation revenue	\$40.66	\$41.47
Accommodation staff costs	\$3.27	\$3.27
Depreciation	\$20.00	\$20.40
Other accommodation costs	\$12.78	\$13.03
Accommodation - admin allocation	\$14.72	\$14.96
Accommodation result	(\$10.11)	(\$10.19)
<i>Accommodation margin</i>	<i>(24.86%)</i>	<i>(24.57%)</i>
Operating result	(\$2.25)	(\$3.24)
Profit margin	(0.59%)	(0.84%)
Operating Result per bed per annum	(\$764)	(\$1,101)
Operating EBITDA per bed per annum	\$6,028	\$5,827

Care Staff Costs and Mandated Minutes Movement

During the Dec-23 quarter, total direct care staff minutes increased to 202.74 minutes per resident per day, including 37.23 minutes from registered nurses. Analysis has been performed comparing the Dec-23 quarter, Sep-23 quarter Survey results against Jun-23 QFR financial results.

It is observed that other direct care labour minutes across all homes decreased in Dec-23 quarter compared to both Sep-23 and Jun-23 quarter.

Figure 1: Other direct care labour minutes variance between periods

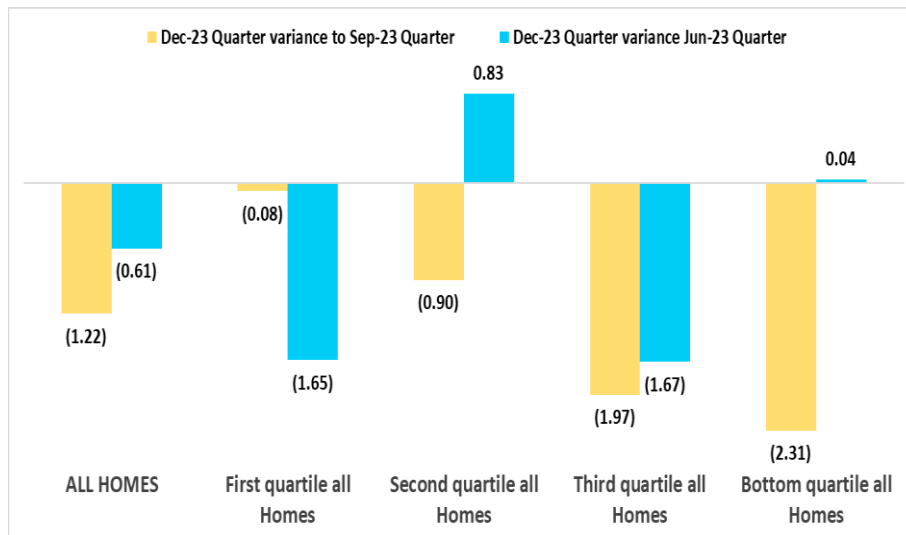
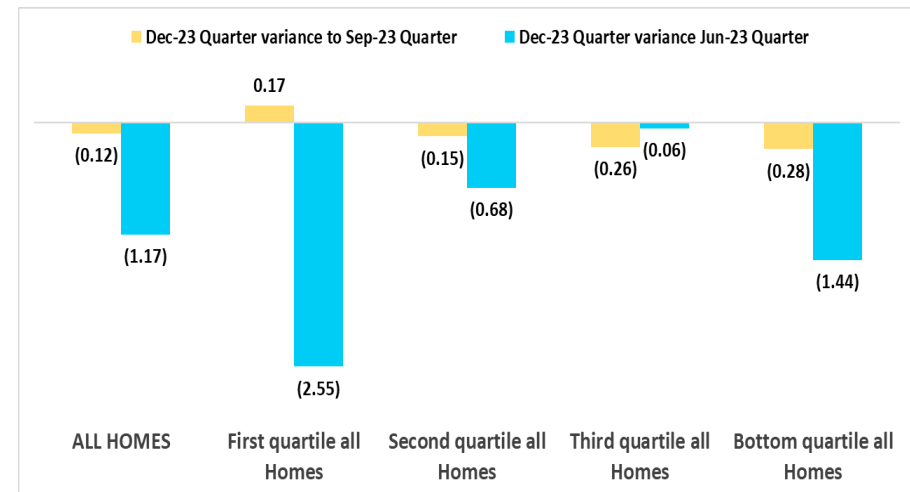


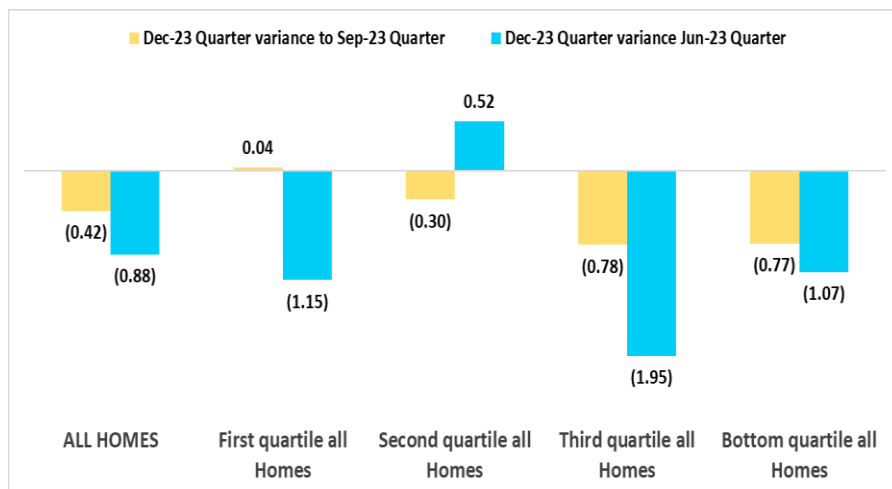
Figure 2: Care management labour minutes variance between periods



The decrease in minutes that is observed in care management staff, is possibly due to the reallocation of some of these minutes to direct care. There has also been a decline in allied health minutes which is more likely to be a cost saving measure and/or a change in how Providers deliver care services. It is unlikely that these minutes have been reallocated to one of the direct care categories.

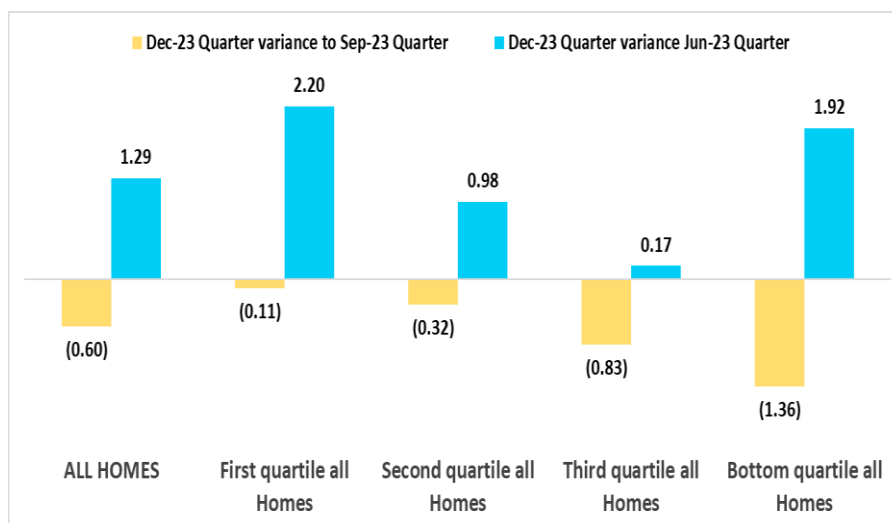
StewartBrown will be completing a specific Survey for FY24 on allied health minutes provided to residents each day and the associated cost. Communication from Providers, residents and allied health professionals given to StewartBrown over a number of years suggest that there is a significant concern as to whether the current funding and use of allied health is sufficient.

Figure 3: Allied health minutes variance between periods



Minutes for lifestyle/ROA staff increased compared to both Jun-23 Quarter data, while decreased compared to Sep-23 data.

Figure 4: Lifestyle minutes variance between periods



Operating Result by Quartile

Quartile analysis is based on the operating result (\$ pbd) for each aged care home and then banding them into the respective quartiles. Average direct care minutes vary significantly by quartile, with first quartile homes averaging 186.12 direct care minutes per resident per day while bottom (fourth) quartile homes averaged 214.29 minutes per resident per day. The difference in average direct care minutes between first quartile average and bottom quartile average of 28.17 minutes has decreased compared to Sep-23 Survey at 32.58 minutes.

Additional analysis was conducted to estimate what the operating result for each quartile would be with target average minutes being achieved (refer Table 5). It is assumed that the staffing structure remains the same for this analysis.

Based on the analysis, homes in the first quartile will require an additional \$15.11 pbd direct care labour costs on average to meet the average mandated minute targets. While fourth quartile might be able to save up to \$13.62 pbd from restructuring staffing to bring their minutes down to the target level of 200 minutes including 40 RN minutes. Taking this into account, the difference in operating result between first quartile and fourth quartile would decrease from \$96.37 pbd to \$67.63 pbd refer table 5 below.

Table 5: Operating result and adjusted operating result for target minutes

YTD Dec-23 Survey	All Homes	First Quartile	Second Quartile	Third Quartile	Fourth Quartile
Staff Minutes					
Registered nurses	36.64	33.49	35.72	37.18	40.81
Enrolled and licensed nurses	11.52	7.01	12.16	13.31	13.90
Other unlicensed nurses/personal care staff	151.32	145.52	148.74	152.79	159.55
Imputed agency direct care minutes implied	0.04	0.10	0.01	0.02	0.03
Total direct care minutes per resident day	199.52	186.12	196.64	203.31	214.29
Gap from target minutes					
Registered nurses	3.36	6.51	4.28	2.82	(0.81)
Other direct care labour	(2.88)	7.37	(0.92)	(6.13)	(13.49)
Additional costs					
Registered nurses	\$4.68	\$8.79	\$5.82	\$3.91	(\$1.19)
Other direct care labour	(\$2.55)	\$6.33	(\$0.80)	(\$5.44)	(\$12.43)
Additional costs - without restructuring	\$4.68	\$15.11	\$5.82	\$3.91	\$0.00
Operating result	(\$2.25)	\$41.82	\$7.55	(\$12.32)	(\$54.54)
Operating result after additional costs	(\$6.93)	\$26.71	\$1.74	(\$16.22)	(\$54.54)
Potential costs saving from restructuring	\$2.55	\$0.00	\$0.80	\$5.44	\$13.62
Total additional costs	\$2.13	\$15.11	\$5.01	(\$1.53)	(\$13.62)
Operating result after costs saving	(\$4.38)	\$26.71	\$2.54	(\$10.78)	(\$40.92)

24/7 Registered Nurse Requirement

Analysis was conducted to understand how many homes are currently meeting the 24/7 RN requirement across all shifts.

The analysis was based on the shift information provided for the below three shifts.

- morning shift (7am-3pm)
- afternoon shift (3pm-11pm)
- overnight shift (11pm-7am)

If average registered nurses for a shift is 8 hours or more, we would flag the facility to meet the 24/7 RN requirements.

Where a home is located in MMM 5, 6 and 7, and with fewer than 30 operating beds, the home might be eligible for exemptions provided appropriate clinical arrangements are in place, which we assume so in the analysis.

Based on the analysis for mature homes that provided valid shift hours information (1,086 out of 1,187) the following outcomes arise.

Table 6: 24/7 RN requirement analysis - Dec-23

24/7 Registered Nurses	Number of facilities	Proportion	Average hours - morning shift	Average hours - afternoon shift	Average hours - overnight shift
Exemption possibly eligible	33	3%	8.12	4.34	3.29
Meet	679	63%	26.60	14.66	10.26
Below	374	34%	7.70	4.24	2.66
Total	1,086	100%	23.16	14.45	9.85

34% of homes may not be meeting the 24/7 requirements, which is a reduction compared to Sep-23 average of 39%, and FY23 average of 48%.

Table 7: 24/7 RN requirement analysis - Sep-23

24/7 Registered Nurses	Number of facilities	Proportion	Average hours - morning shift	Average hours - afternoon shift	Average hours - overnight shift
Exemption possibly eligible	34	3%	7.64	4.49	3.57
Meet	623	58%	27.20	14.30	9.92
Below	417	39%	8.60	4.78	3.07
Total	1,074	100%	23.38	14.12	9.59

Table 8: 24/7 RN requirement analysis - FY23

24/7 Registered Nurses	Number of facilities	Proportion	Average hours - morning shift	Average hours - afternoon shift	Average hours - overnight shift
Exemption possibly eligible	36	3%	6.68	2.97	1.82
Meet	505	49%	22.60	11.67	8.15
Below	498	48%	8.72	4.72	2.95
Total	1,039	100%	20.04	12.08	8.11

Average overnight shift hours have the largest increase by 18% compared to FY23 average and have increased by 3% compared to Sep-23 average. Morning shifts have decreased by 1% compared to Sep-23 average.

Providers increased agency RN usage for the overnight shift. Analysis shows that 29% agency RN minutes were used to cover overnight shift for Dec-23 compared to Jun-23 quarter at 24%. This comes at a great cost to Providers.

Profiling the homes that don't appear to meet the 24/7 RN requirements shows that:

- 45% of MMM4 homes failed to meet 24/7 requirements, making up the highest proportion.
- MMM1 has the lowest proportion of 31%.
- WA homes have the highest proportion of not meeting 24/7 RN requirements at 41%, while the proportion is only 21% for VIC homes.
- Homes with more places have lower proportion of not meeting requirements.
- For homes with over 100 beds, only 15% did not meet the requirements, while for those with under 40 places, 78% did not meet the requirements or are exempted from the requirement.

It should be noted that the shift data used for this analysis is for direct care staff only. It is understood that for the purpose of the test for having an RN on-site and on duty can include registered nurses that may play another role in the home such as facility manager or clinical manager for example and they may not be included in the minutes data provided for our Survey. This means that the analysis is "worst case scenario" and the true picture is likely to be slightly better than the preceding figures. Although, those other positions may not be used to supplement shifts overnight or on weekends, but we do acknowledge that it may affect the overall outcome.

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), hotelling supplement and additional/extra services charged in some homes.

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 are greater than the revenue earned and currently the sector average result is a (\$5.40) pbd loss.

The deficit is inclusive of the average \$10.92 per resident per day hotelling supplement paid by the government (increased to \$11.04 pbd from 20 September 2023)

It is worth noting that homes which provide additional or extra services (revenue for additional services being over \$1 pbd for this analysis) increased from 33.8% from Dec-22 to 41.3% for Dec-23 Survey which means that many homes are now adopting additional services to help alleviate the losses being incurred in this area.

However, even with increased additional services revenue (and additional associated marginal costs) the everyday living result remains in deficit at (\$5.40) pbd as noted above. Therefore, additional services on their own are not sufficient to reduce the deficit.

The Aged Care Taskforce final report recommended additional funding to cover the full cost of providing indirect care services with a mixture of consumer contributions and supplements from the Department (*Recommendation 10*).

An increasing proportion of facilities utilising internal catering services was noted in recent Surveys. 73% of facilities in the Dec-23 Survey used internal catering services only, compared to the proportion of 68% in FY21.

CATERING	FY21	FY22	FY23	Dec-23
Labour costs	16.52	17.61	19.34	20.82
Consumables - food	9.40	9.19	11.58	12.71
Consumables - other	-	0.34	0.55	0.55
Contract catering	7.18	7.59	6.33	5.75
Income from sale of meals (usually a credit amount)	(0.20)	(0.21)	(0.24)	(0.29)
Total catering	32.90	34.51	37.55	39.54
CATERING - Internal	FY21	FY22	FY23	Dec-23
Labour costs	20.94	22.82	23.78	24.64
Consumables - food	12.16	11.96	13.58	14.86
Consumables - other	-	0.36	0.61	0.57
Contract catering	(0.01)	0.00	(0.00)	(0.01)
Income from sale of meals (usually a credit amount)	(0.27)	(0.27)	(0.30)	(0.33)
Total catering	32.82	34.87	37.68	39.73
% of facilities using internal catering only	68%	66%	68%	73%

With an increased focus on food and nutrition in aged care homes, Providers have increased the level of internal catering services provided. This is both to increase the quality and experience relating to food, but also to achieve cost efficiencies where possible.

Accommodation

Accommodation continues to be the biggest loss-making area for an aged care home. The sector averaged a loss of (\$10.11) pbd for the Dec-23 Survey.

The accommodation result improved due to the higher Maximum Permitted Interest Rate of 8.15% for the September and December quarters. It is noted that the MPIR increased to 8.38% for March 2024 quarter and 8.34% for June 2024 quarter.

Depreciation represented \$21.12 per bed day of expenditure. Whilst depreciation is a non-cash component (and excluded from EBITDA calculations) it is a critical expense that needs to be recovered given the cost associated with maintaining, refurbishing and eventual replacement of an aged care facility.

This aspect is significant because new residents often prefer newer and more contemporary aged care homes and accommodation styles and standards if given the choice. Consequently, older and less favourable facilities may experience lower occupancy rates particularly in areas of high competition.

The cost and funding for accommodation is one of the least understood components of residential aged care.

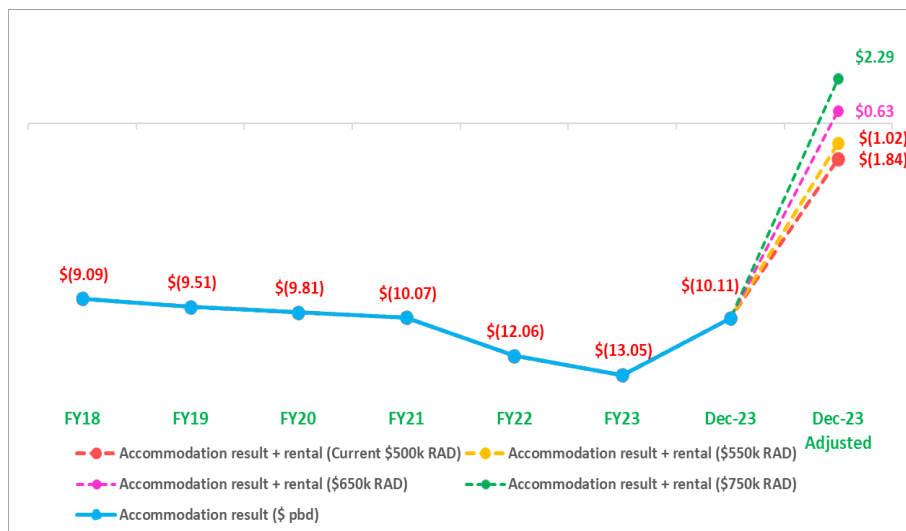
There is general confusion as to how accommodation fits into the aged care funding provided by the government. Australia has a strong and robust safety net for residents without the financial means and this will continue.

For residents with financial means, it is appropriate that they contribute to the cost of providing accommodation in a more equitable manner.

In the Taskforce report, a retention (deferred rental) component was recommended (*Recommendation 13*) for RAD payers, which allows an immediate improvement to sector financial sustainability for each new resident entering the system.

Based on a 3% per annum retention (deferred rental) rate over 5 years with Full RAD amount of \$500,000, it is estimated to bring \$8.26 pbd increase in accommodation result when fully implemented and bring accommodation result from (\$10.11) pbd deficit to (\$1.84) pbd deficit.

Figure 5: Financial effect of a retention (deferred rental) components of a RAD



The Taskforce also recommends reviewing accommodation supplement and the criteria in receiving each level of the accommodation supplement to improve incentives.

Economy of Scale

A common discussion point has been whether there is economy of scale in residential aged care sector and the following is an analysis of the YTD Dec-23 results based on how many aged care homes a Provider has.

Table 9: Operating result and adjusted operating result for target minutes by Provider size

YTD Dec-23 Survey	Single Facility	2-6 Facilities	7-20 Facilities	21+ Facilities
Direct care revenue	\$259.51	\$263.04	\$264.12	\$263.52
Direct care labour costs	\$195.80	\$196.45	\$198.43	\$199.17
Other care labour costs	\$26.99	\$28.03	\$24.77	\$20.43
Other direct care costs	\$26.65	\$29.45	\$28.79	\$27.16
Direct care expenditure	\$249.44	\$253.93	\$251.98	\$246.76
Direct care result (A)	\$10.07	\$9.12	\$12.14	\$16.76
Indirect care result (everyday living)	\$(11.96)	\$(5.32)	\$(9.80)	\$(0.64)
Accommodation result	\$(10.07)	\$(12.51)	\$(10.77)	\$(8.51)
Operating result (B)	\$(11.96)	\$(8.72)	\$(8.43)	\$7.60
Expenditure - administration (included above)	\$43.45	\$48.44	\$54.07	\$49.27
Staff Minutes				
Registered nurses	34.39	36.71	37.34	36.57
Enrolled and licensed nurses	15.33	11.83	14.89	8.02
Other unlicensed nurses/personal care staff	153.70	155.68	149.61	150.06
Imputed agency direct care minutes	0.05	0.04	0.05	0.04
Total direct care minutes per resident day	203.47	204.26	201.89	194.68
Gap from target minutes				
Registered nurses	5.61	3.29	2.66	3.43
Other direct care labour	(9.07)	(7.54)	(4.55)	1.89
Additional costs				
Registered nurses (C)	\$7.52	\$4.38	\$3.67	\$4.94
Other direct care labour (D)	\$(7.64)	\$(6.45)	\$(4.00)	\$1.72
Additional costs - without restructuring (C)	\$7.52	\$4.38	\$3.67	\$6.66
Operating result after additional costs (B - C)	\$(19.49)	\$(13.09)	\$(12.10)	\$0.94
Potential costs saving from restructuring (D)	\$7.64	\$6.45	\$4.00	\$0.00
Total net additional costs (E = C - D)	\$(0.12)	\$(2.07)	\$(0.33)	\$6.66
Operating result after costs saving (B - E)	\$(11.84)	\$(6.64)	\$(8.10)	\$0.94
Direct care result after costs saving (A - E)	\$10.19	\$11.19	\$12.47	\$10.10

It is noted based on Dec-23 Survey data that larger Providers with more than 20 homes have the highest operating result and the highest adjusted operating result compared to other groups. This is also the case for the direct care result which largely contributes to the overall financial result. Other care labour costs are the lowest for Providers with 21 or more homes.

These larger Providers also have significantly lower direct care minutes than smaller Providers, although their direct care labour costs are higher than other Providers. *This should not be interpreted as large Providers having a lower quality/standard of care as it may predominantly be due to a number of other factors.*

The analysis shows that if the larger Providers incurred the additional costs to meet their direct care minute targets, the current operating surplus of \$7.60 pbd would decline to an average of \$0.94 pbd which is still significantly better than the smaller Providers who continue to average an operating loss before and after meeting care minute targets.

There is an opportunity for the smaller Providers to realise some cost savings by reducing their care minutes where they currently exceed target levels. It is noted that many of these homes have unique circumstances that mean that Providers are not able to take advantage of these savings in full or at all.

Large Providers have a much higher indirect care result compared to smaller Providers based on Dec-23 Survey. Large Providers are close to breaking even providing these services. This might be due to the larger providers being more inclined to offer additional services or through greater purchasing power to lower costs of consumables or in negotiating contracts for outsourced services.

Direct Care (AN-ACC) Margin Comparison

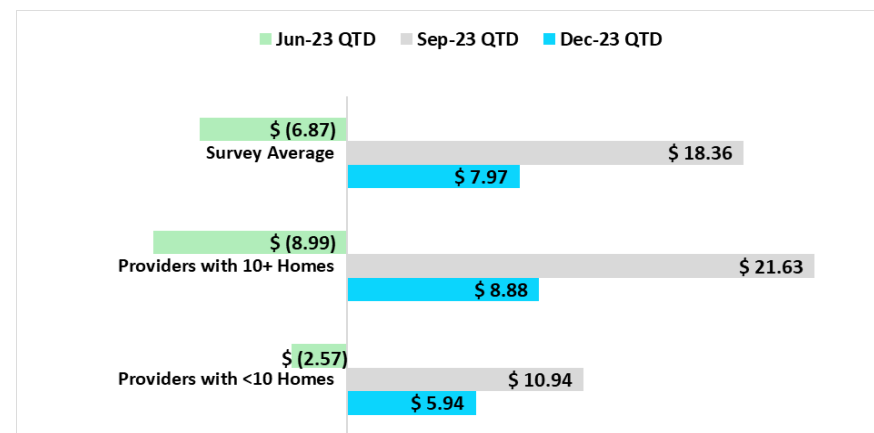
Figure 6 provides another comparison between small and large Providers and the movement in the Direct Care (AN-ACC) margin (result) between Q4 2023 (June quarter), Q1 2024 (September quarter), and Q2 2024 (December quarter) with different AN-ACC funding level and minutes requirements. The analysis is based on facilities in the Surveys at the same time.

By way of explanation, the average Direct Care result for all homes for the June 2023 quarter (Q4) was (\$6.87) pbd deficit and increased to \$7.97 pbd surplus for the current December 2023 (Q2) quarter.

The large Providers (in this analysis being those with 10 homes or more) had a net increase of \$17.87 pbd, whilst Providers with less than 10 homes had an increase of \$8.51 pbd.

Average direct care result for all homes decreased by \$10.39 pbd for Dec-23 quarter compared to Sep-23 quarter. Large Providers result decreased by \$12.75 pbd, while smaller Providers decreased by \$5.00 pbd.

Figure 6: Comparison of direct care result (margin) between quarters



Occupancy

Occupancy for YTD Dec-23 averaged 92.8% and is the highest since Dec-20. (92.8% for Sep-20 and 92.4% for Dec-20 Survey).

For facilities in both FY23 and Dec-23 Survey, the number of places remains similar with 0.05% marginal increase, while occupancy increased from 91.1% to 92.9%. For facilities in both Sep-23 and Dec-23 Surveys, there is no notable difference in occupancy during the two periods.

The increase in occupancy compared to FY23 is beneficial to Providers as it decreases the per bed day amount for some of the fixed costs, especially for indirect care and accommodation services. This is not so relevant to direct care costs as they are now largely tied to mandated minutes which have to increase proportionally to any increase in resident days. Fixed costs on the other hand can be spread across a greater number of days and revenue base as occupancy rises.

Table 10: Improvement due to increase in occupancy for indirect care and accommodation services

Survey Average (\$ pbd)	Dec-23	Dec-23 if occupancy remained 91%	Variance
Indirect care revenue	75.26	75.26	0.00
Indirect care expenditure	80.65	81.96	(1.31)
Indirect care result	(5.40)	(6.71)	1.31
Accommodation revenue	40.66	40.66	0.00
Accommodation expenditure	50.77	51.78	(1.01)
Accommodation result	(10.11)	(11.12)	1.01

It is estimated that the gain in occupancy improved the average operating result by **\$2.32 pbd** by spreading indirect care and accommodation services costs across the higher number of occupied days.

Comparison of Survey Result to the Quarterly Financial Snapshot

With the introduction of the Quarterly Financial Report (QFR) The Department of Health and Aged Care has been able to report on the consolidated results of the Residential Aged Care and Home Care sectors in the Quarterly Financial Snapshot (QFS) released after end of each quarter.

The Sep-23 QFS reported a \$10.36 surplus pbd for residential aged care, which was significantly higher than the \$0.85 surplus pbd reported in the StewartBrown Survey. The Sep-23 QFS result was a \$24.17 pbd improvement on the FY23 result (deficit \$13.81) pbd for the three month period. In the same period the StewartBrown result showed an improvement of \$17.39 from (deficit \$16.54) to a surplus of \$0.85 pbd.

To explain the differences in these results it is important to understand the different methods of analysis, data collection and data cleansing that are used.

Operating Result

The StewartBrown Survey places primary focus on the *operating result* rather than the Net Profit Before Tax (NPBT). The distinction is the exclusion of non-recurrent revenue and expenditure from NPBT to obtain the operating result. The Department Aged Care Financial Report also makes this distinction when preparing its annual report.

Non-recurrent income and expenditure are generally one off and include items such as revaluation of assets (property and financial), gain/loss on acquisition, gain/loss of disposal of assets, impairment (including impairment reveals), write off of intangible assets, grants received, bequests/donations/fundraising, income derived from non-aged care sources.

For this reason, the operating result indicates how the respective segments (residential/HCP/CHSP) are financially performing based on the current regular funding envelope. This allows comparison and policy to be formulated based on the normal operating environment rather than consideration of non-recurrent items that are variable and not related to normal operations.

Data Sources

The StewartBrown Survey result is sourced from granular data obtained at the individual aged care home and home care package level, where data is collected for every income and expense line item as well as a significant amount of other data. The overall residential and home care results are the aggregate of each individual aged care home and home care program. The University of Technology Sydney (UARC) use the same granular methodology in their analysis and reporting.

The Survey data input sheets collects data from over 270 data points from each residential aged care facility and over 120 datapoints from each home care service.

Due to receiving the detailed data at the aged care home and home care program level, it allows significant cleansing and checking process to make comparisons on a wide range of metrics to validate each data entry line (eg comparison with previous quarters, regional, resident/client mix, size of home/program).

A deidentified Survey aged care facility report that is provided to participants is included as *Appendix 2*.

The Department QFS result is sourced from the high-level Summary Profit and Loss Statement at the consolidated Approved Provider (organisation) level (not the individual facility/program level) as included in the respective QFR. As the reporting is only by the Approved Provider, this also excludes any related party or external entities that the Approved provider may have transactions with.

The QFR summary profit and loss is collected at the aggregate consolidated segment level (residential/home care/retirement/other). The respective segment results may not include all corporate costs, related party expenses and some specific expenses relating to each segment and will also include non-recurrent items such as revaluations of assets and financial assets, donations and bequests and gains/losses on sale of assets.

In this respect the QFS shows the result in terms of NPBT and not operating result. The summarised QFR template is included as *Appendix 1*.

The methodology for determining the allocation to each operating segment in the QFR varies between providers. By way of further comparison, 14 data points required in the QFR for each residential and home care.

COVID-19 Grants Received

The accuracy of financial reporting requires income and expenditure to be recognised in the periods they were incurred. The commitment of the Government during the COVID-19 pandemic to assist Providers with expense reimbursement through *COVID-19 Aged Care Support Program Extension GO4863* was a welcome initiative.

The sheer volume of applications for this grant funding resulted in a significant timing difference from incurring the cost and the receipt of grant funding expense reimbursement.

StewartBrown worked with Survey participants to match as best as possible the revenue to the expense relating to COVID-19. As a significant portion of Grant claims were submitted in FY23, but not received until FY24, where this revenue was not matched it would have resulted in a significant uplift in revenue in FY24.

This can go to explaining some of the difference between the QFS and StewartBrown Survey result for the Sep-23 quarter. Whereas the StewartBrown Survey matched (accrued) the Grant receipts in FY23 (in accordance with our general advice to the sector), the QFS will be including the Grant income in the current financial year, whereas the matching expense was incurred in FY23. This means it is in effect a non-recurrent revenue item in FY24 and would distort the results to that extent.

Comment

StewartBrown is very supportive of the ongoing initiatives of the Government to provide timely financial information to assist consumers and Providers and extend the overall financial transparency of the sector. This is also fulfilling the recommendations from the Royal Commission in this regard.

As with any financial analysis and comparison, understanding the data sources and the inherent limitations is important. The Department QFS provides a good guide as to how the sector is performing in an aggregate sense at the NPBT level. The individual residential and home care segment results are more variable due to the extent of the data provided and the methodology around making segment allocations.

Aged Care Reform Process

The aged care sector is undergoing a major reform agenda, largely stemming from the Royal Commission recommendations with the Government having a strong emphasis on implementation. Whilst reform is disruptive and costly, it will ensure that the sector moves forward to delivering quality aged care services that are equitable, contemporary, transparent, and sustainable.

A brief summary of upcoming reforms is as follows: -

- March 2024: Release of the Final Report of the Aged Care Taskforce
- July 2024: Rights based *Aged Care Act* and regulatory framework including a new system for the registration of Providers
- July 2024: New quality standards framework to commence
- July 2024: Residential aged care places assigned to consumer (removal of Aged Care Approvals Round (ACAR) for allocation of residential approved places)
- July 2024: Single Assessment system commences
- October 2024: Total average mandated direct care minutes to increase to 215 of which an average of 44 minutes to be provided by a RN
- July 2025: Support at Home program commences for Home Care Packages (refer <https://www.health.gov.au/our-work/aged-care-reforms/roadmap>)

Dec-23 Results Snapshot

Approved Provider - Aggregate



0.00%

Operating surplus return on assets
(Dec 22: 2.01% negative)



1.55%

Operating EBITDA (cash)
return on assets
(Dec 22: 0.00%)



31.00%

Cash + financial assets as a
percentage of debt
(Dec 22: 31.33%)



\$3k surplus

Operating result
(Dec 22: \$2.11m deficit)



\$1.14m surplus

NPBT result
(Dec 22: \$1.25m deficit)

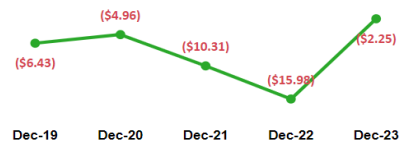


\$1,759k surplus

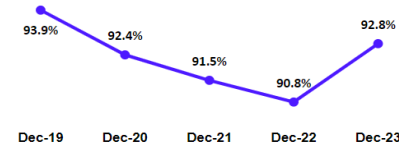
Operating EBITDA
(Dec 22: \$0k deficit)

Residential Aged Care

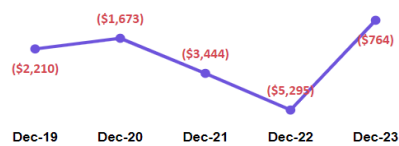
Operating Result per bed day



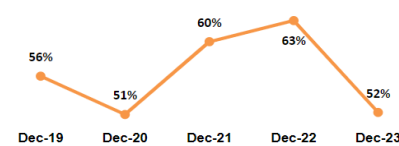
Occupancy Rate



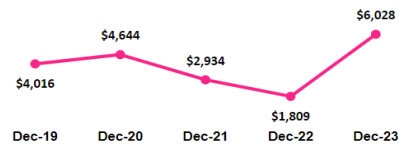
Operating Result per bed per annum



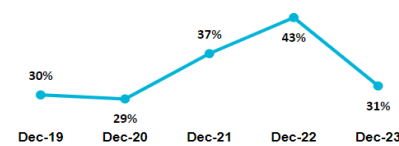
Homes with Operating Loss



Operating EBITDA per bed per annum

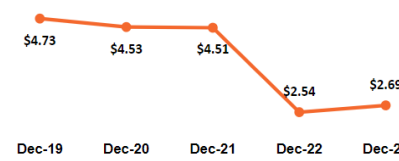


Homes with Operating EBITDA Loss

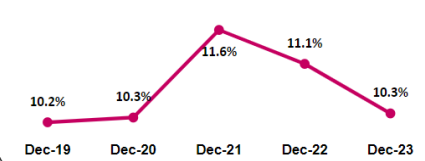


Home Care

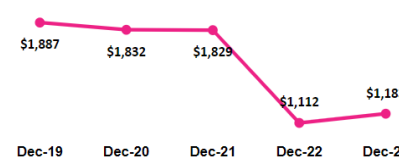
Operating Result per client day



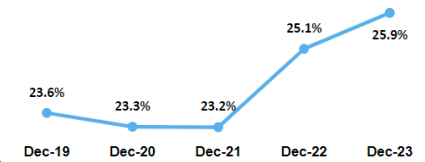
Care Management as % of Revenue



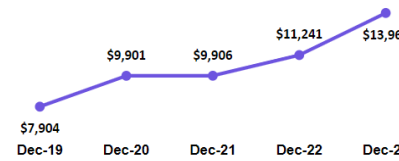
EBITDA per client per annum



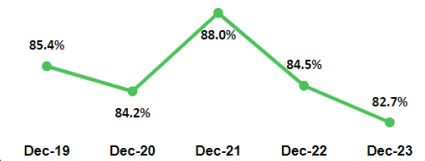
Administration as % of Revenue



Unspent Funds per Package



Revenue Utilisation



Dec-23 Financial Performance Analysis

Approved Provider (Organisation) Results

Net Profit Before Tax (NPBT)	The average result (NPBT) per Approved Provider for the six months was a \$1.14m surplus . This is an improvement on the Dec-22 average result per provider, which was a deficit of \$1.25m. The NPBT was largely due to the net non-recurrent result being a surplus of \$1.14m (Dec-22 \$856k). The recurrent operating result was an average surplus of \$3k (refer below)
Operating Result	<p>The average financial performance continued to remain at unsustainable levels for many providers. The Dec-23 YTD results show that the average operating result per provider was a marginal surplus of \$3k (Dec-22 \$2.11m deficit). This result means that the operations of the sector continue to have an under-recovery of the cost of the capital employed.</p> <p>Whilst revenue increased due to the higher AN-ACC subsidy and other supplements, the additional staff costs and compliance costs offset much of the increased revenue.</p>
Operating EBITDA	<p>The average operating EBITDA (cash) result for the Dec-23 YTD was a surplus of \$1.76m (Dec-23 EBITDA is \$77k surplus), which is not sufficient to maintain the standard of accommodation, everyday living services 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 were \$166 million and the small EBITDA return creates a heightened financing risk profile for providers.</p> <p>Despite improvement, the low EBITDA return remains a significant deterrent to future investment in the sector from existing providers and institutional lenders.</p>
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 and significant staffing shortages. Staffing costs as a percentage of operating revenue were 70.31%. This ratio is lower than the 71.23% for Dec-22 due to the increased AN-ACC subsidy which had a transition benefit during the period to Dec-23.
Depreciation Rate	Average depreciation rate of 2.6% (38 years effective life) has reduced from Dec-22 (2.8%). StewartBrown continues to consider that depreciation rate is low and should be at least 4% p.a. 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 + government debts + external debt) had decreased to 31.0% at Dec-23 from 31.3% at Dec-22 from the benefit of transitional periods. 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	<ul style="list-style-type: none"> Average direct care revenue (AN-ACC, supplements and other recurrent direct care income) was \$263.26 pbd, an increase of 27.2% from Dec-22 (\$206.98). (Due to the introduction of AN-ACC funding model from Oct-22 and increase in AN-ACC on 1 July 2023 and 1 December 2023 respectively to fund 15% FWC decision, and 5.75% National Wage Case pay increases. Indirect care (everyday living) revenue <i>including hotelling supplement</i> was \$75.26 pbd an increase of 8.9% from Dec-22 (\$69.10 pbd) Accommodation revenue was \$40.66 pbd, an increase of 16.7% from Dec-22 (\$34.85 pbd) (<i>mainly due to MPIR lift to 8.15% for new DAPs</i>)
Expenses	<ul style="list-style-type: none"> Direct care labour costs (RN/EN/PCA) averaged \$198.12 pbd an increase of 29.7% from Dec-22 (\$152.78 pbd) Other direct care labour costs (Care Management/Allied Health/Lifestyle) averaged \$23.82 pbd, a decrease of 9.4% from Dec-22 (\$26.30 pbd). <i>This may be due to the review of care management to reallocate the direct care components based on qualification.</i> Other direct care costs averaged \$9.53 pbd, an increase from Dec-22 (\$6.69 pbd) Indirect care (everyday living) costs was \$80.65 pbd an increase of 6.9% (Dec-22 \$75.46 pbd) Catering expenditure averaged \$39.54 pbd an increase of 7.8% (Dec-22 \$36.69 pbd) (<i>this is as a result of increase in food consumables and inflationary pressures</i>) Administration costs averaged \$50.08 pbd an increase of 11.0% (Dec-22 \$45.11 pbd) (<i>due to increase quality, reporting and compliance requirements</i>) Accommodation expenditure averaged \$50.77 pbd (depreciation \$21.12 pbd) compared to Dec-22 \$48.98 pbd
Operating Result	<ul style="list-style-type: none"> Direct care result for Dec-23 increased significantly with the increase in AN-ACC care funding by \$8.74 pbd to a surplus of \$13.26 pbd (including administration) from Dec-22 \$4.52 pbd surplus <i>As most providers are paying higher than award rate, the increase in direct care labour costs is lower than the increase in care funding. \$5.75 pbd additional agency costs on average will be needed to reach target RN minutes due to staff shortages. Direct care result margin is less than 1% for Dec-23 quarter after the additional costs. Direct care result margin is forecasted to be 4.4% for FY24 which is acceptable. However, it includes benefits from transitional period in Sep-23 quarter.</i> Indirect care result improved to a deficit of \$5.40 pbd (including administration) (Dec-22 deficit \$6.36 pbd). <i>This includes improvement due to increase in occupancy and increase in hotelling supplement.</i> Accommodation result (including administration) was a deficit of \$10.11 pbd (Dec-22 deficit \$14.14 pbd) Operating result was a deficit of \$2.25 pbd (Dec-22 operating deficit \$15.98 pbd) Operating EBITDA averaged \$6,028 pbpa (Dec-22 EBITDA \$1,809 pbpa)
Additional Trends	<ul style="list-style-type: none"> Direct care minutes (RN/EN/PCA) was 199.52 minutes per resident per day (Dec-22 186.27 minutes). Direct care minutes for Dec-23 quarter was 202.74 minutes per resident per day. Occupancy for mature homes increased to 92.8% (Dec-22 90.8%) (<i>occupancy based on actual available beds</i>) Supported resident ratio remained constant at 45.9% (Dec-22 45.8%) Average full RAD received for YTD Dec-23 was \$496,934 (YTD Dec-22 \$476,968) Proportion of full RADs received for non-supported residents was 26.5%, full DAPs was 52.2% and Combinations (RAD/DAP) was 21.3%

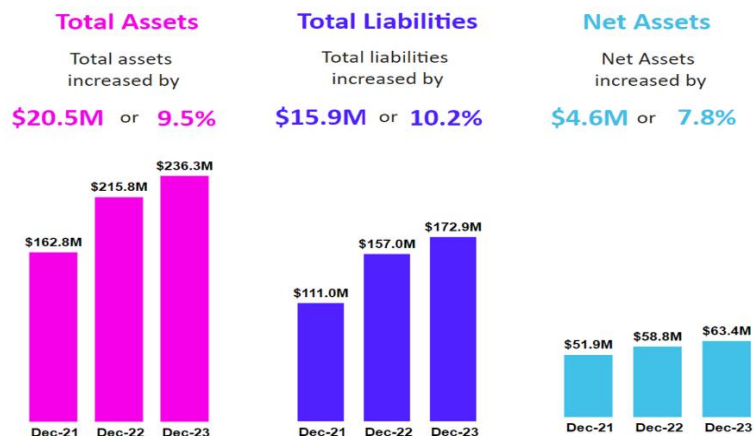
Home Care Package (HCP) Results

Revenue	<ul style="list-style-type: none"> Revenue was \$76.08 per client per day an increase from Dec-22 (\$69.13 pcpd) Care management revenue as a proportion of total revenue was 18.7% (Dec-22 19.0%) Package management revenue as a proportion of total revenue was 12.9% (Dec-22 11.8%) Revenue utilisation decreased by 1.8% to 82.7% of funding received (Dec-22 84.5%)
Expenses	<ul style="list-style-type: none"> Direct service costs increased by \$4.19 pcpd to be 59.5% of total revenue (Dec-22 59.4%) Care management cost as % of revenue has decreased to 10.3% of revenue (Dec-22 11.1% of revenue) Administration and support costs represent 25.9% of revenue (Dec-22 25.1%)
Unspent Funds	<ul style="list-style-type: none"> The amount of unspent funds per client (care recipient) has continued to rise and now averages \$13,963 per client (Dec-22 \$11,241 per client) In aggregate across the sector, this represents in excess of \$3.7 billion of funds that have not been utilised.
Operating Result	<ul style="list-style-type: none"> Operating results have increased by \$0.16 per client per day to \$2.69 pcpd (Dec-22 \$2.54 pcpd) The profitability margin has declined from 3.7% for Dec-22 to 3.5% for YTD Dec-23. Profitability decline is being driven by the decrease in revenue utilisation
Other Trends	<ul style="list-style-type: none"> Average staff hours per week was 5.37 hours (Dec-22 5.41 hours) The number of packages in the survey has increased to represent 71,500 packages for Dec-23 (Dec-22 60,102 packages)

2. FINANCIAL RESULTS - KEY METRICS

Organisation (Approved Provider)

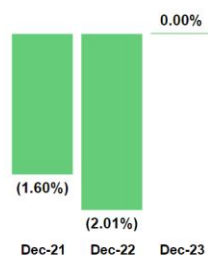
Trend Graph (average by Provider)



Operating Result Return on Assets

Operating result return on assets increased by

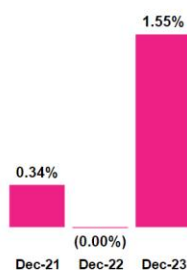
2.01%



Operating EBITDA Return on Assets

Operating EBITDA return on assets increased by

1.55%



Liquid Cash and Financial Assets as % of Debt

Liquid cash and financial assets as % of debt decreased by

(0.33%)

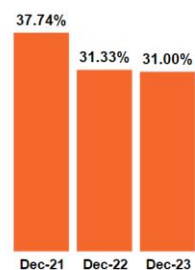


Table 11: Income & Expenditure Comparison (average by Approved Provider)

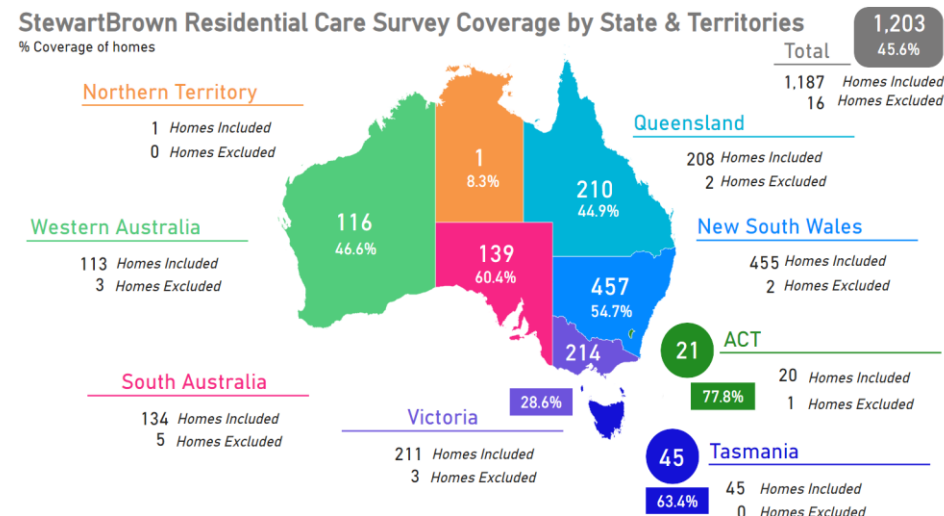
	Survey YTD Dec-23 200 Providers (6 months) (Average)	Survey YTD Dec-22 200 Providers (6 months) (Average)
	\$'000	\$'000
Income & Expenditure		
Operating Result		
Revenue		
Service revenue	41,294	32,790
Investment revenue	870	522
Total operating revenue	42,164	33,311
Expenses		
Employee expenses	29,643	23,729
Depreciation and amortisation	2,087	2,108
Depreciation on Right of Use Assets	153	133
Interest Expenses on Lease Liabilities	99	55
Finance costs	539	522
Other expenses	9,955	8,773
COVID-19 net impact	(316)	99
Total operating expenses	42,161	35,419
Operating surplus (deficit)	3	(2,108)
Non-recurrent income and expenses	1,139	856
Total surplus (deficit) (NPBT)	1,141	(1,252)
Operating EBITDA	1,759	(0)
EBITDA	2,898	856
Ratios		
NPBT return on assets (ROA)	1.0%	(1.2%)
Operating surplus return on assets (ROA)	0.0%	(2.0%)
Operating EBITDA return on assets	1.5%	(0.0%)
Operating surplus % of operating revenue	0.0%	(6.3%)
Employee expenses % of operating revenue	70.3%	71.2%
Depreciation as % of property assets	2.6%	2.8%

* EBITDA calculations exclude AASB 16 Leases accounting entries

Table 12: Summary Equity (Balance Sheet) comparison

	Survey Dec-23 200 Providers (Average)	Survey Dec-22 200 Providers (Average)
Balance Sheet		
Assets	\$'000	\$'000
Cash and financial assets	45,732	39,760
Operating assets	14,922	13,071
Property assets	166,417	154,496
Right of use assets	2,729	3,356
Intangibles - other	6,034	3,427
Intangibles - bed licences	472	1,667
Total assets	236,308	215,777
Liabilities		
Refundable loans - residential	75,802	62,836
Refundable loans - retirement living	53,701	48,886
HCP unspent funds liability	861	1,271
Borrowings	15,881	13,186
Other liabilities	26,688	30,809
Total liabilities	172,933	156,988
Net assets	63,375	58,789
Net tangible assets	56,868	53,695
Ratios		
Net assets proportion % total assets	26.8%	27.2%
Property assets proportion % total assets	70.4%	71.6%
Cash + financial assets % refundable loans	35.3%	35.6%
Cash + financial assets % debt	31.0%	31.3%

Residential Aged Care



Residential Key Points

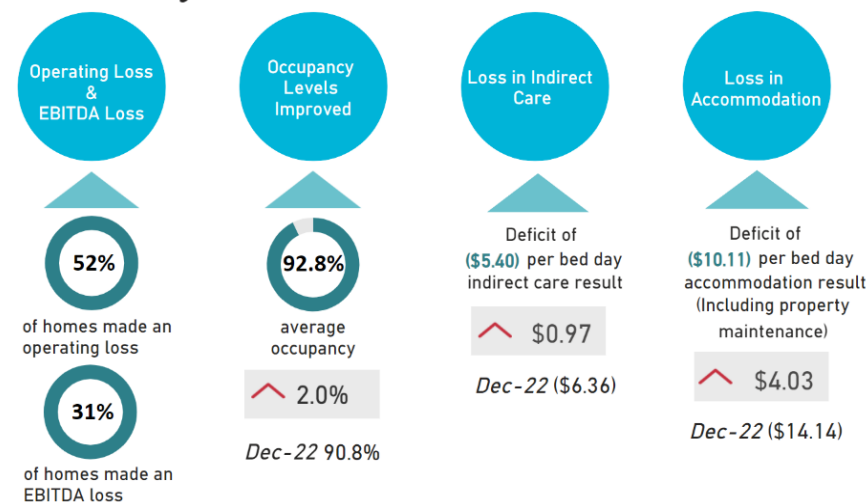


Table 13: Summary Income & Expenditure Comparison (\$ per bed day)

	Survey		Survey FY23 1,197 Homes
	Dec-23 1,187 Homes	Dec-22 1,099 Homes	
DIRECT CARE			
Revenue	\$263.26	\$206.98	\$213.19
Expenditure			
Direct care labour costs	198.12	152.78	159.86
Other direct care labour costs	23.82	26.30	25.37
Other direct care costs	9.53	6.69	7.57
Administration	18.52	16.69	17.25
	\$250.00	\$202.46	\$210.05
DIRECT CARE RESULT (A)	\$13.26	\$4.52	\$3.13
INDIRECT CARE			
Revenue	\$75.26	\$69.10	\$70.53
Expenditure			
Catering	39.54	36.69	37.55
Cleaning	10.55	10.21	10.47
Laundry	4.67	4.52	4.60
Other hotel services expense	0.08	0.10	0.12
Payroll tax	0.10	0.10	0.09
Overhead allocation (workcover & education)	0.95	0.91	0.91
Utilities	7.93	7.76	7.73
Administration	16.84	15.17	15.67
	\$80.65	\$75.46	\$77.15
INDIRECT CARE RESULT (B)	(\$5.40)	(\$6.36)	(\$6.62)
CARE RESULT (C) (A + B)	\$7.86	(\$1.84)	(\$3.49)
ACCOMMODATION			
Revenue			
Residents	16.67	14.44	15.01
Government	23.99	20.40	21.40
	\$40.66	\$34.85	\$36.41
Expenditure			
Depreciation	21.12	21.85	21.03
Property maintenance	12.50	11.86	12.44
Property rental	1.05	0.68	0.94
Other	1.37	1.34	1.37
Administration	14.72	13.26	13.70
	\$50.77	\$48.98	\$49.46
ACCOMMODATION RESULT (D)	(\$10.11)	(\$14.14)	(\$13.05)
OPERATING RESULT (\$ per bed day) (C + D)	(\$2.25)	(\$15.98)	(\$16.54)
OPERATING RESULT (\$ per bed per annum)	(\$764)	(\$5,295)	(\$5,491)
EBITDA (\$ per bed per annum)	\$6,028	\$1,809	\$1,211

Figure 7: Residential Operating Result Snapshot (\$ per bed day)

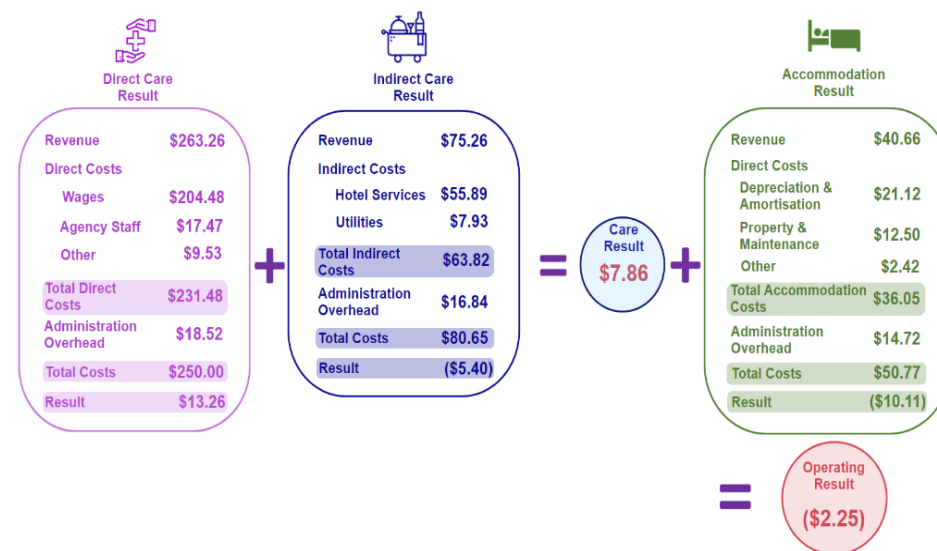
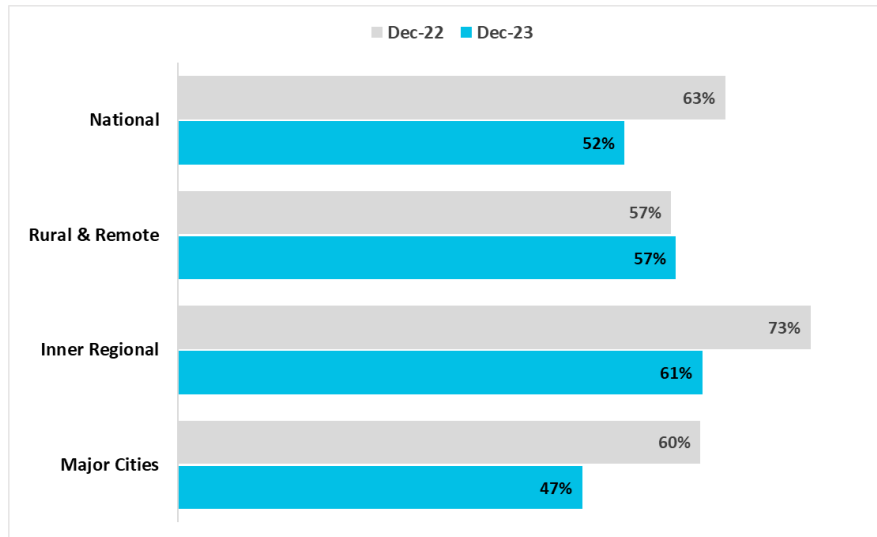


Table 14: Summary KPI Results Comparison

Summary KPI Results	Dec-23 1,187 Homes	Dec-22 1,099 Homes	Difference (YoY)	FY23 1,197 Homes
Operating Result (\$pbd)	(\$2.25)	(\$15.98) ↑	\$13.73	(\$16.54)
Operating Result (\$pbpa)	(\$764)	(\$5,295) ↑	\$4,531	(\$5,491)
EBITDAR (\$pbpa)	\$6,028	\$1,809 ↑	\$4,218	\$1,211
Average Occupancy (all homes)	92.4%	90.1% ↑	2.3%	90.1%
Average Occupancy (mature homes)	92.8%	90.8% ↑	2.0%	91.0%
Average direct care revenue (\$pbd)	\$263.26	\$206.98 ↑	\$56.28	\$213.19
Total direct care minutes per resident per day	199.52	186.27 ↑	13.24	189.62
Direct care expenditure % of direct care revenue	95.0%	97.8% ↓	(2.9%)	98.5%
Supported Ratio %	45.9%	45.8% ↑	0.0%	46.0%
Average Full RAD/Bond held	\$462,116	\$437,665 ↑	\$24,450	\$451,422
Average Full RAD taken during period	\$496,934	\$476,968 ↑	\$19,966	\$472,803

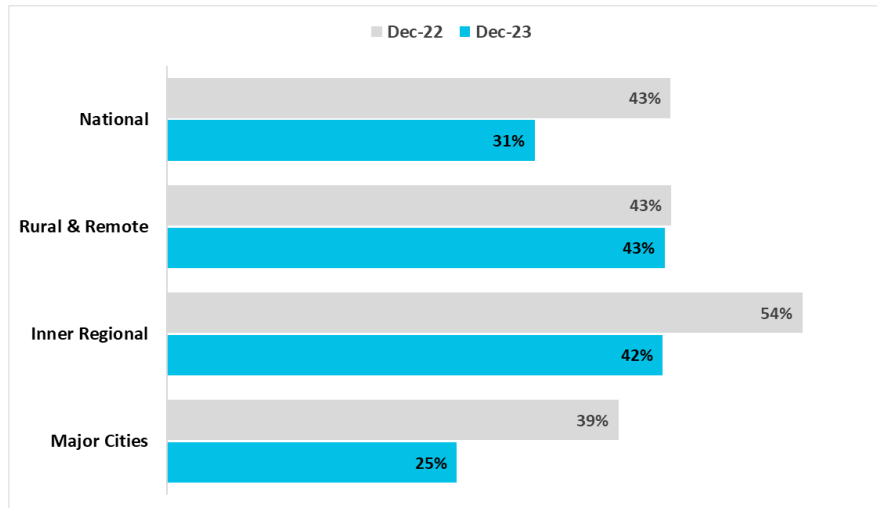
Number of Aged Care Homes making an Operating Loss

Figure 8: Aged care homes making an operating loss by remoteness



Number of Aged Care Homes making an EBITDA loss

Figure 9: Aged care homes making an EBITDA (cash) loss by remoteness



Results by Geographic Location

Table 15: Summary KPI Results by geographic location

	Major Cities 739 Aged Care Homes	Inner Regional 314 Aged Care Homes	Rural & Remote 134 Aged Care Homes
Operating Result \$ per bed per annum	\$737	(\$4,052)	(\$3,006)
Operating EBITDA per bed per annum	\$7,654	\$2,570	\$3,292
Average Direct Care Revenue per bed day	\$261.65	\$261.95	\$280.32
Direct care expenditure as % of direct care revenue	94.5%	96.8%	93.8%
Catering costs as % of indirect care revenue	50.6%	55.8%	59.7%
Direct care minutes per resident per day	200.87	195.81	199.60
Supported resident ratio	45.1%	45.3%	51.0%
Average occupancy	93.3%	92.2%	90.3%
Average full accommodation deposit held	\$500,958	\$375,529	\$349,075
Average full RAD taken during the period	\$541,672	\$405,605	\$379,782

Direct Care Staffing Minutes (per resident per day)

Table 16: Direct Care staffing metrics

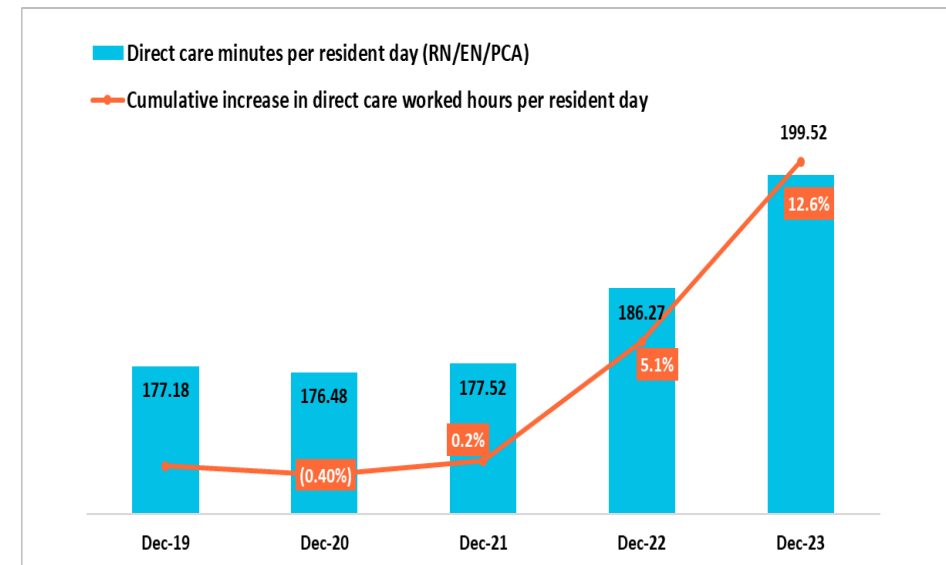
Staffing Category	Survey Average			Survey Average
	Dec-23	Dec-22		
Registered nurses	36.64	30.59	↑	31.89
Enrolled & licensed nurses	11.52	12.79	↓	12.30
Other unlicensed nurses & personal care staff	151.32	142.67	↑	145.39
Imputed agency direct care minutes implied	0.04	0.23	↓	0.05
Total Direct Care Minutes	199.52	186.27	↑	189.62
Care management	4.06	5.51	↓	5.55
Allied health	4.64	5.89	↓	5.60
Diversional/Lifestyle/Activities	6.83	6.63	↑	6.80
Imputed agency other care minutes implied	0.04	0.19	↓	0.08
Total Care Minutes	215.10	204.49	↑	207.65

Table 17: Agency direct care staffing metrics

Staffing Category	Survey Average			Survey Average
	Dec-23	Dec-22		
Agency - Registered nurses	3.65	2.63	↑	3.17
Agency - Enrolled & licensed nurses	0.59	0.71	↓	0.81
Agency - Other unlicensed nurses & personal care staff	7.44	10.70	↓	10.60
Imputed agency direct care minutes implied	0.04	0.23	↓	0.05
Total Direct Care Agency Minutes	11.72	14.27	↓	14.62

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

Figure 10: Direct Care staff (RN/EN/PCA) trend (minutes per resident per day)



Indirect Care (Everyday Living)

Table 18: Indirect Care (everyday living) revenue and expenses (\$ pbd)

	Dec-23	Dec-22	YoY	FY23
	1,187 Homes	1,099 Homes	Movement	1,197 Homes
Hotelling supplement - government	\$10.94	\$9.92	↑	\$9.98
Basic daily fee - resident	\$60.33	\$55.88	↑	\$57.16
Other resident income	\$3.98	\$3.30	↑	\$3.38
Indirect care revenue	\$75.26	\$69.10	↑	\$70.53
Hotel services	\$55.89	\$52.53	↑	\$53.75
Utilities	\$7.93	\$7.76	↑	\$7.73
Indirect care expenses	\$63.82	\$60.30	↑	\$61.48
Administration overhead	\$16.84	\$15.17	↑	\$15.67
Indirect Care Result	(\$5.40)	(\$6.36)	↑	(\$6.62)

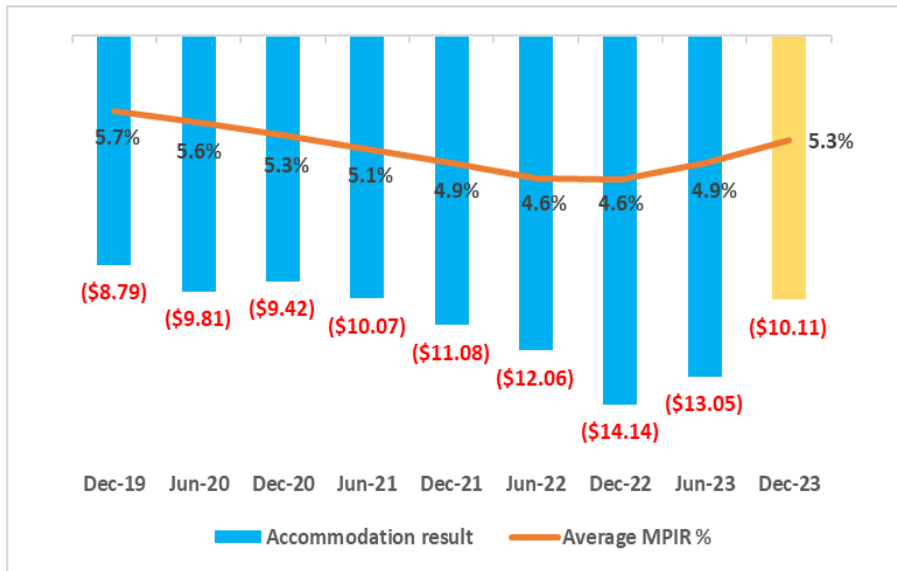
Accommodation Analysis

Table 19: Accommodation revenue and expenses (\$ pbd)

	Dec-23 1,187 Homes	Dec-22 1,099 Homes	YoY Movement	FY23 1,197 Homes
Accommodation revenue	\$40.66	\$34.85	↑	\$36.41
Accommodation expenses				
Depreciation	\$21.12	\$21.85	↓	\$21.03
Refurbishment	\$0.23	\$0.27	↓	\$0.24
Property maintenance	\$12.47	\$11.83	↑	\$12.41
Property rental	\$1.05	\$0.68	↑	\$0.94
Other accommodation costs	\$1.16	\$1.10	↑	\$1.16
Administration overhead	\$14.72	\$13.26	↑	\$13.70
Accommodation expenses	\$50.77	\$48.98	↑	\$49.47
Accommodation Result (\$ per bed day)	(\$10.11)	(\$14.14)	↑	(\$13.05)
Accommodation Result (\$ per bed pa)	(\$3,432)	(\$4,684)	↑	(\$4,333)
Depreciation charge (\$ per bed pa)	\$7,173	\$7,240	↓	\$6,980

Accommodation Pricing

Figure 11: Effect of MPIR % on Accommodation result (\$ per bed day)



Occupancy

Figure 12: Residential Occupancy by region (mature homes)

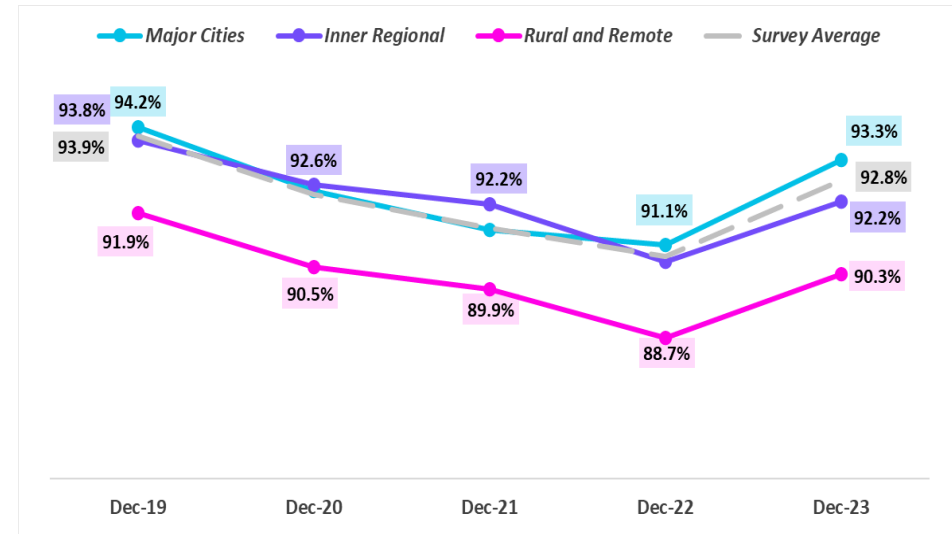
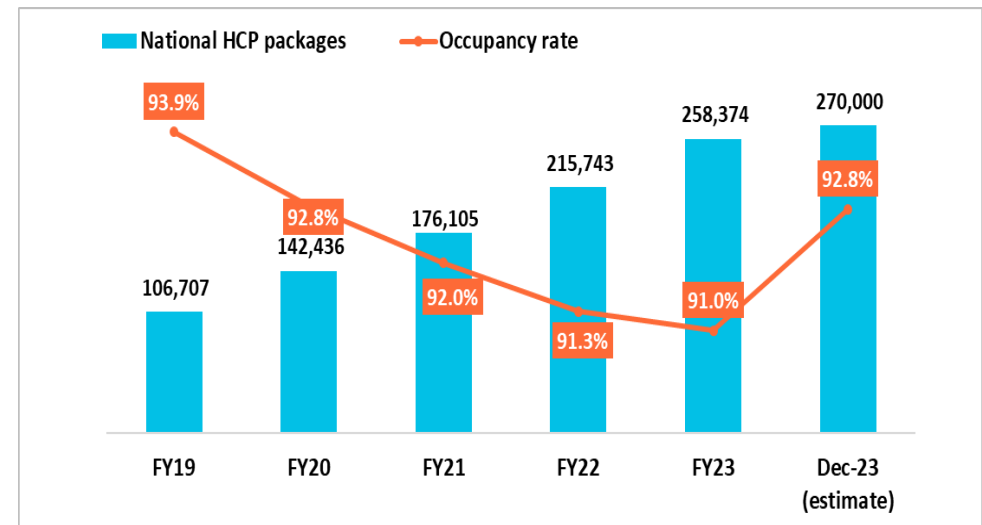


Figure 13: Residential Occupancy comparison to Home Care Packages



Administration Costs

Table 20: Administration costs (\$ pbd)

	Dec-23 1,187 Homes	Dec-22 1,099 Homes	YoY Movement	FY23 1,197 Homes
Administration (corporate) recharges	\$31.81	\$27.66	↑	\$27.33
Labour costs - administration (facility)	\$9.03	\$8.94	↑	\$9.95
Other administration costs	\$7.14	\$6.61	↑	\$7.34
Workers compensation	\$0.21	\$0.21	↓	\$0.23
Payroll tax - administration staff	\$0.03	\$0.03	↓	\$0.03
Fringe Benefits Tax	\$0.00	\$0.02	↓	\$0.01
Quality & education - labour costs	\$0.06	\$0.07	↓	\$0.07
Quality and education - other	\$0.03	\$0.02	↑	\$0.03
Insurances	\$1.77	\$1.54	↑	\$1.64
Total Administration Costs	\$50.08	\$45.11	↑	\$46.62

Modified Monash Model (MMM) Analysis

Figure 14: Operating result by MMM classification (\$ per bed day)

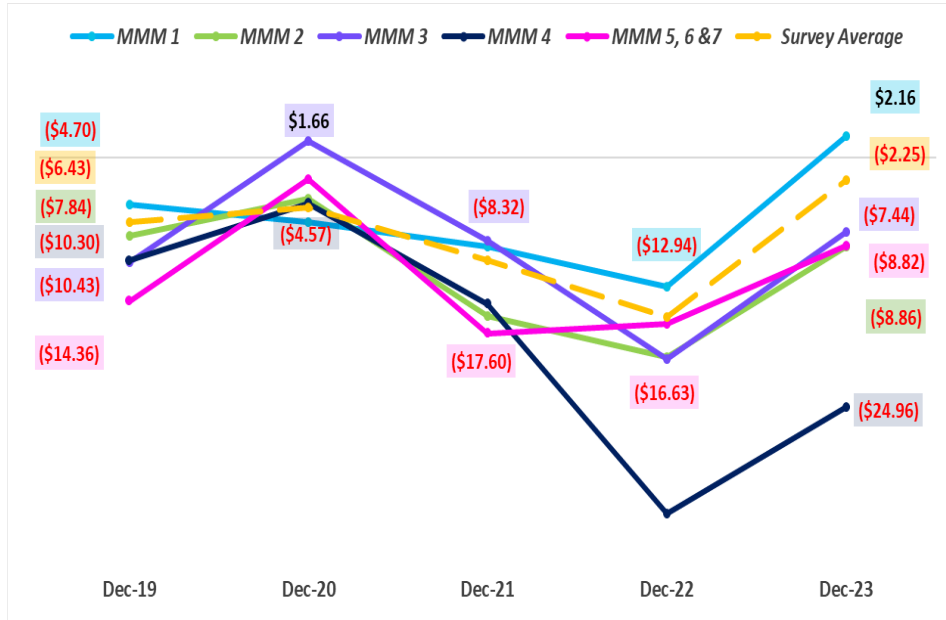


Figure 15: Operating EBITDA result by MMM classification (\$ per bed per annum)

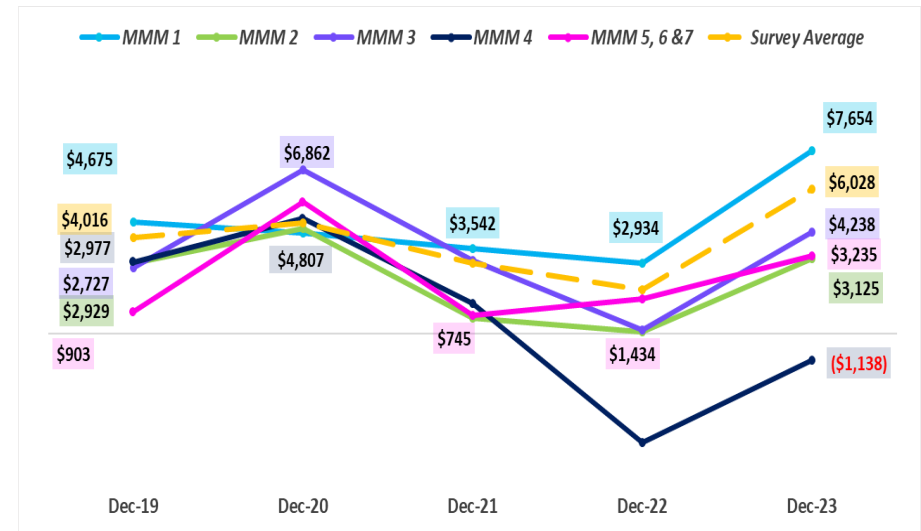
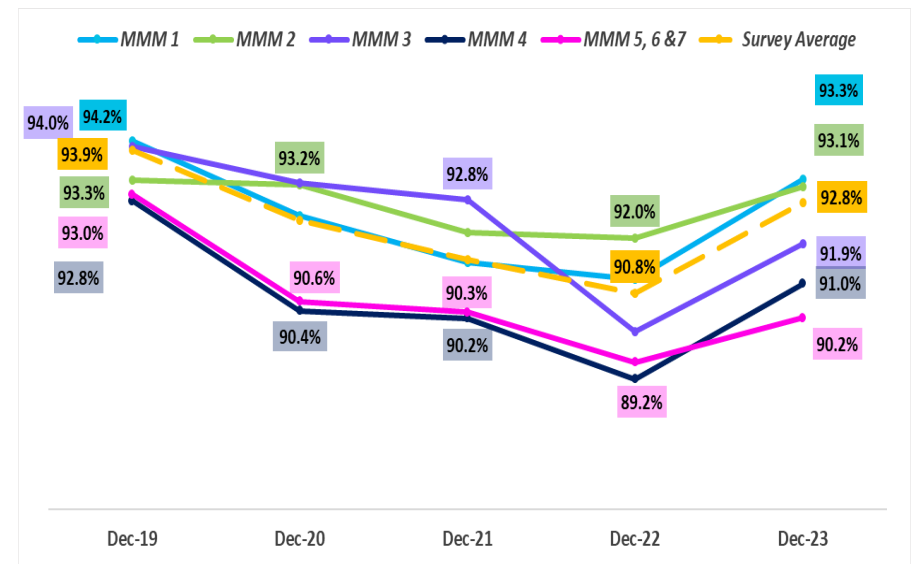


Figure 16: Occupancy percentage by MMM classification



Agency Analysis

Figure 17: Agency Direct Care staff costs (\$ per bed day)

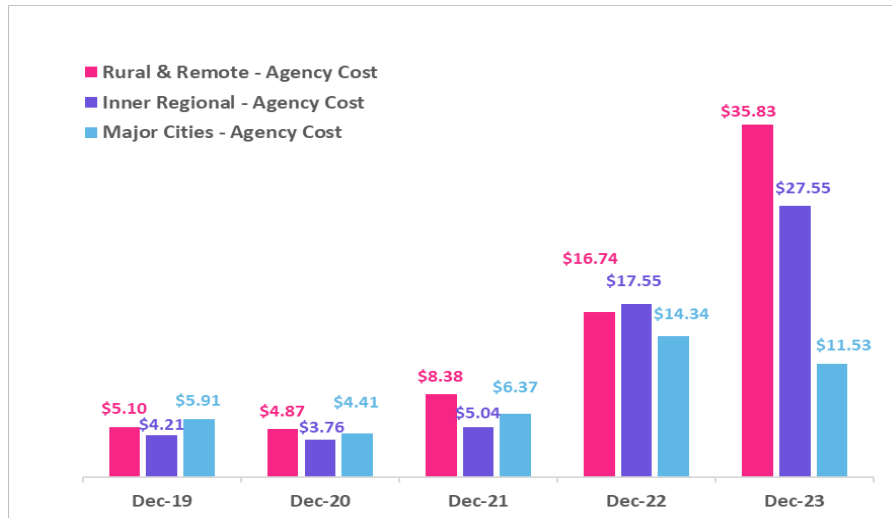
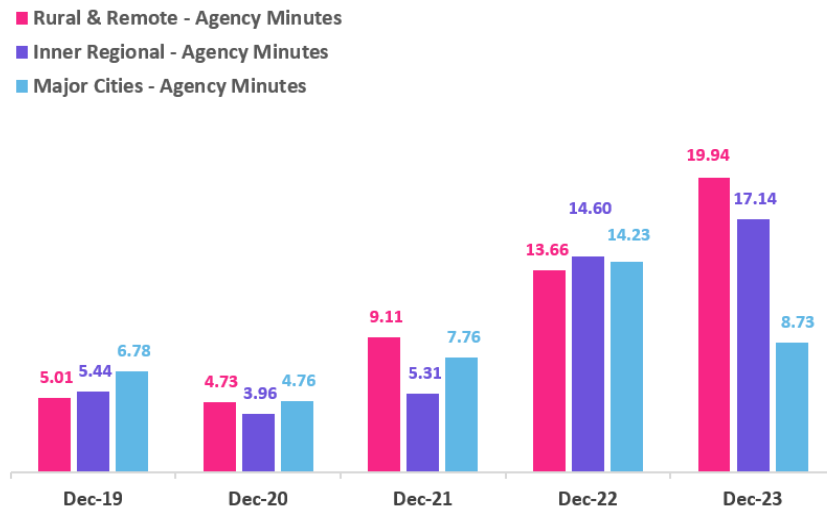


Figure 18: Agency Direct Care staff minutes (per resident per day)



First 25% Trends

Figure 19: First 25% EBITDA result trend (\$ per bed per annum)

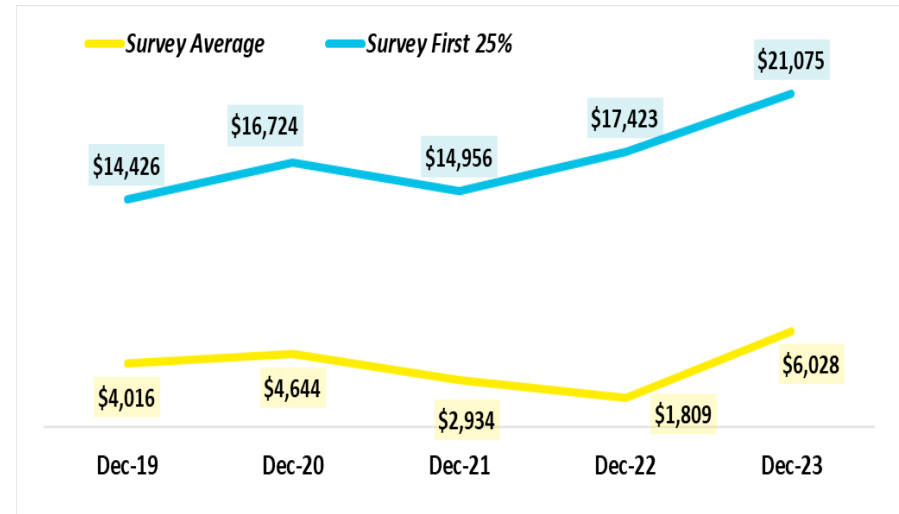


Figure 20: First 25% Direct Care result (\$ pbd) and Direct Care minutes trend

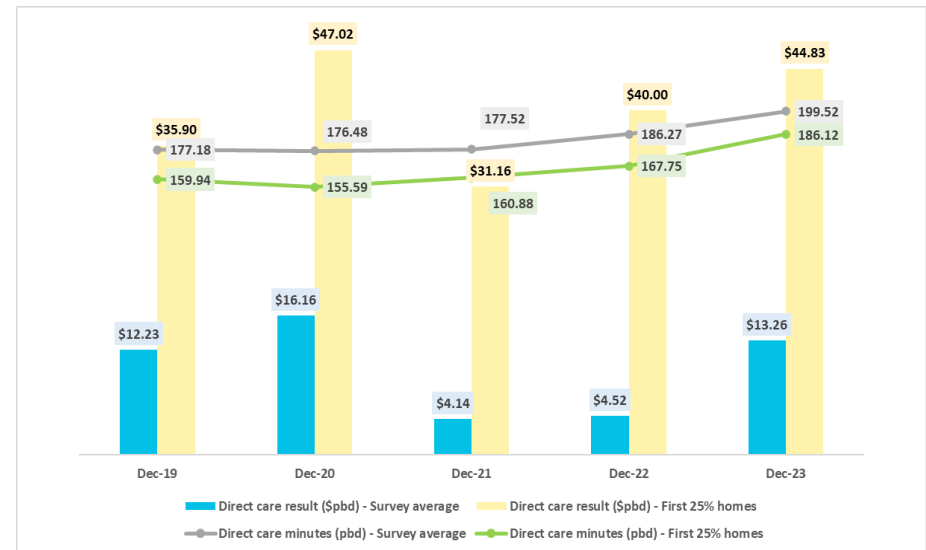


Table 21: First 25% Direct Care staffing metrics

Staffing Category	Survey First 25%			Survey First 25%
	Dec-23	Dec-22		FY23
Registered nurses	33.49	26.86	↑	29.12
Enrolled & licensed nurses	7.01	10.12	↓	9.79
Other unlicensed nurses & personal care staff	145.52	130.76	↑	134.03
Imputed agency direct care minutes implied	0.10	0.01	↑	0.04
Total Direct Care Minutes	186.12	167.75	↑	172.98
Care management	3.68	5.51	↓	5.99
Allied health	3.41	5.29	↓	4.90
Diversional/Lifestyle/Activities	4.44	5.54	↓	6.03
Imputed agency other care minutes implied	0.04	0.07		0.05
Total Care Minutes	197.70	184.15	↑	189.94

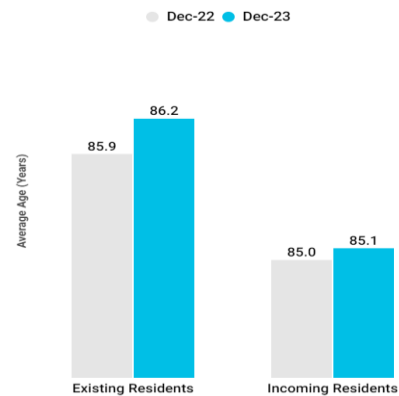
Table 22: First 25% Agency Direct Care staffing metrics

Staffing Category	Survey First 25%			Survey First 25%
	FY23	FY22		FY21
Agency - Registered nurses	1.87	1.80	↑	1.99
Agency - Enrolled & licensed nurses	0.22	0.50	↓	0.47
Agency - Other unlicensed nurses & personal care staff	4.30	8.01	↓	7.00
Imputed agency direct care minutes implied	0.10	0.01	↑	0.04
Total Direct Care Agency Minutes	6.49	10.32	↓	9.50

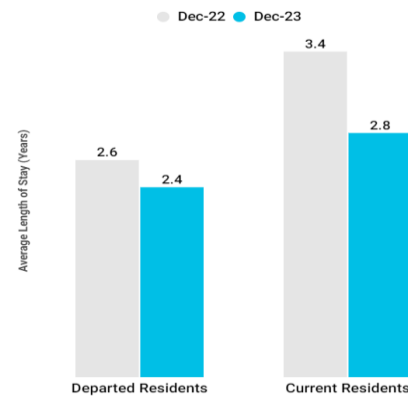
* Imputed agency is decreasing as actual agency is now included with direct staffing costs

Residential Demographics

Average Age of Residents in Care

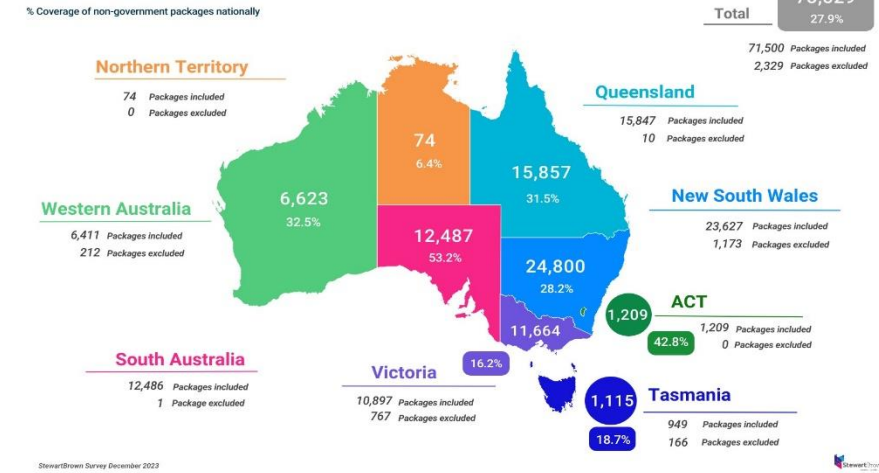


Average Length of Stay in Care



Home Care

StewartBrown Home Care Survey Coverage by State and Territories



Home Care Key Points

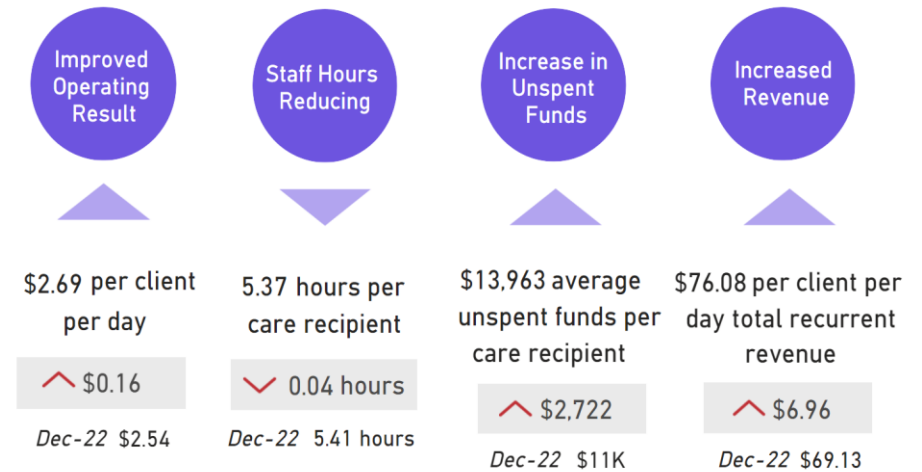


Figure 21: Home Care key metrics summary

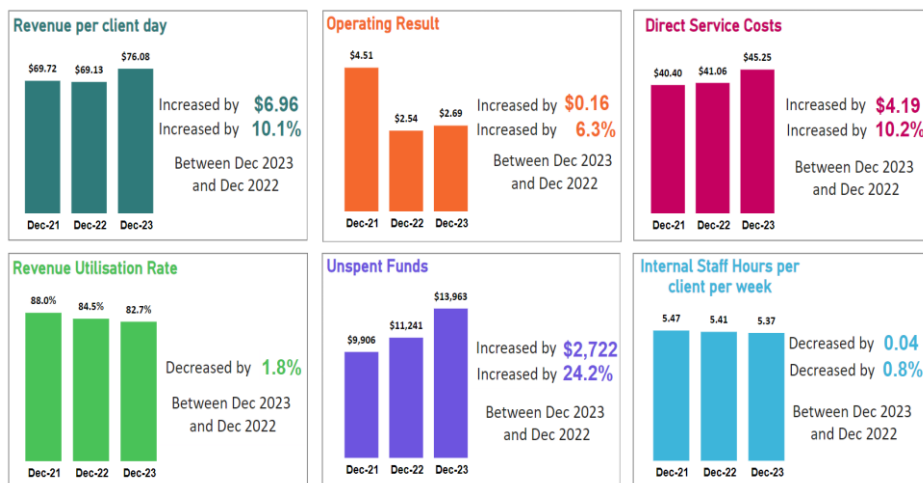


Figure 22: Operating Result by revenue band (\$ per client per day)

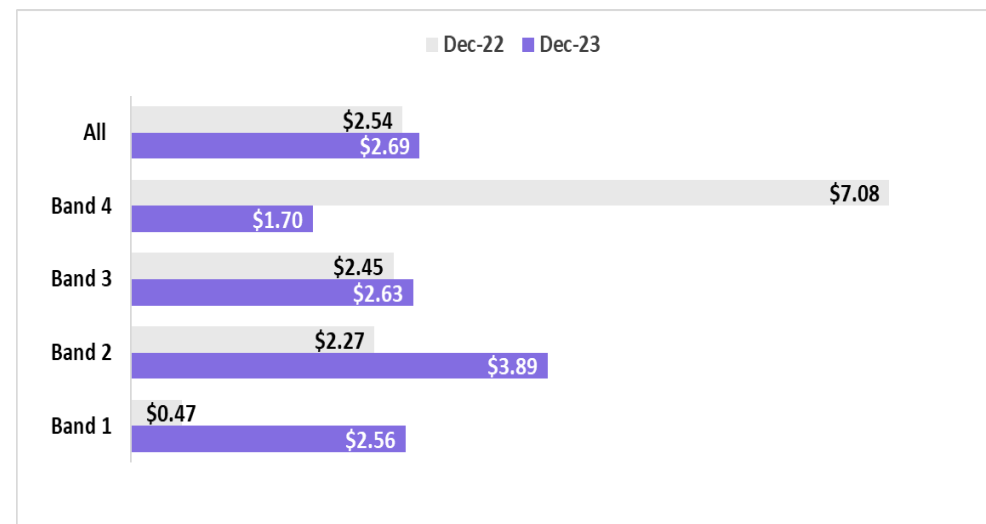


Table 23: Summary Home Care KPI results comparison

	Dec-23 71,500 Packages	Dec-22 60,102 Packages	Difference (YoY)	FY23 68,129 Packages
Total revenue \$ per client per day	\$76.08	\$69.13	↑ \$6.96	\$69.57
Operating result per client per day	\$2.69	\$2.54	↑ \$0.16	\$3.14
EBITDA per client per annum	\$1,183	\$1,112	↑ \$71	\$1,315
Average total Internal Staff hours per client per week	5.37	5.41	↓ (0.04)	5.16
Median growth rate	1.4%	6.7%	↓ (5.3%)	12.6%
Revenue utilisation rate for the period	82.7%	84.5%	↓ (1.8%)	84.3%
Average unspent funds per client	\$13,963	\$11,241	↑ \$2,722	\$12,604
Cost of direct care & brokered services as % of total revenue	59.5%	59.4%	↑ 0.1%	60.1%
Care management & coordination costs as % of total revenue	10.3%	11.1%	↓ (0.8%)	10.5%
Administration & support costs as % of total revenue	25.9%	25.1%	↑ 0.8%	24.2%
Profit margin	3.5%	3.7%	↓ (0.1%)	4.5%

Figure 23: EBITDA Result by revenue band (\$ per client per annum)

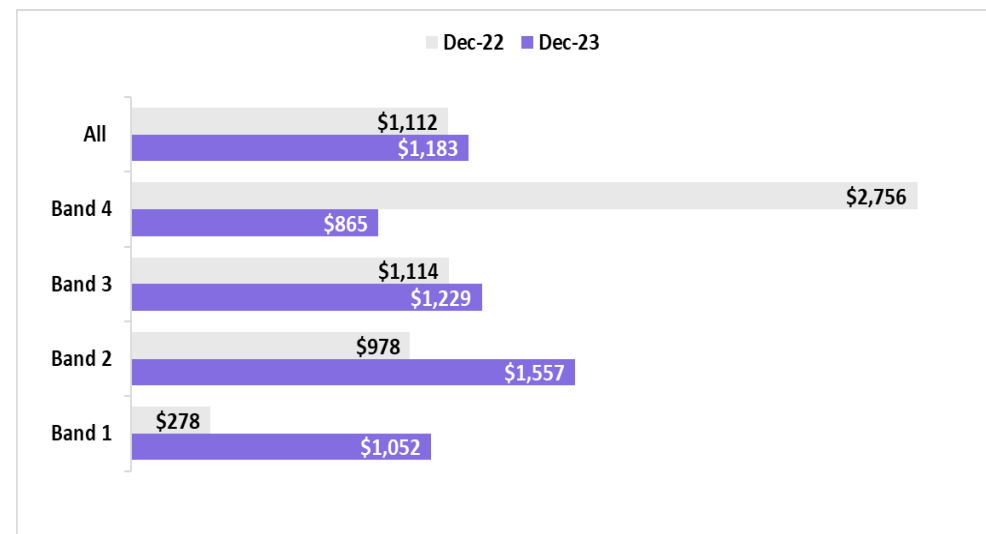


Figure 24: Revenue Utilisation percentage by revenue band

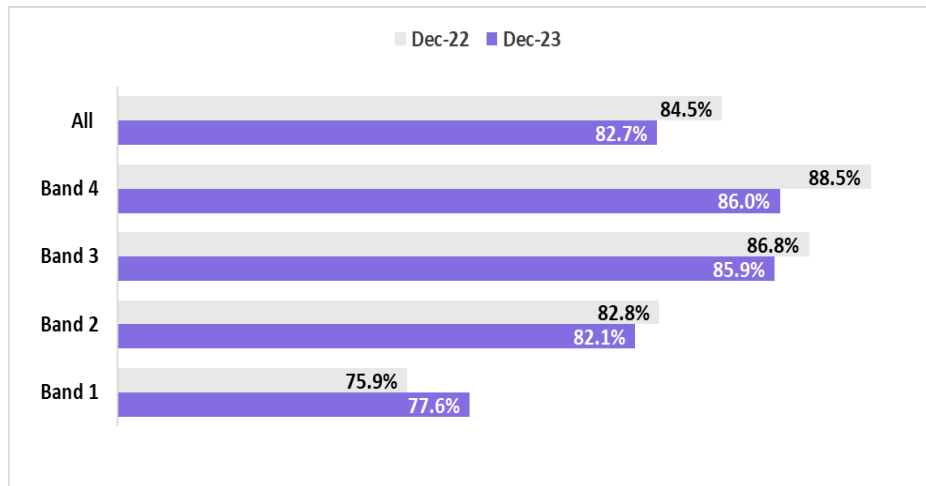
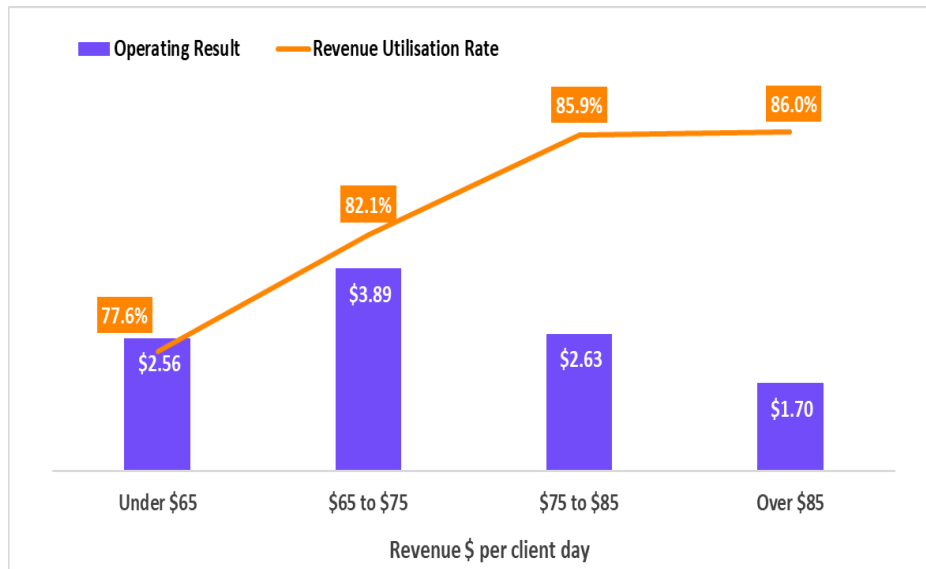


Figure 25: Operating Result and Revenue Utilisation revenue band



Unspent Funds

Figure 26: Unspent Funds trend analysis (\$ per client)

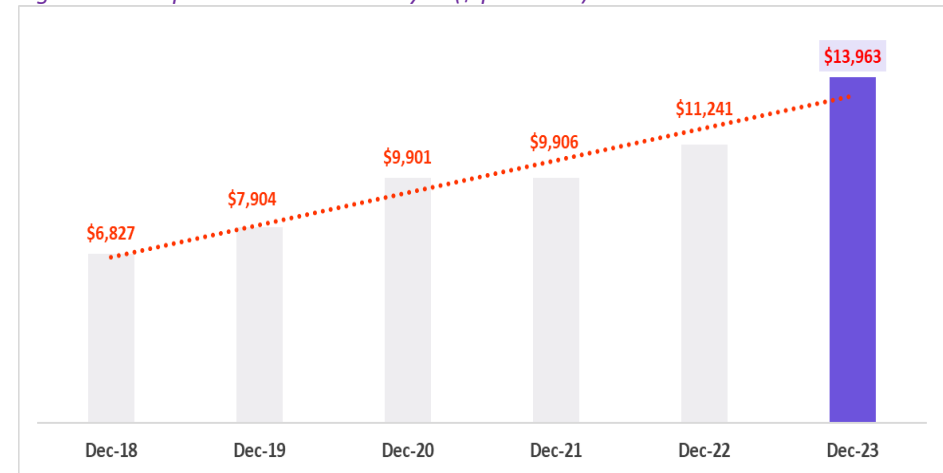
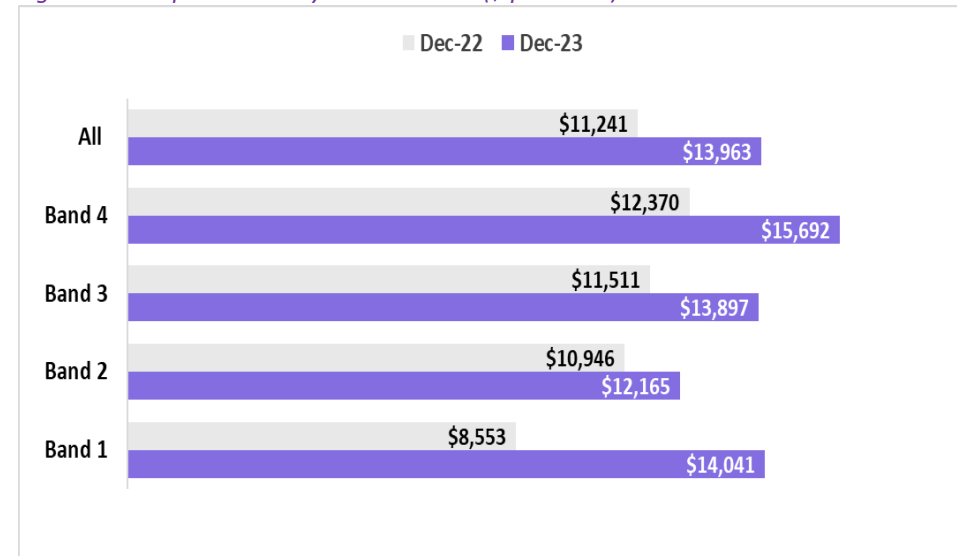


Figure 27: Unspent Funds by revenue band (\$ per client)



Staff Hours Worked per Care Recipient

Table 24: Staff Hours and Minutes worked per care recipient per week

Internal staff hours worked per client week		Dec-23	Dec-22		Difference
Direct service provision		3.38	3.43	↓	(0.06)
Agency		0.11	0.15	↓	(0.04)
Care management & coordination		0.95	1.06	↓	(0.11)
Administration & support services		0.93	0.77	↑	0.16
Total Staff Hours		5.37	5.41	↓	(0.04)

Internal staff minutes worked per client week		Dec-23	Dec-22		Difference
Direct service provision		202.5	205.9	↓	(3.3)
Agency		6.5	8.9	↓	(2.3)
Care management & coordination		57.0	63.4	↓	(6.5)
Administration & support services		55.9	46.5	↑	9.5
Total Staff Minutes		322.0	324.6	↓	(2.7)

Figure 28: Staff Hours per care recipient week trend analysis

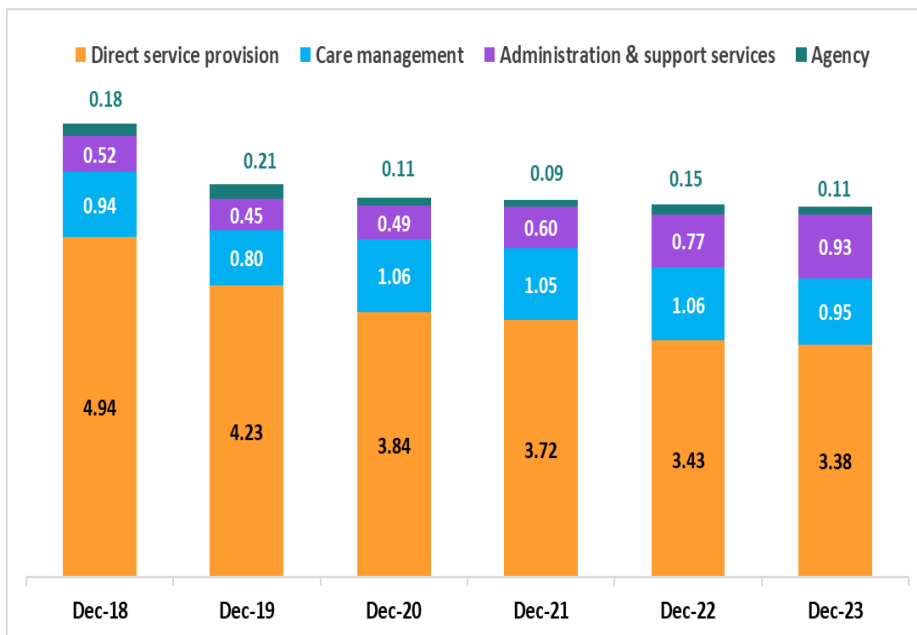


Figure 29: Internal and Brokered Services staff costs comparison

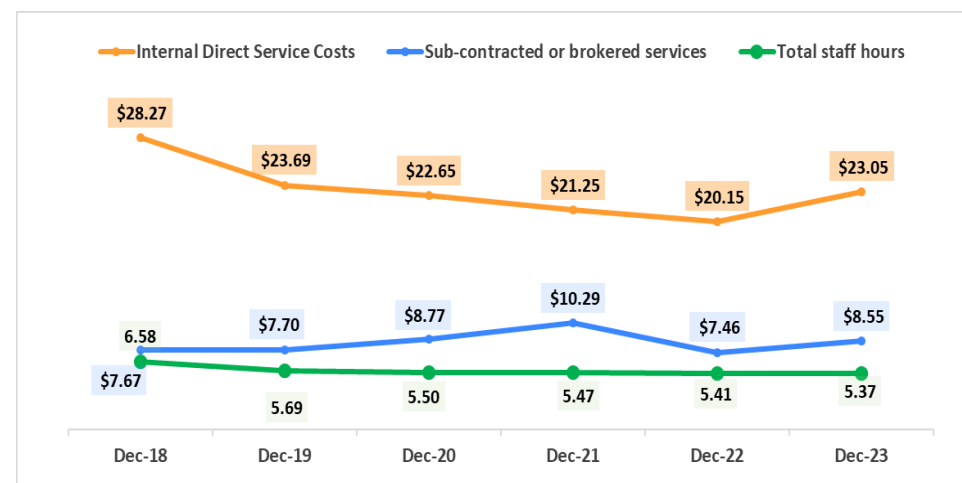
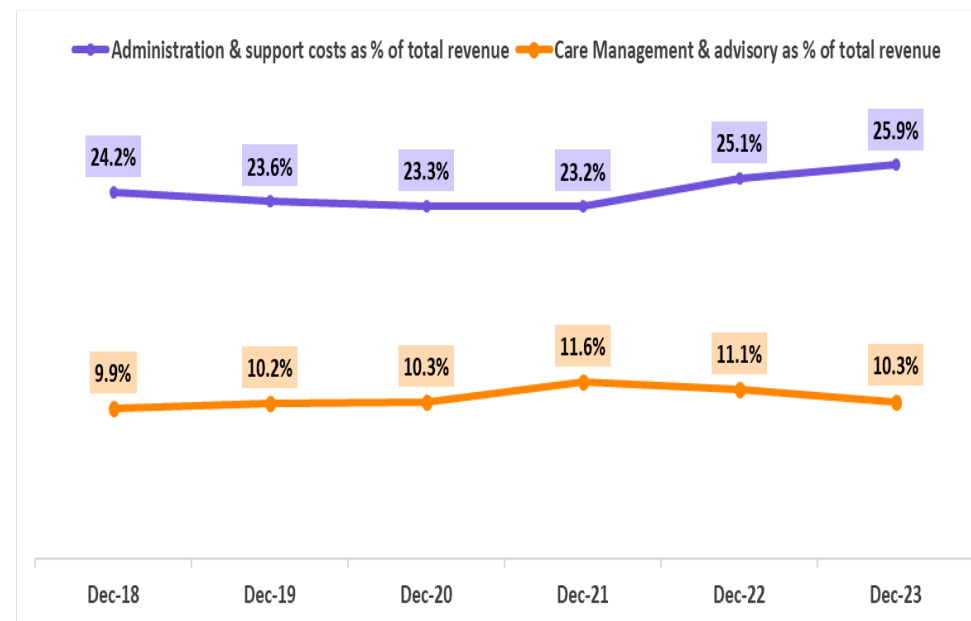


Figure 30: Care Management and Administration cost as % of revenue



First 25% Trends

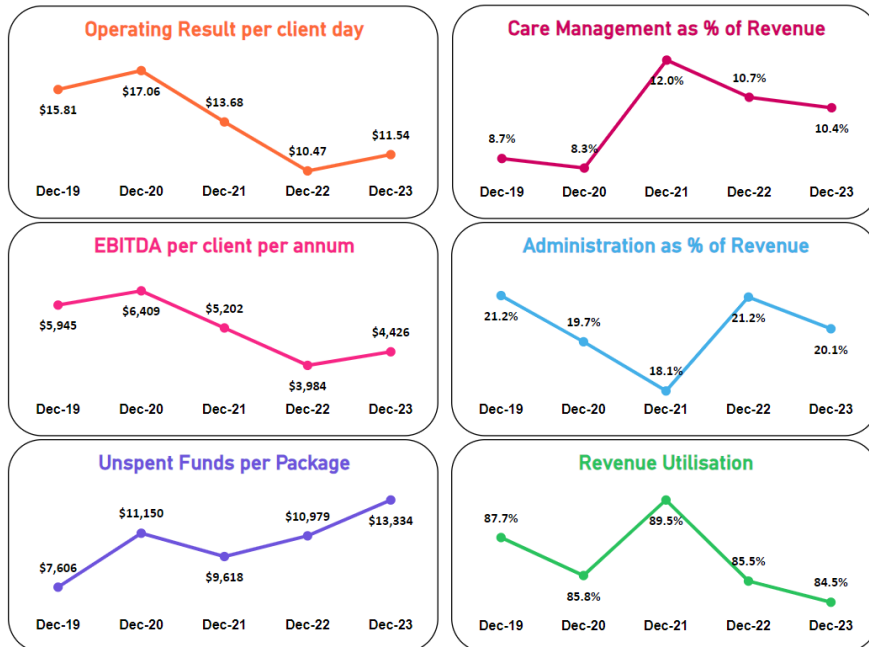
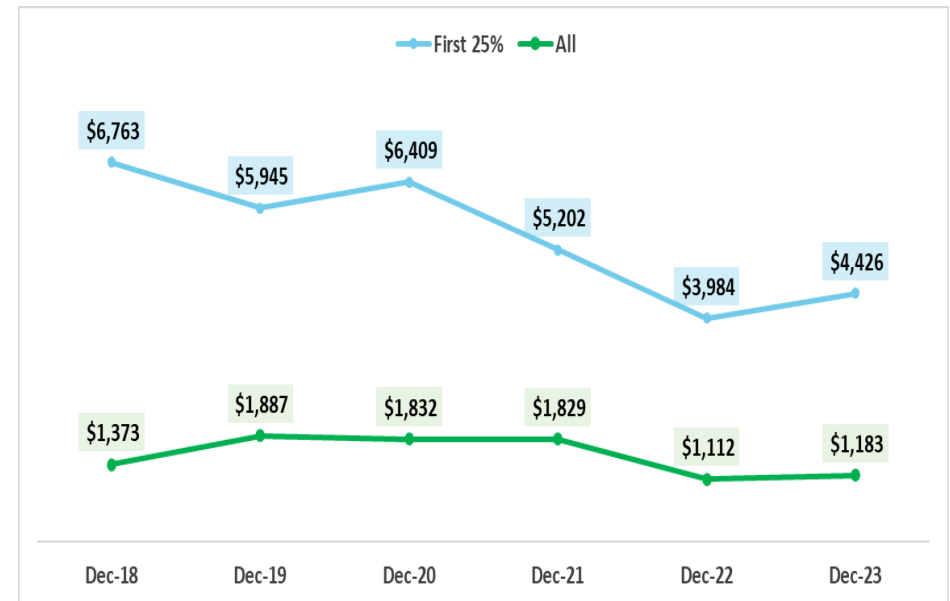


Figure 31: EBITDA (\$ per client pr annum) comparison First 25% and Average



Home Care Key Points First 25%

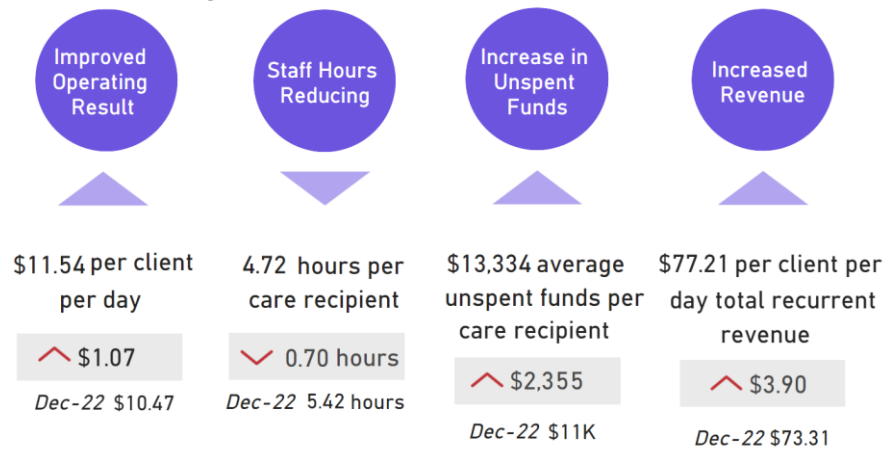


Table 25: Summary Home Care First 25% KPI results comparison

	Dec-23 21,059 Packages	Dec-22 14,186 Packages	Difference (YoY)	FY23 21,985 Packages
Total revenue \$ per client per day	\$77.21	\$73.31	↑ \$3.90	\$71.48
Operating result per client per day	\$11.54	\$10.47	↑ \$1.07	\$10.32
EBITDA per client per annum	\$4,426	\$3,984	↑ \$442	\$3,912
Average total Internal Staff hours per client per week	4.72	5.42	↓ (0.70)	4.92
Median growth rate	0.0%	7.8%	↓ (7.8%)	16.6%
Revenue utilisation rate for the period	84.5%	85.5%	↓ (1.0%)	85.0%
Average unspent funds per client	\$13,334	\$10,979	↑ \$2,355	\$13,271
Cost of direct care & brokered services as % of total revenue	53.8%	53.2%	↑ 0.6%	55.6%
Care management & coordination costs as % of total revenue	10.4%	10.7%	↓ (0.3%)	9.4%
Administration & support costs as % of total revenue	20.1%	21.2%	↓ (1.0%)	20.0%
Profit margin	14.9%	14.3%	↑ 0.7%	14.4%

Home Care Package Demographics

Figure 32: HCP Client exits

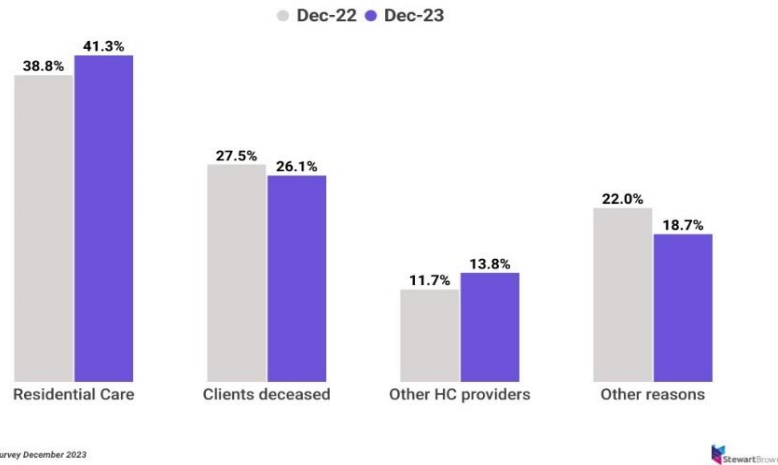
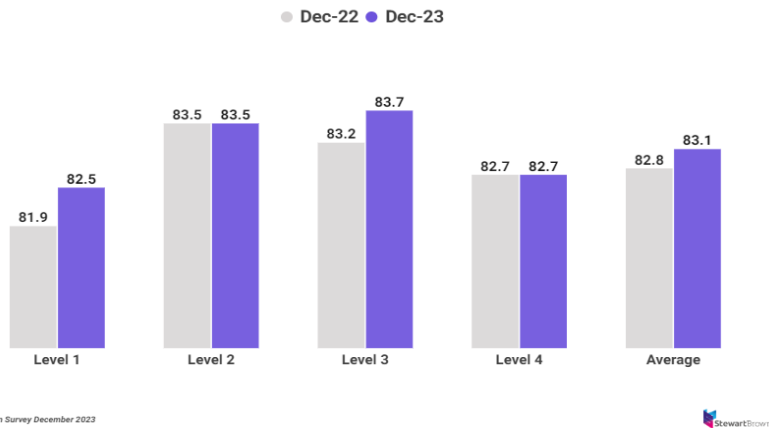


Figure 33: HCP Average Age of clients (participants)

Average Age of Home Care Clients in years



Package Growth

Figure 34: Number of People in a Home Care Package

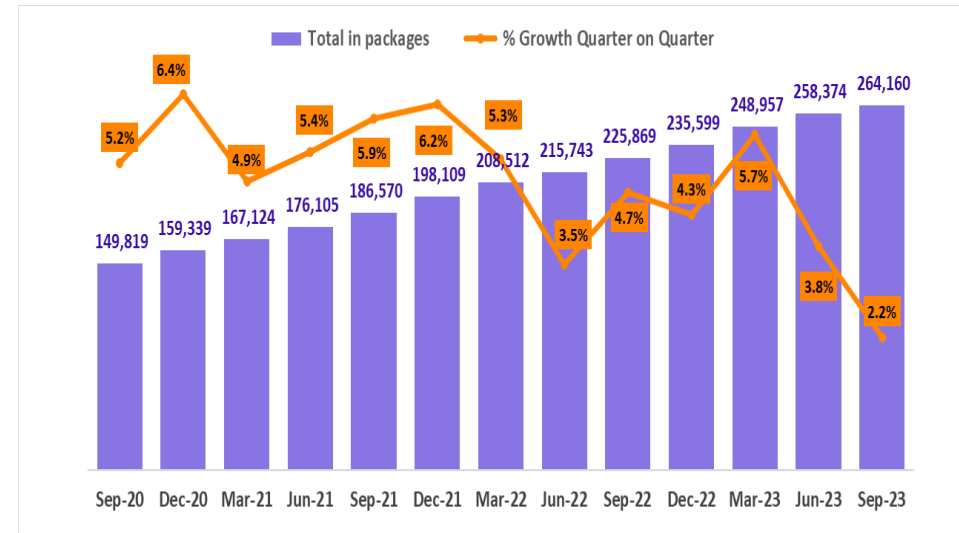
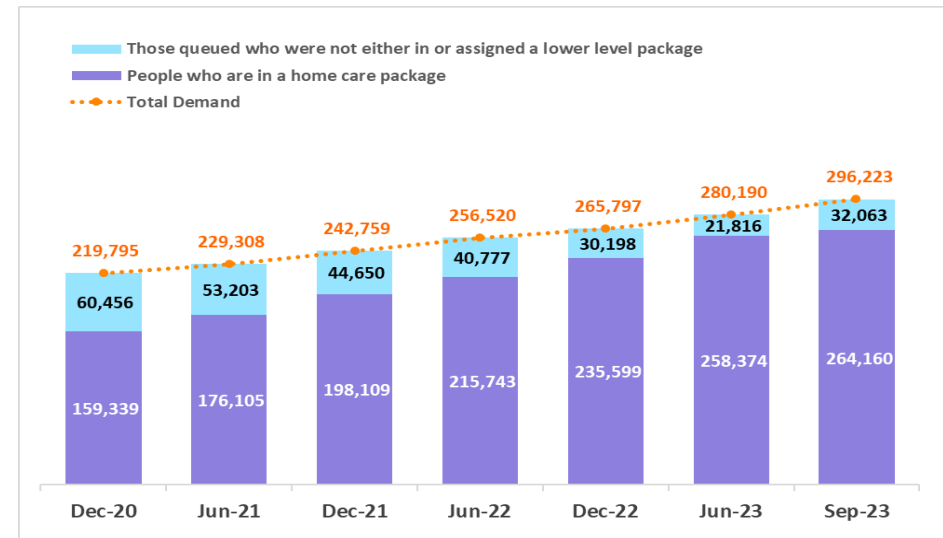


Figure 35: Demand for Home Care Packages



3. APPENDIX

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 of aged care homes using a number of metrics through a range of data attributes, including resident mix and acuity, staffing levels (cost and hours/minutes), geographic region, age of building, type of building, number of places (beds), accommodation pricing and administration costs. 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 forms 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 homes. 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.

To join the Survey please email benchmark@stewartbrown.com.au

StewartBrown has also commenced a disability services benchmark incorporating the same granular analysis as the aged care Survey ([Disability Services Survey \(stewartbrown.com.au\)](https://www.stewartbrown.com.au/Disability-Services-Survey))

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 homes and home care programs are excluded from the Survey results. Examples of outliers include:

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

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

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

One of the biggest challenges 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. The Government has a number of other employee programs that also assist.

Other incentives and benefits may be required, and 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 Fringe Benefit Tax 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 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.

AN-ACC Subsidy

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 Classification 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 Commonwealth Home Support Program (CHSP)) is 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 to 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 aligned to the care needs of the care recipient and is fully 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 recommendations in full or at the very least in part, are fundamental to ensuring that aged care funding is appropriate and 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 FY23 direct care subsidy levels.

Flexible daily living co-contribution

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.

Taskforce recommended funding for daily living services to cover the full costs of providing these services with a mixture of Basic Daily Fee and a supplement.

Structural Reform of the Accommodation Pricing Model

This represents possibly the least understood aspect of residential aged care funding. The current Refundable Accommodation Deposit (RAD)/Daily Accommodation Payment (DAP) model infused with a prescriptive Maximum Permitted Interest Rate (MPIR) is cumbersome and confusing. It is also inequitable for consumers and providers as paying a RAD where possible is far less costly to the resident 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 to the resident for

the accommodation in an aged care home. If the RAD amount still resides in the residential home, it is likely that the increase in the value of the home will be greater than the amount of lost interest income.

This is also a recommendation in Aged Care Taskforce for providers to be able to retain a portion of the RAD.

Appendix 1: Quarterly Financial Report (QFR) Financial Format *(consolidated Approved Provider level)*

	Total	Residential	Home Care	Community	Retirement	Other
Income						
Operating Income	\$0	\$0	\$0	\$0	\$0	\$0
Investment and Interest Income	\$0	\$0	\$0	\$0	\$0	\$0
Fair Value Gains	\$0	\$0	\$0	\$0	\$0	\$0
Other Income	\$0	\$0	\$0	\$0	\$0	\$0
Total Income	\$0	\$0	\$0	\$0	\$0	\$0
Expenses						
Salaries and Employee Benefits	\$0	\$0	\$0	\$0	\$0	\$0
Management Fees	\$0	\$0	\$0	\$0	\$0	\$0
Depreciation and Amortisation (excluding Bed Licenses)	\$0	\$0	\$0	\$0	\$0	\$0
Depreciation on Right of Use Assets - AASB 16	\$0	\$0	\$0	\$0	\$0	\$0
Amortisation and Impairment of Bed Licenses	\$0	\$0				
Finance Expenses	\$0	\$0	\$0	\$0	\$0	\$0
Interest on Lease Liabilities - AASB 16	\$0	\$0	\$0	\$0	\$0	\$0
Rent - Not Captured by AASB 16	\$0	\$0	\$0	\$0	\$0	\$0
Fair Value Losses (including Impairment)	\$0	\$0	\$0	\$0	\$0	\$0
Other Expenses	\$0	\$0	\$0	\$0	\$0	\$0
Total Expenses	\$0	\$0	\$0	\$0	\$0	\$0
Net Profit/(Loss) Before Tax	\$0	\$0	\$0	\$0	\$0	\$0

Appendix 2: StewartBrown Sample Facility Report (individual facility level)

	De-identified Provider FY22	De-identified Provider Dec-22	De-identified Provider FY23	De-identified Provider Sep-23	De-identified Provider Dec-23	ALL HOMES (1187 Homes) Dec-23	First 25% - All HOMES (297 Homes) Dec-23	NSW/ACT (475 Homes) Dec-23	NSW/ACT - First 25% (119 Homes) Dec-23	Major Cities (739 Homes) Dec-23
CARE										
DIRECT CARE										
DIRECT CARE REVENUE										
Government subsidies - care	179.97	193.20	200.64	243.43	245.75	252.49	256.74	251.95	252.36	250.44
Means-tested care fee	9.70	9.57	9.48	9.50	11.07	8.62	8.88	9.87	11.14	9.72
Direct care subsidy & supplements	189.67	202.77	210.12	252.93	256.82	261.11	265.62	261.83	263.50	260.16
Recurrent grants and other care	0.82	2.24	1.79	0.57	0.48	2.15	4.01	1.30	1.35	1.49
Non-recurrent operating care grants	9.98	-	-	-	-	-	-	-	-	-
Direct care revenue	200.47	205.01	211.90	253.49	257.31	263.26	269.63	263.13	264.85	261.65
DIRECT CARE EXPENDITURE										
Care Labour costs										
Registered nurses	27.80	30.35	32.09	38.39	40.00	50.98	45.18	52.15	44.29	50.21
Enrolled and licensed nurses (registered with the NMBA)	2.39	2.30	2.71	2.15	1.92	11.76	6.94	3.56	1.71	10.26
Other unlicensed nurses/personal care staff	110.23	120.89	123.22	138.25	142.37	133.81	124.94	139.97	129.90	134.09
FWC 15% leave entitlement increase	-	-	3.20	-	-	1.58	2.63	0.91	0.87	1.54
Total direct care labour costs	140.42	153.54	161.21	178.79	184.29	198.12	179.69	196.60	176.77	196.10
Care management	7.82	7.88	8.86	8.20	8.57	6.73	5.33	7.15	5.54	6.28
Allied health	6.26	7.18	6.80	5.53	5.57	6.18	5.22	6.03	5.05	6.18
Lifestyle/ Recreation/ Activities Officer /Diversional Therapy	-	-	-	-	-	5.21	3.36	5.03	2.81	4.89
Workers' compensation - care services	3.16	6.04	5.92	3.17	3.17	4.99	4.53	5.21	4.36	5.01
Payroll tax - care services	-	-	-	-	-	0.72	1.06	0.24	0.38	0.95
Total care labour costs	157.65	174.63	182.80	195.69	201.61	221.94	199.18	220.27	194.91	219.42
Medical, incontinence supplies & nutritional supplements	4.19	4.49	4.64	4.65	4.25	5.79	5.26	5.73	4.69	5.76
Chaplaincy / Pastoral care	-	-	-	-	-	0.63	0.45	0.81	0.68	0.71
Quality and education allocation to care services	0.27	0.42	0.45	0.37	0.32	1.93	1.72	2.23	1.43	1.92
Other resident services and consumables	1.04	1.21	1.35	1.36	1.34	1.56	1.73	2.07	1.87	1.59
Infection prevention and Covid-19	0.14	(9.84)	0.82	(1.07)	(0.50)	(0.38)	(0.46)	(0.71)	(0.69)	(0.66)
Expenditure - direct care services	163.29	170.92	190.05	201.02	207.01	231.48	207.89	230.40	202.88	228.74
Administration - direct care overhead allocation	16.46	17.44	17.46	18.10	17.89	18.52	16.91	18.52	16.83	18.43
Direct care expenditure	179.76	188.36	207.51	219.11	224.91	250.00	224.80	248.93	219.72	247.17
DIRECT CARE RESULT	\$ 20.72	\$ 16.65	\$ 4.40	\$ 34.38	\$ 32.40	\$ 13.26	\$ 44.83	\$ 14.20	\$ 45.14	\$ 14.48
Total care labour costs as a % of direct care revenue	78.6%	85.2%	86.3%	77.2%	78.4%	84.3%	73.9%	83.7%	73.6%	83.9%
Direct care expenditure as a % of direct care revenue	89.7%	91.9%	97.9%	86.4%	87.4%	95.0%	83.4%	94.6%	83.0%	94.5%

	De-identified Provider FY22	De-identified Provider Dec-22	De-identified Provider FY23	De-identified Provider Sep-23	De-identified Provider Dec-23	ALL HOMES (1187 Homes) Dec-23	First 25% - All HOMES (297 Homes) Dec-23	NSW/ACT (475 Homes) Dec-23	NSW/ACT - First 25% (119 Homes) Dec-23	Major Cities (739 Homes) Dec-23
INDIRECT CARE										
INDIRECT CARE REVENUE										
Basic daily fee - resident	53.35	57.09	58.37	58.70	62.12	60.33	60.86	60.30	60.90	60.44
Hotelling supplement – government	10.00	10.00	9.98	10.83	11.00	10.94	10.96	10.96	10.98	10.95
Fees for additional services and extra or optional service fees	1.50	2.37	2.71	3.13	3.29	3.98	5.87	4.55	6.08	5.11
Indirect care revenue	64.85	69.46	71.07	72.66	76.40	75.26	77.70	75.81	77.95	76.50
INDIRECT CARE EXPENDITURE										
HOTEL SERVICES										
CATERING										
Labour costs	6.11	5.50	4.85	4.90	4.86	20.82	18.21	18.34	15.57	19.53
Consumables - food	4.52	7.16	3.70	0.53	0.63	12.71	13.18	13.33	15.58	12.47
Consumables - other	0.61	-	-	-	-	0.55	0.53	0.66	0.45	0.56
Contract catering	18.42	17.67	22.11	25.46	25.85	5.75	4.83	7.56	4.35	6.38
Income from sale of meals (usually a credit amount)	(0.07)	(0.15)	(0.17)	(0.18)	(0.17)	(0.29)	(0.28)	(0.18)	(0.13)	(0.26)
Total catering	29.60	30.18	30.48	30.71	31.17	39.54	36.46	39.72	35.82	38.68
CLEANING										
Labour costs	1.33	1.32	1.41	1.39	1.29	6.20	4.73	4.29	3.54	5.64
Consumables	-	-	-	-	-	1.72	1.47	1.55	1.24	1.73
Contract cleaning	8.00	8.92	8.76	7.85	7.65	2.63	2.74	4.81	4.96	3.17
Total cleaning	9.34	10.24	10.18	9.24	8.94	10.55	8.94	10.65	9.74	10.53
LAUNDRY										
Labour costs	1.40	1.27	2.19	2.28	2.00	2.77	2.70	2.71	2.53	2.61
Consumables	1.73	1.67	1.75	1.73	1.85	0.46	0.60	0.62	0.80	0.44
Contract laundry	0.24	0.26	0.28	0.24	0.22	1.44	0.99	1.35	0.75	1.61
Total laundry	3.37	3.19	4.22	4.25	4.06	4.67	4.28	4.68	4.09	4.66
Workers' compensation - indirect care	0.18	0.29	0.28	0.14	0.13	0.69	0.60	0.62	0.50	0.65
Payroll tax - indirect care	-	-	-	-	-	0.10	0.14	0.03	0.04	0.12
Expenditure - quality and education (allocation to indirect care)	0.02	0.02	0.02	0.02	0.01	0.27	0.23	0.26	0.16	0.25
Other hotel services expenses	0.17	0.41	0.37	0.18	0.18	0.08	0.05	0.08	0.05	0.09
Total other hotel services	0.37	0.72	0.68	0.34	0.32	1.13	1.02	0.98	0.76	1.12
Expenditure - hotel services	42.68	44.33	45.55	44.54	44.50	55.89	50.70	56.02	50.40	54.99
UTILITIES										
Electricity	2.66	2.69	2.60	2.71	2.40	3.58	3.32	3.78	3.47	3.34
Gas	0.72	0.87	0.76	1.21	1.01	1.22	1.12	1.07	0.95	1.13
Rates	0.78	0.80	0.84	0.83	0.87	1.62	1.60	1.11	1.01	1.47
Rubbish removal	1.04	1.15	1.15	1.10	0.98	1.51	1.36	1.50	1.26	1.50
Expenditure - utilities	5.20	5.51	5.35	5.85	5.26	7.93	7.39	7.45	6.69	7.44
Expenditure - indirect care services	47.88	49.84	50.90	50.39	49.76	63.82	58.10	63.48	57.09	62.44
Administration - indirect care overhead allocation	14.95	15.85	15.86	16.45	16.26	16.84	15.37	16.84	15.30	16.75
Indirect care expenditure	62.83	65.69	66.77	66.84	66.02	80.65	73.47	80.31	72.39	79.19
INDIRECT CARE RESULT	\$ 2.02	\$ 3.77	\$ 4.30	\$ 5.81	\$ 10.38	\$ (5.40)	\$ 4.23	\$ (4.51)	\$ 5.56	\$ (2.69)

	De-identified Provider FY22	De-identified Provider Dec-22	De-identified Provider FY23	De-identified Provider Sep-23	De-identified Provider Dec-23	ALL HOMES (1187 Homes) Dec-23	First 25% - All HOMES (297 Homes) Dec-23	NSW/ACT (475 Homes) Dec-23	NSW/ACT - First 25% (119 Homes) Dec-23	Major Cities (739 Homes) Dec-23
CARE RESULT										
Care Result - return on care revenue	\$ 22.73 8.6%	\$ 20.42 7.4%	\$ 8.70 3.1%	\$ 40.19 12.3%	\$ 42.78 12.8%	\$ 7.86 2.3%	\$ 49.06 14.1%	\$ 9.70 2.9%	\$ 50.70 14.8%	\$ 11.79 3.5%
ACCOMMODATION										
ACCOMMODATION REVENUE										
Accommodation revenue - residents	13.07	14.24	15.02	16.26	16.95	16.67	16.38	17.05	16.83	17.40
Government supplements - accommodation	23.08	24.15	25.26	29.74	26.98	23.99	24.20	23.92	24.37	23.66
Accommodation revenue	36.15	38.39	40.28	46.00	43.93	40.66	40.58	40.96	41.20	41.06
ACCOMMODATION EXPENDITURE										
Labour costs - maintenance	0.02	0.10	0.11	0.08	0.17	3.16	2.66	3.18	2.22	2.87
Workers compensation - maintenance	0.00	0.00	0.00	0.00	0.00	0.07	0.06	0.08	0.05	0.07
Payroll tax - maintenance	-	-	-	-	-	0.01	0.01	0.00	0.00	0.01
Routine repairs & maintenance	10.18	11.55	11.64	11.44	10.99	8.96	8.41	9.42	9.38	8.92
Motor vehicle expenses	0.15	0.20	0.19	0.25	0.24	0.27	0.27	0.27	0.22	0.21
Quality, compliance and training external costs	0.00	0.00	0.00	0.00	0.00	0.03	0.02	0.03	0.02	0.03
Depreciation - building	13.53	13.46	13.49	12.79	12.70	12.61	11.95	14.02	13.25	12.81
Depreciation & amortisation - non building	8.68	8.55	8.67	7.86	7.92	7.39	7.03	8.01	7.09	7.45
Right of use assets - depreciation and finance cost	-	-	-	-	-	1.12	1.64	0.21	0.13	0.90
Rent - buildings (not Captured by AASB 16)	0.00	0.00	0.01	0.04	0.03	1.05	1.03	0.46	0.14	1.29
Refurbishment	0.53	0.83	0.90	0.96	0.97	0.23	0.32	0.32	0.50	0.27
Bond/RAD interest expense	1.00	0.87	0.87	0.80	0.86	1.14	0.98	1.33	1.22	1.23
Expenditure - accommodation services	34.10	35.58	35.89	34.22	33.88	36.05	34.39	37.33	34.22	36.05
Administration - accommodation overhead allocation	13.08	13.86	13.87	14.38	14.22	14.72	13.43	14.72	13.37	14.64
Accommodation expenditure	47.18	49.44	49.76	48.60	48.10	50.77	47.82	52.05	47.59	50.69
ACCOMMODATION RESULT	\$ (11.03)	\$ (11.05)	\$ (9.49)	\$ (2.60)	\$ (4.17)	\$ (10.11)	\$ (7.24)	\$ (11.08)	\$ (6.40)	\$ (9.63)
ADMINISTRATION EXPENDITURE										
Administration recharges	35.83	37.79	38.37	40.36	40.21	31.81	28.30	32.55	30.31	32.96
Labour costs - administration	4.58	4.76	4.35	4.52	4.18	9.03	8.44	8.35	6.45	8.35
Other administration costs	2.17	2.28	2.78	2.46	2.42	7.14	7.05	7.15	6.99	6.51
Workers' compensation - other	0.09	0.17	0.15	0.07	0.07	0.21	0.20	0.20	0.15	0.20
Payroll tax - administration staff	-	-	-	-	-	0.03	0.05	0.01	0.01	0.04
Fringe Benefits Tax	0.00	-	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Quality & education - labour costs	0.00	0.01	0.01	0.00	0.00	0.06	0.04	0.07	0.03	0.05
Quality & education - other	0.00	0.01	0.01	0.00	0.00	0.03	0.03	0.02	0.01	0.02
Insurances	1.82	2.15	1.52	1.49	1.49	1.77	1.60	1.73	1.55	1.69
Expenditure - administration	\$ 44.50	\$ 47.16	\$ 47.19	\$ 48.92	\$ 48.37	\$ 50.08	\$ 45.71	\$ 50.08	\$ 45.51	\$ 49.82
Administration - direct care overhead allocation	(16.46)	(17.44)	(17.46)	(18.10)	(17.89)	(18.52)	(16.91)	(18.52)	(16.83)	(18.43)
Administration - indirect care overhead allocation	(14.95)	(15.85)	(15.86)	(16.45)	(16.26)	(16.84)	(15.37)	(16.84)	(15.30)	(16.75)
Administration - accommodation overhead allocation	(13.08)	(13.86)	(13.87)	(14.38)	(14.22)	(14.72)	(13.43)	(14.72)	(13.37)	(14.64)
NET ADMINISTRATION after allocation	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ (0.00)	\$ 0.00	\$ (0.00)	\$ 0.00
Administration Costs % of Total Revenue	14.8%	15.1%	14.6%	13.1%	12.8%	13.2%	11.8%	13.2%	11.9%	13.1%
OPERATING RESULT	\$ 11.70	\$ 9.37	\$ (0.78)	\$ 37.60	\$ 38.61	\$ (2.25)	\$ 41.82	\$ (1.39)	\$ 44.30	\$ 2.16
Operating Result per bed per annum	\$ 3,961	\$ 3,172	\$ (267)	\$ 12,736	\$ 13,311	\$ (764)	\$ 14,497	\$ (469)	\$ 15,239	\$ 737
Operating EBITDA	\$ 33.92	\$ 31.39	\$ 21.38	\$ 58.25	\$ 59.24	\$ 17.75	\$ 60.80	\$ 20.64	\$ 64.64	\$ 22.41
Operating EBITDA per bed per annum	\$ 11,481	\$ 10,624	\$ 7,288	\$ 19,733	\$ 20,420	\$ 6,028	\$ 21,075	\$ 6,977	\$ 22,234	\$ 7,654

	De-identified Provider FY22	De-identified Provider Dec-22	De-identified Provider FY23	De-identified Provider Sep-23	De-identified Provider Dec-23	ALL HOMES (1187 Homes) Dec-23	First 25% - All HOMES (297 Homes) Dec-23	NSW/ACT (475 Homes) Dec-23	NSW/ACT - First 25% (119 Homes) Dec-23	Major Cities (739 Homes) Dec-23
PROFILE										
Occupancy rate	92.7%	92.7%	93.4%	92.6%	94.2%	92.8%	94.7%	92.4%	94.0%	93.3%
Supported ratio	47.5%	47.2%	48.5%	48.8%	48.8%	45.9%	46.2%	44.5%	44.3%	45.1%
Staff Minutes Analysis (Normal + Overtime + Agency + Contract)										
Registered nurses	21.16	22.43	23.83	26.01	27.97	36.64	33.49	36.48	32.28	37.31
Enrolled and licensed nurses	2.13	2.03	2.13	1.79	1.47	11.52	7.01	3.36	1.62	10.27
Other unlicensed nurses/personal care staff	137.77	147.19	146.88	142.95	152.14	151.32	145.52	157.38	146.98	153.27
Imputed agency direct care minutes implied**	1.56	0.35	0.23	0.06	0.30	0.04	0.10	0.09	0.11	0.03
Total direct care minutes per resident day	162.63	171.99	173.06	170.81	181.87	199.52	186.12	197.31	180.99	200.87
Care management	5.71	6.59	6.33	6.84	7.70	4.06	3.68	4.14	4.23	3.81
Allied health	0.56	0.68	0.57	0.48	0.30	4.64	3.41	4.25	3.09	4.86
Lifestyle	-	-	-	-	-	6.83	4.44	6.16	3.51	6.40
Imputed agency other care minutes implied	-	-	0.02	0.03	0.05	0.04	0.04	0.07	0.04	0.04
Total care minutes per resident per day	168.90	179.27	179.98	178.16	189.91	215.10	197.70	211.91	191.86	215.98
Hotel services - Catering	9.34	8.81	7.13	5.19	5.62	27.35	24.44	24.98	21.60	25.76
Hotel services - Cleaning	1.88	1.92	1.86	1.54	1.58	9.50	8.65	7.44	6.40	8.89
Hotel services - Laundry	2.14	2.59	2.91	2.73	2.50	4.59	5.03	4.37	4.00	4.48
Total Hotel services	13.36	13.31	11.89	9.46	9.69	41.45	38.12	36.79	32.00	39.12
Routine maintenance and accommodation	0.00	0.01	0.01	0.01	0.02	3.95	3.39	3.78	2.77	3.38
Administration	6.04	5.32	4.65	4.24	4.45	9.12	7.74	8.95	7.10	8.37
Quality and education	-	-	-	-	-	0.90	0.61	1.25	0.88	0.92
Total other staff minutes per resident per day	19.41	18.65	16.55	13.70	14.17	55.41	49.86	50.77	42.75	51.79
Total staff Minutes	188.31	197.91	196.53	191.86	204.08	270.51	247.56	262.68	234.61	267.77
Total agency minutes (including imputed agency)	8.99	16.00	15.05	9.44	9.93	15.33	9.08	15.57	8.56	12.29
ACCOMMODATION PAYMENT ANALYSIS										
Incoming residents accommodation payment split										
Full RAD	21.8%	24.7%	29.8%	21.4%	31.0%	26.5%	30.5%	34.5%	35.3%	27.7%
Full DAP	56.9%	51.4%	46.7%	62.3%	45.1%	52.2%	45.4%	44.1%	43.9%	51.2%
Combination - Part RAD, Part DAP	21.3%	23.9%	23.5%	16.2%	23.9%	21.3%	24.2%	21.4%	20.8%	21.1%
Total number of incoming RADs, DAPs and Combos	413	393	728	154	326	11,676	2,517	3,886	941	7,642
Average incoming RAD (current financial year)										
Average of new FULL RADs / RACs	499,270	537,262	533,211	519,828	539,676	496,934	502,626	531,559	522,811	541,672
Average of new PART RADs / RACs	243,380	251,504	262,307	245,751	259,800	250,846	253,466	267,888	242,077	274,451
Average RAD/Bond held										
Average of FULL RADs/RACs/Bonds held at reporting date	406,798	450,271	463,722	471,678	480,592	462,116	485,072	485,199	501,083	500,958
Average of PART RADs/RACs/Bonds held at reporting date	230,429	240,941	246,161	250,407	255,612	257,289	256,238	264,589	266,679	277,954

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.

Facility (Aged Care Home) Result

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

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 (homes) 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, Indirect Care (everyday living) and accommodation.

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 biennial FY22 Administration Survey.

The allocation for each revenue stream is as follows:-

- Direct care: 37.0%
- Indirect care (Everyday Living): 33.6%
- Accommodation: 29.4%

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.

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 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 (homes) / programs in Band 4, then the benchmark would be the average of the *First 25%* of the aged care homes (homes) / programs in Band 4.

Benchmark Bands

Residential Care

For the purpose of benchmarking facilities against each other, we sort facilities into “benchmark groups (bands)” based on the levels of care subsidies + means-tested care fees received.

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

Band 1 - Over \$268

Band 2 - Between \$258 and \$268

Band 3 - Between \$248 and \$258

Band 4 - Under \$248

Home Care

Based on Total Revenue (Direct Care Services + Sub-contracted and Brokered Services + Care Management + Package Management) (\$ per client day):

Band 1 - Under \$65

Band 2 - Between \$65 and \$75

Band 3 - Between \$75 and \$85

Band 4 - Over \$85

Care Result

This is the element of the aged care home (facility) result that includes the Direct Care expenses and 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 (homes). The denominator used in this measure is the number of occupied bed days for any home (facility) or group of homes (homes).

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 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

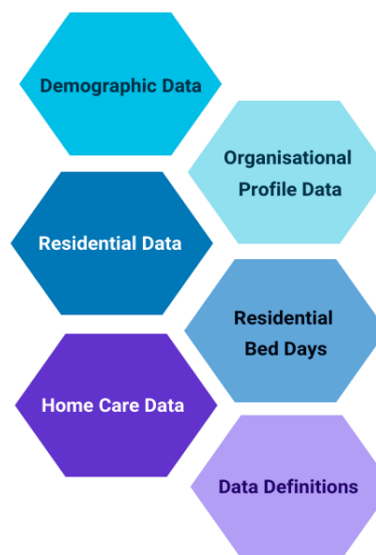
Aged care homes have been designated as being city based according to the designation by the Department of Health and Aged Care in their listing of aged care services. Those that were designated as being a “Major City of Australia” have been designated City.

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



Each tab (spreadsheet) requires an extensive level of input



There is a significant amount of non-financial data collected, including staff hours worked



The Organisational Profile data are cross referenced to the audited General Purpose Financial Statements

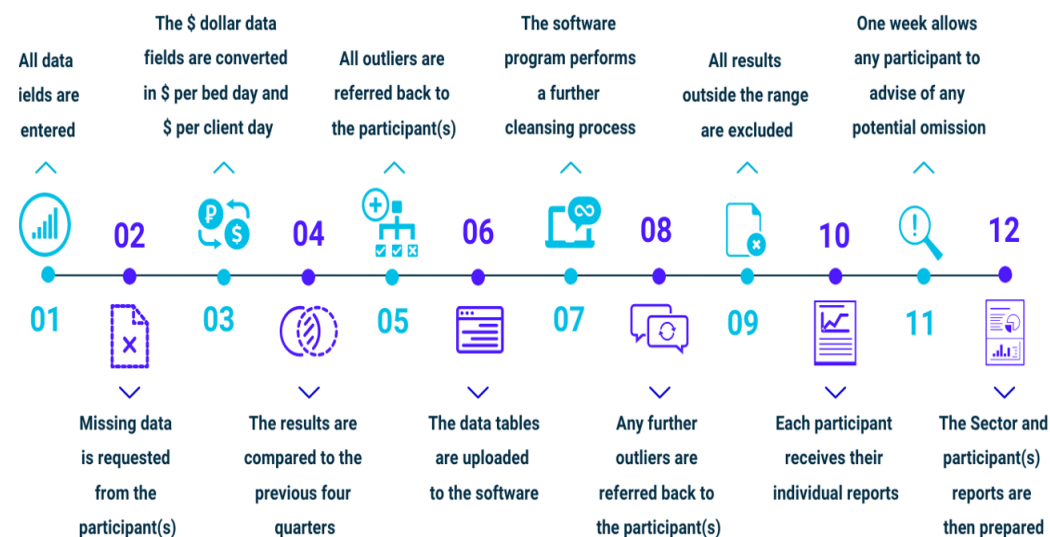


Each row must be completed. The only tabs not completed are where it is not applicable



The Data Definitions must be strictly adhered to as it ensures accurate comparability

Data Cleansing Process



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

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