

Aged Care Financial Performance Survey Report



Twelve months ended 30 June 2024

The StewartBrown June 2024 (twelve months) Aged Care Financial Performance Survey incorporates detailed financial and supporting data from

1,217 Aged Care Homes
(100,336 beds/places)

&

72,445
Home Care Packages

from

206
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. FY24 RESULTS SNAPSHOT

Approved Provider - Aggregate



(0.41%) negative

Operating surplus return on assets

(FY23: (1.90%) negative)



(\$968k) deficit

Operating result

(FY23: \$4.17m deficit)



1.04%

Operating EBITDA (cash) return on assets

(FY23: 0.31%)



(\$2.27m) deficit

DoHAC average NPBT result June 2023

(FY23: \$1.45m deficit)



30.63%

Cash + financial assets as a percentage of debt

(FY23: 26.59%)



\$2.48 million

Operating EBITDA

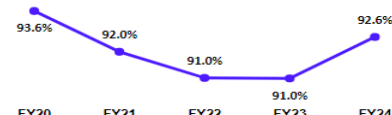
(FY23: \$676k)

Residential Aged Care

Operating Result per bed day



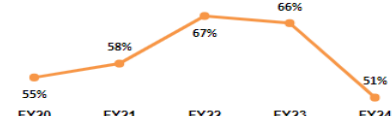
Occupancy Rate



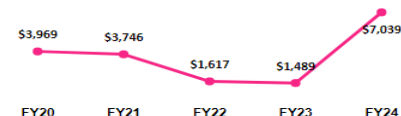
Operating Result per bed per annum



Homes with Operating Loss



Operating EBITDA per bed per annum



Homes with Operating EBITDA Loss

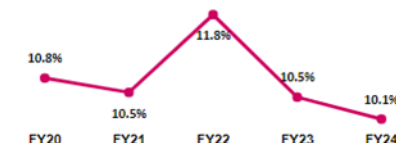


Home Care

Operating Result per client day



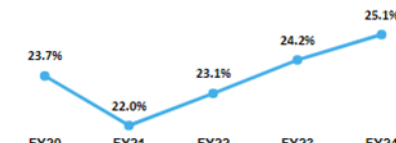
Care Management as % of Revenue



EBITDA per client per annum



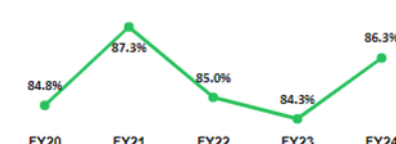
Administration as % of Revenue



Unspent Funds per Package



Revenue Utilisation



FY24 Financial Performance Analysis

Approved Provider (Organisation) Results

Net Profit Before Tax (NPBT)	The average result (NPBT) per Approved Provider for the FY24 was a \$2.5m surplus . This is an improvement on the FY23 average result per provider, which was a deficit of \$2.3m. The NPBT was largely due to the net non-recurrent result being a surplus of \$3.5m (FY23 \$1.9m). The recurrent operating result was an average deficit of \$968k (refer below)
Operating Result	<p>The average financial performance remains at unsustainable levels for many Providers. The FY24 results show that the average operating result per provider was a deficit of \$968k (FY23 \$4.2m deficit). This result means that the operations of the approved provider organisations 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 FY24 was a surplus of \$2.5m (FY23 EBITDA is \$676k surplus), which represents 2.71% of operating revenue, and 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 \$180 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 69.9%. This ratio is lower than the 71.1% for FY23 due to the increased AN-ACC subsidy which had a transition benefit before providers reached their target minutes during FY24.
Depreciation Rate	Average depreciation rate of 2.59% (39 years effective life) has reduced from FY23 (3.07%). 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 increased to 30.63% at Jun-24 from 26.59% at Jun-23 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 \$271.60 pbd, an increase of 27.4% from FY23 (\$213.19). (Due to 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). Everyday living (everyday living) revenue <i>including hotelling supplement</i> was \$76.31 pbd an increase of 8.2% from FY23 (\$70.53 pbd) Accommodation revenue was \$41.65 pbd, an increase of 14.4% from FY23 (\$36.41 pbd), this is due to increase in average MPIR, increase in accommodation supplement, and the improvement of respite accommodation supplement reporting.
Expenses	<ul style="list-style-type: none"> Direct care labour costs (RN/EN/PCA) averaged \$205.05 pbd, which is an increase of 28.3% from FY23 (\$159.86 pbd) Other direct care labour costs (Care Management/Allied Health/Lifestyle costs excluding workers compensation premium) averaged \$17.7 pbd, a decrease of 14.4% from FY23 (\$20.68 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 (excluding workers compensation premium) averaged \$8.95 pbd, an increase from FY23 (\$7.57 pbd) Everyday living costs was \$81.92 pbd, an increase of 6.2% from FY23 (\$77.15 pbd) Catering expenditure averaged \$40.19 pbd, an increase of 7.0% from FY23 (\$37.55 pbd) <i>(this is as a result of increase in food consumables and inflationary pressures)</i> Administration costs averaged \$50.38 pbd, an increase of 11.0% from FY23 (\$46.62 pbd) <i>(due to increase in quality, reporting and compliance requirements)</i> Accommodation expenditure averaged \$52.88 pbd (depreciation \$22.36 pbd) compared to FY23 \$49.46 pbd
Operating Result	<ul style="list-style-type: none"> Direct care margin for FY24 increased significantly with the increase in AN-ACC care funding by \$12.11 pbd to a surplus of \$15.25 pbd (including administration) from FY23 \$3.13 pbd surplus Everyday living margin improved to a deficit of \$5.61 pbd (including administration) (FY23 deficit \$6.62 pbd). <i>This includes improvement due to increase in occupancy and increase in hotelling supplement.</i> Accommodation margin (including administration) was a deficit of \$11.22 pbd (FY23 deficit \$13.05 pbd) Operating result was a deficit of \$1.58 pbd (FY23 operating deficit \$16.54 pbd) Operating EBITDA averaged \$7,039 pbpa (FY23 EBITDA \$1,489 pbpa), which is significantly lower than an operating EBITDA of \$20,000 pbpa to allow ongoing investment to the sector.
Additional Trends	<ul style="list-style-type: none"> Direct care minutes (RN/EN/PCA) was 202.42 minutes per resident per day (FY23 189.62 minutes). Direct care minutes for Jun-24 quarter reached 210.67 minutes including 40.52 RN minutes per resident per day after Providers' efforts in recruitment. Occupancy for mature homes increased to 92.6% (FY23 91.0%) <i>(occupancy based on actual available beds)</i> Supported resident ratio remained constant at 46.1% (FY23 46.0%) Average full RAD received for FY24 was \$494,106 (FY23 \$472,803) Proportion of full RADs received for non-supported residents was 32.8%, full DAPs was 45.0% and Combinations (RAD/DAP) was 22.2%. DAPs payer proportion was 50.7% for FY23. It is important to note residents who are yet to decide the payment methods will be reported as DAP payer.

Home Care Package (HCP) Results

Revenue	<ul style="list-style-type: none"> Revenue was \$78.44 per client per day, an 12.8% increase from FY23 (\$69.57 pcpd) Care management revenue as a proportion of total revenue was 18.6% (FY23 18.5%). 96% programs/packages have care management at over 10% of total available fund (total operating revenue divided by revenue utilisation rate). Package management revenue as a proportion of total revenue was 12.4% (FY23 11.6%) Revenue utilisation increased by 2.3% to 86.3% of funding received (FY23 84.3%)
Expenses	<ul style="list-style-type: none"> Direct service costs increased by \$5.70 pcpd to be 60.6% of total revenue (FY23 60.1%) Care management cost as % of revenue has decreased to 10.1% of revenue (FY23 10.5% of revenue) Administration and support costs represent 25.1% of revenue (FY23 24.2%)
Unspent Funds	<ul style="list-style-type: none"> The amount of unspent funds per client (care recipient) has continued to rise and now averages \$14,517 per client (FY23 \$12,604 per client) In aggregate across the sector, this represents in excess of \$4.1 billion of funds that have not been utilised.
Operating Result	<ul style="list-style-type: none"> Operating results have decreased by \$0.38 per client per day to \$2.76 pcpd (FY23 \$3.14 pcpd) The profitability margin has declined from 4.5% in FY23 to 3.5% for FY24. Profitability decline is being driven by the increase in labour costs.
Other Trends	<ul style="list-style-type: none"> Average staff hours per week was 5.22 hours (FY23 5.16 hours) The number of packages in the survey has increased to represent 71,003 packages for FY24 (FY23 68,129 packages)

2. EXECUTIVE SUMMARY

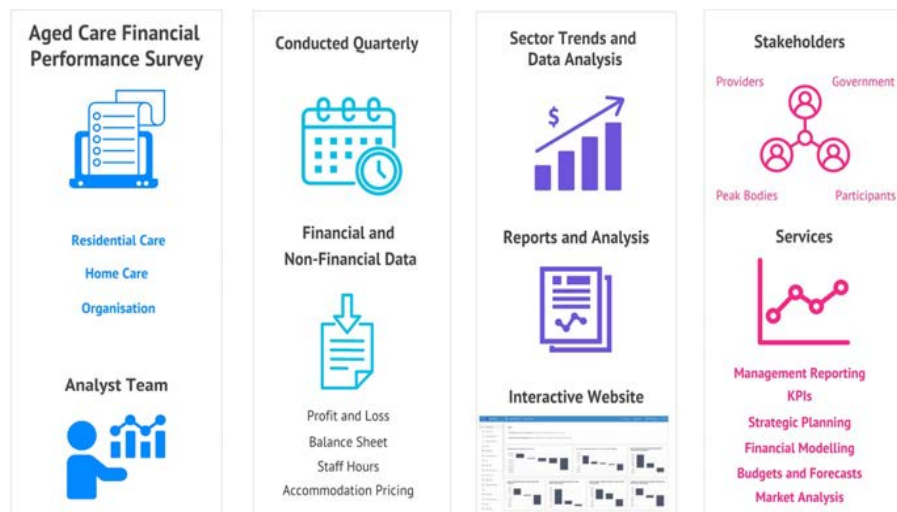
Abstract

The *Aged Care Financial Performance Survey* (Survey) Sector Report for the 2024 financial year (FY24) 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 twelve months ended 30 June 2024 are derived from data contributed by the following:



Commentary

The Australian Government introduced the *Aged Care Bill 2024* (draft new Aged Care Act) to Parliament on 12 September 2024 with bipartisan support for Chapter 4 "Funding for Aged Care Services". The Bill included the funding reforms resulting from the Aged Care Taskforce Report. StewartBrown's analysis on the funding reform in September 2024 can be found [here](#).

Despite the tabling of the *Bill*, several aspects remain undetermined. Notably, the Independent Health and Aged Care Pricing Authority (IHACPA) is yet to provide guidance on the increased hotelling supplement to cover the full costs in delivering such services. Furthermore, details surrounding the newly introduced Higher Everyday Living Fee (HELFF), which replaces additional services and extra services, are not yet fully specified.

The recently tabled *Bill* introduces changes that providers need to consider. The introduction of RAD retention and indexation on DAP, as well as the potential phasing out of RADs by 2035 necessitate a strategic reassessment of providers' long-term financial models and funding sources.

The *Bill* removes the 28-day deadline for residents to select their payment method. While this change offers increased flexibility for residents, it may result in additional administrative complexities for providers.

More information will be shared with the public as the new *Aged Care Act* progresses towards legislation by July 2025. StewartBrown will continue to offer analysis and commentary on this development.

The Government has reaffirmed its strong commitment to advancing the critical reform agenda aimed at improving the delivery of quality aged care services for elderly Australians.

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.

On 17 September 2024, the Government announced increase in AN-ACC starting price from \$253.82 to \$280.01 from 1 October 2024. The increase in the AN-ACC price includes uplift in care minutes to 215 sector average, FWC stage 3 decisions for eligible workers, superannuation guarantee increase and inflation on other costs.

Hotelling supplement is also increased to \$12.55 pbd from 20 September 2024 to fund the FWC decision. It will further increase by \$1.89 on 1 July 2025 to fund higher hotelling costs. Further increase will be subject to the advice from IHACPA to cover the full costs in delivering everyday living services.

There are increase in the National Weighted Activity Unit (NWAU) weightings for the Base Care Tariff (BCT) components for facilities located in MMM1 to MMM5 to fund the operating losses observed in regional areas. Facilities located in MMM4 will receive a 16.3% increase in NWAU weighting for the BCT components. NWAU for the variable component for each AN-ACC Class also changed with increase in funding for residents in lower care classes while decrease for those in higher care classes. The Department advised that care minutes allocated to each AN-ACC Class from Oct 2024 are adjusted to ensure that funding matches the cost of care.

With the increase in AN-ACC starting price to fund the uplift of sector average RN minutes from 40 to 44 from October 2024, 24/7 RN supplement will be reduced and only be available to facilities with no more than 50 residents.

Providers have made significant efforts to meet their direct care minutes target under the existing (and critical) staffing shortage circumstances during FY24.

Based on StewartBrown Survey data, average registered nurse minutes exceed 40, while total average direct care minutes surpass 200 for the June quarter. Agency usage remains high, particularly for registered nurses.

Mandatory direct care minutes will increase from 1 October 2024 based on a sector-wide average of 215 minutes of direct care per resident per day, including 44 minutes of direct care by registered nurses. This increase will be funded via the AN-ACC subsidy. Up to 10% of the RN target minutes can be provided by enrolled nurses. However, this does not change the 24/7 RN requirement and nurses' responsibilities.

The FY24 survey indicated that over 80% of facilities included in the Survey employed enrolled nurses at some point during FY24. For facilities with enrolled nurses that currently meet 24/7 RN requirements, they will likely experience financial benefits from October 2024 under the new funding rate and increased mandatory minutes, as the Department has advised that providers are funded as though the full 44-minute target is met by RNs.

The Fair Work Commission (FWC) decision for the Stage 3 Work Value Case was announced 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 everyday living workers). It was determined that there would be no further pay increase for nursing staff. The pay increase resulting from the FWC stage 3 decision applies to the following workers:

- assistants in nursing
- personal care workers
- home care workers
- recreational activities officers (lifestyle workers)
- ancillary staff – such as administration staff, drivers, maintenance staff, gardeners, laundry hands, cleaners and food services assistants.

The award pay rate increases range between 2.3% to 13.5%. From 1 January 2025, the above aged care workers will start receiving the increases to their award wage. For some workers with higher pay increase, the increase will be in 2 phases, with the second increase occurring on 1 October 2025. The FWC decision is funded under the higher AN-ACC starting price and the increase in hotelling supplement.

Support at Home program will replace the Home Care Packages (HCP) Program and Short-Term Restorative Care (STRC) Programme from 1 July 2025. Major changes include:

- 8 classifications for ongoing services and 2 short-term classification
- Quarterly budget
- Price caps set by government
- No separate administration charges
- Care management funding set at 10% of all quarterly budget
- A defined service list

Additional information will be made available as providers approach 1 July 2025 to facilitate strategic decision-making.

Financial Results Overview

Summary

The Survey for the twelve months ending June 2024 (FY24) shows a decrease in operating result for both residential aged care and home care segment compared to the nine months ended March 2024.

The average operating result for residential aged care homes across all geographic sectors was an **operating loss of \$1.58 per bed day** (FY23 \$16.54 pbd loss) for mature homes (which exclude outliers). This represents an **operating loss of \$536 per bed per annum**, which is a decrease compared to Mar-24 YTD operating deficit of \$218 per bed per annum despite the increase in average AN-ACC funding during the period. The financial performance was impacted by rising direct care labour costs. A comprehensive analysis of the change in direct care margin 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 40.52 per resident per day and total direct care minutes of 210.67 per resident per day for the standalone Jun-24 Quarter, compared to the 40 RN and 200 total direct care minutes targets respectively. This is a significant increase from the Sep-23 quarter average of 196.36 minutes including 36.12 RN minutes.

Agency usage for RN remains to be high at 10% of the RN minutes for June Quarter. Agency RN costs is 14.6% of total agency costs due to the higher hourly rate at \$128/hr compared to internal RN hourly cost at \$85/hr.

Occupancy remains at 92.6% of available beds for mature homes (FY23 91.0%, YTD Mar-24 92.6%). 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, staffing shortages, 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 FY24, 51.3% aged care homes continue to operate at a loss (65.8% for FY23) and 28.2% operated at an EBITDA (cash loss) (44.4% for FY23).

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. Forecasts suggest a reasonable direct care margin under the new AN-ACC price and increased mandatory minutes and labour award rate.

The sector continues to make significant losses through the delivery of everyday living and accommodation services which continued in FY24. The new *Bill* included additional funding streams for these services. Impacts on the funding streams are forecast in subsequent sections of this report.

Financial sustainability needs to be achieved from all service areas of a residential aged care home.

Home Care continues to operate with uncertainty as the sector awaits the reform of the Support at Home program. IHACPA is yet to advise the price points and caps a provider can charge for each service type.

A detailed cost study is needed once the cap price by service is available for strategic decisions.

Staffing remains the most crucial concern for home care.

The current home care operating result has decreased to a **surplus of \$2.76 per client per day** (FY23 \$3.14 pcpd). Average unspent funds per care recipient continues to increase to \$14,517 despite increase in revenue utilisation rate at 86.3%. *Unspent funds are now estimated to be in excess of an aggregate \$4.1 billion across balances held by Providers and the Government.*

Average staffing hours in providing direct home care services has increased to be 5.22 hours per client per week (FY23 5.16 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.

Residential Direct Care Margin

Direct care subsidy & supplements for FY24 averaged \$269.07 pbd, which is an increase from \$266.10 pbd for the nine months ended Mar-24. This is largely 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 eligible homes, which is estimated to amount to \$2.35 pbd when averaged across all homes in the Survey. Nursing supplement is estimated to be \$0.97 pbd from Oct 2024 provided the facilities that currently meet hours requirements continue to meet the new hours requirements (average of 215 mandated direct care minutes).

Due to the increase in staffing levels to meet direct care minutes targets, despite \$3.31 pbd increase in direct care revenue, FY24 direct care margin at \$15.25 pbd is only slightly higher than the YTD Mar-24 average margin of \$15.13 pbd.

When looking at Jun-24 quarter in isolation, direct care margin for Jun-24 quarter is a surplus of \$14.57 pbd with \$282.66 pbd direct care revenue. Direct care services margin for the Jun-24 quarter is 5.15%.

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

Table 1: Jun-24 quarter direct care margin movement compared to Mar-24 quarter

Sector Average (\$ per bed day)	QTD Mar-24	QTD Jun-24	Movement
Direct care revenue	\$277.04	\$282.66	\$5.63
Total direct care labour costs	\$209.71	\$216.56	\$6.85
Direct care labour costs increase due to minutes increase*			\$9.34
Direct care labour costs increase due to increase in hourly costs			(\$2.49)
Other direct care expenditure	\$33.66	\$31.92	(\$1.74)
Administration - direct care overhead allocation	\$17.98	\$19.62	\$1.63
Direct care margin	\$15.69	\$14.57	(\$1.11)

**Estimated based on the variance in direct care minutes between the two Surveys, and hourly costs from Jun-24 Survey*

For the first time since Oct-23, the Jun-24 quarter reported higher than target average RN minutes and total direct care minutes.

Table 2: Change in direct care labour costs and hours including agency usage (QTD)

	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
Registered nurses (RN)	\$41.98	\$49.10	\$53.08	\$55.97	\$60.07
Other direct care labour costs	\$128.29	\$142.23	\$151.91	\$153.74	\$156.48
Total direct care labour costs	\$170.27	\$191.33	\$204.99	\$209.71	\$216.56
Registered nurses minutes	32.54	36.12	37.23	38.59	40.52
Other direct care minutes	158.02	160.24	165.52	164.14	170.15
Total direct care minutes	190.56	196.36	202.74	202.73	210.67
Agency RN costs	\$5.97	\$7.07	\$7.85	\$8.58	\$8.69
Other agency direct care labour costs	\$11.84	\$9.89	\$9.67	\$10.04	\$9.93
Total agency costs	\$17.81	\$16.96	\$17.52	\$18.62	\$18.62
Agency RN minutes	3.68	3.39	3.78	4.01	4.06
Other agency direct care minutes	10.38	8.28	7.73	7.76	7.92
Total agency minutes	14.06	11.68	11.51	11.77	11.98
Agency RN minutes as % of total RN minutes	11.3%	9.4%	10.2%	10.4%	10.0%
Agency direct care staff minutes as % of total direct care labour minutes	7.4%	5.9%	5.7%	5.8%	5.7%
Internal RN hourly rate	\$74.88	\$77.05	\$81.15	\$82.21	\$84.56
Agency RN hourly rate	\$97.30	\$125.17	\$124.44	\$128.52	\$128.28

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 \$128/hr for Jun-24 quarter, which is a financial burden to Providers who have to rely on these staff.

The increased direct care minutes target starting October 2024 means Providers must maintain their recruitment efforts, even if current minutes exceed targets. One goal is to replace most agency staff with permanent employees. Additionally, Providers face challenges in adjusting their roster arrangements from October 2024 due to changes in NWAU weighting and direct care minutes targets for each AN-ACC class. Depending on the residents mix, the new target minutes might vary largely from current target minutes level.

The current direct care margin for Jun-24 Quarter of \$14.57 per bed day (5.15% of direct care revenue) is probably inadequate for Providers to attain an above-average Star Rating for staffing minutes. Such a rating would necessitate a significant increase in staff minutes beyond the current target. This challenge is particularly acute given that reforms to everyday living and accommodation services, which currently operate at a loss, have not yet been implemented to generate a surplus.

Direct Care Staff Costs and Mandated Minutes Movement

During the Jun-24 quarter, total direct care staff minutes increased to 210.67 minutes per resident per day, including 40.52 minutes from registered nurses. Analysis has been performed comparing the Jun-24 quarter, Mar-24 quarter Survey results against Jun-23 QFR financial results.

It is observed that other care labour (including care management, allied health and lifestyle) minutes across all homes decreased in Jun-24 quarter compared to both Mar-24 and Jun-23 quarter.

Figure 1: Other direct care labour minutes variance between periods

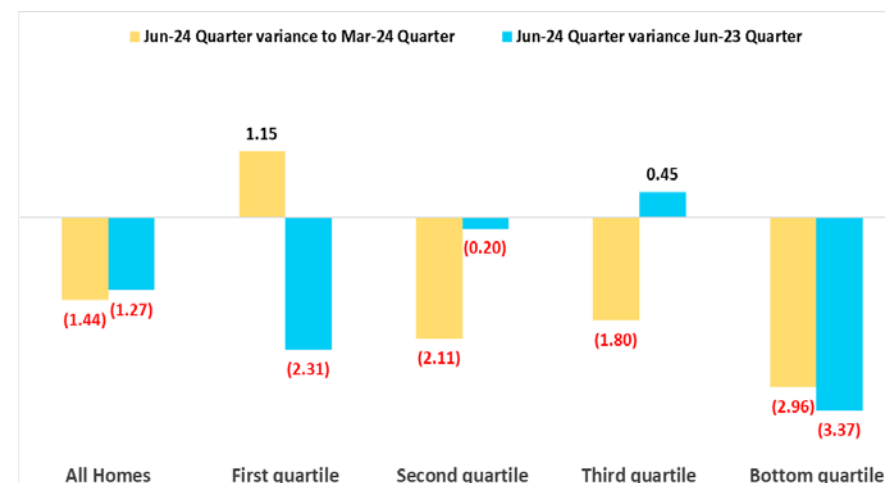
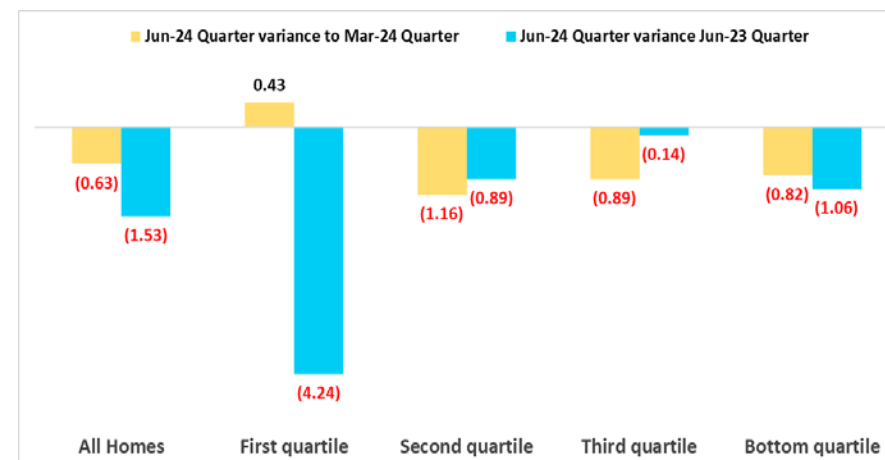
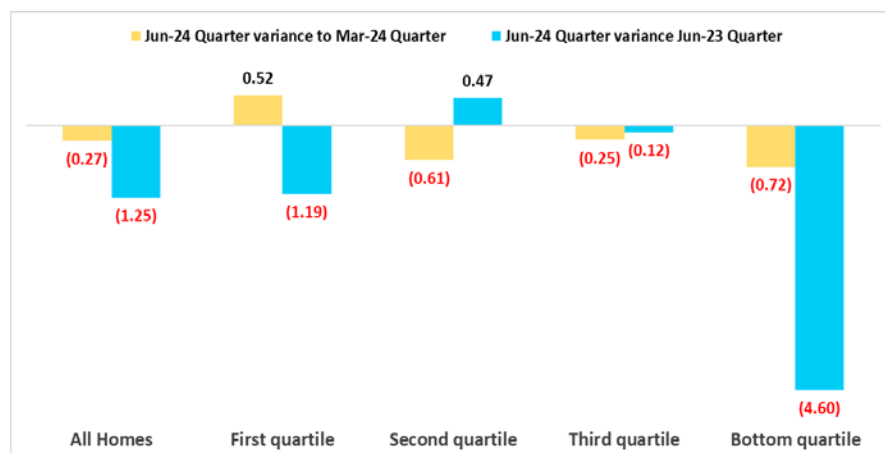


Figure 2: Care management labour minutes variance between periods



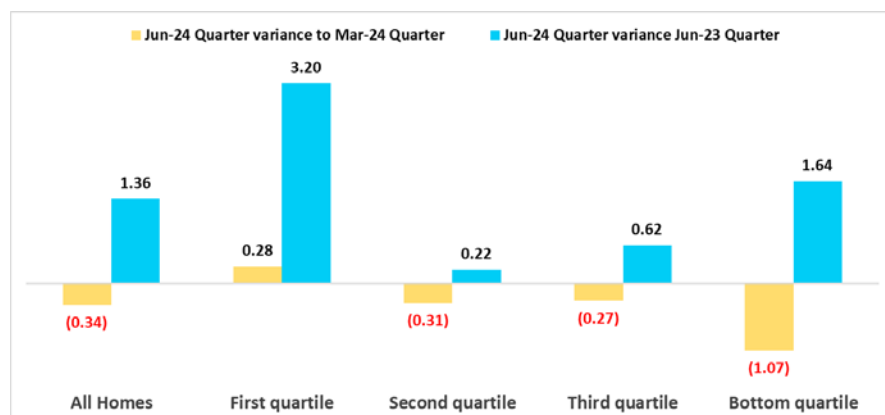
The decrease in minutes that is observed in care management staff, is possibly due to the reallocation of some of these minutes to the direct care category. There has also been a decline in allied health minutes which is more likely to be a cost saving measure and/or a change in how Providers deliver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

Figure 3: Allied health minutes variance between periods



Minutes for lifestyle/recreation officer staff increased compared to Jun-23 quarter data, while decreased compared to Mar-24 data.

Figure 4: Lifestyle minutes variance between periods



Allied Health Analysis

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.

StewartBrown collects allied health data in different categories and calculated the % of facilities with certain allied health category usage in the FY24 Survey submission.

All facilities included in FY24 Survey reported allied health costs. Majority of facilities uses physiotherapist, while the usage of other categories vary.

Table 3: % of allied health usage comparison by MMM locations

Facility with allied health usage %	ALL	MMM1	MMM2-3	MMM4-7
Physiotherapist	98%	98%	99%	96%
Occupational Therapist	32%	34%	29%	31%
Speech Pathologist	80%	82%	77%	73%
Podiatrist	85%	86%	86%	80%
Dietetic Care	83%	83%	81%	83%
Other Allied Health	49%	49%	49%	47%
Allied Health Assistants	19%	22%	13%	14%

Figure 5: Allied health costs by category

















Allied Health Costs					
[\$ per resident per day]		Internal staff employed	+	External contractors	= All
	Physiotherapy	\$1.24	+	\$2.60	= \$3.84
	Occupational therapy	\$0.21	+	\$0.14	= \$0.35
	Speech pathology	\$0.03	+	\$0.15	= \$0.18
	Podiatry	\$0.03	+	\$0.38	= \$0.41
	Dietician / Dietetics	\$0.06	+	\$0.22	= \$0.28
	Allied health assistants	\$0.32	+	\$0.03	= \$0.35
	Other allied health professionals	\$0.30	+	\$0.21	= \$0.52
	Total	\$2.19	+	\$3.73	= \$5.92

Figure 6: Allied health minutes by category

Allied Health Minutes					
[Minutes per resident per day]	Internal staff employed	+	External contractors	=	All
 Physiotherapy	0.84	+	1.85	=	2.68
 Occupational therapy	0.18	+	0.11	=	0.29
 Speech pathology	0.02	+	0.07	=	0.09
 Podiatry	0.02	+	0.31	=	0.33
 Dietician / Dietetics	0.05	+	0.11	=	0.16
 Allied health assistants	0.40	+	0.01	=	0.41
 Other allied health professionals	0.20	+	0.14	=	0.34
 Total	1.70	+	2.60	=	4.30

Operating Result by MMM

Operating result varies largely for facilities located in different Modified Monash Model (MMM) categories.

Facilities located in MMM4 areas recorded the lowest operating result for FY24 with a deficit of \$19.19 pbd, compared to facilities located in MMM1 areas with an operating surplus of \$3.00 pbd.

Under the current funding arrangement where MMM1-MMM4 receives the same BCT components, MMM4 facilities are not compensated for the higher labour costs in delivering direct care services. This is reflected by its lowest direct care margin at only \$5.62 pbd with 198.51 average total direct care minutes. While MMM1 facilities on average recorded a direct care margin of \$17.00 pbd with 203.36 minutes direct care services provided to each resident each day.

Table 4: Operating result by MMM locations (\$ per bed day)

	MMM1 Homes	MMM2 Homes	MMM3 Homes	MMM4 Homes	MMM5 Homes
	FY24	FY24	FY24	FY24	FY24
Direct care revenue	\$270.38	\$268.40	\$269.05	\$267.68	\$289.23
Total direct care labour costs	\$202.59	\$206.60	\$207.77	\$209.91	\$219.74
Other care labour costs	\$23.30	\$23.38	\$23.98	\$25.14	\$27.23
Other direct care expenditure	\$8.97	\$8.05	\$9.36	\$8.13	\$10.23
Administration - direct care overhead a	\$18.52	\$18.48	\$18.13	\$18.88	\$20.30
Direct care expenditure	\$253.38	\$256.51	\$259.23	\$262.07	\$277.50
DIRECT CARE MARGIN	\$17.00	\$11.89	\$9.82	\$5.62	\$11.73
Everyday living revenue	\$77.54	\$73.43	\$74.29	\$73.94	\$73.08
Everyday living expenditure	\$80.40	\$84.10	\$83.31	\$86.30	\$88.01
EVERYDAY LIVING MARGIN	(\$2.86)	(\$10.67)	(\$9.02)	(\$12.36)	(\$14.93)
Accommodation revenue	\$41.99	\$41.21	\$40.23	\$41.41	\$41.09
Accommodation expenditure	\$53.13	\$52.75	\$50.25	\$53.86	\$51.94
ACCOMMODATION MARGIN	(\$11.14)	(\$11.53)	(\$10.02)	(\$12.44)	(\$10.85)
Operating result	\$3.00	(\$10.31)	(\$9.22)	(\$19.19)	(\$14.05)
Operating EBITDA per bed per annum	\$8,789	\$4,214	\$3,739	\$1,233	\$1,576
Occupancy	93.2%	92.3%	91.0%	91.6%	90.8%
Total direct care minutes per resident	203.36	200.15	198.90	198.51	205.34

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 192.12 direct care minutes per resident per day while bottom (fourth) quartile homes averaged 213.66 minutes per resident per day. The difference in average direct care minutes between first quartile average and bottom quartile average of 21.54 minutes has decreased compared to Sep-23 Survey at 29.79 minutes. The gap decreases as Providers move towards their target minutes through active recruitment.

Additional analysis was conducted to estimate what the operating result for each quartile would be with target average minutes being achieved (refer to 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 \$8.97 pbd direct care labour costs on average to meet the average mandated minute targets. While fourth quartile might be able to save up to \$13.19 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 \$96.70 pbd to \$74.54 pbd.

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

FY24 Survey	All Homes	First Quartile	Second Quartile	Third Quartile	Fourth Quartile
Staff Minutes					
Registered nurses	38.02	36.02	37.30	38.11	41.00
Enrolled and licensed nurses	10.88	8.13	11.39	11.79	12.29
Other unlicensed nurses/personal care staff	153.52	147.97	151.93	154.53	160.38
Imputed agency direct care minutes implied					
Total direct care minutes per resident day	202.42	192.12	200.62	204.42	213.66
Gap from target minutes					
Registered nurses	1.98	3.98	2.70	1.89	(1.00)
Other direct care labour	(4.40)	3.90	(3.32)	(6.31)	(12.67)
Additional costs					
Registered nurses	\$2.84	\$5.54	\$3.77	\$2.69	(\$1.53)
Other direct care labour	(\$3.95)	\$3.43	(\$2.95)	(\$5.74)	(\$11.66)
Additional costs - without restructuring	\$2.84	\$8.97	\$3.77	\$2.69	\$0.00
Operating result	(\$1.58)	\$42.64	\$10.10	(\$11.88)	(\$54.06)
Operating result after additional costs	(\$4.42)	\$33.67	\$6.33	(\$14.57)	(\$54.06)
Potential costs saving from restructuring	\$3.95	\$0.00	\$2.95	\$5.74	\$13.19
Total additional costs	(\$1.11)	\$8.97	\$0.82	(\$3.05)	(\$13.19)
Operating result after costs saving	(\$0.47)	\$33.67	\$9.29	(\$8.83)	(\$40.87)

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 facility might be eligible for exemptions provided appropriate clinical arrangements are in place, which we assume so in the analysis. The exemption is granted to eligible facilities for up to 12 months, so from FY25, it is likely that no more facilities will be eligible for the exemptions.

Based on the analysis for facilities that provided valid shift hours information (1,085 out of 1,194) the following outcomes arise.

Table 6: 24/7 RN requirement analysis - FY24

24/7 Registered Nurses	Number of facilities	Proportion	Average hours - morning shift	Average hours - afternoon shift	Average hours - overnight shift
Potential eligible exemption	33	3%	8.44	4.68	3.64
Meet	704	65%	26.03	15.03	10.01
Below	348	32%	7.53	3.67	2.70
Total	1,085	100%	24.10	14.74	10.05

32% of homes may not be meeting the 24/7 requirements, which is a reduction compared to FY23 average of 48%.

Table 7: 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
Potential eligible exemption	36	3%	6.68	2.97	1.82
Meet	505	49%	22.60	11.62	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 24% compared to FY23 average.

Providers increased agency RN usage for the overnight shift. Analysis shows that 30% agency RN minutes were used to cover overnight shift for FY24 compared to Jun-23 quarter at 24%. This comes at a great cost to Providers.

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

- 51% of MMM4 facilities failed to meet 24/7 requirements, making up the highest proportion

- MMM1 has the lowest proportion of 27% not meeting the 24/7 RN requirement
- WA homes have the highest proportion of not meeting 24/7 RN requirements at 43%, while the proportion is 26% for VIC and SA 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, 73% 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.

Everyday Living

Everyday living 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 (\$5.61) pbd loss.

The deficit is inclusive of the average \$11.09 per resident per day hotelling supplement paid by the government (increased to \$11.24 pbd from 20 March 2024).

It is worth noting that facilities which provide additional or extra services (revenue for additional services being over \$3 pbd for this analysis) increased from 25.7% from FY23 to 33.8% for FY24 Survey which means that more facilities 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 margin remains in deficit at (\$5.61) pbd as noted above. Therefore, additional services on their own are not sufficient to reduce the everyday living margin deficit.

Table 8: Everyday Living Margin Comparison

	Facilities with additional/extra services	Facilities without additional/extra services	Difference
Basic daily fee - resident	\$61.19	\$60.98	\$0.21
Hotelling supplement – government	\$11.13	\$11.04	\$0.09
Fees for additional services and extra or optional service fees	\$8.43	\$0.10	\$8.33
Everyday living revenue	\$80.75	\$72.12	\$8.63
Hotel services expenditure	\$57.43	\$56.14	\$1.30
Utilities	\$7.91	\$8.51	(\$0.60)
Administration - everyday living overhead allocation	\$17.04	\$16.84	\$0.19
Everyday living expenditure	\$82.38	\$81.49	\$0.89
EVERYDAY LIVING MARGIN	(\$1.63)	(\$9.37)	\$7.74

Facilities without additional/extra services recorded an average everyday living margin deficit of \$9.37 pbd, while facilities with additional/extra services recorded a deficit of \$1.63 pbd. For the facilities providing additional services, the everyday living expenditure is only \$0.89 pbd higher, while revenue is an average of \$8.63 pbd higher.

The Department announced higher hotelling supplement to cover the costs effective from 20 September 2024 of \$12.55 per bed day. However, the full amount for the hotelling supplement from July 25 is yet to be advised by IHACPA.

An increasing proportion of facilities utilising internal catering services was noted in recent Surveys. 72% of facilities in the FY24 Survey used internal catering services only, compared to the proportion of 66% in FY22.

Table 9: Catering costs comparison Survey average vs in-house (\$ pbd)

Catering (all homes)	FY22	FY23	FY24
Labour costs	17.61	19.34	20.89
Consumables - food	9.19	11.58	12.88
Consumables - other	0.34	0.55	0.65
Contract catering	7.59	6.33	6.05
Income from sale of meals *	(0.21)	(0.24)	(0.28)
Total catering cost	\$34.51	\$37.55	\$40.19
Catering (in-house)	FY22	FY23	FY24
Labour costs	22.82	23.78	24.89
Consumables - food	11.96	13.58	15.30
Consumables - other	0.36	0.61	0.62
Contract catering	0.00	(0.00)	0.03
Income from sale of meals *	(0.27)	(0.30)	(0.36)
Total catering (in house)	\$34.87	\$37.68	\$40.48
% of facilities using in-house catering only	66%	68%	76%

* Usually a credit amount

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 margin deficit for an aged care facility. The FY24 Survey recorded an average margin deficit of \$11.22 pbd compared to a deficit of \$13.05 pbd for FY23.

Higher average Maximum Permitted Interest Rate (MPIR) for incoming residents contributed to the improvement. MPIR for Jun-24 quarter is 8.34% compared to 7.46% for June 23 quarter. It further increased to 8.36% and 8.38% for Sep-24 and Dec-24 quarters respectively.

Depreciation expense represented \$22.35 pbd. Whilst depreciation is a non-cash component (and excluded from EBITDA calculations), it is a crucial expense that must be recovered to fund the ongoing maintenance, refurbishment, and eventual replacement of aged care facilities.

Setting aside funds to match accumulated depreciation is particularly important because new residents typically prefer more modern and up-to-date aged care facility when given a choice. As a result, older or less appealing facilities may struggle with lower occupancy rates, especially in highly competitive areas.

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 government's funding framework. Australia has a strong and robust safety net for residents without the financial means and this will continue.

Residents with financial means should reasonably be expected to make a fair contribution towards their accommodation costs. The reform implemented from July 2025, which allows for RAD retention, addresses this issue by creating a more balanced approach to funding accommodation in aged care facilities.

Financial Impact of RADs

There is considerable discussion on the financial impact of RADs for the residential aged care sector, both from a debt perspective and investment returns.

How much of an Ingoing RAD is used for Investment Purposes

This differs between For-Profit (FP) and Not-For-Profit (NFP) Approved Providers (excluding Government).

Refer to below *Table 10*, and the relevant ratios to be considered are: -

- Cash and financial assets (liquid cash assets) as a % of refundable loans (range 29.07% - 35.59% in periods included in the table)
- Cash and financial assets (liquid cash assets) as % of debt (total borrowings) (range 26.59% - 31.33% in periods included in the table)

Please note that organisations (included Approved Providers) do not quarantine liquid assets into separate identifiable deposits for each operating segment. Instead, these assets are combined into a single pool.

Accordingly, the liquid cash assets (cash and cash equivalents plus financial assets) also include normal operating cash and investments from past retained earnings (profits) and current working capital, so whilst this is not an exact science, it does provide a good overview.

For this reason, if the percentage of liquid cash assets in an overall (aggregate sense) is (say) an average of 32.5% of refundable loans (RADs and ILU loans) or more realistically an average of 29.5% of total debt, it would be a reasonable assumption that an Approved Provider would retain a maximum of 25% of an incoming RAD (to be held as a liquid cash asset) and more likely around 20% (the balance being working capital and accumulated retained earnings not distributed).

This is the net amount of an incoming RAD that is retained over a time period.

The above averages are for the whole sector, but FP providers retain less due to having to pay company tax and shareholder distributions from the liquid cash assets (not directly from RADs) so they run their liquid cash assets at much more leaner levels, so their % is in the 10% - 15% range at best, and often , in the 5% - 10% range, whereas NFP's (being the majority) are in the 22.5% - 27.5% range (at best).

In summary, it can be considered that (say) only 20% - 25% of an incoming RAD is actually invested to provide investment revenue.

Interest Rate for RAD Investment Earnings

Once again, this differs for FP and NFP providers.

Table 10 includes investment return ratios (highlighted in blue).

The analysis is a little complex, as financial assets are a combination of listed equities, managed funds and term deposits (being the major component). This is dependent upon market fluctuations.

The ratio of net investment revenue percentage (E / A) is probably the best measure. With the increase in interest rates and ASX rising, it is reasonable that the expected average return currently is between 4.25% pa and 4.75% pa.

NFP Providers have the advantage of receiving the Imputation Credit benefit on equity investments and managed funds investments (due their status, like super funds) so their current net percentage return would be in the order of 5.50% pa - 6.0% pa, whilst FP's would be in the 4.0% - 4.5% return (on less investment amounts as noted above).

Summary

Based on our analysis below and general discussions with Approved Providers we would make the following comments: -

- On average, the amount of Incoming RADs that can be directly invested average in the range of 20% - 25% of the RAD amount over the time period of the RAD holding
- The average current investment return on the net RAD amount that is invested (being 20% - 25% of the incoming RAD) is currently between 4.25% pa to 5.0% pa

Table 10: RAD Analysis

	Average Dec-22 6 months	Average FY23 12 months	Average Dec-23 6 months	Average FY24 12 months
Balance Sheet Extract (\$'000)				
Assets				
Cash and cash equivalents	19,540	16,651	22,408	21,776
Financial assets	20,220	21,781	23,324	26,090
Liquid cash assets (A)	39,760	38,432	45,732	47,866
Property assets	154,496	171,257	166,417	180,196
Liabilities				
Residential Refundable loans	62,836	76,473	75,802	86,314
Retirement Living Refundable loans	48,886	55,726	53,701	60,316
Resident refundable loans (B)	111,722	132,199	129,503	146,630
Borrowings	13,186	10,339	15,881	8,228
Unspent Home Care Package Funds	1,271	1,387	861	1,038
Unspent CHSP Grants	718	583	1,277	384
Total Borrowings (C)	126,897	144,509	147,521	156,280
Ratios				
Cash + financial assets % refundable loans (A / B)	35.59%	29.07%	35.31%	32.64%
Cash + financial assets % debt (A / C)	31.33%	26.59%	31.00%	30.63%
Investment Income and Finance Costs (\$'000)				
Interest and investment revenue received (D)	522	1,484	870	2,517
Fair value gain on financial assets	12	441	113	546
Fair value loss on financial assets	(17)	(18)	(20)	(3)
Investment revenue (net) (E)	517	1,907	963	3,060
Finance costs	(522)	(1,222)	(539)	(1,413)
Net financing return (F)	(5)	684	424	1,647
Ratios				
Investment revenue received percentage (D / A)	2.6%	3.9%	3.8%	5.3%
Net investment revenue percentage (E / A)	2.6%	5.0%	4.2%	6.4%
Net financing return percentage (F / A)	0.0%	1.8%	1.9%	3.4%

From an Approved Provider perspective, there is a large differential from receiving a DAP (MPIR is 8.38% from 1 Oct 24) and based on 100% of the RAD equivalent, and the investment return from a RAD, being (say) 22.5% of the RAD amount and a return (MPIR equivalent) of 4.75% pa on average.

Take a room with accommodation price of \$750,000 as an example, the below table calculates the annualised revenue amount received by the Providers for DAP and RAD payment method respectively. Despite the retention of 2% per annum under the reform from 1 July 2025, there is still significant difference in the amount.

Annualised amount - DAP (\$750,000 x 8.38%)	\$62,850
Annualised amount - RAD (A + B)	\$23,016
<i>RAD - 2% retention (A)</i>	<i>\$15,000</i>
<i>Investment return (B)</i> (\$750,000 x 22.5% x 4.75%)	<i>\$8,016</i>

From a consumer's point of view, this arrangement remains unfair as it significantly advantages those with the financial means to pay a RAD over those who must resort to DAP due to lack of funds. The system only becomes financially beneficial for someone capable of paying a RAD to choose a DAP instead if they can invest that money elsewhere and achieve a minimum annual return of 6%. This creates a clear financial divide based on residents' initial wealth and investment capabilities.

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 FY24 results based on how many aged care homes a Provider has (refer *Table 11*).

Based on FY24 Survey result, 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 have lower direct care minutes than smaller Providers, although their direct care labour costs are higher than Providers with no more than 6 facilities. *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 indicates that if larger Providers were to increase their spending to meet average direct care minute targets of 200, their current operating surplus of \$8.32 per bed day would decrease to an average of \$5.55 per bed day. Despite this reduction, their financial performance would remain notably better than that of smaller Providers, who continue to experience operating losses both before and after meeting care minute targets.

Smaller Providers have the potential to achieve some cost reductions by decreasing their care minutes in cases where they currently exceed target levels.

However, it's important to note that many of these facilities face unique circumstances that may limit or prevent them from fully realising these savings.

Table 11: Operating result and adjusted operating result for target minutes by Provider size

FY24 Survey	Single Facility	2-6 Facilities	7-20 Facilities	21+ Facilities
<i>Direct care revenue</i>	\$269.85	\$269.28	\$272.43	\$272.23
Direct care labour costs	\$199.12	\$202.54	\$206.96	\$205.68
Other care labour costs	\$27.66	\$27.51	\$24.86	\$20.54
Other direct care costs	\$26.35	\$27.73	\$29.30	\$26.42
<i>Direct care expenditure</i>	<i>\$253.13</i>	<i>\$257.78</i>	<i>\$261.11</i>	<i>\$252.64</i>
Direct care margin (A)	\$16.72	\$11.50	\$11.32	\$19.59
Everyday living margin	(\$12.38)	(\$4.96)	(\$10.45)	(\$0.97)
Accommodation margin	(\$13.99)	(\$13.53)	(\$10.55)	(\$10.30)
Operating result (B)	(\$9.65)	(\$6.99)	(\$9.69)	\$8.32
<i>Expenditure - administration (included above)</i>	<i>\$45.44</i>	<i>\$49.31</i>	<i>\$54.74</i>	<i>\$48.39</i>
Staff Minutes				
Registered nurses	35.87	37.79	38.56	38.09
Enrolled and licensed nurses	15.70	12.37	14.22	6.66
Other unlicensed nurses/personal care staff	150.41	156.46	152.71	153.47
Imputed agency direct care minutes				
Total direct care minutes per resident day	201.99	206.61	205.49	198.22
Gap from target minutes				
Registered nurses	4.13	2.21	1.44	1.91
Other direct care labour	(6.12)	(8.82)	(6.93)	(0.13)
Additional costs				
Registered nurses	\$5.76	\$3.07	\$2.09	\$2.76
Other direct care labour	(\$5.30)	(\$7.68)	(\$6.17)	(\$0.12)
Additional costs - without restructuring (C)	\$5.76	\$3.07	\$2.09	\$2.76
Operating result after additional costs (B - C)	(\$15.41)	(\$10.06)	(\$11.77)	\$5.55
Potential costs saving from restructuring (D)	\$5.30	\$7.68	\$6.17	\$0.12
Total net additional costs (E = C - D)	\$0.46	(\$4.61)	(\$4.08)	\$2.64
Operating result after costs saving (B - E)	(\$10.11)	(\$2.38)	(\$5.60)	\$5.68
Direct Care Margin after costs saving (A - E)	\$16.26	\$16.11	\$15.40	\$16.95

Based on the FY24 Survey, large Providers demonstrate a significantly higher Everyday living margin compared to smaller Providers. Large Providers are nearly breaking even in providing these services.

This performance difference might be attributed to larger providers being more likely to provide additional services, leveraging greater purchasing power to reduce costs of consumables, or negotiating more favourable contracts for outsourced services.

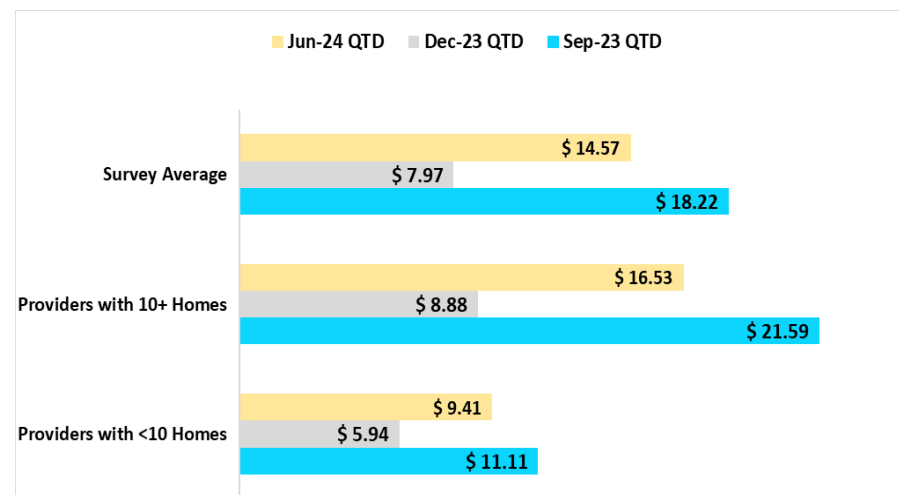
Direct Care (AN-ACC) Margin Comparison

Figure 7 provides another comparison between small and large Providers and the movement in the Direct Care margin between 3 standalone quarters in FY24 with different AN-ACC funding level and minutes requirements.

FY24 Q1 (Sep-23 Quarter) preceded the implementation of mandatory direct care minutes and generally showed the highest direct care margin. In contrast, FY24 Q2 (Dec-23 Quarter) marked the first period following the introduction of mandatory direct care minutes. During this quarter, for two out of the three months, Providers faced increased Fair Work Commission (FWC) costs without a corresponding rise in AN-ACC pricing to offset these expenses. As a result, this quarter recorded the lowest direct care margin.

Comparing Jun-24 Quarter to Dec-23 Quarter, the large Providers (in this analysis being those with 10 homes or more) had a net increase of \$7.65 pbd, whilst Providers with less than 10 homes had an increase of \$3.46 pbd.

Figure 7: Comparison of direct care result (margin) between quarters



Occupancy

The average occupancy rate for FY24 was 92.6%. Throughout all Surveys conducted in FY24, occupancy levels remained stable, with only minor fluctuations between 92.6% and 92.8% compared to FY23 level of 91%. However, the occupancy level is still lower than FY20 average at 93.6% before COVID-19.

The decrease in occupancy can be attributed to multiple factors, such as shift towards home care, staffing shortage, delayed entry, and more stringent regulatory requirements. With further home care packages being released, ongoing staffing challenges, and the recent increase in mandated direct care minutes, it would normally seem improbable that the sector will return to the average occupancy rate of 95% observed in FY19 anytime soon.

However, there has been a considerable increase in demand which is primarily due to facility closures, and this has seen a steady increase in occupancy in the current financial period to date.

The movement in occupancy impact the per bed day amount for some of the fixed costs, especially for everyday living 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 12: Everyday living and accommodation margin change if occupancy is at 91% or 94%

Survey Average (\$ pbd)	FY24	FY24 if occupancy is 91%	Variance	FY24 if occupancy is 94%	Variance
Everyday living revenue	76.31	76.31		76.31	
Everyday living expenditure	81.92	83.10		80.91	
Everyday living margin	(5.61)	(6.79)	(1.18)	(4.60)	1.01
Accommodation revenue	41.65	41.65		41.65	
Accommodation expenditure	52.88	53.81		52.07	
Accommodation margin	(11.22)	(12.16)	(0.94)	(10.42)	0.80

The current occupancy level uplifted everyday living and accommodation margin by \$2.11 pbd compared to an occupancy level of 91%. If occupancy reaches 94%, the margin will be further uplifted by \$1.81 pbd.

Care Management Fees in Home Care

Care management funding will be set at 10% of all quarterly budgets under the new Support at Home program, whereas many Providers are currently charging the 20% cap.

Based on FY24 survey, it is estimated that 96% of programs/packages which submitted data are charging care management at over 10% of total available funding.

When the 10% cap implements, home care providers are estimated to lose \$5.51 per client per day care management revenue (\$14.60 pcd moving to \$9.09 pcd) which will mean that the margin on service delivery (unit cost) will need to increase to 40.3% from the current 12.2% to maintain the present operating surplus.

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.

It is noted that there is a difference in the QFR Snapshot results and the StewartBrown Survey results. 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, capital 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 collect data from over 270 data points from each residential aged care facility and over 120 data points from each home care service.

The collection of granular data at both the aged care home and home care program levels facilitates a comprehensive data validation process. This process involves extensive cleansing and cross-referencing of a wide range of metrics for each data entry line, including comparisons with previous quarters, regional data, resident/client mix, and the size of homes/programs.

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, there are only 14 data points collected in the QFR for each residential home and home care package.

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 explains a primary reason of the difference between the QFS and StewartBrown Survey result. 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.

Comparison (March 2024 nine months)

	DoHAC \$ pbd	StewartBrown \$ pbd	
Revenue	\$ 415.21	\$ 402.84	*
NPBT (DoHAC)	\$ 8.50		
add/less			
COVID grants	\$ (10.16)		
Impairment of bed licences	\$ 9.79		
Non-recurrent	\$ (6.68)		**
Operating result	\$ 1.45	\$ (0.64)	

* Difference primarily relates to Covid grants received relating to previous year

** Estimate based SB Survey for non-recurrent revenue

The Quarterly Financial Snapshot reported a marginal deficit in per bed day amount for the March quarter (\$8.75 pbd surplus for YTD Dec-23 while \$8.50 pbd surplus for YTD Mar-24) and noted that the overall surplus (which includes non-recurrent items and covid grants relating to the previous year) is likely to further decline in Jun-24 Quarter.

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.

3. FUNDING REFORM - FORECAST RESULTS

Residential Funding Reforms Announced

Contributions to Clinical Care

- The AN-ACC subsidy is to be split between Clinical Care and Non-Clinical Care. The Clinical Care component will be fully funded by a taxpayer subsidy and no means-testing arrangements will be in place

Contributions to Non-Clinical Care

- Means-tested Care Fee (MTCF) to be abolished and replaced with a Non-Clinical Care Contribution (NCCC) as part of the AN-ACC subsidy. This contribution to be capped at a maximum of \$101.16 per day
- No Annual Cap for the means-tested NCCC
- Lifetime Cap to be increased to \$130k (indexed) or 4 years in care whichever comes sooner
- *No financial benefit to Providers*

AN-ACC Subsidy

- Price includes uplift to average 215 direct care minutes, FWC “work value” stages 2 and 3, superannuation guarantee increase and inflation adjustment
- Revised Basic Care Tariff (BCT) weighting for MMM1 (metropolitan) to MMM5 (small rural towns) revised
- National Weighting Activity Units (NWAU) revised for AN-ACC classes
- Remote and specialised base care tariffs are being reviewed
- It is anticipated that the overall average Direct Care (AN-ACC) margin will remain, however this will vary on an individual home basis based on the specific circumstances including staffing, agency costs and resident profile

Contributions to Everyday Living costs

- All residents will continue to pay a Basic Daily Fee (BDF) equal to 85% of single aged pension
- Additional/extra services will be replaced with a new Higher Everyday Living Fee (HELFF) which will have specific requirements attached, including agreement after entering care, cooling off period and regular review
- From 20 September 2024 the Hotelling Supplement increased to \$12.55 per day. No financial benefit to Providers at this point as \$1.09 per day relates to FWC increase (to be fully passed on) and \$0.22 per day is indexation of non-labour costs

- From July 2025 people with sufficient means will pay up to the current value of the Hotelling Supplement
- The Hotelling Supplement will not contribute to the Lifetime Cap
- The Hotelling Supplement will continue to be indexed each six months (March/September)
- A further \$1.89 per day increase will come into effect on 1 July 2025 “to help providers meet the cost of hotelling (including critical nutrition and hygiene) services”. This will increase the Hotelling Supplement to be \$14.91 per day (including indexation estimate of \$0.47 per day in March 2025)
- IHACPA has been tasked with providing advice on the appropriate level for the Hotelling Supplement, to ensure Providers can fully meet the actual cost to supply high quality everyday living services for older people from the BDF and hotelling supplement. *StewartBrown estimates a further \$7 per resident bed day for the Hotelling Supplement may be required to meet this requirement. IHACPA released the “Residential Aged Care Pricing Advice 2024-25” in September which noted that their estimate of the everyday living funding gap is \$4.30 per resident per day for the current 2025 financial year*
- The Government is working to finalise the future service list for everyday living, and this will determine the IHACPA pricing advice for the Hotelling Supplement going forward meaning that the actual costs associated with everyday living may vary, however if the costs are fully covered this should not affect the overall financial result

Contributions to Accommodation

- The Price Cap on RADs (accommodation price) is to be increased to \$750,000 indexed annually by CPI (effective from 1 January 2025)
- A 2% retention on RADs for up to 5 years will come into effect (on a \$550,000 RAD this equates to additional revenue for Providers of \$11,000 per annum; on a \$750,000 RAD equates to \$15,000 additional revenue per annum)
- The DAP payments will be indexed twice yearly by CPI
- The Accommodation Supplement for supported residents to be independently reviewed (possibly by IHACPA)
- *StewartBrown recommends that the MPIR methodology be changed to represent the Weighted Average Cost of Capital (WACC) and have a floor cap of 8% pa*
- *Accommodation funding reform increases revenue to Providers*

Accommodation Supplement

- The Accommodation Supplement plays an important role to incentivise aged care Providers to provide accommodation to residents that do not have the financial ability to pay a RAD or DAP
- Currently, the maximum Accommodation Supplement payable to Providers with a supported resident ratio in excess of 40% is \$69.49 per day which, if it was a DAP would equate to an accommodation price of \$302,671. The average agreed accommodation price, based on average full RAD taken, is now almost \$500k and the equivalent DAP would be \$114.79 per day, significantly higher than the maximum Accommodation Supplement. This difference will further increase should the accommodation price cap to \$750,000 leads to increased accommodation prices
- The Government has accepted Taskforce Recommendation #14 to conduct an independent pricing review on the amount of the Accommodation Supplement to ensure equity for all residents

Funding Reform Financial Modelling

Following the introduction of the *Aged Care Bill 2024*, some details of the reforms are known to the public. The financial impact of the reforms has been modelled using three scenarios based on the FY24 StewartBrown Survey result.

Scenario 1: Operating Result based on reforms as announced

- Hotelling Supplement to be \$14.67 per day from July 2025 and indexed based on this amount (FY26 weighted average \$14.91pbd)
- RAD retention of 2% pa to be phased in for new residents
- RAD pricing (accommodation price) to be increased by CPI each year
- DAP pricing to be based on 8% pa floor (MPIR)

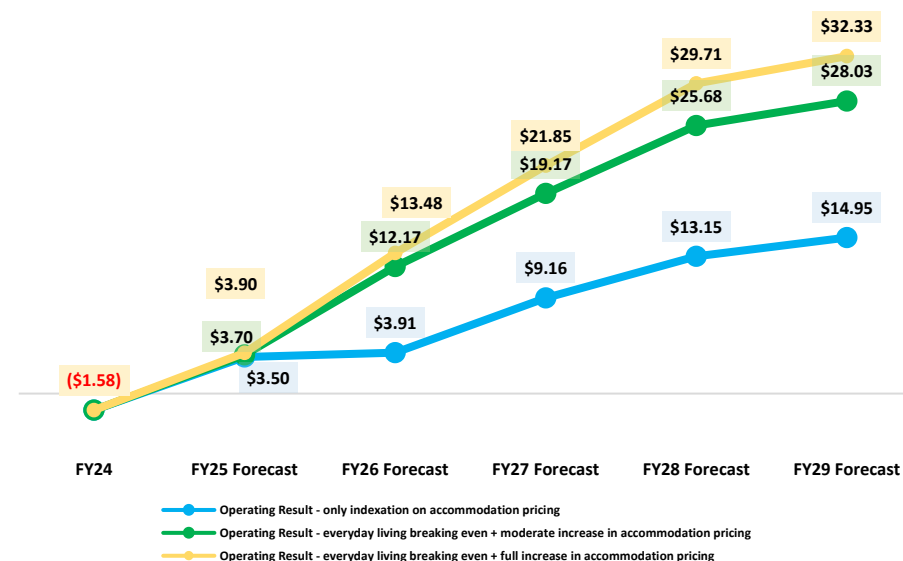
Scenario 2: Operating Result based on additional Hotelling Supplement with moderate accommodation price increase

- Hotelling Supplement to be \$21.89 per day from July 2025 based on meeting the actual cost of providing everyday living services and indexed based on this amount (FY26 weighted average \$22.14 pbd)
- RAD retention of 2% pa to be phased in for new residents
- RAD pricing (accommodation price) to be progressively increased each year to move toward an average of \$650k in FY29
- DAP pricing to be based on 8% pa floor (MPIR)

Scenario 3: Operating Result based on additional Hotelling Supplement with full accommodation price increase

- Hotelling Supplement to be \$21.89 per day from July 2025 based on meeting the actual cost of providing everyday living services and indexed based on this amount (FY26 weighted average \$22.14 pbd)
- RAD retention of 2% pa to be phased in for new residents
- RAD pricing (accommodation price) to be progressively increased by 10% each year (to move toward an average of \$700k by FY28)
- DAP pricing to be based on 8% pa floor (MPIR)

Figure 8: Projected Operating Results FY24 to FY29 based on 3 scenarios (\$ pbd)



The funding reforms positively impact from FY26 as they are assumed to phase in over three years coinciding with resident turnover, and the FY29 forecast reflects the full financial impact of the reforms.

Projections for FY29 indicate varying levels of financial performance across different scenarios. *Scenario 1* forecasts a moderate improvement, with the sector expected to achieve an operating surplus of \$14.95 per bed day.

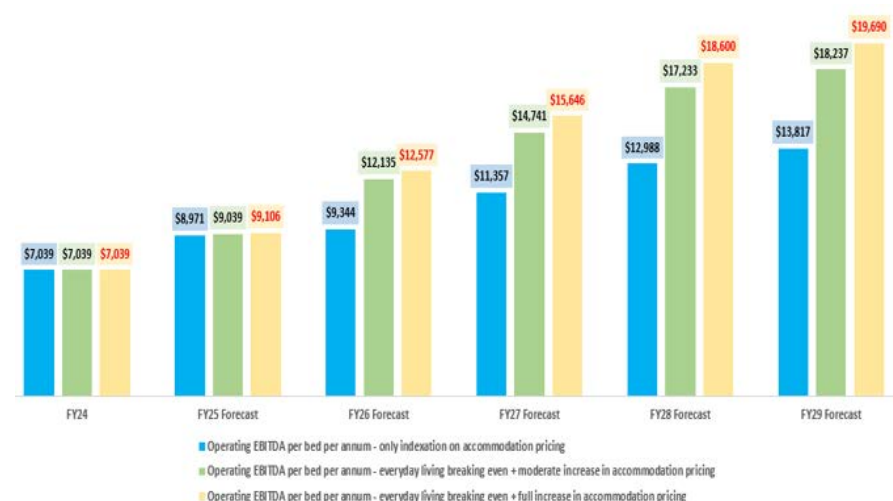
Scenario 2 is the mid-point with a steady increase in accommodation pricing and the Hotelling Supplement meeting the actual cost of providing everyday living services. The forecast result for FY29 is \$28.03 per bed day.

Scenario 3 presents the more optimistic outlook, projecting a substantially higher operating surplus of \$32.33 per bed day.

It should be noted that the scenario forecasts do not include any increase other than CPI in the Accommodation Supplement which remains significantly less than the equivalent Daily Accommodation Payment amount.

The reforms are anticipated to improve everyday living and accommodation margins from a deficit over the last 4 years to a surplus.

Figure 9: EBITDA forecast FY24 to FY29 based on 3 scenarios (\$ pbpa)



Operating EBITDA is forecasted to range from \$13,817 to \$19,690 per bed per annum based on various scenarios. All scenarios exclude any increase other than CPI in the Accommodation Supplement.

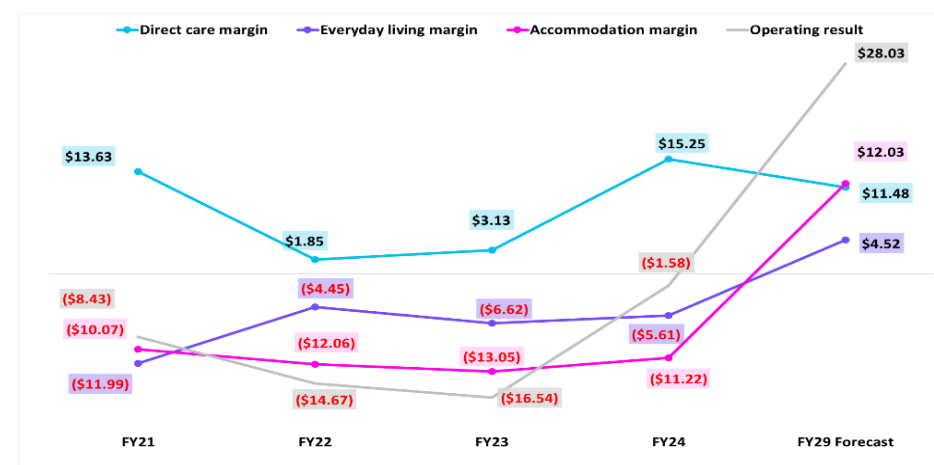
With a high capital requirement to meet increasing demand, and a lower effective life of buildings than commercials, residential and retirement villages, a sustainable EBITDA of between \$18,000 to \$20,000 per bed per annum would be considered a minimum level of return.

When considering the forecast EBITDA by MMM location it highlights that additional funding will be required for MMM3 to MMM5 in particular as their results will still not be sufficient to attract additional capital investment (refer Figure 10 below).

Figure 10: EBITDA forecast by MMM location for FY29 (3 Scenarios) (\$ pbpa)



Figure 11: Forecast margin by cost centre for FY29 (Scenario 2)



Change in AN-ACC NWAU Weighting

Following the advice from IHACPA, the Department announced the change of NWAU weighting in both BCT and variable components from October 2024 when the new AN-ACC starting price comes into effect.

In addition to the increase in AN-ACC starting price, facilities located in MMM1-5 will receive a higher AN-ACC funding for the BCT component due to increase in NWAU weighting.

Table 13: Change in NWAU weighting for MMM1 to MMM5 facilities.

MMM Location	Current NWAU	New NWAU from 1 October 2024	Change %
MMM1	0.49	0.5	2.0%
MMM2	0.49	0.55	12.2%
MMM3	0.49	0.55	12.2%
MMM4	0.49	0.57	16.3%
MMM5	0.55	0.57	3.6%

On average, BCT NWAU weighting will be increased by 5% for facilities in FY24 Survey.

The Department also announced adjustment in NWAU weighting and direct care minutes target for each Class. To understand the impact of such adjustments, StewartBrown conducted an analysis based on the occupied bed days by AN-ACC Class data collected in the Survey.

75% of facilities who submitted data in June 2024 survey provided valid occupied bed days by each AN-ACC Class data. And the data for these 890 facilities were calculated against the current and new NWAU weighting and direct care minutes target.

Table 14: AN-ACC mix in % by Class (validated data in June-24 Survey Submission)

AN-ACC Class 1	0%	AN-ACC Class 8	9%	AN-ACC Class 99	2%
AN-ACC Class 2	3%	AN-ACC Class 9	6%	AN-ACC Class 100	1%
AN-ACC Class 3	1%	AN-ACC Class 10	5%	AN-ACC Class 101	1%
AN-ACC Class 4	6%	AN-ACC Class 11	13%	AN-ACC Class 102	2%
AN-ACC Class 5	18%	AN-ACC Class 12	3%	AN-ACC Class 103	0%
AN-ACC Class 6	8%	AN-ACC Class 13	9%		
AN-ACC Class 7	14%	AN-ACC Class 98	0%		

Based on the Class mix above, average NWAU weighting and direct care minutes target before and after the adjustment are calculated as below:

Table 15: NWAU weighting and target minutes difference

	Current	From Oct 2024	% difference
NWAU Weighting	0.555	0.541	(2.42%)
RN target	40.37	43.41	7.51%
Total direct care target	203.60	212.49	4.36%

NWAU weighting for variable components based on the survey average resident mix is calculated to be reduced under the new funding arrangement, and target minutes will also be decreased. RN target for the resident mix will only be increased by 7.5% compared to the 10% increase from 40 to 44; and total direct care only 4.36% compared to 7.5% from 200 to 215.

Table 16: Total NWAU weighting - BCT + Variable Components

	Current	From Oct 2024	% difference
AN-ACC Class NWAU	0.555	0.541	(2.42%)
BCT NWAU	0.494	0.518	5.02%
Total weighting	1.048	1.060	1.08%

**BCT NWAU excluded MMM6 and MMM7 facilities.*

The total weighting after combining BCT and variable component is estimated to increase by 1% despite the decrease in variable for facilities located to MMM1-5 on average.

However, as BCT component for MMM1 is only increased by 0.01 while the variable component decreased by 0.014 (a separate analysis is done for MMM1 facilities included in the survey), MMM1 facilities will see a slight reduction in total NWAU weighting under the adjusted arrangement.

It is important to note that this analysis is done at consolidated level for Survey average. The impact of the change in weighting and minutes target varies at facility level subject to the current resident mix.

Effect of new AN-ACC weighting by MMM location

The funding disparity for facilities located in MMM2, MMM3 and MMM4 are addressed in the new AN-ACC funding arrangement from Oct 24. Based on the average AN-ACC starting price for FY24, assuming the variable component will be decreased by 2.42% (refer analysis in *Table 16*).

The impact for the adjustment in AN-ACC weighting is estimated, and the below table shows what operating result looks like if the new NWAU weighting applies to FY24.

Table 17: Adjusted operating result for facilities in different MMM locations

	MMM1 Homes	MMM2 Homes	MMM3 Homes	MMM4 Homes	MMM5 Homes
Direct care revenue	\$270.38	\$268.40	\$269.05	\$267.68	\$289.23
Adjustment in AN-ACC weighting	(\$0.61)	\$12.94	\$12.90	\$18.28	\$2.04
Adjusted direct care revenue	\$269.77	\$281.34	\$281.95	\$285.96	\$291.27
Adjusted direct care margin	\$16.39	\$24.83	\$22.72	\$23.89	\$13.77
Adjusted operating result	\$2.39	\$2.62	\$3.68	(\$0.91)	(\$12.01)

**Comparison between target minutes not taken into consideration.*

MMM5 facilities will have the lowest adjusted operating result with a deficit of \$12.01 pbd. This is partially due to the higher direct care minutes of 205.34. Adjusted operating result is more equitable for facilities in MMM1-4.

MMM1 facilities also recorded the least loss in everyday living services at \$2.86 compared to other facilities. MMM5 facilities recorded the most everyday living deficit at \$14.93pbd due to higher expenditure.

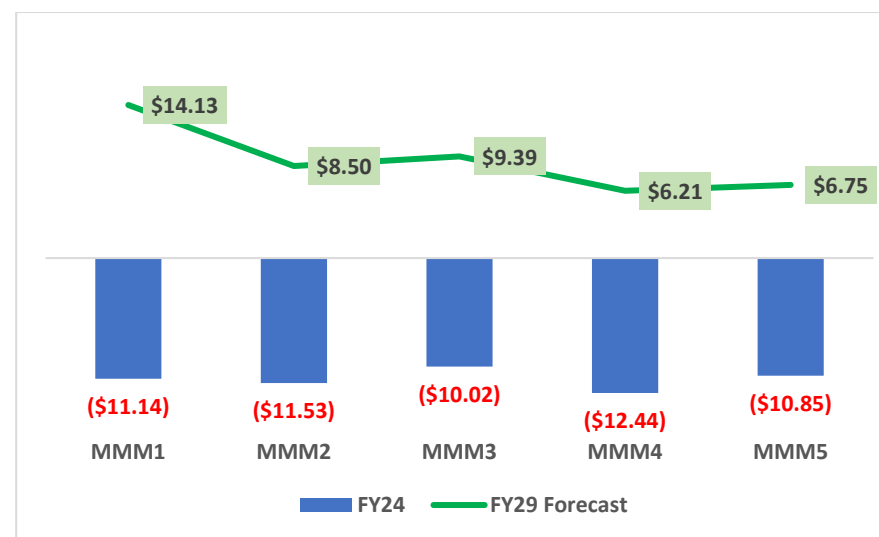
Accommodation Margin Forecast

The majority of facilities recorded over \$10 pbd margin deficit in accommodation services for FY24.

The below table shows the forecast FY29 accommodation margin by MMM category based on *Scenario 2*. On average, facilities in all MMM locations are forecasted to have accommodation margin surplus in FY29 as a result of RAD retention, increased accommodation price and increased average MPIR for existing residents.

The issue from a sustainability and future investment is whether the accommodation margin is sufficient from a return on capital perspective.

Table 18: Accommodation margin comparison - FY24 and FY29 Forecast



4. FINANCIAL RESULTS - KEY METRICS

Organisation (Approved Provider)

Trend Graph (average by Provider)

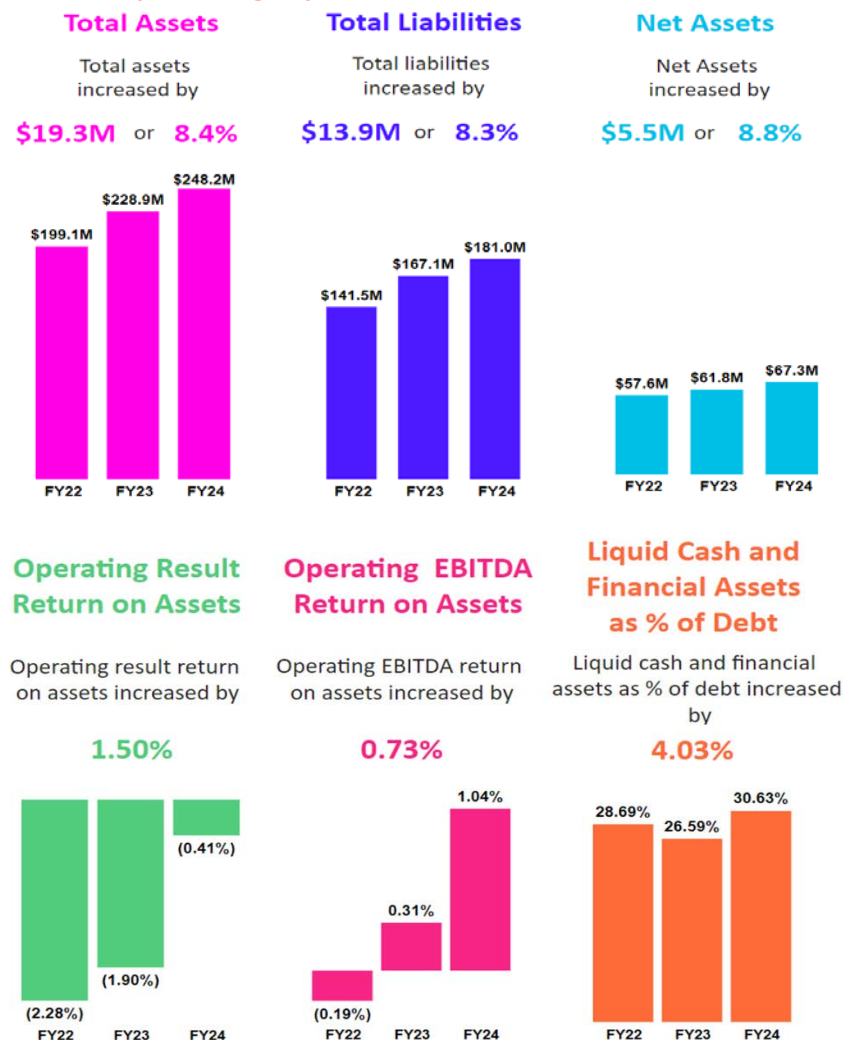


Table 19: Income & Expenditure Comparison (average by Approved Provider)

	Survey FY24 195 Providers (12 months) (Average)	Survey FY23 195 Providers (12 months) (Average)
Income & Expenditure		
Operating Result		
Revenue		
Service revenue	89,002	72,633
Investment revenue	2,517	1,484
Total operating revenue	91,519	74,117
Expenses		
Employee expenses	63,955	52,723
Depreciation and amortisation	4,556	5,111
Depreciation on Right of Use Assets	377	337
Interest Expenses on Lease Liabilities	332	120
Finance costs	1,413	1,222
Other expenses	22,668	18,958
COVID-19 net impact	(814)	(182)
Total operating expenses	92,487	78,290
Operating surplus (deficit)	(968)	(4,173)
Non-recurrent income and expenses	3,495	1,895
Total surplus (deficit) (NPBT)	2,527	(2,278)
Operating EBITDA		
EBITDA	2,484	676
	5,979	2,571
Ratios		
NPBT return on assets (ROA)	1.1%	(1.0%)
Operating surplus return on assets (ROA)	(0.4%)	(1.9%)
Operating EBITDA return on assets	1.0%	0.3%
Operating surplus % of operating revenue	(1.1%)	(5.6%)
Employee expenses % of operating revenue	69.9%	71.1%
Depreciation as % of property assets	2.6%	3.1%

* EBITDA calculations exclude AASB 16 Leases accounting entries

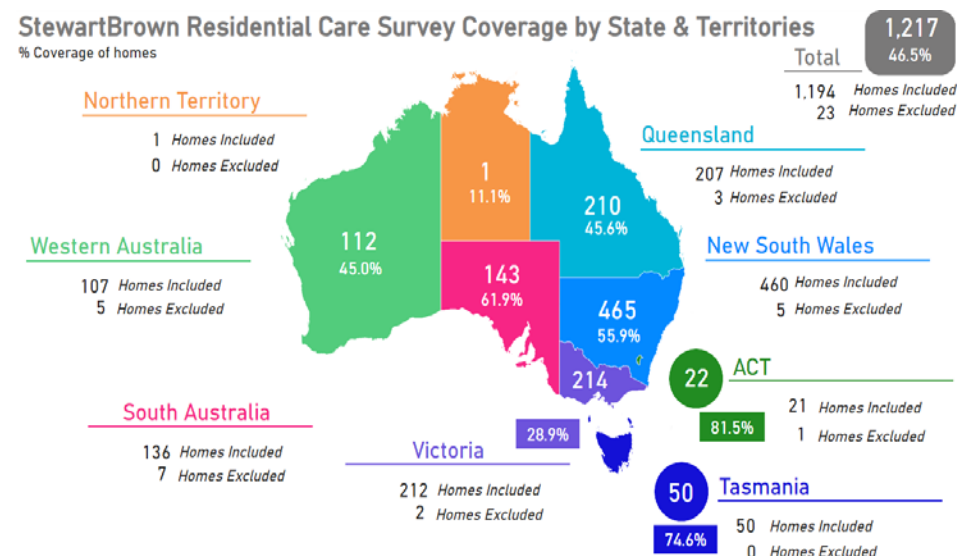
Table 20: Summary Equity (Balance Sheet) comparison

	Survey FY24 195 Providers (Average)	Survey FY23 195 Providers (Average)
	\$'000	\$'000
Balance Sheet		
Assets		
Cash and financial assets	47,866	38,432
Operating assets	15,146	12,725
Property assets	180,196	171,257
Right of use assets	3,483	3,217
Intangibles - other	1,055	1,099
Intangibles - bed licences	471	2,161
Total assets	248,216	228,891
Liabilities		
Refundable loans - residential	86,314	76,473
Refundable loans - retirement living	60,316	55,726
HCP unspent funds liability	1,038	1,387
Borrowings	8,228	10,339
Other liabilities	25,055	23,157
Total liabilities	180,951	167,083
Net assets	67,265	61,808
Net tangible assets	65,740	58,549
Ratios		
Net assets proportion % total assets	27.1%	27.0%
Property assets proportion % total assets	72.6%	74.8%
Cash + financial assets % refundable loans	32.6%	29.1%
Cash + financial assets % debt	30.6%	26.6%

Residential Aged Care

StewartBrown Residential Care Survey Coverage by State & Territories

% Coverage of homes



FY24 Results Snapshot

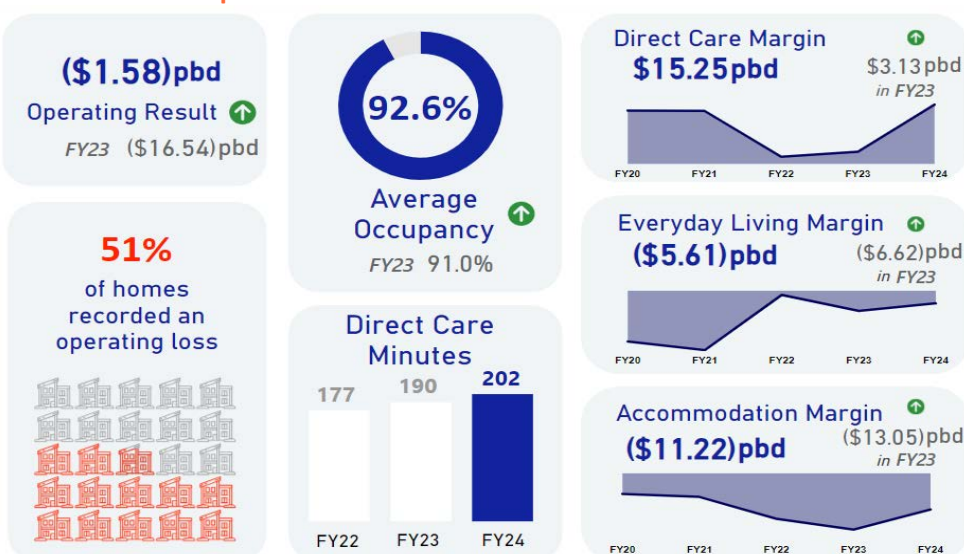


Table 21: Summary Income & Expenditure Comparison (\$ per bed day)

	Survey FY24 1,194 Homes		FY23 1,197 Homes	Survey FY22 1,202 Homes
DIRECT CARE				
Revenue	\$271.60		\$213.19	\$194.77
Expenditure				
Direct care labour costs	205.05		159.86	138.88
Other direct care labour costs	23.72		25.37	26.43
Other direct care costs	8.95		7.57	12.45
Administration	18.64		17.25	15.16
	\$256.35		\$210.05	\$192.92
DIRECT CARE MARGIN (A)	\$15.25	\$3.13		\$1.85
	5.6%			
EVERYDAY LIVING				
Revenue	\$76.31		\$70.53	\$66.33
Expenditure				
Catering	40.19		37.55	34.51
Cleaning	10.66		10.47	9.88
Laundry	4.79		4.60	4.31
Other hotel services expenses	0.08		0.12	0.08
Payroll tax	0.11		0.09	0.13
Overhead allocation (workcover & education)	0.93		0.91	0.80
Utilities	8.22		7.73	7.29
Administration	16.94		15.67	13.77
	\$81.92		\$77.15	\$70.78
EVERYDAY LIVING MARGIN (B)	(\$5.61)	(\$6.62)		(\$4.45)
ACCOMMODATION				
Revenue				
Residents	16.73		15.01	13.03
Government	24.92		21.40	19.82
	\$41.65		\$36.41	\$32.84
Expenditure				
Depreciation	22.36		21.03	19.54
Property maintenance	13.52		12.44	11.11
Property rental	0.77		0.94	1.00
Other	1.42		1.37	1.21
Administration	14.81		13.70	12.05
	\$52.88		\$49.46	\$44.91
ACCOMMODATION MARGIN (C)	(\$11.22)	(\$13.05)		(\$12.06)
OPERATING RESULT (\$ per bed day) (A + B + C)	(\$1.58)	(\$16.54)		(\$14.67)
OPERATING RESULT (\$ per bed per annum)	(\$536)	(\$5,491)		(\$4,871)
EBITDA (\$ per bed per annum)	\$7,039	\$1,489		\$1,617

Figure 12: Residential Operating Result Snapshot (\$ per bed day)

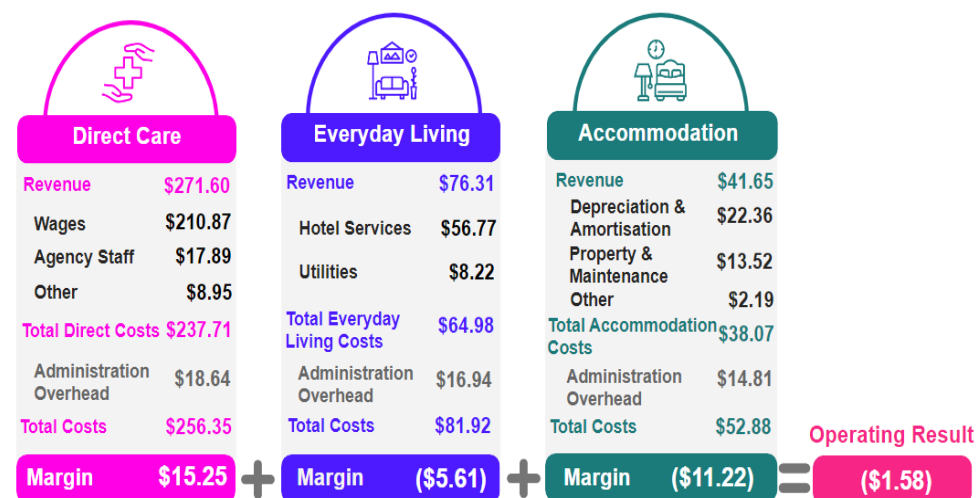
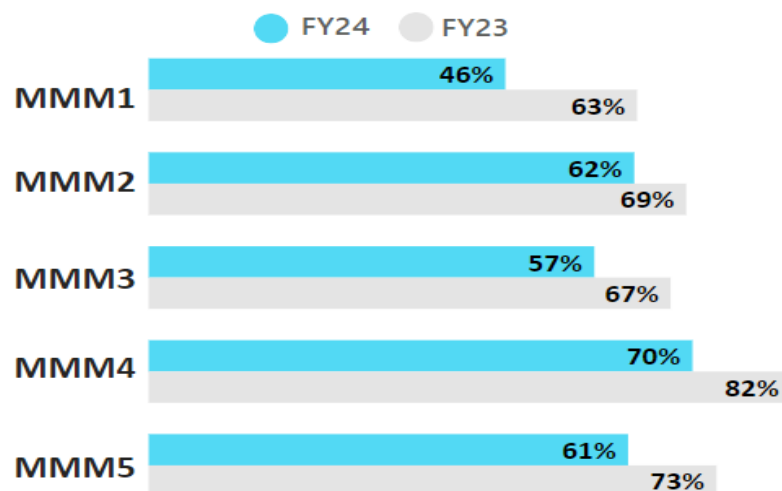


Table 22: Summary KPI Results Comparison

Summary KPI Results	FY24 1,194 Homes	FY23 1,197 Homes	Difference (YoY)	FY22 1,202 Homes
Operating Result (\$pbd)	(\$1.58)	(\$16.54)	↑ \$14.96	(\$14.67)
Operating Result (\$pbpa)	(\$536)	(\$5,491)	↑ \$4,955	(\$4,871)
EBITDA (\$pbpa)	\$7,039	\$1,489	↑ \$5,549	\$1,617
Average Occupancy (all homes)	92.0%	90.1%	↑ 1.9%	89.7%
Average Occupancy (mature homes)	92.6%	91.0%	↑ 1.6%	91.0%
Average direct care revenue (\$pbd)	\$271.60	\$213.19	↑ \$58.41	\$194.77
Total direct care minutes per resident per day	202.42	189.62	↑ 12.80	176.91
Direct care expenditure % of direct care revenue	94.4%	98.5%	↓ (4.1%)	99.1%
Supported Ratio %	46.1%	46.0%	↑ 0.1%	45.3%
Average Full RAD/Bond held	\$467,569	\$451,422	↑ \$16,147	\$425,852
Average Full RAD taken during period	\$494,106	\$472,803	↑ \$21,303	\$455,006

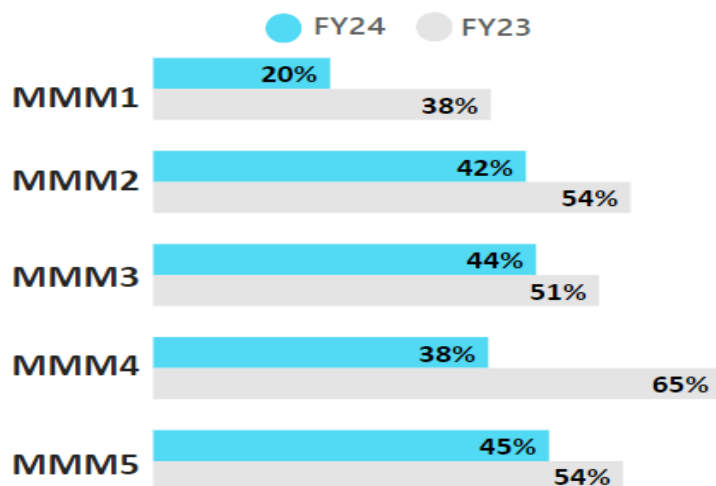
Number of Aged Care Homes making an Operating Loss

Figure 13: Aged care homes making an operating loss by MMM category



Number of Aged Care Homes making an EBITDA loss

Figure 14: Aged care homes making an EBITDA (cash) loss by MMM category



Modified Monash Model (MMM) Analysis

Table 23: Summary KPI Results by MMM category



















































MMM 1 750 Aged Care Homes	MMM 2 106 Aged Care Homes	MMM 3 133 Aged Care Homes	MMM 4 76 Aged Care Homes	MMM 5 122 Aged Care Homes
 \$1,023 Operating Result \$ per bed per annum	 (\$3,483) Operating Result \$ per bed per annum	 (\$3,071) Operating Result \$ per bed per annum	 (\$6,432) Operating Result \$ per bed per annum	 (\$4,672) Operating Result \$ per bed per annum
 \$8,789 Operating EBITDA per bed per annum	 \$4,214 Operating EBITDA per bed per annum	 \$3,739 Operating EBITDA per bed per annum	 \$1,233 Operating EBITDA per bed per annum	 \$1,576 Operating EBITDA per bed per annum
 \$270.38 Average Direct Care Revenue per bed day	 \$268.40 Average Direct Care Revenue per bed day	 \$269.05 Average Direct Care Revenue per bed day	 \$267.68 Average Direct Care Revenue per bed day	 \$289.23 Average Direct Care Revenue per bed day
 93.7% Direct care expenditure as % of direct care revenue	 95.6% Direct care expenditure as % of direct care revenue	 96.4% Direct care expenditure as % of direct care revenue	 97.9% Direct care expenditure as % of direct care revenue	 95.9% Direct care expenditure as % of direct care revenue
 50.8% Catering costs as % of indirect care revenue	 55.3% Catering costs as % of indirect care revenue	 55.5% Catering costs as % of indirect care revenue	 57.9% Catering costs as % of indirect care revenue	 59.6% Catering costs as % of indirect care revenue
 203.36 Direct care minutes per resident per day	 200.15 Direct care minutes per resident per day	 198.90 Direct care minutes per resident per day	 198.51 Direct care minutes per resident per day	 205.34 Direct care minutes per resident per day
 46.0% Supported resident ratio	 46.5% Supported resident ratio	 45.1% Supported resident ratio	 45.2% Supported resident ratio	 47.5% Supported resident ratio
 93.2% Average occupancy	 92.3% Average occupancy	 91.0% Average occupancy	 91.6% Average occupancy	 90.8% Average occupancy
 \$503,930 Average full accommodation deposit held	 \$395,959 Average full accommodation deposit held	 \$376,460 Average full accommodation deposit held	 \$382,884 Average full accommodation deposit held	 \$347,704 Average full accommodation deposit held
 \$535,869 Average full RAD taken during the period	 \$419,723 Average full RAD taken during the period	 \$404,839 Average full RAD taken during the period	 \$398,673 Average full RAD taken during the period	 \$372,175 Average full RAD taken during the period

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

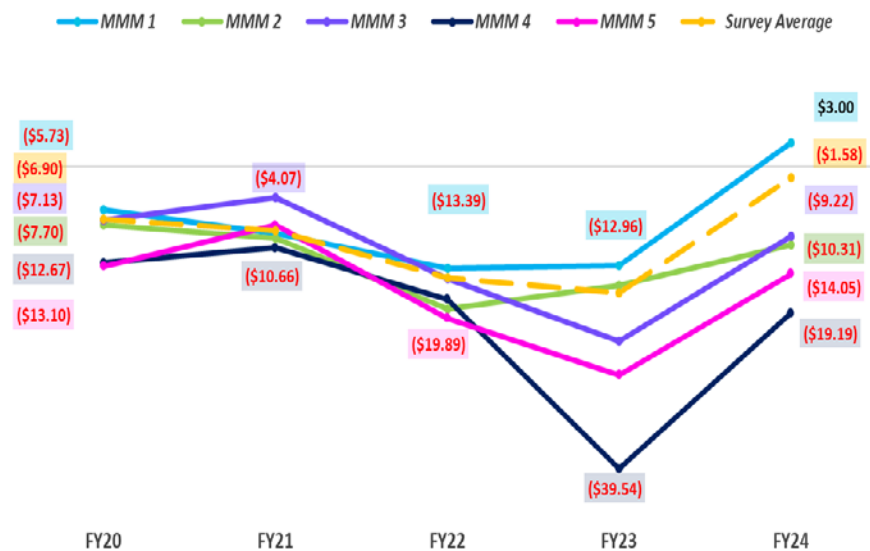


Figure 16: Operating EBITDA result by MMM classification (\$ per bed per annum)

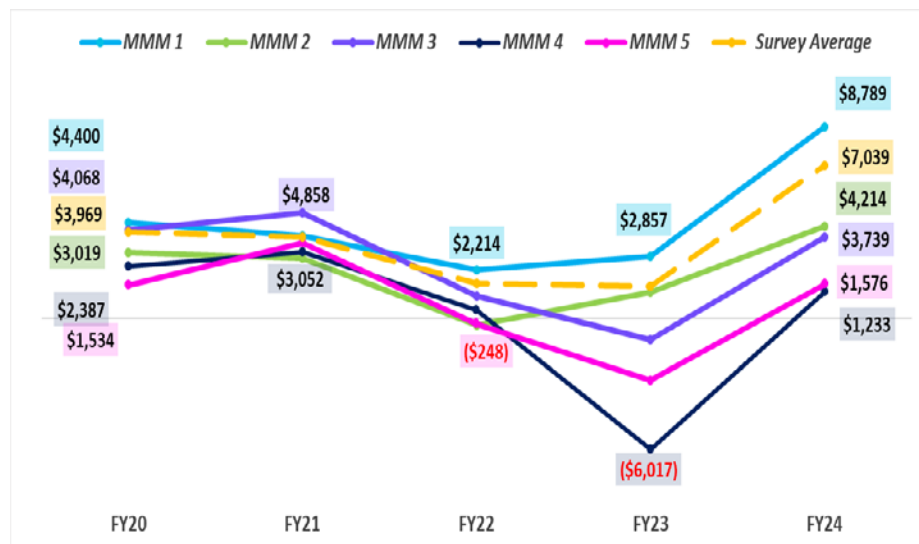


Figure 17: Everyday Living Margin by MMM classification(\$ per bed day)

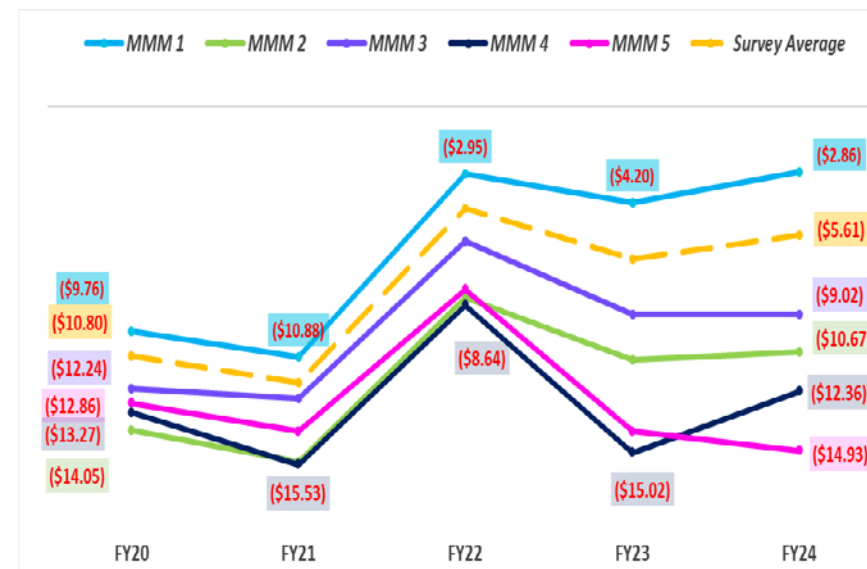
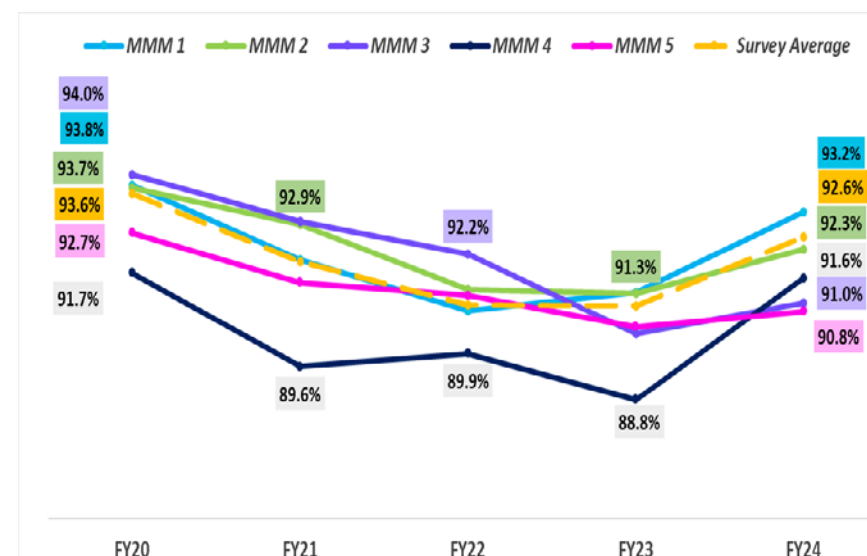


Figure 18: Occupancy percentage by MMM classification



Direct Care Staffing Minutes (per resident per day)

Table 24: Direct Care staffing metrics

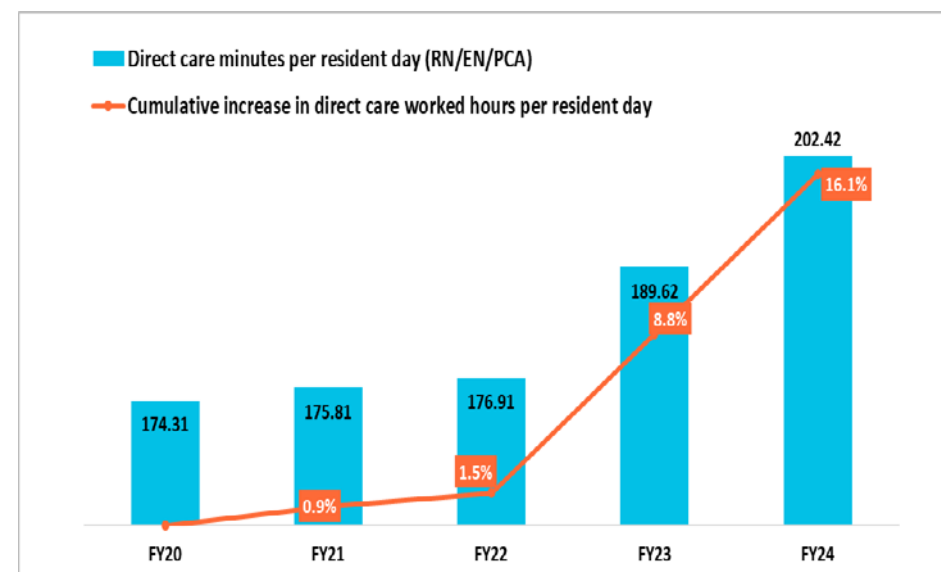
Staffing Category	Survey Average		Survey Average
	FY24	FY23	
Registered nurses	38.02	31.89	27.11
Enrolled & licensed nurses	10.88	12.30	13.16
Other unlicensed nurses & personal care staff	153.52	145.39	135.85
Imputed agency direct care minutes implied	0.00	0.05	0.79
Total Direct Care Minutes	202.42	189.62	176.91
Care management	3.97	5.55	7.52
Allied health	4.46	5.60	5.07
Diversional/Lifestyle/Activities	6.67	6.80	7.20
Imputed agency other care minutes implied		0.08	
Total Care Minutes	217.52	207.65	196.70

Table 25: Agency direct care staffing metrics

Staffing Category	Survey Average		Survey Average
	FY24	FY23	
Agency - Registered nurses	3.85	3.17	1.36
Agency - Enrolled & licensed nurses	0.58	0.81	0.81
Agency - Other unlicensed nurses & personal care staff	7.48	10.60	5.39
Imputed agency direct care minutes implied	0.00	0.05	0.79
Total Direct Care Agency Minutes	11.90	14.62	8.35

*StewartBrown does not calculate imputed hours from FY24 Survey due to improvement in agency hours reporting

Figure 19: Direct Care staff (RN/EN/PCA) trend (minutes per resident per day)



Everyday living

Table 26: Everyday living revenue and expenses (\$ pbd)

	FY24 1,194 Homes	FY23 1,197 Homes	YoY Movement	FY22 1,202 Homes
Hotelling supplement - government	\$11.09	\$9.98	↑	\$9.94
Basic daily fee - resident	\$61.08	\$57.16	↑	\$53.57
Other resident income	\$4.15	\$3.38	↑	\$2.81
Everyday Living revenue	\$76.31	\$70.53	↑	\$66.33
Hotel services	\$56.77	\$53.75	↑	\$49.72
Utilities	\$8.22	\$7.73	↑	\$7.29
Everyday Living expenses	\$64.98	\$61.48	↑	\$57.01
Administration overhead	\$16.94	\$15.67	↑	\$13.77
Everyday Living margin	(\$5.61)	(\$6.62)	↑	(\$4.45)

Accommodation Analysis

Table 27: Accommodation revenue and expenses (\$ pbd)

	FY24 1,194 Homes	FY23 1,197 Homes	YoY Movement	FY22 1,202 Homes
Accommodation revenue	\$41.65	\$36.41	↑	\$32.84
Accommodation expenses				
Depreciation	\$22.36	\$21.03	↑	\$19.54
Refurbishment	\$0.31	\$0.24	↑	\$0.22
Property maintenance	\$13.50	\$12.41	↑	\$11.08
Property rental	\$0.77	\$0.94	↓	\$1.00
Other accommodation costs	\$1.14	\$1.16	↓	\$1.02
Administration overhead	\$14.81	\$13.70	↑	\$12.05
Accommodation expenses	\$52.88	\$49.46	↑	\$44.90
Accommodation Margin (\$ per bed day)	(\$11.22)	(\$13.05)	↑	(\$12.06)
Accommodation Margin (\$ per bed pa)	(\$3,802)	(\$4,332)	↑	(\$4,004)
Depreciation charge (\$ per bed pa)	\$7,575	\$6,980	↑	\$6,487

Accommodation Pricing

Figure 20: Effect of MPIR % on Accommodation margin (\$ per bed day)

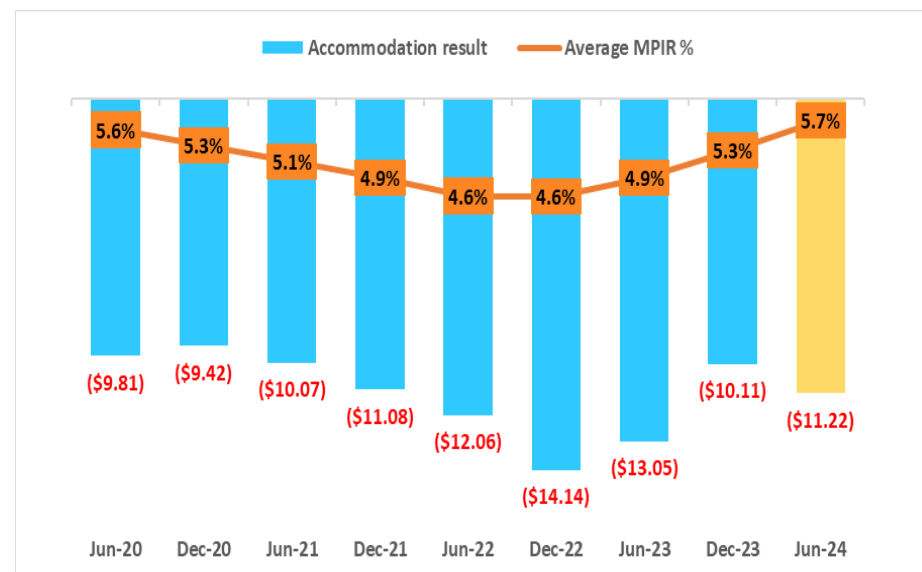
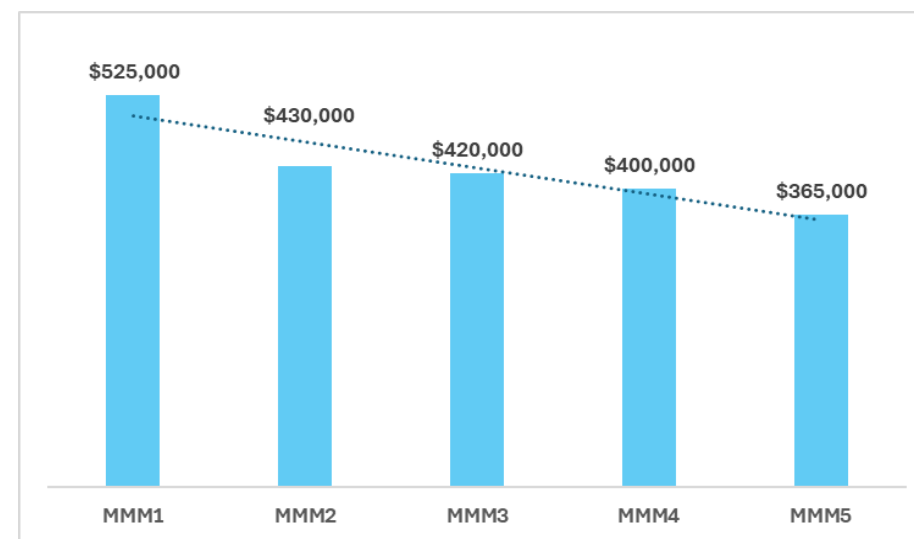
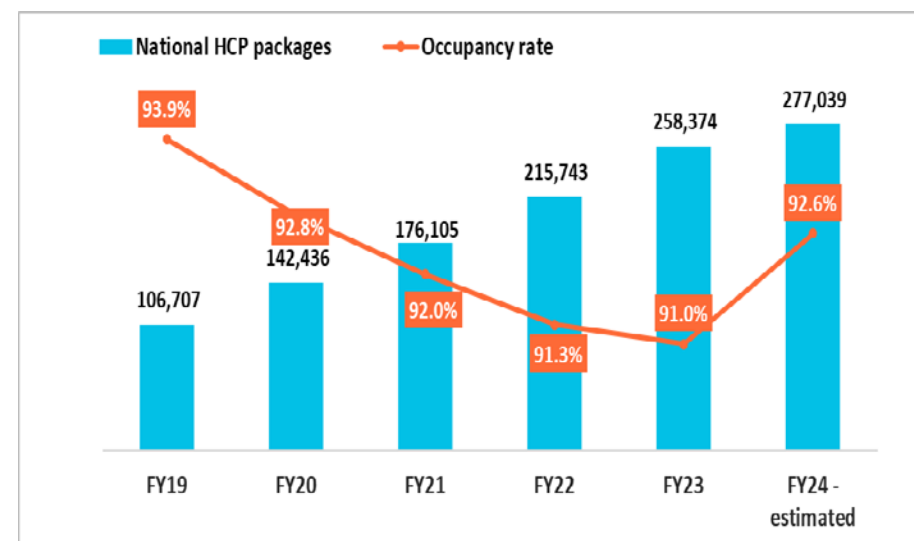


Figure 21: Median Accommodation Price by MMM



Occupancy

Figure 22: Residential Occupancy comparison to Home Care Packages



Administration Costs

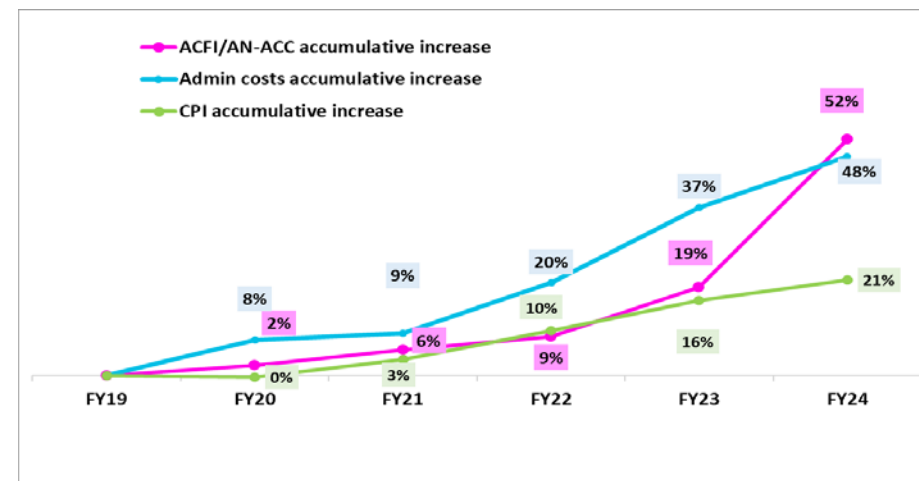
Table 28: Administration costs (\$ pbd)

	FY24 1,194 Homes	FY23 1,197 Homes	YoY Movement	FY22 1,202 Homes
Administration (corporate) recharges	\$32.22	\$27.33	↑	\$25.29
Labour costs - administration (facility)	\$8.71	\$9.95	↓	\$7.79
Other administration costs	\$7.30	\$7.34	↓	\$6.19
Workers compensation	\$0.20	\$0.23	↓	\$0.17
Payroll tax - administration staff	\$0.03	\$0.03	↑	\$0.04
Fringe Benefits Tax	\$0.01	\$0.01	↓	\$0.02
Quality & education - labour costs	\$0.05	\$0.07	↓	\$0.05
Quality and education - other	\$0.02	\$0.03	↓	\$0.02
Insurances	\$1.84	\$1.64	↑	\$1.41
Total Administration Costs	\$50.38	\$46.62	↑	\$40.98

Table 29: Administration costs by provider size (\$ pbd)

	Provider Size: 1 Home	Provider Size: 2 to 6 Homes	Provider Size: 7 to 20 Homes	Provider Size: Over 20 Homes
Administration (corporate) recharges	\$9.93	\$25.93	\$38.85	\$33.70
Labour costs - administration (facility)	\$19.13	\$11.71	\$7.10	\$6.85
Other administration costs	\$12.64	\$8.91	\$7.04	\$5.89
Workers compensation	\$0.58	\$0.29	\$0.16	\$0.15
Payroll tax - administration staff	\$0.06	\$0.08	\$0.01	\$0.03
Fringe Benefits Tax	\$0.01	\$0.01	\$0.01	\$0.00
Quality & education - labour costs	\$0.13	\$0.08	\$0.06	\$0.02
Quality and education - other	\$0.08	\$0.03	\$0.01	\$0.02
Insurances	\$2.88	\$2.27	\$1.50	\$1.73
Total Administration Costs	\$45.44	\$49.31	\$54.74	\$48.39

Figure 23: Administration costs increase % compared to CPI and ACFI/AN-ACC increase %



Agency Analysis

Figure 24: Agency Direct Care staff costs (\$ per bed day)

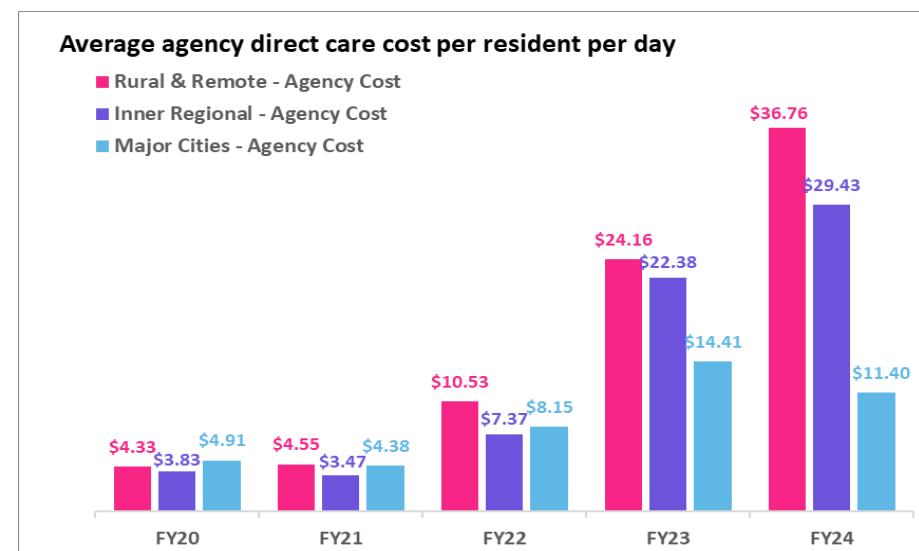


Figure 25: Agency Direct Care staff minutes (per resident per day)

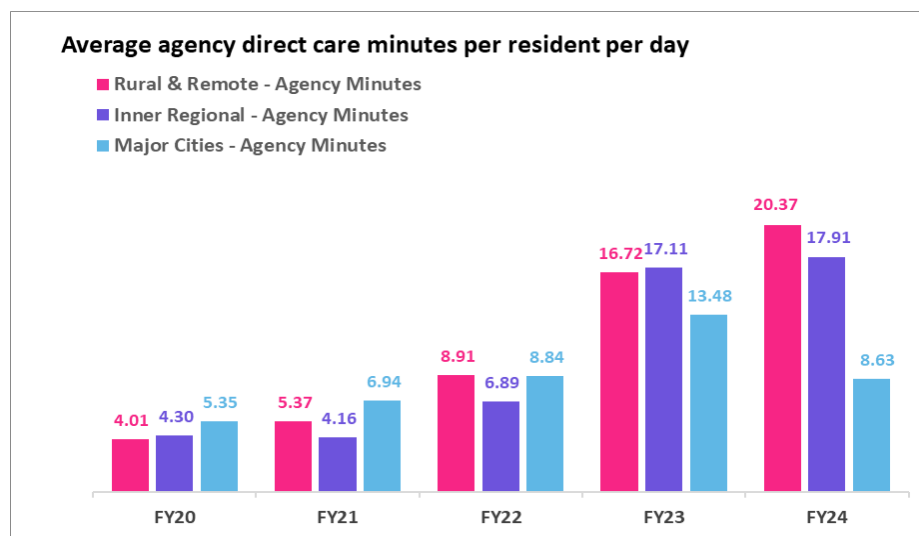


Figure 27: First 25% Direct Care result (\$ pbd) and Direct Care minutes trend



First 25% Trends

Figure 26: First 25% EBITDA result trend (\$ per bed per annum)

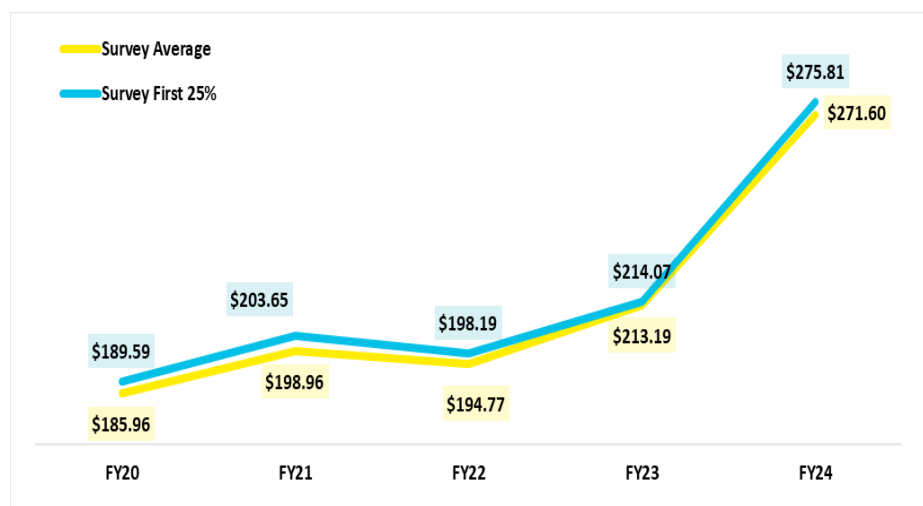


Table 30: First 25% Direct Care staffing metrics

Staffing Category	Survey First 25%			Survey First 25%
	FY24	FY23		FY22
Registered nurses	36.02	29.25	↑	24.35
Enrolled & licensed nurses	8.13	10.75	↓	11.44
Other unlicensed nurses & personal care staff	147.97	132.19	↑	123.06
Imputed agency direct care minutes implied		0.04		0.56
Total Direct Care Minutes	192.12	172.23	↑	159.40
Care management	4.15	6.50	↓	7.80
Allied health	3.32	4.71	↓	4.00
Diversional/Lifestyle/Activities	4.67	6.48	↓	7.05
Imputed agency other care minutes implied		0.05		
Total Care Minutes	204.27	189.97	↑	178.26

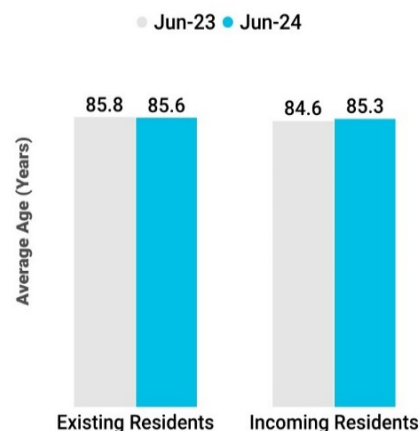
Table 31: First 25% Agency Direct Care staffing metrics

Staffing Category	Survey First 25%			Survey First 25%
	FY24	FY23		FY22
Agency - Registered nurses	2.26	2.26	↓	0.93
Agency - Enrolled & licensed nurses	0.37	0.52	↓	0.37
Agency - Other unlicensed nurses & personal care staff	4.65	7.03	↓	4.01
Imputed agency direct care minutes implied		0.04		0.56
Total Direct Care Agency Minutes	7.29	9.86	↓	5.86

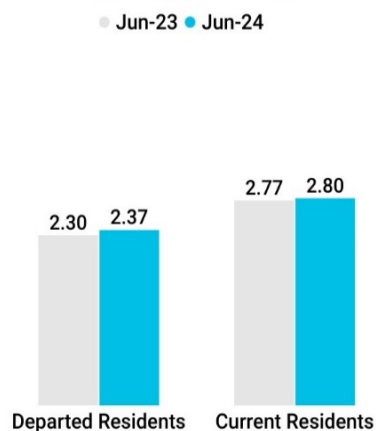
*StewartBrown does not calculate imputed hours from FY24 Survey due to improvement in agency hours reporting

Residential Demographics

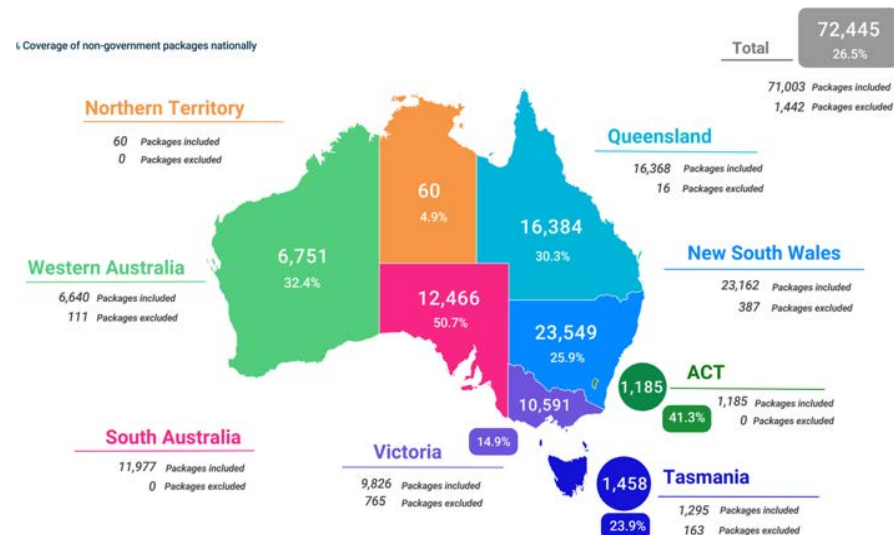
Average Age of Residents in Care



Average Length of Stay in Care



Home Care



FY24 Results Snapshot

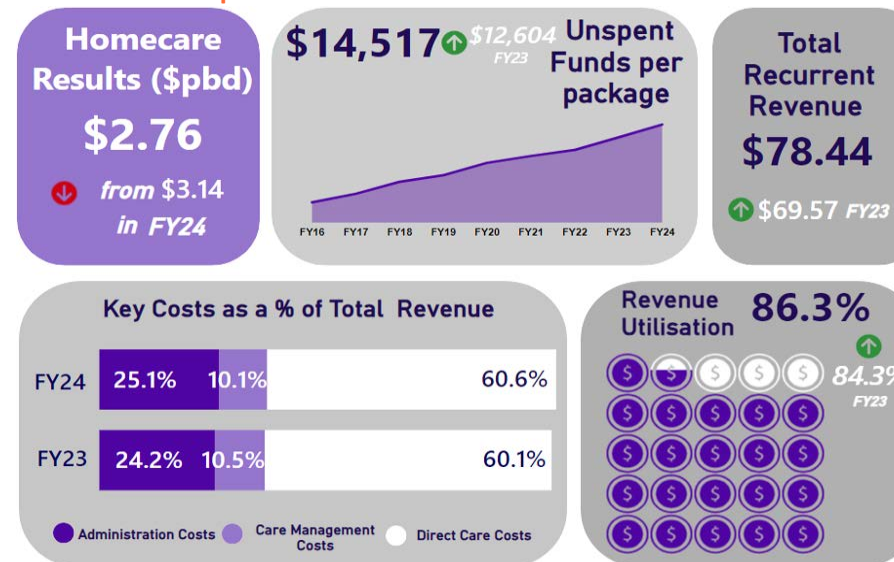


Figure 28: Home Care key metrics summary

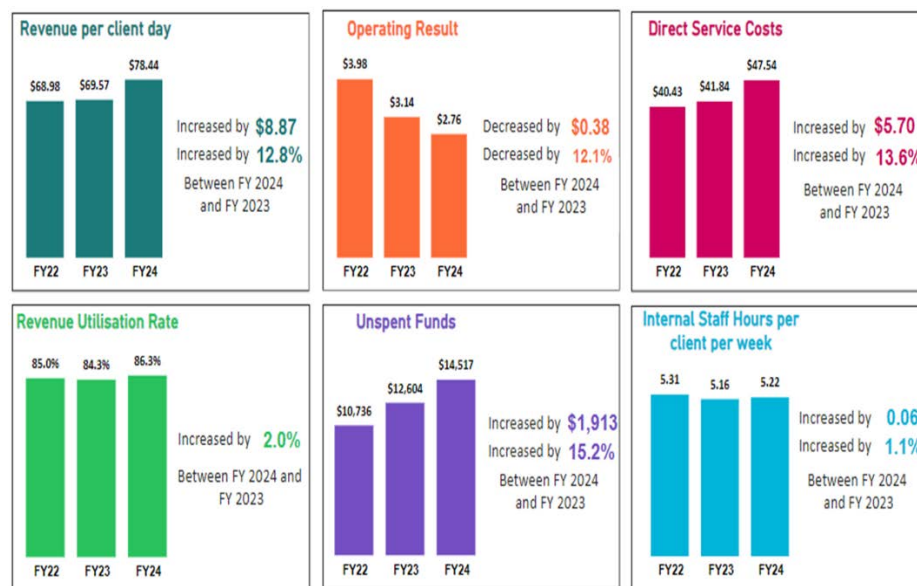


Figure 29: Operating Result by revenue band (\$ per client per day)

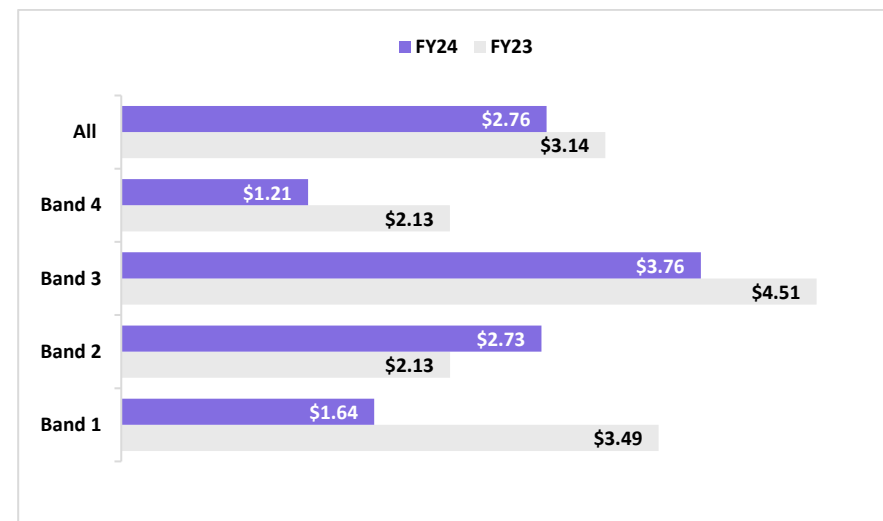


Figure 30: EBITDA Result by revenue band (\$ per client per annum)

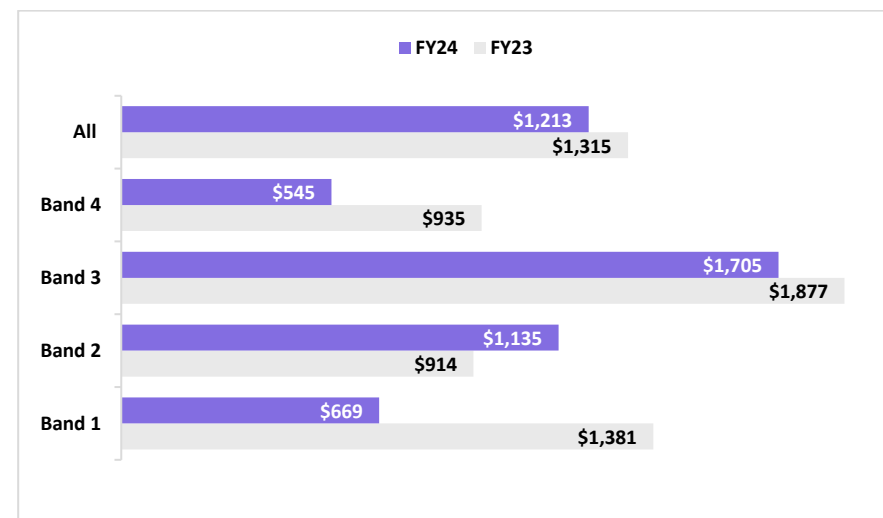


Table 32: Summary Home Care KPI results comparison

	FY24 71,003 Packages	FY23 68,129 Packages	Difference (YoY)	FY22 60,630 Packages
Total revenue \$ per client per day	\$78.44	\$69.57	↑ \$8.87	\$68.98
Operating result per client per day	\$2.76	\$3.14	↓ (\$0.38)	\$3.98
EBITDA per client per annum	\$1,213	\$1,315	↓ (\$102)	\$1,632
Average total Internal Staff hours per client per week	5.22	5.16	↑ 0.06	5.31
Median growth rate	2.9%	12.6%	↓ (9.7%)	14.3%
Revenue utilisation rate for the period	86.3%	84.3%	↑ 2.0%	85.0%
Average unspent funds per client	\$14,517	\$12,604	↑ \$1,913	\$10,736
Cost of direct care & brokered services as % of total revenue	60.6%	60.1%	↑ 0.5%	58.6%
Care management & coordination costs as % of total revenue	10.1%	10.5%	↓ (0.4%)	11.8%
Administration & support costs as % of total revenue	25.1%	24.2%	↑ 0.8%	23.1%
Profit margin	3.5%	4.5%	↓ (1.0%)	5.8%

Figure 31: Revenue Utilisation percentage by revenue band

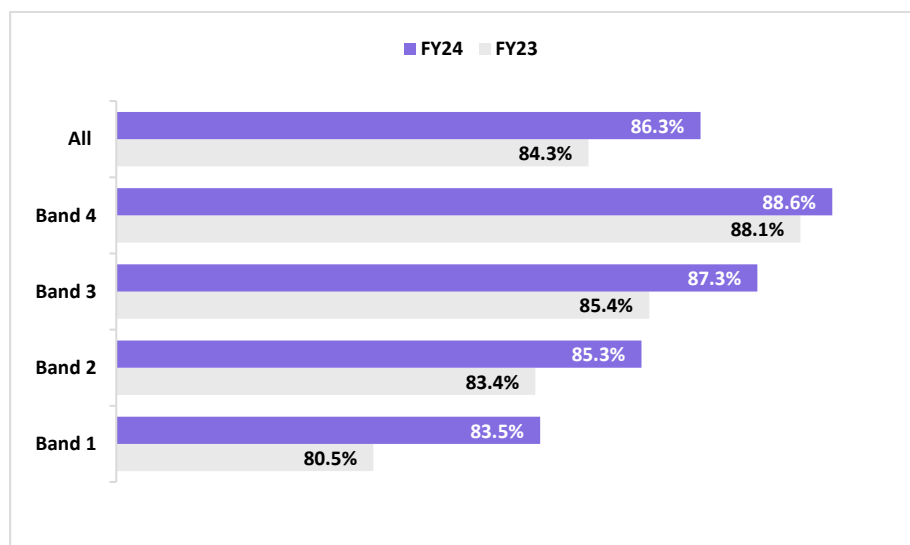


Figure 32: Operating Result and Revenue Utilisation revenue band

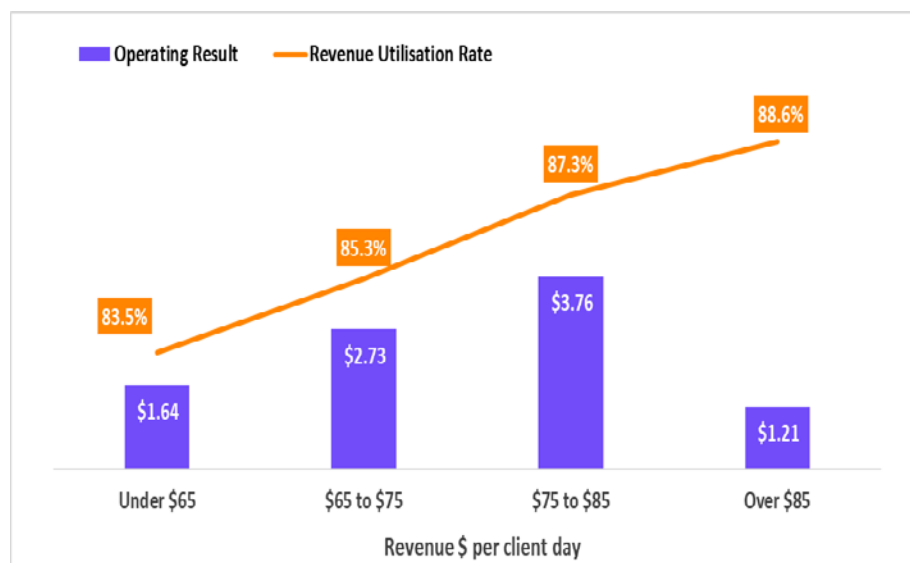
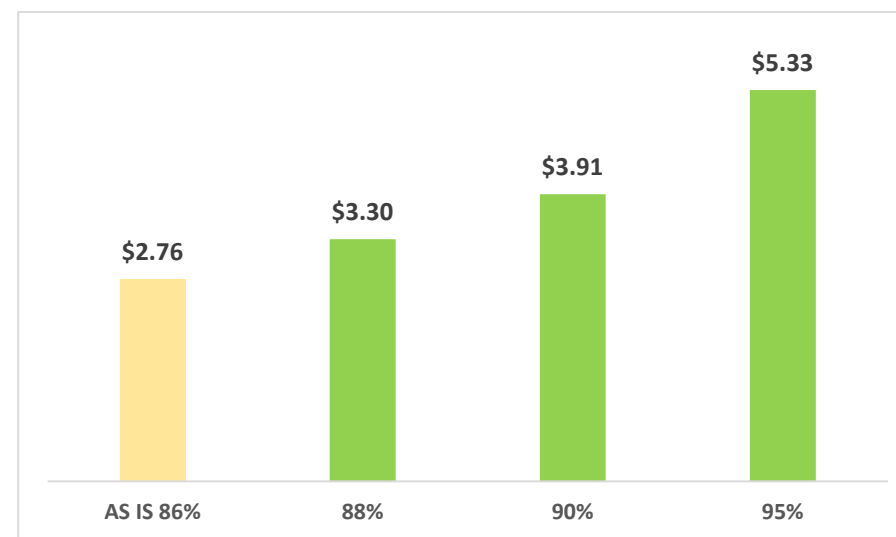


Figure 33: Operating result projections based on higher revenue utilisation (\$ pcd)



*Modelling assumes costs are 60% variable and 40% fixed

Unspent Funds

Figure 34: Unspent Funds trend analysis (\$ per client)

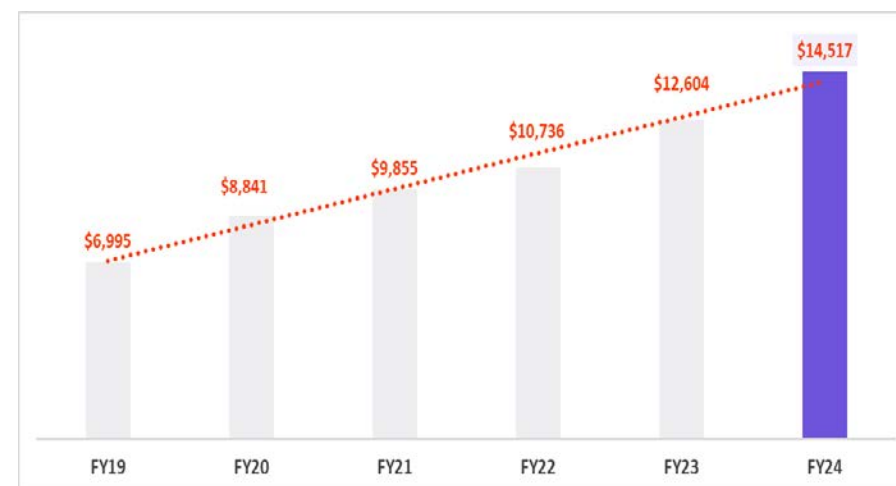


Figure 35: Unspent Funds by revenue band (\$ per client)

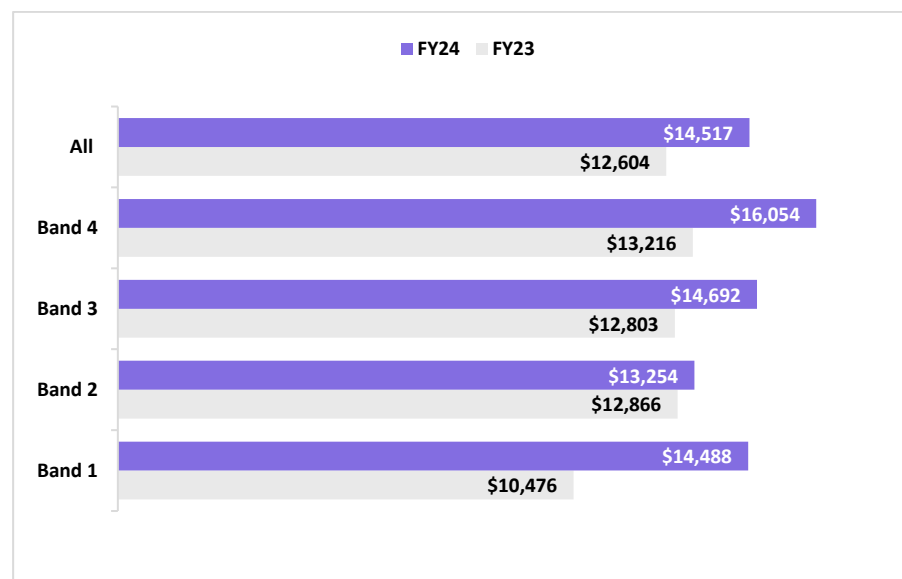
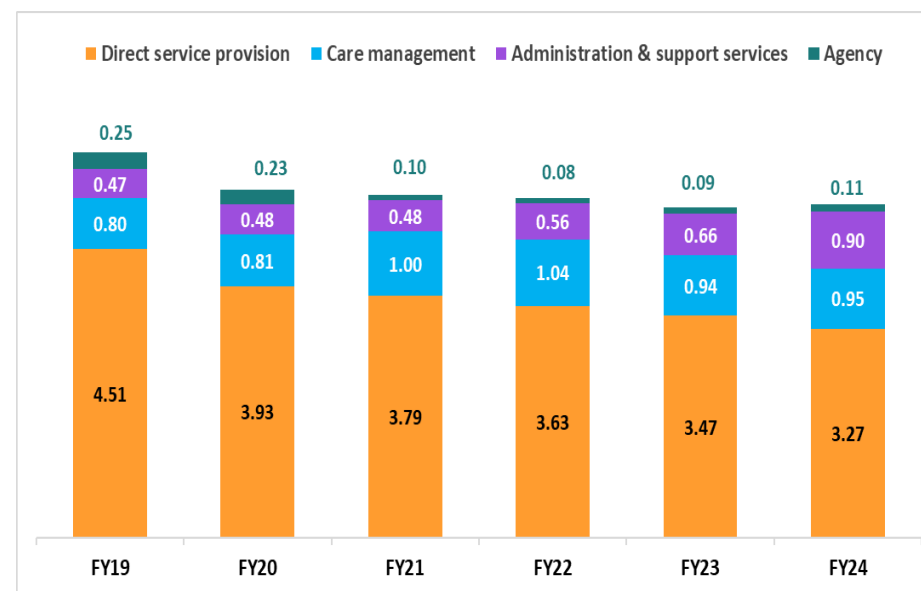


Figure 36: Staff Hours per care recipient week trend analysis



Staff Hours Worked per Care Recipient

Table 33: Staff Hours and Minutes worked per care recipient per week

Internal staff hours worked per client week		FY24	FY23		Difference
Direct service provision		3.27	3.47	↓	(0.20)
Agency		0.11	0.09	↑	0.02
Care management & coordination		0.95	0.94	↑	0.01
Administration & support services		0.90	0.66	↑	0.24
Total Staff Hours		5.22	5.16	↑	0.06

Internal staff minutes worked per client week		FY24	FY23		Difference
Direct service provision		196.0	208.3	↓	(12.3)
Agency		6.6	5.6	↑	1.0
Care management & coordination		56.7	56.4	↑	0.3
Administration & support services		53.8	39.3	↑	14.4
Total Staff Minutes		313.2	309.6	↑	3.5

Figure 37: Internal and Brokered Services staff costs comparison

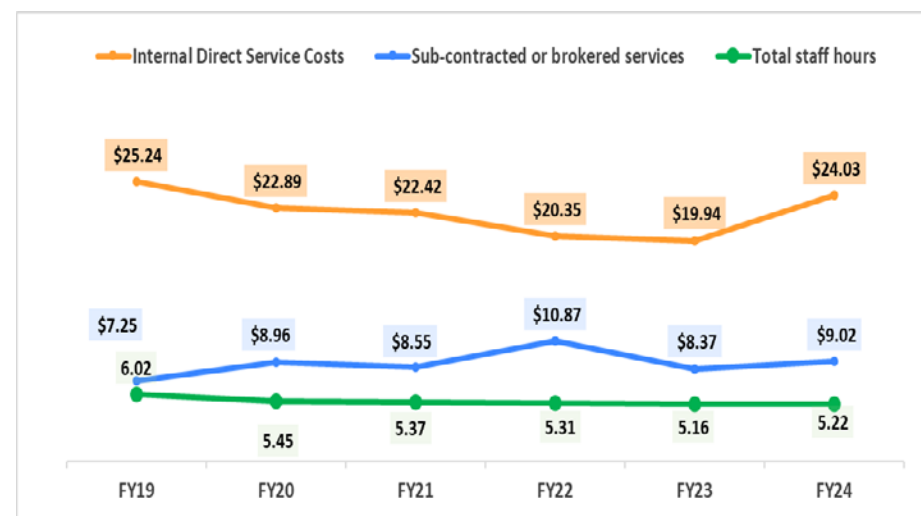


Figure 38: Care Management and Administration cost as % of revenue

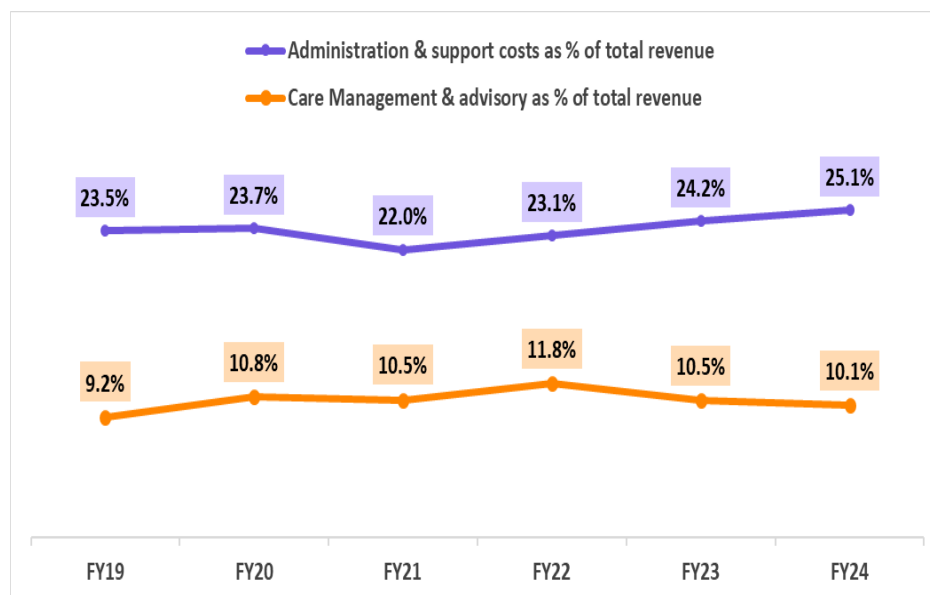
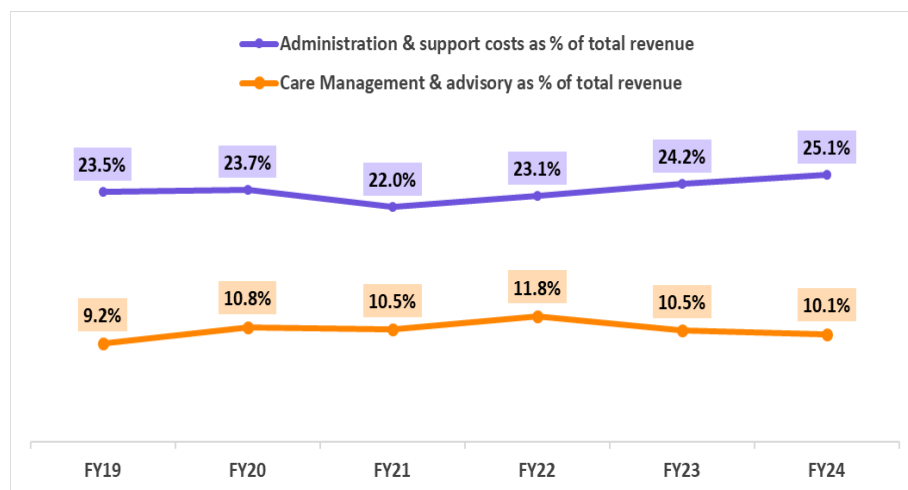


Figure 39: Care Management and Package Management revenue as % of revenue



First 25% Trends

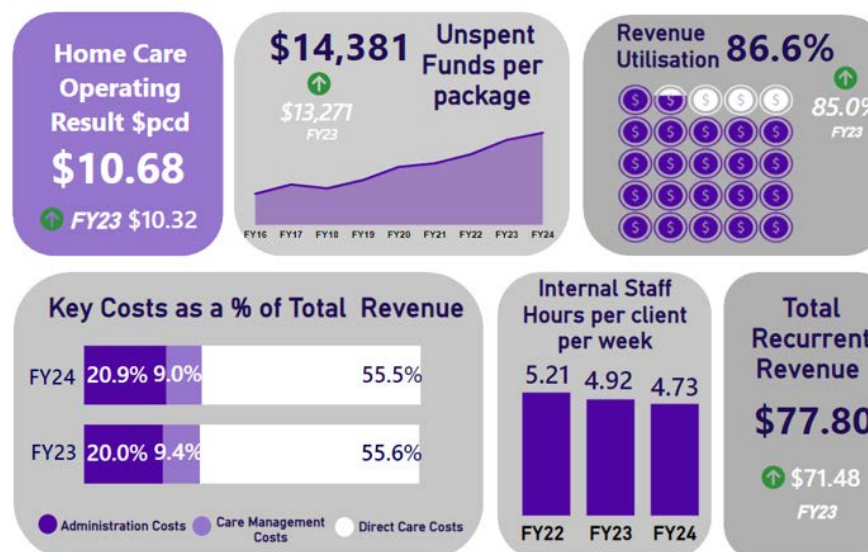
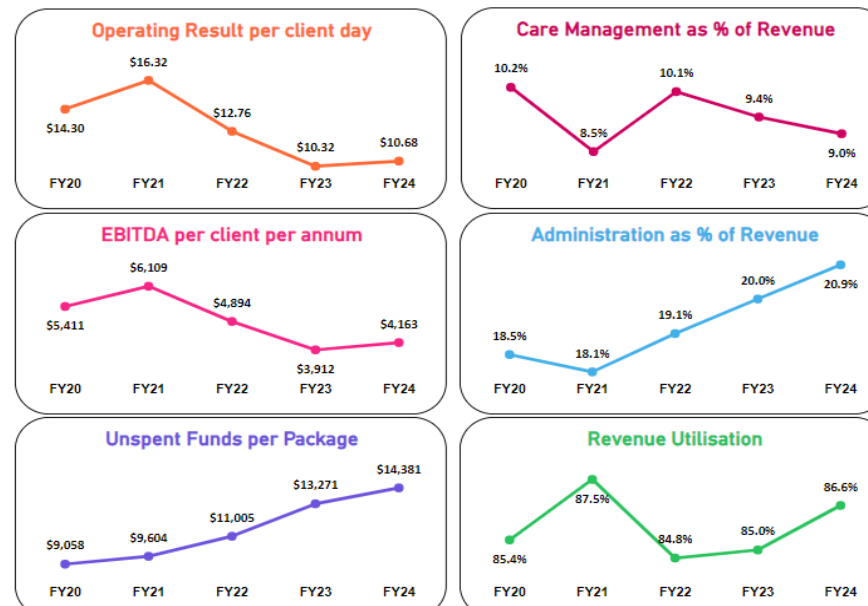


Figure 40: EBITDA (\$ per client pr annum) comparison First 25% and Average

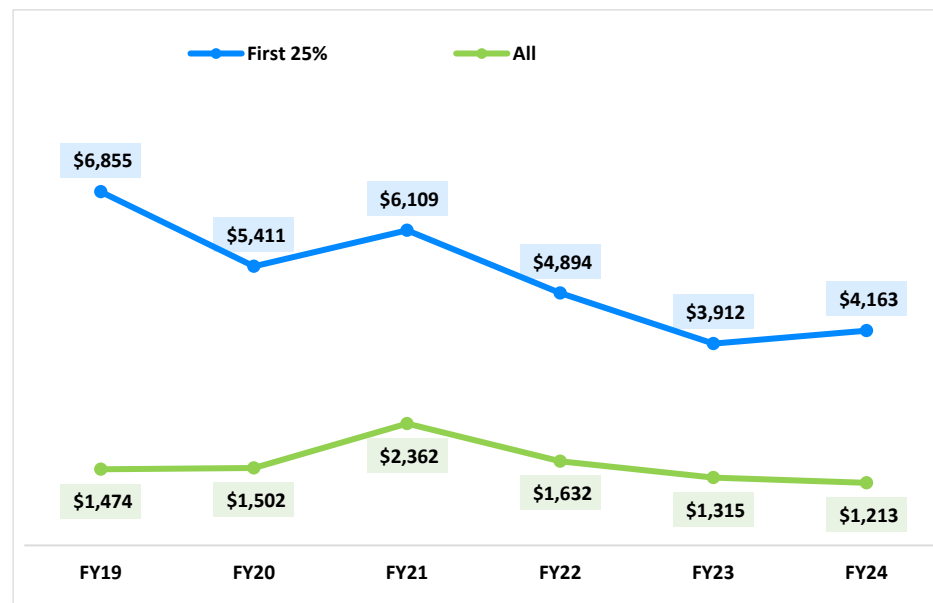


Table 34: Summary Home Care First 25% KPI results comparison

	FY24 20,793 Packages	FY23 21,985 Packages	Difference (YoY)	FY22 12,871 Packages
Total revenue \$ per client per day	\$77.80	\$71.48	↑ \$6.32	\$77.68
Operating result per client per day	\$10.68	\$10.32	↑ \$0.36	\$12.76
EBITDA per client per annum	\$4,163	\$3,912	↑ \$251	\$4,894
Average total Internal Staff hours per client per week	4.73	4.92	↓ (0.19)	5.21
Median growth rate	6.2%	16.6%	↓ (10.4%)	20.0%
Revenue utilisation rate for the period	86.6%	85.0%	↑ 1.5%	84.8%
Average unspent funds per client	\$14,381	\$13,271	↑ \$1,111	\$11,005
Cost of direct care & brokered services as % of total revenue	55.5%	55.6%	↓ (0.1%)	53.6%
Care management & coordination costs as % of total revenue	9.0%	9.4%	↓ (0.4%)	10.1%
Administration & support costs as % of total revenue	20.9%	20.0%	↑ 0.9%	19.1%
Profit margin	13.7%	14.4%	↓ (0.7%)	16.4%

Home Care Package Demographics

Figure 41: HCP Client exits

Reasons for Client Exits

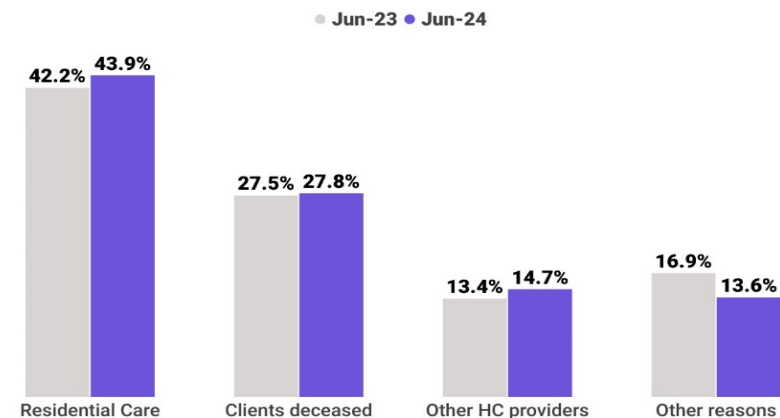
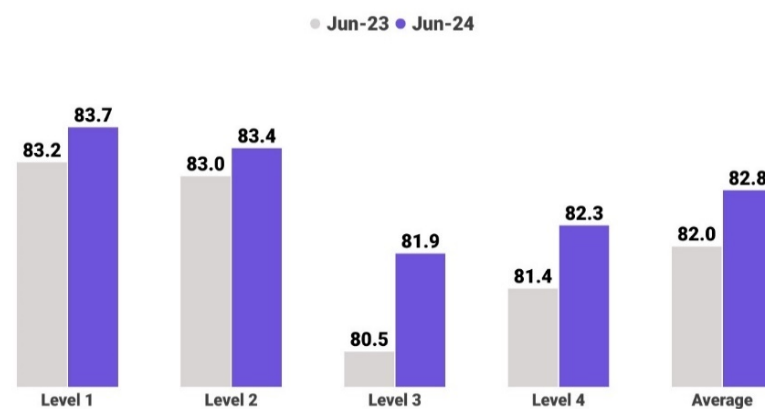


Figure 42: HCP Average Age of clients (participants)

Average Age of Home Care Clients in years



Package Growth

Figure 43: Number of People in a Home Care Package

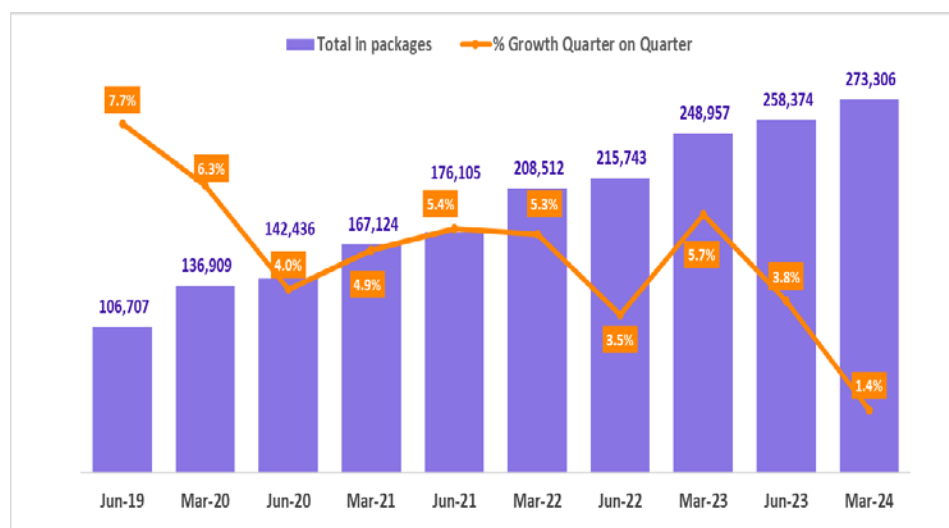
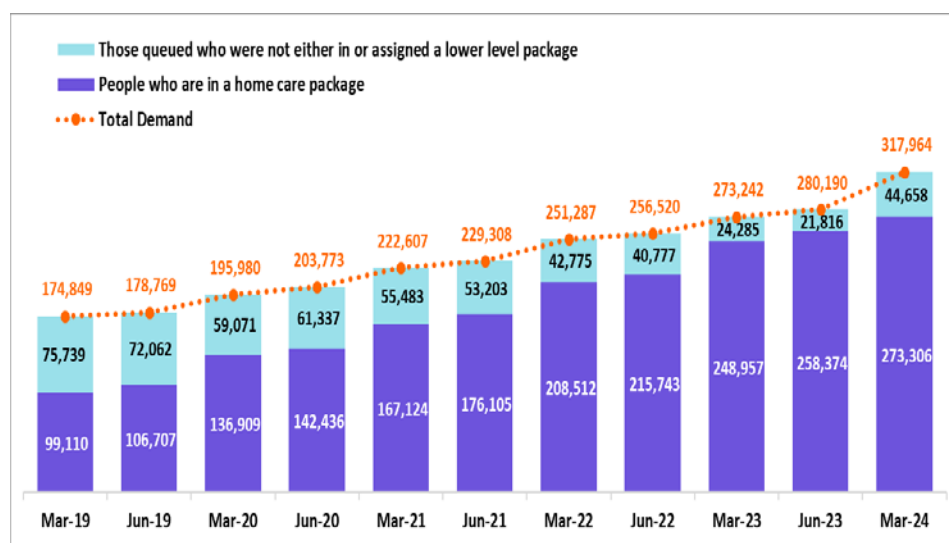


Figure 44: Demand for Home Care Packages



5. 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 a disability services benchmark incorporating the same granular analysis as the aged care Survey ([Disability Services Survey \(stewartbrown.com.au\)](https://stewartbrown.com.au))

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.

Accommodation

The Accommodation Supplement plays an important role to incentivise aged care providers to provide accommodation to residents that do not have the financial ability to pay a RAD or DAP.

Currently, the maximum Accommodation Supplement payable to providers is \$69.49 per day which if it was a DAP would equate to a RAD accommodation price of \$302,671. The current average RAD received is \$500,000 and the equivalent DAP would be \$114.79 per day, significantly higher than the maximum Accommodation Supplement of \$69.49. This difference will further increase should the accommodation price cap of \$750,000 lead to increased accommodation prices.

The demand for residential aged care in Australia is projected to grow significantly over the next two decades, according to the Financial Report on the Australian Aged Care Sector 2022-2023 (FY23 FRAACS). The current estimated demand of 200,000 places is expected to increase to:

- 250,000 by 2030
- 365,000 by 2040
- 400,000 by 2043

To meet this rising demand, the sector needs to accumulate substantial funding. The financial considerations for aged care facilities are considerable:

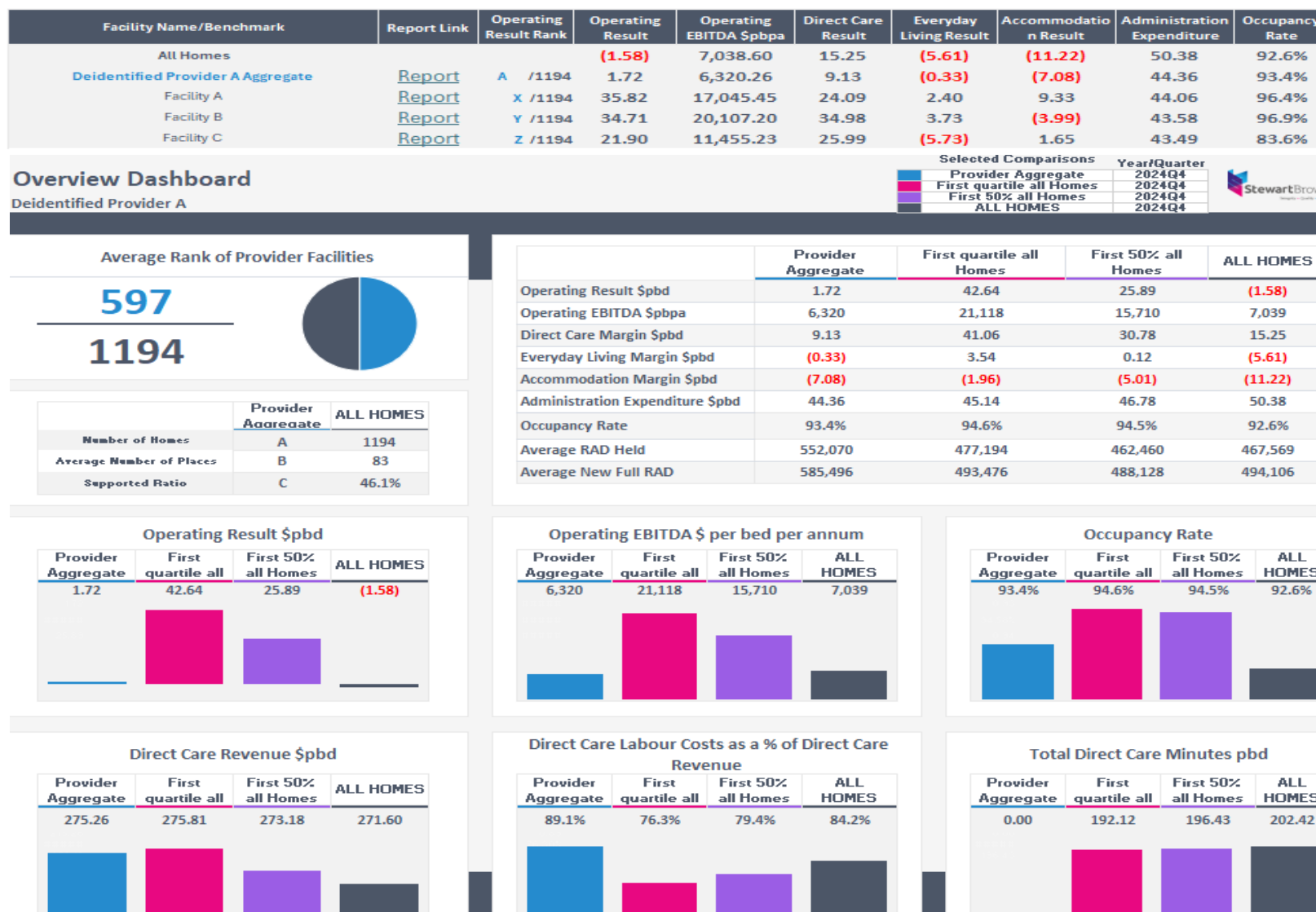
- Construction costs: Building a new aged care home costs approximately \$500,000 per bed, including land, building, fittings, and equipment.
- Lifespan and depreciation: An aged care facility has an effective life of 25-30 years, including periodic refurbishments. This translates to a depreciation rate of 3.3% to 4% annually for the buildings.
- Return on investment: An EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) of \$20,000 per bed per year represents a 4% annual return on capital invested. This barely covers the cost of replacing an aging building at the end of its lifecycle.
- Future development: To fund additional development and expansion to meet growing demand, providers should aim for returns higher than 4% per annum.

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)

INTERACTIVE DASHBOARD (PROVIDER AGGREGATE AND INDIVIDUAL FACILITY LEVEL):



CARE

DIRECT CARE

DIRECT CARE REVENUE

	De-identified Provider FY22	De-identified Provider Dec-22	De-identified Provider FY23	De-identified Provider Sep-23	De-identified Provider Dec-23
Government subsidies - care	179.97	193.20	200.64	243.43	245.75
Means-tested care fee	9.70	9.57	9.48	9.50	11.07
Direct care subsidy & supplements	189.67	202.77	210.12	252.93	256.82
Recurrent grants and other care	0.82	2.24	1.79	0.57	0.48
Non-recurrent operating care grants	9.98	-	-	-	-
Direct care revenue	200.47	205.01	211.90	253.49	257.31

DIRECT CARE EXPENDITURE

Care Labour costs

Registered nurses	27.80	30.35	32.09	38.39	40.00
Enrolled and licensed nurses (registered with the NMBA)	2.39	2.30	2.71	2.15	1.92
Other unlicensed nurses/personal care staff	110.23	120.89	123.22	138.25	142.37
FWC 15% leave entitlement increase	-	-	3.20	-	-
Total direct care labour costs	140.42	153.54	161.21	178.79	184.29
Care management	7.82	7.88	8.86	8.20	8.57
Allied health	6.26	7.18	6.80	5.53	5.57
Lifestyle/ Recreation/ Activities Officer /Diversional Therapy	-	-	-	-	-
Workers' compensation - care services	3.16	6.04	5.92	3.17	3.17
Payroll tax - care services	-	-	-	-	-
Total care labour costs	157.65	174.63	182.80	195.69	201.61
Medical, incontinence supplies & nutritional supplements	4.19	4.49	4.64	4.65	4.25
Chaplaincy / Pastoral care	-	-	-	-	-
Quality and education allocation to care services	0.27	0.42	0.45	0.37	0.32
Other resident services and consumables	1.04	1.21	1.35	1.36	1.34
Infection prevention and Covid-19	0.14	(9.84)	0.82	(1.07)	(0.50)
Expenditure - direct care services	163.29	170.92	190.05	201.02	207.01
Administration - direct care overhead allocation	16.46	17.44	17.46	18.10	17.89
Direct care expenditure	179.76	188.36	207.51	219.11	224.91
DIRECT CARE RESULT	\$ 20.72	\$ 16.65	\$ 4.40	\$ 34.38	\$ 32.40

Total care labour costs as a % of direct care revenue

Direct care expenditure as a % of direct care revenue

78.6%	85.2%	86.3%	77.2%	78.4%
89.7%	91.9%	97.9%	86.4%	87.4%

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
252.49	256.74	251.95	252.36	250.44
8.62	8.88	9.87	11.14	9.72
261.11	265.62	261.83	263.50	260.16
2.15	4.01	1.30	1.35	1.49
-	-	-	-	-
263.26	269.63	263.13	264.85	261.65

50.98	45.18	52.15	44.29	50.21
11.76	6.94	3.56	1.71	10.26
133.81	124.94	139.97	129.90	134.09
1.58	2.63	0.91	0.87	1.54
198.12	179.69	196.60	176.77	196.10
6.73	5.33	7.15	5.54	6.28
6.18	5.22	6.03	5.05	6.18
5.21	3.36	5.03	2.81	4.89
4.99	4.53	5.21	4.36	5.01
0.72	1.06	0.24	0.38	0.95
221.94	199.18	220.27	194.91	219.42
5.79	5.26	5.73	4.69	5.76
0.63	0.45	0.81	0.68	0.71
1.93	1.72	2.23	1.43	1.92
1.56	1.73	2.07	1.87	1.59
(0.38)	(0.46)	(0.71)	(0.69)	(0.66)
231.48	207.89	230.40	202.88	228.74
18.52	16.91	18.52	16.83	18.43
250.00	224.80	248.93	219.72	247.17
\$ 13.26	\$ 44.83	\$ 14.20	\$ 45.14	\$ 14.48

84.3%	73.9%	83.7%	73.6%	83.9%
95.0%	83.4%	94.6%	83.0%	94.5%

INDIRECT CARE

INDIRECT CARE REVENUE

Basic daily fee - resident	53.35	57.09	58.37	58.70	62.12
Hotelling supplement – government	10.00	10.00	9.98	10.83	11.00
Fees for additional services and extra or optional service fees	1.50	2.37	2.71	3.13	3.29
Indirect care revenue	64.85	69.46	71.07	72.66	76.40

INDIRECT CARE EXPENDITURE

HOTEL SERVICES

CATERING

Labour costs	6.11	5.50	4.85	4.90	4.86
Consumables - food	4.52	7.16	3.70	0.53	0.63
Consumables - other	0.61	-	-	-	-
Contract catering	18.42	17.67	22.11	25.46	25.85
Income from sale of meals (usually a credit amount)	(0.07)	(0.15)	(0.17)	(0.18)	(0.17)
Total catering	29.60	30.18	30.48	30.71	31.17

CLEANING

Labour costs	1.33	1.32	1.41	1.39	1.29
Consumables	-	-	-	-	-
Contract cleaning	8.00	8.92	8.76	7.85	7.65
Total cleaning	9.34	10.24	10.18	9.24	8.94

LAUNDRY

Labour costs	1.40	1.27	2.19	2.28	2.00
Consumables	1.73	1.67	1.75	1.73	1.85
Contract laundry	0.24	0.26	0.28	0.24	0.22
Total laundry	3.37	3.19	4.22	4.25	4.06

Workers' compensation - indirect care	0.18	0.29	0.28	0.14	0.13
Payroll tax - indirect care	-	-	-	-	-
Expenditure - quality and education (allocation to indirect care)	0.02	0.02	0.02	0.02	0.01
Other hotel services expenses	0.17	0.41	0.37	0.18	0.18
Total other hotel services	0.37	0.72	0.68	0.34	0.32
Expenditure - hotel services	42.68	44.33	45.55	44.54	44.50

UTILITIES

Electricity	2.66	2.69	2.60	2.71	2.40
Gas	0.72	0.87	0.76	1.21	1.01
Rates	0.78	0.80	0.84	0.83	0.87
Rubbish removal	1.04	1.15	1.15	1.10	0.98
Expenditure - utilities	5.20	5.51	5.35	5.85	5.26

Expenditure - indirect care services	47.88	49.84	50.90	50.39	49.76
Administration - indirect care overhead allocation	14.95	15.85	15.86	16.45	16.26
Indirect care expenditure	62.83	65.69	66.77	66.84	66.02
INDIRECT CARE RESULT	\$ 2.02	\$ 3.77	\$ 4.30	\$ 5.81	\$ 10.38

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
60.33	60.86	60.30	60.90	60.44
10.94	10.96	10.96	10.98	10.95
3.98	5.87	4.55	6.08	5.11
75.26	77.70	75.81	77.95	76.50

20.82	18.21	18.34	15.57	19.53
12.71	13.18	13.33	15.58	12.47
0.55	0.53	0.66	0.45	0.56
5.75	4.83	7.56	4.35	6.38
(0.29)	(0.28)	(0.18)	(0.13)	(0.26)
39.54	36.46	39.72	35.82	38.68

6.20	4.73	4.29	3.54	5.64
1.72	1.47	1.55	1.24	1.73
2.63	2.74	4.81	4.96	3.17
10.55	8.94	10.65	9.74	10.53

2.77	2.70	2.71	2.53	2.61
0.46	0.60	0.62	0.80	0.44
1.44	0.99	1.35	0.75	1.61
4.67	4.28	4.68	4.09	4.66

0.69	0.60	0.62	0.50	0.65
0.10	0.14	0.03	0.04	0.12
0.27	0.23	0.26	0.16	0.25
0.08	0.05	0.08	0.05	0.09
1.13	1.02	0.98	0.76	1.12
55.89	50.70	56.02	50.40	54.99

3.58	3.32	3.78	3.47	3.34
1.22	1.12	1.07	0.95	1.13
1.62	1.60	1.11	1.01	1.47
1.51	1.36	1.50	1.26	1.50
7.93	7.39	7.45	6.69	7.44

63.82	58.10	63.48	57.09	62.44
16.84	15.37	16.84	15.30	16.75
80.65	73.47	80.31	72.39	79.19
\$ (5.40)	\$ 4.23	\$ (4.51)	\$ 5.56	\$ (2.69)

	De-identified Provider	De-identified Provider	De-identified Provider	De-identified Provider	De-identified Provider	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
	FY22	Dec-22	FY23	Sep-23	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	De-identified Provider	De-identified Provider	De-identified Provider	De-identified Provider		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
	FY22	Dec-22	FY23	Sep-23	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

6. GLOSSARY

Accommodation Margin

Accommodation Margin 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.

Direct Care Margin

The Direct Care (AN-ACC and formerly ACFI) Margin 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 direct care margin, indirect care margin and accommodation margin. 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, 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%
- 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 \$276

Band 2 - Between \$266 and \$276

Band 3 - Between \$256 and \$266

Band 4 - Under \$256

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

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.

Everyday Living Margin

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

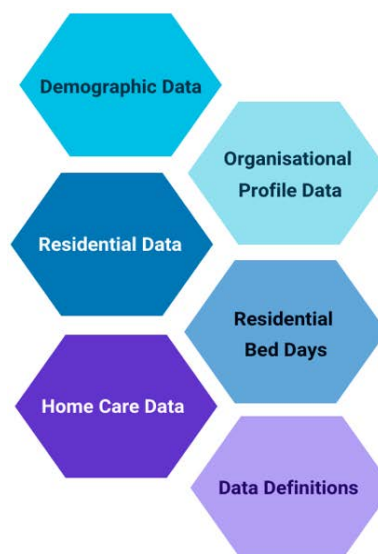
Aged care homes have been designated as being regionally based according to the designation by the Department of Health and Aged Care in their listing of aged care services. Those that were designated as being an “Inner Regional”, “Outer Regional” or “Remote” have been designated as Regional.

Modified Monash Model (MMM)

The Modified Monash Model (MMM) measures remoteness and population size on a scale of Modified Monash (MM) categories MM 1 to MM 7. MM 1 is a major city and MM 7 is very remote.

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

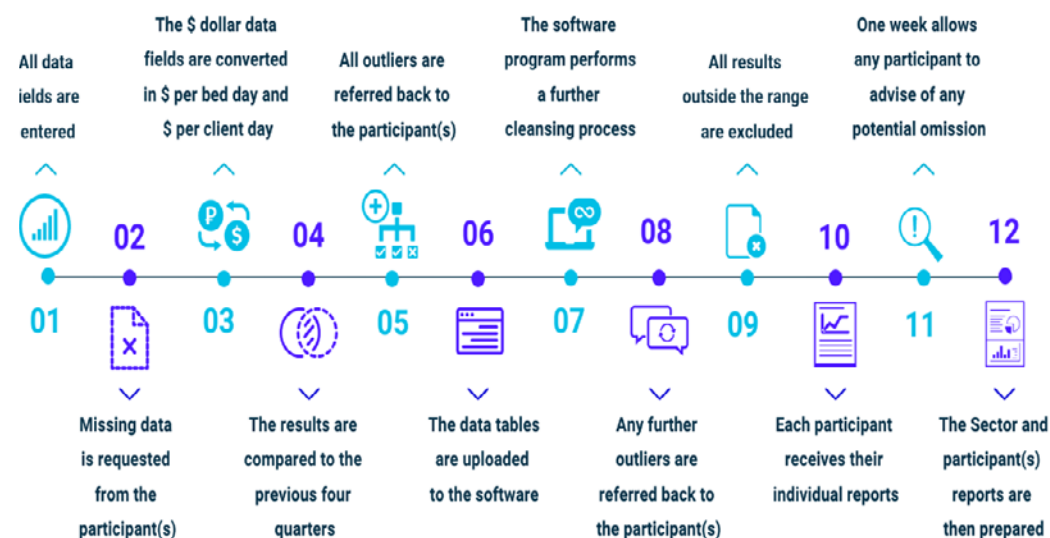


Each row must be completed. The only tabs not completed are where it is not applicable



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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