Integrity + Quality + Clarity

Aged Care Financial Performance Survey Report

Twelve months ended 30 June 2023

The StewartBrown 2023 Financial Year (twelve months) Aged Care Financial Performance Survey incorporates detailed financial and supporting data from **1,237 Aged Care Homes (100,972 beds/places)** & **71,269 Home Care Packages** 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

CONTENTS

1. EXECUTIVE SUMMARY

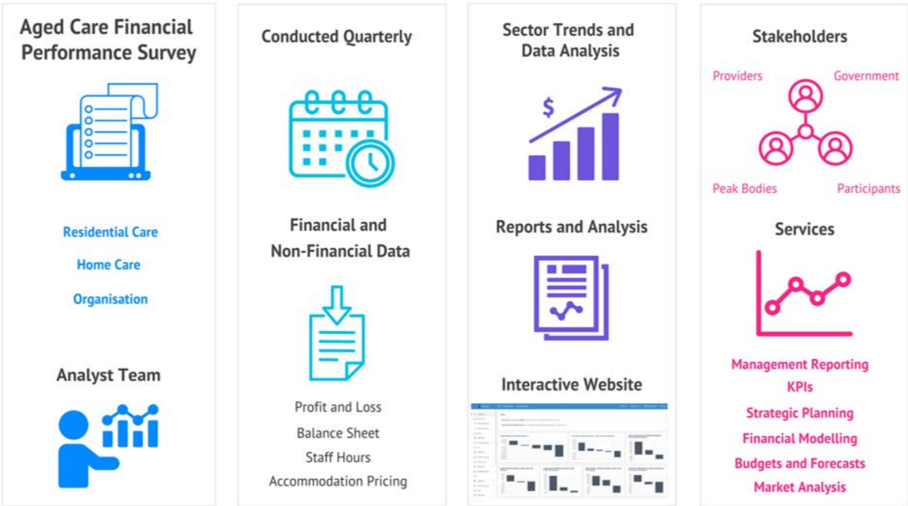
Abstract

The *Aged Care Financial Performance Survey* (Survey) Sector Report for the 2023 financial year (FY23) 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.

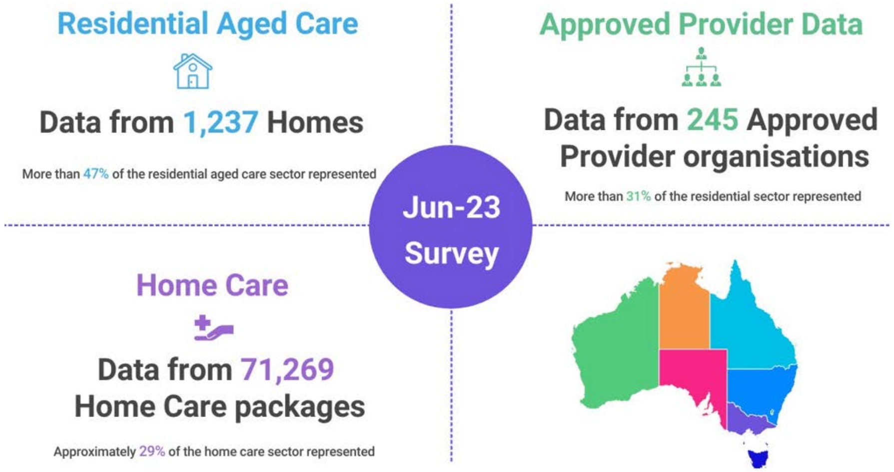
The primary objective of the Survey Report is that all financial policy and related public commentary should be evidenced based, objective and supported by accurate data. The Survey provides the results from an extensive data base.



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 year ended 30 June 2023 are derived from data contributed by the following:



Commentary

The Government has demonstrated a strong commitment to continuing the much-needed reform agenda for the delivery of quality aged care services for elderly Australians.

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

Whilst the declining financial performance was noted by the Royal Commission, the recommendations fell short in providing a clear direction to ensure the financial sustainability for the sector. The aged care sector, and the residential aged care segment in particular, is continuing to have considerable concerns over financial viability, with sustained financial operating losses now extending to over five successive years.

There remains a severe shortage in staffing capacity which impacts care service delivery across all levels of aged care. Investment in the sector, be it through innovation, technology, staff recruitment, accommodation and structural design has eroded significantly, and consolidation is occurring more through attrition than for strategic growth.

Concern about financial sustainability is acknowledged in the Aged Care Taskforce Terms of Reference (Aged Care Taskforce Terms of reference) which has as one of its main objectives to provide recommendations that will help ensure "aged care providers are sustainability funded and benefit from introducing innovative care delivery approaches that meet older Australian's preferences".

StewartBrown has advocated for a number of years that increased funding is essential, which must also involve a greater level of consumer contribution for indirect care (everyday living) and accommodation services in particular. To be successfully implemented, these reforms will require unilateral support from all stakeholders and increased community understanding of the financial aspects of providing aged care services.

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

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

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

Financial Results Overview

Summary

The Survey for the twelve months ending June 2023 concludes that there is continued financial instability in the sector, with residential aged care continuing to be at a **difficult financial position** for many Providers.

The average operating results for residential aged care homes across all geographic sectors was an operating loss of $16.54 per bed day *(FY22 $14.67 pbd loss)* for mature homes (which exclude the outliers). This represents an operating loss of $5,491 per bed per annum, and a continuation of losses for over six successive years. Extrapolating the deficit per bed represents a **loss in the residential aged care segment in excess of $1.05 billion** for the financial year.

The introduction of the AN-ACC funding model together with the mandated minutes being included in the subsidy has had a very positive effect in relation to direct care staffing levels delivered to residents. This is a major initiative which has seen direct care staffing minutes increase by 12.71 minutes per resident per day. This represents an increase of 7.18% from the previous year.

Staffing, though, has had significant challenges, with staffing shortages being required to be managed with increased levels of agency staff and overtime for existing staff. Agency staff now represents $17.10 per bed day (14.62 direct care minutes per resident per day), an increase of $6.20 per bed day compared to the same period in 2022 (FY22 $8.42 per bed day).

Occupancy has remained stable at 91.0% of *available* beds for mature homes (FY22 91.0%). *The Survey reports on beds that are available to be filled by residents, rather than using approved places as the denominator due to there being a large number of places (beds) not available due to refurbishment, new builds, sanctions or approved places allocated and never utilised.* The fixed costs per bed increase when occupancy declines to these levels and further erodes financial performance.

This all equates to the concerning statistic that 66% of aged care homes operated at a loss (67% at FY22) and 43% operated at an EBITDA (cash loss) (42% at FY22) with these percentages not increasing due to the short-term benefit of the AN-ACC subsidy *(refer below)*.

In summary, the residential aged care sector continues to make significant losses through the delivery of everyday living and accommodation services. The funding for direct care (AN-ACC and formerly ACFI) has been historically sufficient to meet the costs of providing direct care services and this should continue due to the important role of the Independent Hospital and Aged Care Pricing Authority (IHACPA) in determining the ongoing direct care subsidy required.

To meet the costs of providing appropriate daily living and accommodation services will require strong consideration of what mechanisms and reforms are required to fund this gap and provide a sufficient margin for financial sustainability.

Home Care continues to operate in a climate of operating issues. Uncertainty as to design of the Support at Home program (implementation date is 1 July 2025) and the potential implications, have caused a policy void which has led to a stagnation of innovation for many providers.

Consistent with residential aged care, staffing remains the most crucial concern, and this coupled with the current complicated regulatory environment has seen the financial performance declining.

The current operating result has decreased to a surplus of $3.14 per client per day *(FY22 $3.98 pcpd).* Revenue utilisation has decreased to 84.3% of available package funding and unspent funds have increased to an average of $12,604 for every care recipient *(unspent funds are now in excess of an aggregate $2.9 billion)*.

Average staffing hours in providing direct home care services has continued to reduce to now be 5.16 hours per client per week *(FY22 5.28 hours)* and is well short of the average hours delivered before the introduction of the Consumer Directed Care model, where average hours delivered were greater than 9 hours per week.

An interesting aspect of home care is that even though revenue utilisation is less than 85% (meaning that 15% of funding is not utilised by the recipient and the majority is returned to the Government) the average revenue received for service provided to each recipient is lower than FY20 and FY21 (FY23 $69.57 pcpd, FY21 $72.08 pcpd).

Consumer contributions to home care continue to decline and represent less than 2.5% of the overall funding envelope.

Effect of Fair Work Commission 15% Award Increase

Background:

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

The FWC ruling applied to direct care employees working in aged care in the following award classifications:

- Aged Care Award: personal care workers (PCWs) and recreation/lifestyle activities officers
- Nurses Award: nursing assistants, enrolled nurses, registered nurses, nurse practitioners working in aged care
- SCHADS Award: home care workers working in aged care

The FWC 15% award increase also applies to the most senior food services employee (levels 4-7):

- covered by the Aged Care Award
- working at a particular aged care facility or site

Financial Effect

The increase in the individual pay rates for each employee covered by the FWC ruling meant that the leave entitlements (annual/sick/long service) were increased, and a corresponding staff cost expense was also required to be posted.

The Australian Accounting Standard *AASB 19 Employee Benefits* dictates that this entry be posted on the date of the award increase (30 June 2023) even though it will actually relate to the FY24 period.

Federal Budget Measure

The 2023 Federal Budget announced that $98.7 million was set aside to fund leave liabilities (including sick leave). This was to represent 50% of the increased employee entitlement liability.

Accounting Treatment

There was no uniform treatment within the sector as to how and when to post the leave entitlement adjustment. A slight majority of Providers indicated that they have posted the increase in their FY23 financial statements (including the Survey), others only posted it in the financial statements, and other Providers chose to post the adjustment in FY24.

Survey Result Implications

For Providers who posted the adjustment in FY23 this affected both the year-to-date result and the quarter result. Based on responses from the Survey participants, the following financial effect was:

- For Providers who posted the increase, the FY23 YTD staff costs were increased by an average of $3.40 per bed day for their individual results
- For the Survey *overall average*, the net effect was that staff costs were increased by $1.02 per bed day (as this includes those that did not post the increase)

Transition Effect of AN-ACC subsidy

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

The financial effect of this transition benefit is shown in *Table 1*. As anticipated, each quarter since the introduction of AN-ACC has seen the Direct Care result decline where the staffing costs have increased transitioned towards meeting the targeted mandated minutes.

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

Direct Care - Average Result (a)	Sep-22 (Q1)	Dec-22 (Q2)	Mar-23 (Q3)	Jun-23 (Q4)
Direct Care Revenue	**$196.99**	**$216.52**	**$219.04**	**$217.77**
Direct Costs				
Staff costs	$161.00	$165.25	$164.26	$176.68
Agency staff	$13.15	$15.04	$19.92	$17.81
Other	$6.27	$6.21	$8.48	$12.06
Expenditure - Direct Care Services	***$180.43***	***$186.50***	***$192.66***	***$206.55***
Operational Overheads	$16.45	$16.39	$18.18	$18.12
Direct Care Expenditure	**$196.88**	**$202.89**	**$210.84**	**$224.67**
Direct Care Result	**$0.11**	**$13.63**	**$8.19**	**($6.90)**
FWC 15% additional expense (b)	n.a.	n.a.	n.a.	$4.05
FWC 15% additional expense (c)	n.a.	n.a.	n.a.	$13.00
Total Direct Care staffing minutes (a)	**186.48**	**184.94**	**190.58**	**190.56**

(a) Includes 969 aged care homes that submitted data for each quarter
(b) The average additional expense for all providers (includes those who did not post the increase)
(c) The average additional expense for only those providers who posted the increase

As noted in the previous section, the financial effect of the FWC 15% award increase for direct care workers needs to be considered.

For statistical accuracy, *Table 1* only includes aged care homes that provided data for each Survey quarter (therefore excludes new participants during the year and those that did not provide data for a particular quarter(s)).

The Jun-23 quarter has seen the erosion of the transition benefit as staff costs increased, and the full effect of the respective Enterprise Agreement and award increases for all direct care employees which occurred progressively throughout the financial year were realised.

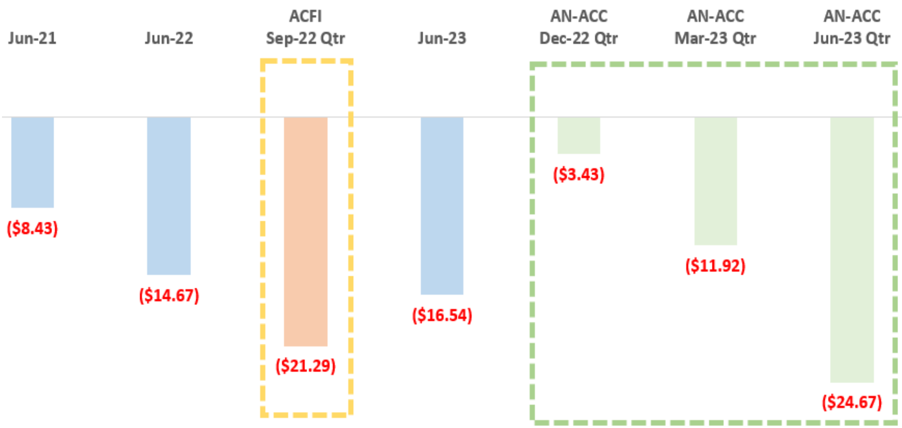
When considering the Jun-23 quarter in isolation, the direct care deficit of $6.90 pbd includes a net additional expense due to the FWC ruling of $4.05 pbd, so the adjusted result by excluding this would be a deficit of $2.85 pbd.

The Survey does not report on quarterly results, only year-to-date results, so the overall net effect of the FWC award increase for the Survey results is $1.02 pbd spread over the 12 month results.

The increased AN-ACC transition benefit had the following effect on the overall operating results for the sector for FY23 (operating results includes direct care, indirect care and accommodation results).

The operating result for FY23 was a loss of $16.54 pbd with the transition benefit from AN-ACC as highlighted in *Figure 1* showing the uplift in the Dec-22 quarter being progressively reduced each subsequent quarter.

Figure 1: Comparison of Operating Results for ACFI and AN-ACC quarters ($ pbd)



Indirect Care (Everyday Living)

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

A characteristic of these services is that the BDF (calculated at 85% of the single pension) is the same for all residents irrespective of financial means and acuity. The costs of providing these services are greater than the revenue earned and currently the sector average result is a $6.62 loss per resident per day.

StewartBrown has consistently advocated for a higher consumer contribution being levied for those residents with the financial ability to pay for these everyday living services at a rate that is commensurate with the quality of services provided.

Accommodation

The accommodation results represent the major component of the poor financial performance, and the sector averaged a $13.05 loss per resident per day for FY23. Depreciation represented $21.03 per bed day, and whilst it is a non-cash component (and excluded from EBITDA calculations) it is a critical expense that needs to be recovered given the cost associated with maintaining, refurbishing and eventual replacement of an aged care facility.

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

Aged Care Reform Process

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

A brief summary of upcoming reforms is as follows:-

- October 2023: Direct care minutes become mandated. Average of 40 Registered Nurse (RN) minutes and 200 total direct care minutes (RN/EN/PCW)
- October 2023: Residential and home care Providers must lodge Provider Operations report
- December 2023: New governance responsibilities for aged care Providers including Aged Care Advisory Body with stronger requirements with respect to Board clinical experience, independence and key personnel
- December 2023: 24/7 coverage of RNs to be published alongside Star Ratings
- December 2023: Aged Care Taskforce final report completed with options for consideration and a recommended package
- January 2024: Publication of residential Providers financial information to be included on *My Aged Care* site
- July 2024: Rights based *Aged Care Act* and regulatory framework including a new system for the registration of Providers
- July 2024: New quality standards framework to commence
- July 2024: Residential aged care places assigned to consumer (removal of Aged Care Approvals Round (ACAR)for allocation of residential approved places)
- July 2024: Single Assessment system commences
- October 2024: Total average mandated direct care minutes to increase to 215 of which an average of 44 minutes to be provided by a RN
- July 2025: Support at Home program commences

FY23 Results Snapshot

Approved Provider - Aggregate

(1.74%) negative

Operating surplus return on assets

(June 2022:(2.28%) negative

($3.5m) deficit

Operating result

(June 2022:$4.4m deficit)

0.06%

Operating EBITDA (cash) return on assets

(June 2022:0.19%)

($1.45m) deficit

DoHAC average NPBT result June 2022

(June 2021:$0.85m deficit)

27.36%

Cash + financial assets as a percentage of debt

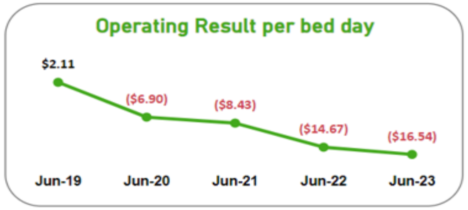
(June 2022:28.69%)

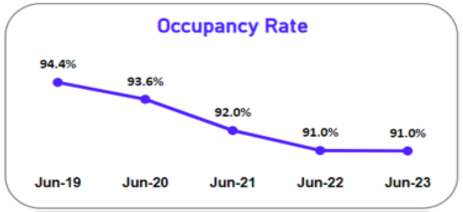
$130k

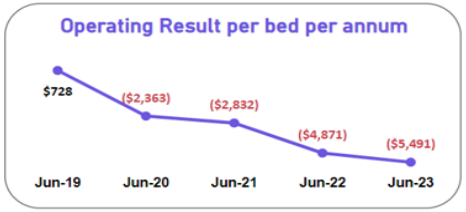
Operating EBITDA

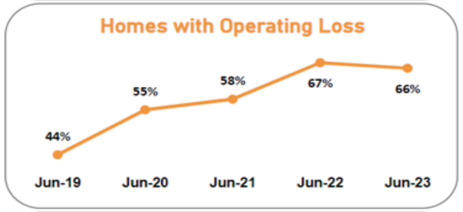
(June 2022: $373k deficit)

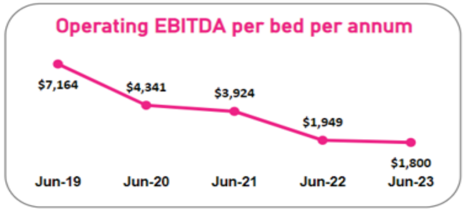
Residential Aged Care

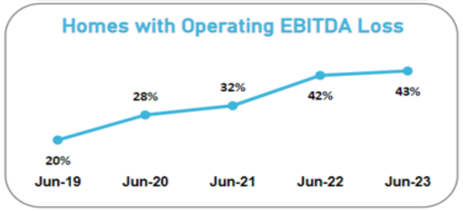




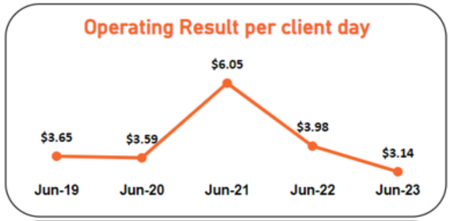


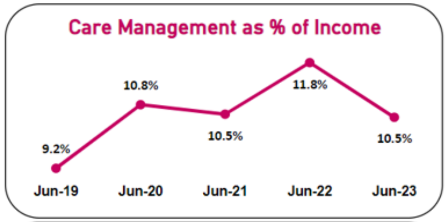


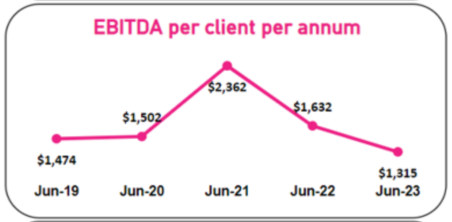


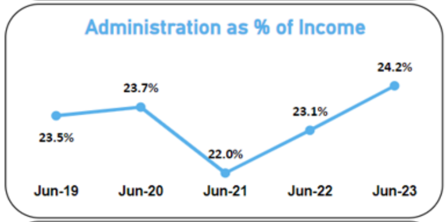


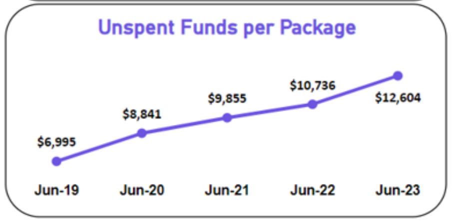
Home Care

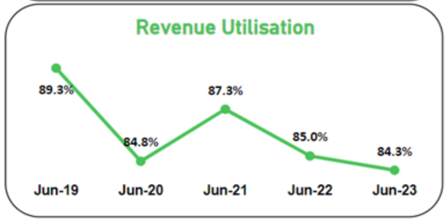












FY23 Financial Performance Analysis

Approved Provider (Organisation) Results

Net Profit Before Tax (NPBT)	The average result (NPBT) per Approved Provider for the financial year was a **$977k deficit**. This is an improvement on the FY22 average result per provider, which was a deficit of $2,607k. Net non-recurrent result was a surplus of $2,549k (FY22 $1,775k).
Net COVID Result	The average net COVID result per provider for FY23 was a **surplus of $66k** (FY22 deficit $469k). The accounting treatment for the COVID-19 grants varied between providers, however for the purposes of the Survey all grants claimed/claimable but not received by 30 June 2023 were accrued to ensure matching of revenue and expenditure. The impact of the Omicron variant has continued to create significant staffing and costs issues for the aged care sector.
Operating Result	The average financial performance continued to remain at unsustainable levels for many providers. The FY23 results show that the average operating result per provider was a **deficit of $3,526k** (FY22 $4,383k deficit). This result means that the operations of the sector continue to have an under-recovery of the cost of the capital employed. Whilst revenue increased (due to the higher AN-ACC subsidy from 1 October 2022, the additional staff costs and compliance costs offset much of the increased revenue.
Operating EBITDA	The average operating average EBITDA (cash) result for the FY23 was a minor **surplus of $130k** (FY22 deficit of $373k), which is not sufficient to maintain the standard of accommodation and care delivery. Due to the operating result being in deficit the depreciation and financing costs are not being recovered. The average property assets for each provider was $152 million and the small EBITDA return creates a heightened financing risk profile for providers. The low EBITDA return remains a significant deterrent to future investment in the sector from institutional lenders.
Staff Costs as % of Operating Revenue	Aged care operators continue to manage staffing and rosters as effectively as possible in the current difficult operating climate including the continuing impact of Omicron and significant staffing shortages. Staffing costs as a percentage of operating revenue were 70.7%. This ratio is lower than the 71.6% for FY22 due to the increased AN-ACC subsidy which had a transition benefit.
Depreciation Rate	Average depreciation rate of 2.7% (37 years effective life) has reduced from FY22 (3.0%). StewartBrown continues to consider that depreciation rate is low and should be at least 4% pa for buildings and 10% or higher for furniture and equipment.
Gearing ratio	Liquid cash assets (cash and cash equivalents + financial assets) as a percentage of debt (resident refundable loans + government debts + external debt) had reduced to 27.4% at FY23 from 28.7% at FY22 reflecting the increased deficit and low EBITDA. With the residential prudential requirements a significant proportion of the liquid cash assets is effectively quarantined under the prudential rules for permitted uses of RADs meaning gearing ratios and financing lines of credit are impacted.

Residential Aged Care Results

Revenue	• Average Care subsidy (AN-ACC and ACFI and supplements) was $213.19 pbd an increase of 9.5% from FY22 ($194.77 pbd) *(due to AN-ACC subsidy including uplift for mandated direct care staffing average 200 minutes per resident per day from 1 October 2022)* • Indirect care (everyday living) revenue *including the BDF supplement* was $70.53 pbd an increase of 6.3% from FY22 ($66.33 pbd) • Accommodation revenue was $36.41 pbd an increase of 10.9% from FY22 ($32.84 pbd)
Expenses	• Direct care labour costs (RN/EN/PCA) averaged $159.86 pbd an increase of 15.1% from FY22 ($138.88 pbd) • Other direct care labour costs (Care Management/Allied Health/Lifestyle) averaged $25.37 pbd a decrease of 4.0% from FY22 ($26.43 pbd). *This may be as a result of some reallocation of lifestyle/recreation staff to personal care workers as a result of the mandated minutes target* • Other direct care costs averaged $7.57 pbd a decrease from FY22 ($15.16 pbd) *(due to less covid-19 costs)* • Indirect care (everyday living) costs was $77.15 pbd an increase of 9.0% (FY22 $70.78 pbd) • Catering expenditure averaged $37.55 pbd an increase of 8.8% (FY22 $34.51 pbd) *(this is as a result of the targeted BDF supplement and inflationary pressures)* • Administration costs averaged $46.62 pbd an increase of 13.8% (FY22 $40.98 pbd) *(due to increase quality, reporting and compliance requirements, and the introduction of AN-ACC having transitional costs)* • Accommodation expenditure averaged $49.46 pbd (depreciation $21.03 pbd) compared to FY22 $44.91 pbd (depreciation $19.54 pbd)
Operating Result	• Direct care result for FY23 increased by $1.28 pbd to a surplus of $3.13 pbd (including administration) from FY22 $1.85 pbd (*refer AN-ACC commentary below)* • *The effect of the AN-ACC subsidy increase not being fully offset by the requirement to meet the average 200 mandated minutes per resident per day (this not being required until 1 October 2023) resulted in an improved direct care surplus from FY22.* • Indirect care result declined to a deficit of $6.62 pbd (including administration) (FY22 deficit $4.45 pbd) • Accommodation result (including administration) was a deficit of $13.05 pbd (FY22 deficit $12.06 pbd) • Operating result was a **deficit of $16.54 pbd** (FY22 operating deficit $14.67 pbd) *(refer AN-ACC comment above)* • Operating EBITDA averaged $1,800 pbpa (FY22 EBITDA $1,949 pbpa)
Additional Trends	• Direct care minutes (RN/EN/PCA) was **189.62 minutes per resident per day** (FY22 176.91 minutes) • Occupancy for mature homes **remained stable 91.0%** (FY22 91.0%) *(occupancy based on actual available beds)* • Occupancy for all homes slightly increased to 90.1% (FY22 89.7%) *(occupancy based on approved places)* • Supported resident ratio remained constant at 46.0% (FY22 45.3%) • Average full RAD received for FY23 was $472,803 (FY22 $455,006) • Proportion of full RADs received for non-supported residents was 28.0%, full DAPs was 50.7% and Combinations (RAD/DAP) was 21.3%

Home Care Package (HCP) Results

Revenue	• Revenue was $69.57 per client per day a slight increase from FY22 ($68.98 pcpd) • Care management revenue as a proportion of total revenue was 18.5% (FY22 18.7%) • Package management revenue as a proportion of total revenue was 11.6% (FY22 10.7%) • Revenue utilisation **decreased by 0.7% to 84.3%** of funding received (FY22 85.0%)
Expenses	• Direct service costs increased by $1.41 pcpd to be 60.1% of total revenue (FY22 58.6%) • Care management cost as % of revenue has decreased to 10.5% of revenue (FY22 11.8% of revenue) • Administration and support costs represent 24.2% of revenue (FY22 23.1%)
Unspent Funds	• The amount of unspent funds per client (care recipient) has continued to rise and now averages **$12,604 per client** (FY22 $10,736 per client) • In aggregate across the sector, this represents **in excess of $2.9 billion** of funds that have not been utilised.
Operating Result	• Operating results have declined by $0.84 per client per day to $3.14 pcpd (FY22 $3.98 pcpd) • The profitability margin has declined from 5.8% for FY22 to 4.5% for FY23 • Profitability decline is being driven by the decrease in revenue utilisation
Other Trends	• Average staff hours per week was **5.16 hours** (FY22 5.28 hours) • The number of packages in the survey has increased to represent 68,129 packages for FY23 (FY22 60,630 packages)

2. FINANCIAL RESULTS - KEY METRICS

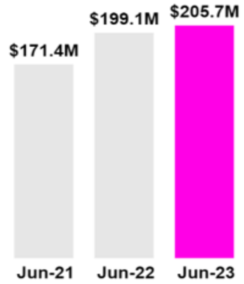
Organisation (Approved Provider)

Trend Graph (average by Provider)

Total Assets

Total assets increased by

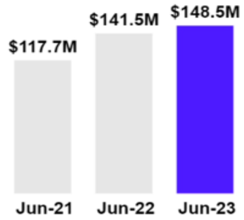
$6.6M or **3.3%**



Total Liabilities

Total liabilities increased by

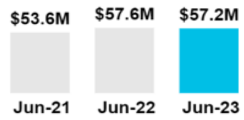
$7.0M or **5.0%**



Net Assets

Net Assets decreased by

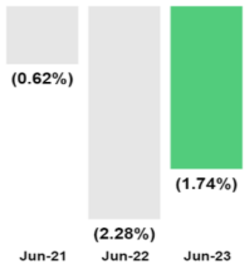
($.4M) or **(0.8%)**



Operating Result Return on Assets

Operating result return on assets increased by

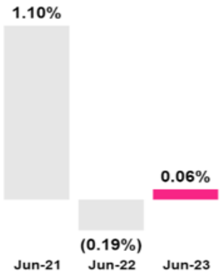
0.54%



Operating EBITDA Return on Assets

Operating EBITDA return on assets increased by

0.26%



Liquid Cash and Financial Assets as % of Debt

Liquid cash and financial assets as % of debt decreased by

(1.33%)

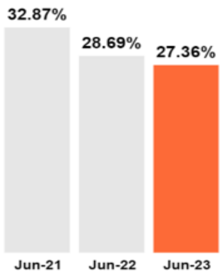


Table 2: Income & Expenditure Comparison (average by Approved Provider)

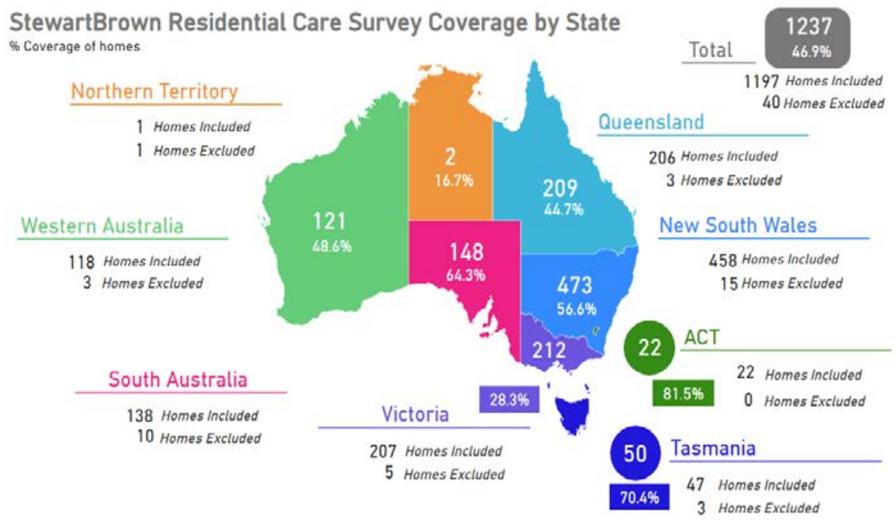
	Survey FY23 *(223 Providers)* *(Average)* $'000	**Survey FY22 *(223 Providers)* *(Average)* $'000**
Income & Expenditure		
Revenue		
Service revenue	63,646	56,482
Investment revenue	1,212	695
Total operating revenue	**64,858**	**57,178**
Expenses		
Employee expenses	45,831	40,921
Depreciation and amortisation	4,246	4,399
Finance Costs	894	584
Other expenses	17,413	15,655
Operating Expenses	**68,384**	**61,561**
Operating Result	**(3,526)**	**(4,383)**
Total Non-Recurrent Income	3,522	3,445
Total Non-Recurrent Expenses	973	1,669
Net Non-Recurrent Result	**2,549**	**1,775**
Total Result	**(977)**	**(2,607)**
Operating EBITDA	**130**	**(373)**
EBITDA	**2,678**	**1,402**
Ratios		
EBT return on assets (ROA)	*(0.48%)*	*(1.36%)*
Operating result return on assets (ROA)	*(1.74%)*	*(2.28%)*
Operating EBITDA return on assets	*0.06%*	*(0.19%)*
Operating result % of operating revenue	*(5.44%)*	*(7.67%)*
Employee expenses % of operating revenue	*70.66%*	*71.57%*
Depreciation as % of property assets	*2.69%*	*3.00%*

** EBITDA calculations exclude AASB 16 Leases accounting entries*

Table 3: Summary Equity (Balance Sheet) comparison

	Survey FY23 *(223 Providers)* *(Average)* $'000	Survey FY22 *(223 Providers)* *(Average)* $'000
Balance Sheet		
Assets		
Cash and cash equivalents	35,167	34,845
Operating assets	10,821	15,187
Property assets	152,873	142,845
Right-of-use Assets	3,054	2,125
Intangibles - other	2,323	1,805
Intangibles - Bed licenses	1,473	2,322
Total assets	**205,711**	**199,128**
Liabilities		
Refundable loans - residential	65,666	61,018
Refundable loans - retierment living	50,811	47,611
Home care unspent liability	1,685	1,819
Borrowings	10,369	10,989
Lease Liabilities	3,809	2,956
Other liabilities	16,162	17,086
Total liabilities	**148,501**	**141,479**
Net Assets	**57,210**	**57,649**
Net Tangible Assets (Liabilities)	**53,414**	**53,523**
Ratios		
Net assets proportion % total assets	*27.81%*	*28.95%*
Property assets proportion % total assets	*74.31%*	*71.74%*
Cash + financial assets % refundable loans	*30.19%*	*32.08%*
Cash + financial assets % debt	*27.36%*	*28.69%*

Residential Aged Care



Residential Key Points

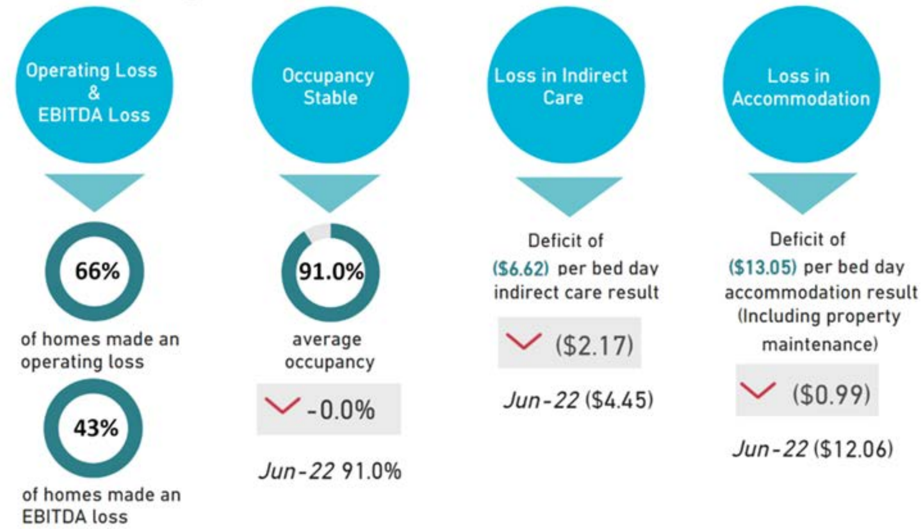


Table 4: Summary Income & Expenditure Comparison ($ per bed day)

	Survey FY23 *1,197 Homes*	Survey FY22 *1,202 Homes*	Survey FY21 *1,163 Homes*
DIRECT CARE			
Revenue	$213.19	$194.77	$198.96
Expenditure			
Direct care labour costs	159.86	138.88	130.45
Other direct care labour costs	25.37	26.43	24.27
Other direct care costs	7.57	12.45	16.85
Administration	17.25	15.16	13.76
	$210.05	*$192.92*	*$185.33*
DIRECT CARE RESULT (A)	**$3.13**	**$1.85**	**$13.63**
INDIRECT CARE			
Revenue	$70.53	$66.33	$54.79
Expenditure			
Catering	37.55	34.51	32.90
Cleaning	10.47	9.88	9.25
Laundry	4.60	4.31	4.29
Other hotel services expense	0.12	0.08	0.06
Payroll tax	0.09	0.13	0.10
Overhead allocation (workcover & education)	0.91	0.80	0.75
Utilities	7.73	7.29	6.93
Administration	15.67	13.77	12.50
	$77.15	*$70.78*	*$66.78*
INDIRECT CARE RESULT (B)	**($6.62)**	**($4.45)**	**($11.99)**
CARE RESULT (C) *(A + B)*	**($3.49)**	**($2.60)**	**$1.64**
ACCOMMODATION			
Revenue			
Residents	15.01	13.03	13.03
Government	21.40	19.82	19.83
	$36.41	$32.84	$32.86
Expenditure			
Depreciation	21.03	19.54	19.59
Property maintenance	12.41	11.08	10.73
Property rental	0.94	1.00	0.53
Other	1.40	1.24	1.14
Administration	13.70	12.05	10.94
	$49.46	*$44.91*	*$42.93*
ACCOMMODATION RESULT (D)	**($13.05)**	**($12.06)**	**($10.07)**
OPERATING RESULT ($ per bed day) *(C + D)*	**($16.54)**	**($14.67)**	**($8.43)**
OPERATING RESULT ($ per bed per annum)	**($5,491)**	**($4,871)**	**($2,832)**
EBITDA ($ per bed per annum)	**$1,800**	**$1,949**	**$3,924**

Figure 2: Residential Operating Result Snapshot ($ per bed day)

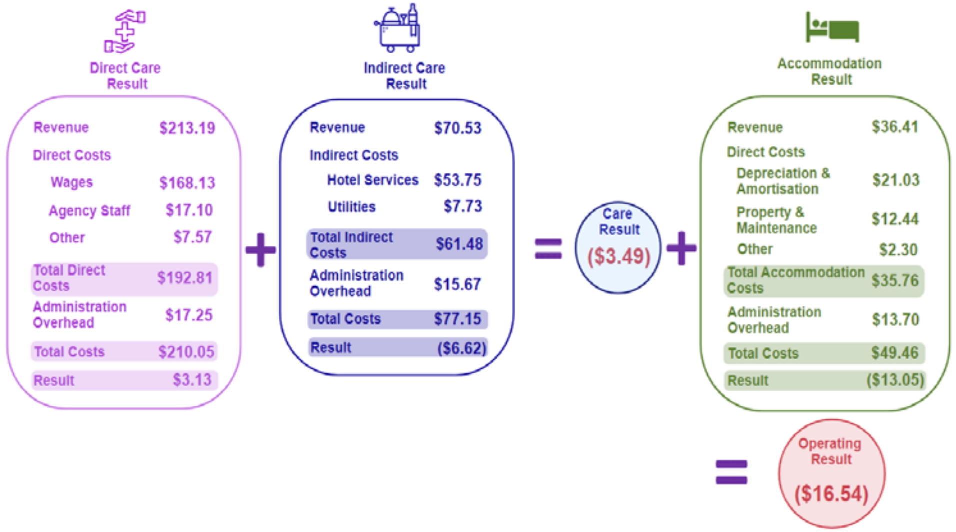
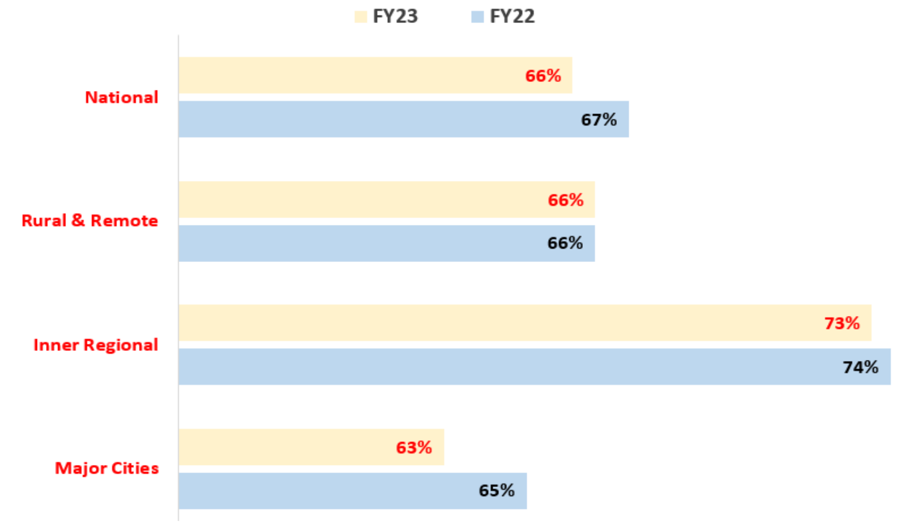


Table 5: Summary KPI Results Comparison

Summary KPI Results	**FY23** *1,197 Homes*	**FY22** *1,202 Homes*	**Difference** *(YoY)*	**FY21** *1,163 Homes*
Operating Result ($pbd)	($16.54)	($14.67)	($1.87)	($8.43)
Operating Result ($pbpa)	($5,491)	($4,871)	($620)	($2,832)
EBITDA ($pbpa)	$1,800	$1,949	($150)	$3,924
Average Occupancy *(all homes)*	*90.1%*	*89.7%*	0.4%	*90.2%*
Average Occupancy *(mature homes)*	*91.0%*	*91.0%*	(0.0%)	*92.0%*
Average direct care revenue ($pbd)	$213.19	$194.77	$18.42	$198.96
Total direct care minutes per resident per day	189.62	176.91	12.71	175.81
Direct care expenditure % of direct care revenue	*98.5%*	*99.1%*	(0.5%)	*93.1%*
Supported Ratio %	*46.0%*	*45.3%*	0.7%	*47.0%*
Average Full RAD/Bond held	$451,422	$425,852	$25,570	$408,359
Average Full RAD taken during period	$472,803	$455,006	$17,797	$448,532

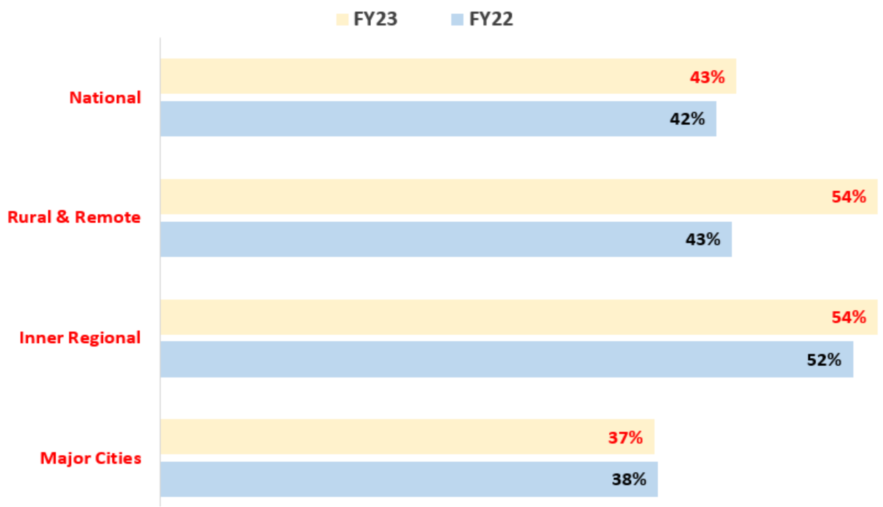
Number of Aged Care Homes making an Operating Loss

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



Number of Aged Care Homes making an EBITDA loss

Figure 4: Aged care homes making an EBITDA (cash) loss by remoteness



Results by Geographic Location

Table 6: Summary KPI Results by geographic location

	Major Cities 757 Aged Care Homes	Inner Regional 318 Aged Care Homes	Rural & Remote 122 Aged Care Homes
Operating Result $ per bed per annum	($4,318)	($8,118)	($7,416)
Operating EBITDA per bed per annum	$3,225	($1,475)	($276)
Average Direct Care Revenue per bed day	$213.27	$210.69	$220.41
Direct care expenditure as % of direct care revenue	97.9%	100.6%	97.7%
Catering costs as % of indirect care revenue	51.7%	56.1%	59.1%
Direct care minutes per resident per day	190.28	187.73	189.77
Supported resident ratio	45.4%	45.5%	50.8%
Average occupancy	91.3%	90.4%	89.8%
Average full accommodation deposit held	$490,484	$360,998	$338,058
Average full RAD taken during the period	$512,102	$386,544	$362,968

Direct Care Staffing Minutes (per resident per day)

Table 7: Direct Care staffing metrics

Staffing Category	Survey Average FY23	Survey Average FY22		Survey Average FY21
Registered nurses	31.89	27.11	↑	26.41
Enrolled & licensed nurses	12.30	13.16	↓	16.62
Other unlicensed nurses & personal care staff	145.39	135.85	↑	131.19
Imputed agency direct care minutes implied	0.05	0.79	↓	1.59
Total Direct Care Minutes	**189.62**	**176.91**	↑	**175.81**
Care management	5.55	7.52	↓	7.24
Allied health	5.60	5.07	↑	6.33
Diversional/Lifestyle/Activities	6.80	7.20	↓	6.63
Imputed agency other care minutes implied	0.08	n.a		n.a
Total Care Minutes	**207.65**	**196.70**	↑	**196.02**

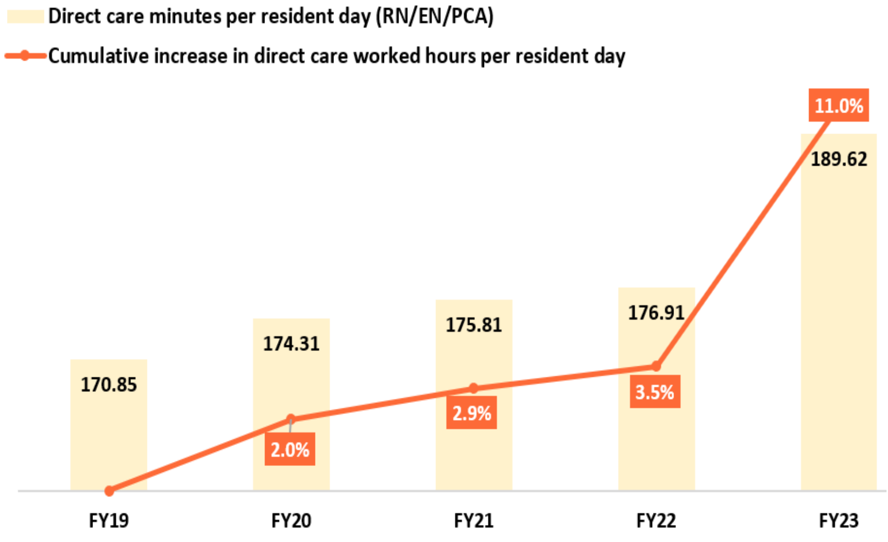
** Imputed agency is decreasing as actual agency is now included with direct staffing costs*

Table 8: Agency direct care staffing metrics

Staffing Category	Survey Average FY23	Survey Average FY22		Survey Average FY21
Agency - Registered nurses	3.17	1.36	↑	1.09
Agency - Enrolled & licensed nurses	0.81	0.81	↑	0.51
Agency - Other unlicensed nurses & personal care staff	10.60	5.39	↑	2.92
Imputed agency direct care minutes implied	0.05	0.79	↓	1.59
Total Direct Care Agency Minutes	**14.62**	**8.35**	↑	**6.11**

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

Figure 5: Direct Care staff (RN/EN/PCA) trend (minutes per resident per day)



Indirect Care (Everyday Living)

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

	FY23 1,197 Homes	FY22 1,202 Homes	YoY Movement	FY21 1,163 Homes
Basic daily fee supplement - government	$9.98	$9.94	↑	$0.00
Basic daily fee - resident	$57.16	$53.57	↑	$52.32
Other resident income	$3.38	$2.81	↑	$2.47
Indirect care revenue	**$70.53**	**$66.33**	↑	**$54.79**
Hotel services	$53.75	$49.72	↑	$47.35
Utilities	$7.73	$7.29	↑	$6.93
Indirect care expenses	**$61.48**	**$57.01**	↑	**$54.29**
Administration overhead	$15.67	$13.77	↑	$12.50
Indirect Care Result	**($6.62)**	**($4.45)**	↓	**($11.99)**

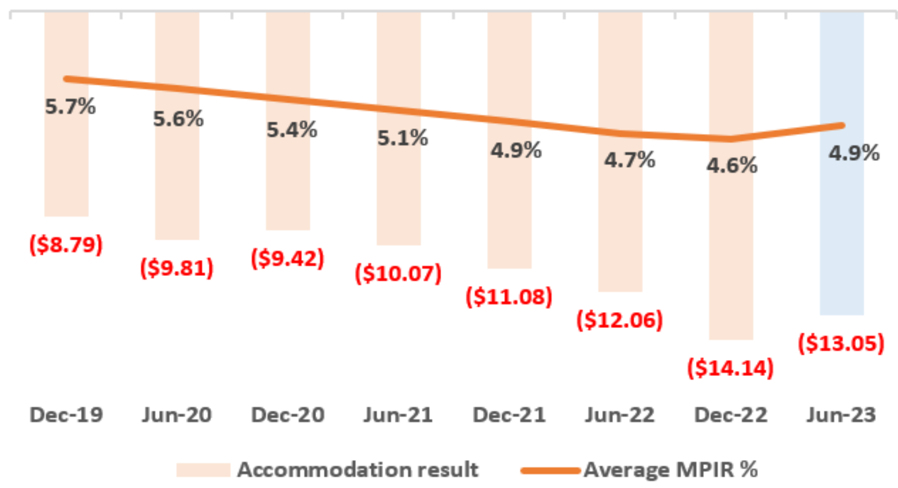
Accommodation Analysis

Table 10: Accommodation revenue and expenses ($ pbd)

	FY23 *1,197 Homes*	FY22 *1,202 Homes*	*YoY Movement*	FY21 *1,163 Homes*
Accommodation revenue	**$36.41**	**$32.84**	↑	**$32.86**
Accommodation expenses				
Depreciation	$21.03	$19.54	↑	$19.59
Refurbishment	$0.24	$0.22	↑	$0.32
Property maintenance	$12.41	$11.08	↑	$10.74
Property rental	$0.94	$1.00	↓	$0.53
Other accommodation costs	$1.16	$1.02	↑	$0.82
Administration overhead	$13.70	$12.05	↑	$10.94
Accommodation expenses	**$49.46**	**$44.91**	↑	**$42.94**
Accommodation Result ($ per bed day)	**($13.05)**	**($12.06)**	↓	**($10.08)**
Accommodation Result ($ per bed pa)	**($4,332)**	**($4,006)**	↓	**($3,384)**
Depreciation charge ($ per bed pa)	**$6,980**	**$6,487**	↑	**$6,578**

Accommodation Pricing

Figure 6: Effect of MPIR % on Accommodation result ($ per bed day)



Occupancy

Figure 7: Residential Occupancy by region (mature homes)

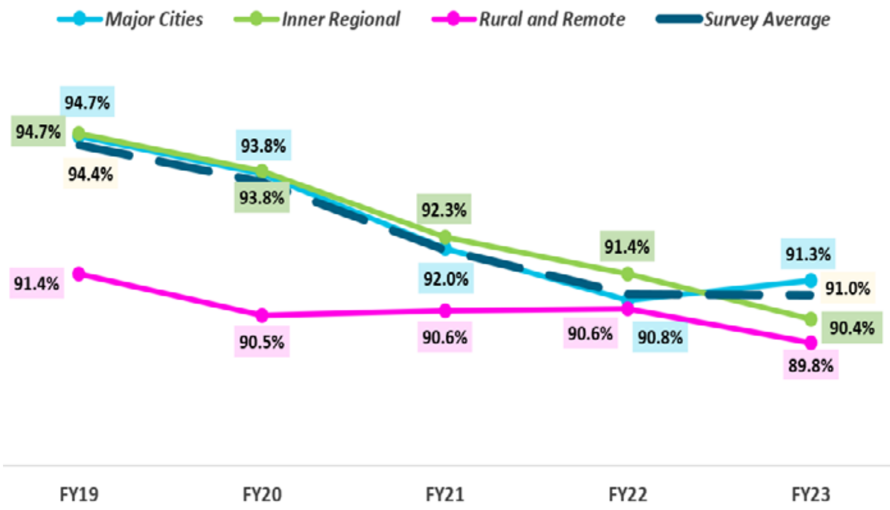
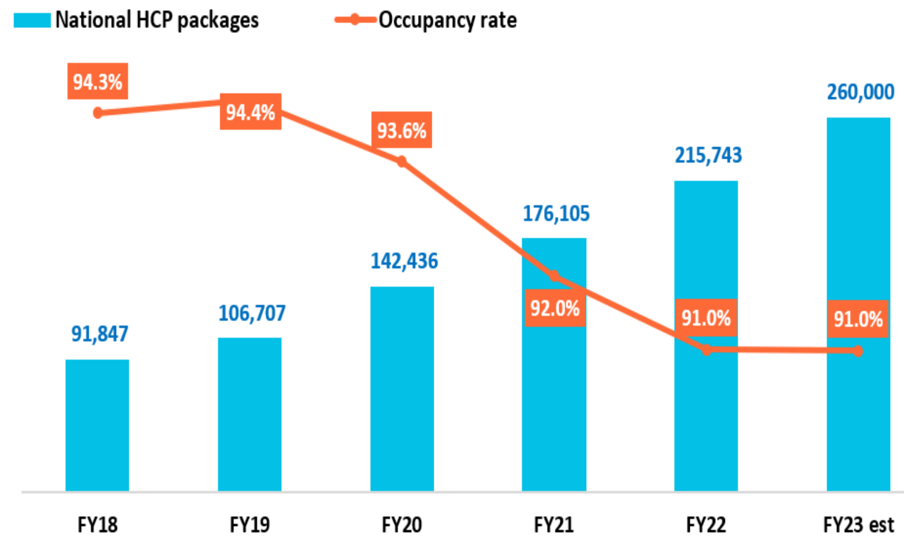


Figure 8: Residential Occupancy comparison to Home Care Packages



Administration Costs

Table 11: Administration costs ($ pbd)

	FY23 1,197 Homes	FY22 1,202 Homes	YoY Movement	FY21 1,163 Homes
Administration (corporate) recharges	$27.33	$25.29	↑	$23.00
Labour costs - administration (facility)	$9.95	$7.79	↑	$7.03
Other administration costs	$7.34	$6.19	↑	$5.66
Workers compensation	$0.23	$0.17	↑	$0.16
Payroll tax - administration staff	$0.03	$0.04	↓	$0.03
Fringe Benefits Tax	$0.01	$0.02	↓	$0.02
Quality & education - labour costs	$0.07	$0.05	↑	$0.04
Quality and education - other	$0.03	$0.02	↑	$0.02
Insurances	$1.64	$1.41	↑	$1.24
Total Administration Costs	**$46.62**	**$40.98**	↑	**$37.20**

Modified Monash Model (MMM) Analysis

Figure 9: Operating result by MMM classification ($ per bed day)

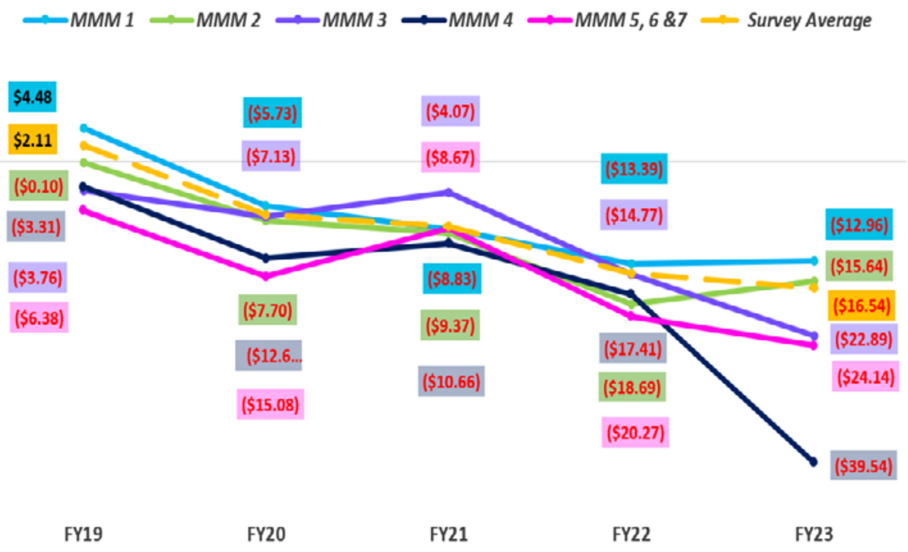


Figure 10: Operating EBITDA result by MMM classification ($ per bed per annum)

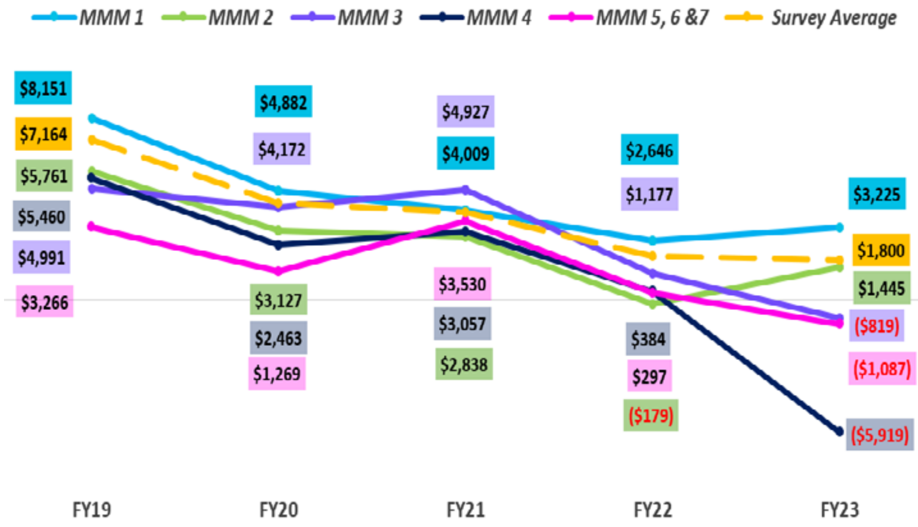
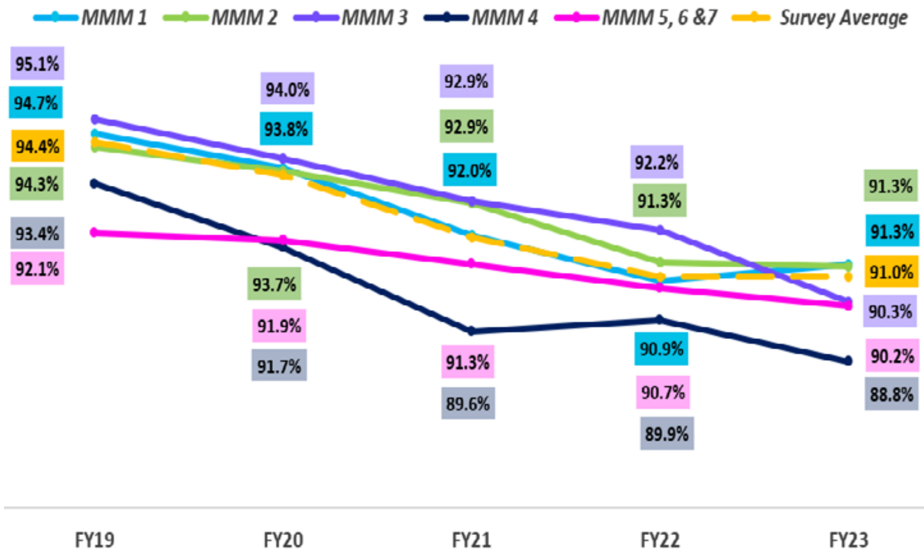


Figure 11: Occupancy percentage by MMM classification



Agency Analysis

Figure 12: Agency Direct Care staff costs ($ per bed day)

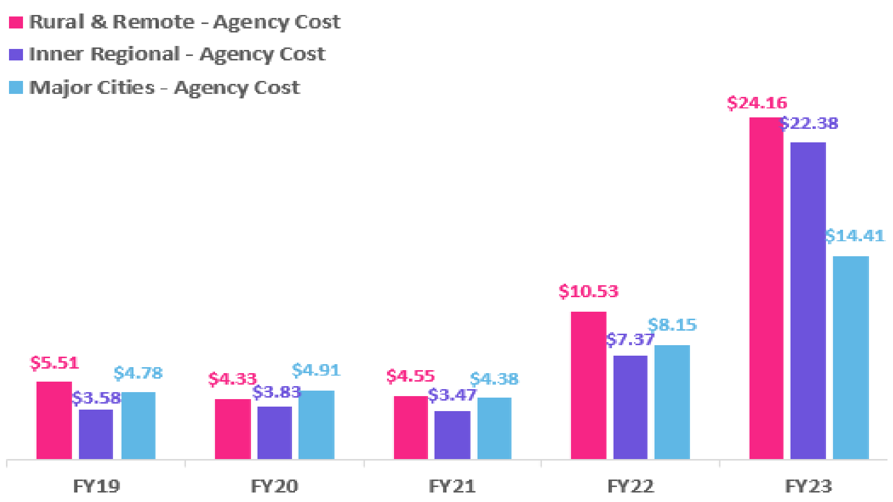
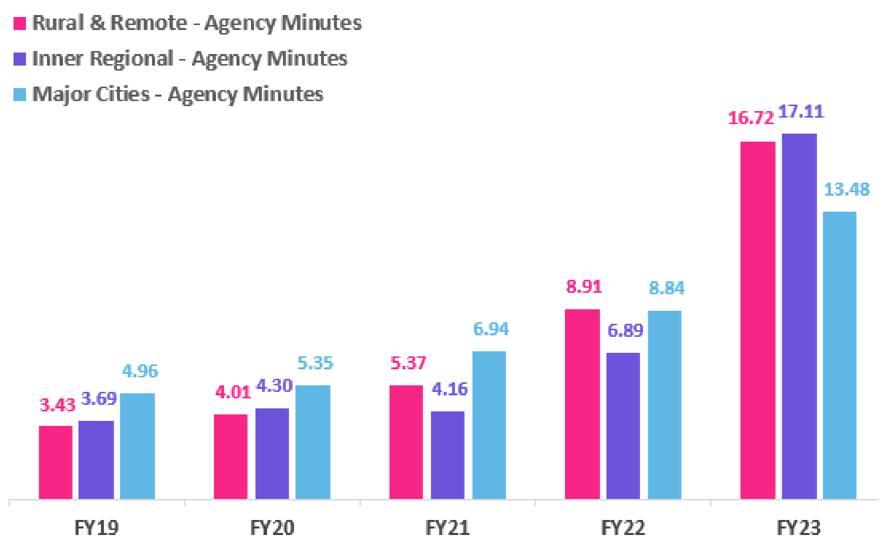


Figure 13: Agency Direct Care staff minutes (per resident per day)



First 25% Trends

Figure 14: First 25% EBITDA result trend ($ per bed per annum)

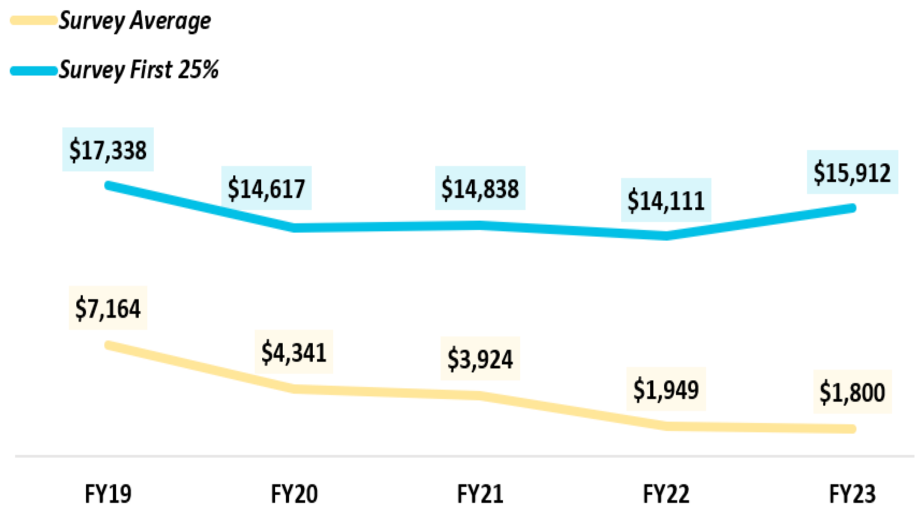


Figure 15: First 25% Direct Care result ($ pbd) and Direct Care minutes trend

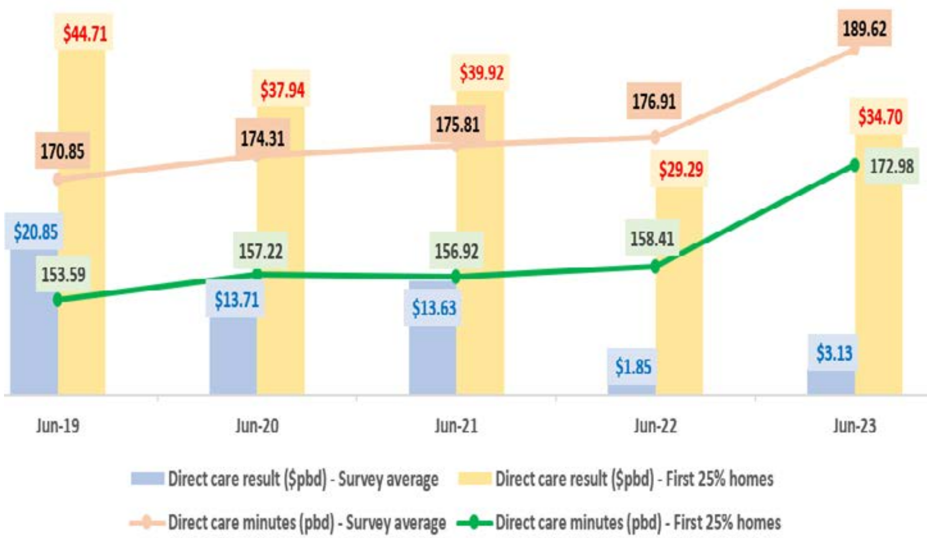


Table 12: First 25% Direct Care staffing metrics

	Survey First 25%			Survey First 25%
Staffing Category	***FY23***	***FY22***		***FY21***
Registered nurses	29.12	24.38	↑	23.76
Enrolled & licensed nurses	9.79	9.67	↑	15.15
Other unlicensed nurses & personal care staff	134.03	123.75	↑	116.99
Imputed agency direct care minutes implied	0.04	0.61	↓	1.02
Total Direct Care Minutes	**172.98**	**158.41**	↑	**156.92**
Care management	5.99	7.35	↓	7.03
Allied health	4.90	3.89	↑	4.81
Diversional/Lifestyle/Activities	6.03	7.25	↓	6.16
Imputed agency other care minutes implied	0.05	n.a		n.a
Total Care Minutes	**189.94**	**176.90**	↑	**174.92**

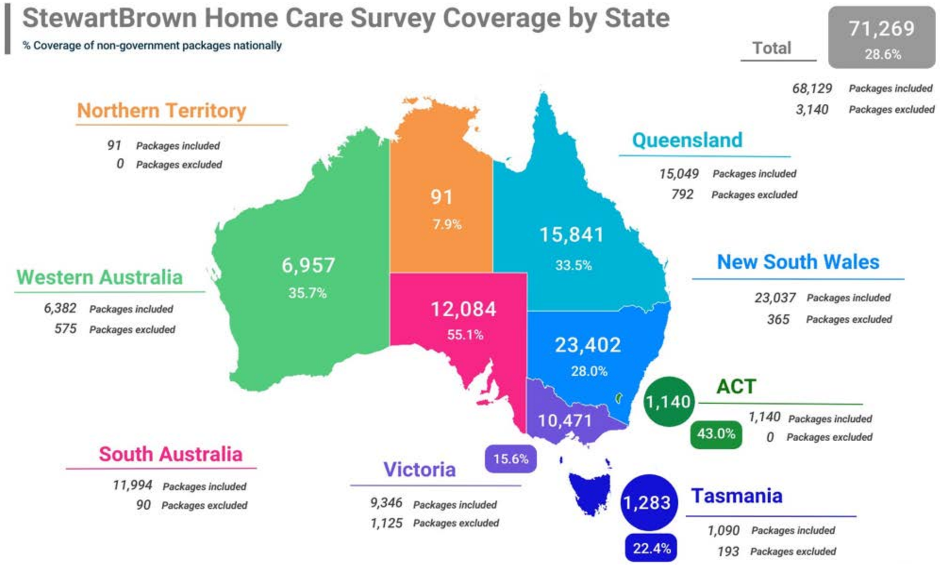
** Imputed agency is decreasing as actual agency is now included with direct staffing costs*

Table 13: First 25% Agency Direct Care staffing metrics

	Survey First 25%			Survey First 25%
Staffing Category	***FY23***	***FY22***		***FY21***
Agency - Registered nurses	1.99	0.93	↑	0.75
Agency - Enrolled & licensed nurses	0.47	0.39	↑	0.19
Agency - Other unlicensed nurses & personal care staff	7.00	3.97	↑	1.97
Imputed agency direct care minutes implied	0.04	0.61	↓	1.02
Total Direct Care Agency Minutes	**9.50**	**5.90**	↑	**3.93**

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

Home Care



Home Care Key Points

Declined Operating Result

$3.14 per client per day

↓ $0.84

Jun-22 $3.98

Staff Hours Reducing

5.16 hours per care recipient

↓ 0.12 hours

Jun-22 5.28 hours

Increase in Unspent Funds

$12,604 average unspent funds per care recipient

↑ $1,868

Jun-22 $11K

Increased Revenue

$69.57 per client per day total recurrent revenue

↑ $0.59

Jun-22 $68.98

Figure 16: Home Care key metrics summary

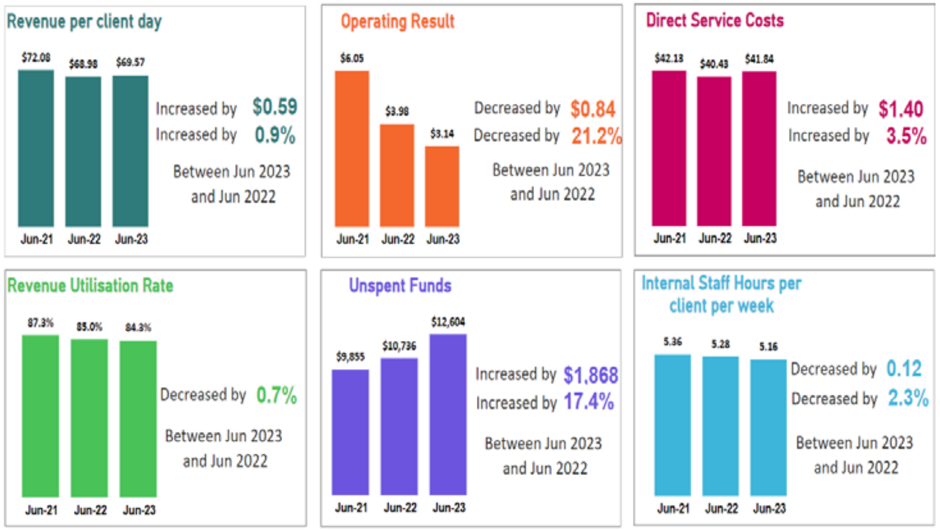


Figure 17: Operating Result by revenue band ($ per client per day)

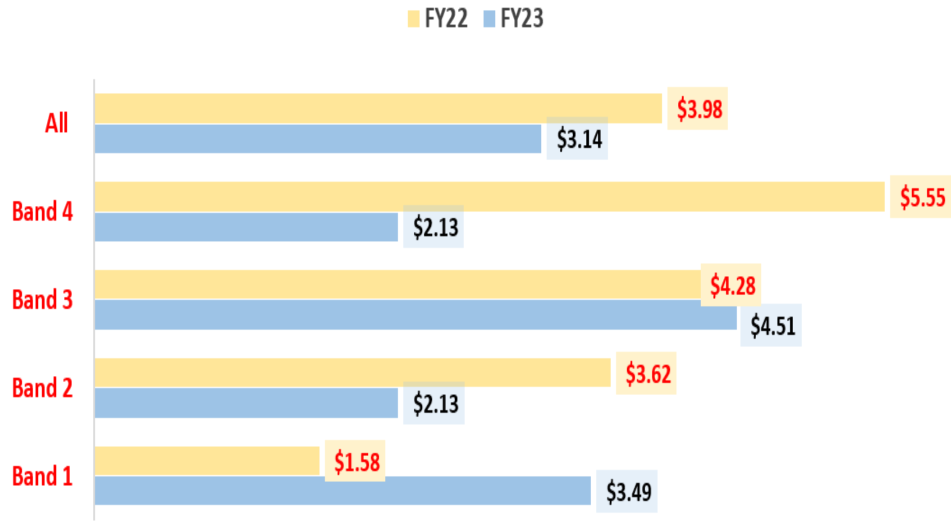


Table 14: Summary Home Care KPI results comparison

	FY23 *68,129 Packages*	FY22 *60,630 Packages*	Difference *(YoY)*	FY21 *50,567 Packages*
Total revenue $ per client per day	$69.57	$68.98	$0.59	$72.08
Operating result per client per day	$3.14	$3.98	($0.84)	$6.05
EBITDA per client per annum	$1,315	$1,632	($317)	$2,362
Average total Internal Staff hours per client per week	5.16	5.28	(0.12)	5.36
Median growth rate	*12.6%*	*14.3%*	*(1.7%)*	*13.8%*
Revenue utilisation rate for the period	*84.3%*	*85.0%*	*(0.7%)*	*87.3%*
Average unspent funds per client	$12,604	$10,736	$1,868	$9,855
Cost of direct care & brokered services as % of total revenue	*60.1%*	*58.6%*	*1.5%*	*58.4%*
Care management & coordination costs as % of total revenue	*10.5%*	*11.8%*	*(1.3%)*	*10.5%*
Administration & support costs as % of total revenue	*24.2%*	*23.1%*	*1.1%*	*22.0%*
Profit margin	*4.5%*	*5.8%*	*(1.3%)*	*8.4%*

Figure 18: EBITDA Result by revenue band ($ per client per annum)

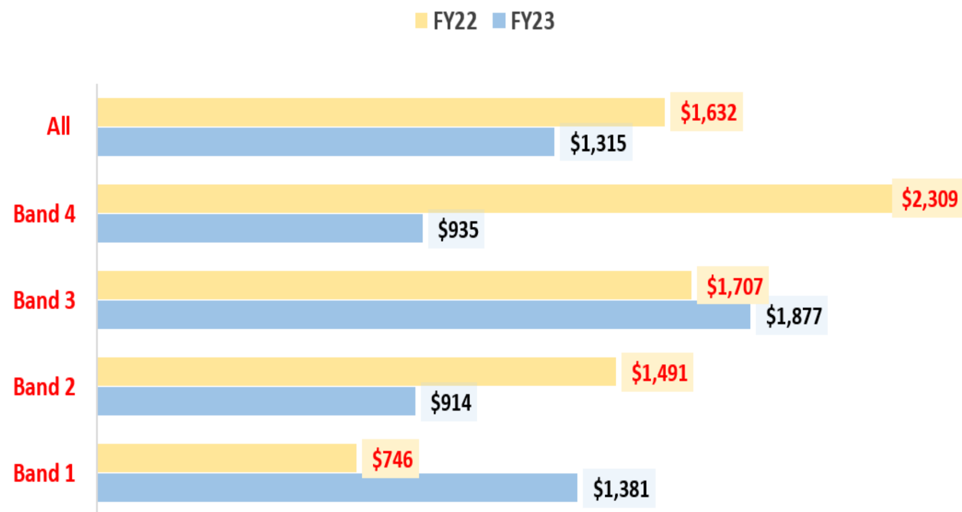


Figure 19: Revenue Utilisation percentage by revenue band

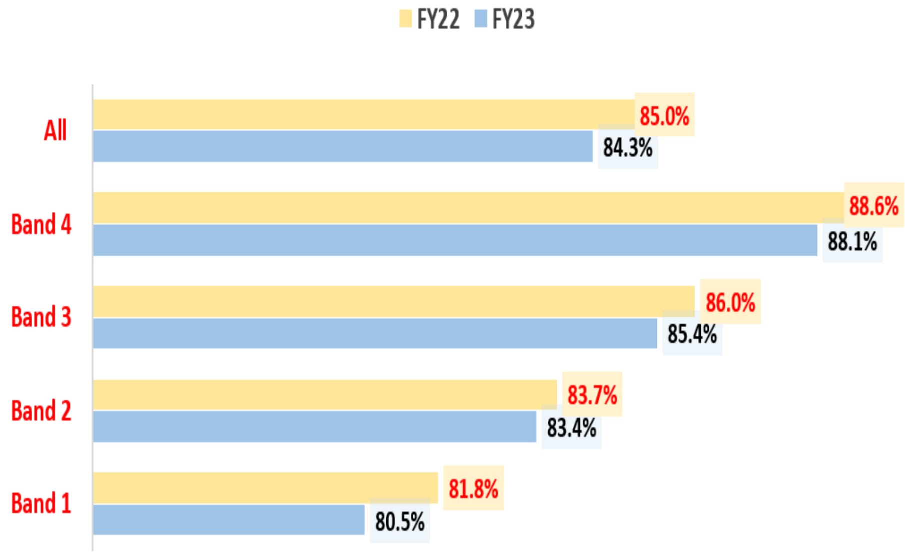
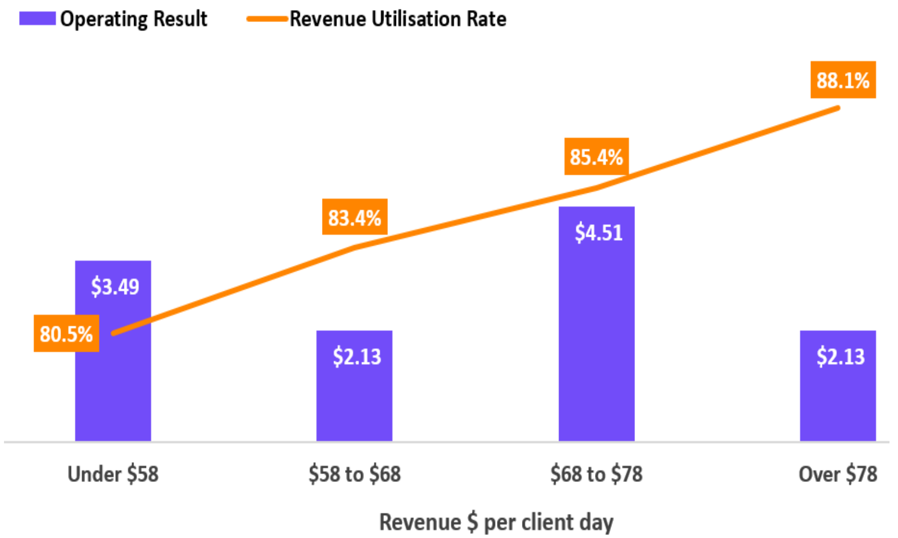


Figure 20: Operating Result and Revenue Utilisation revenue band



Unspent Funds

Figure 21: Unspent Funds trend analysis ($ per client)

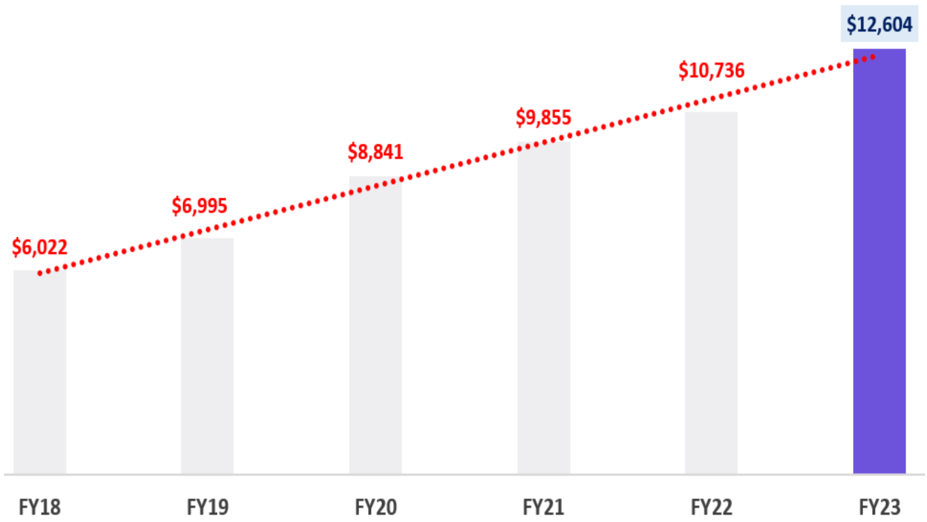
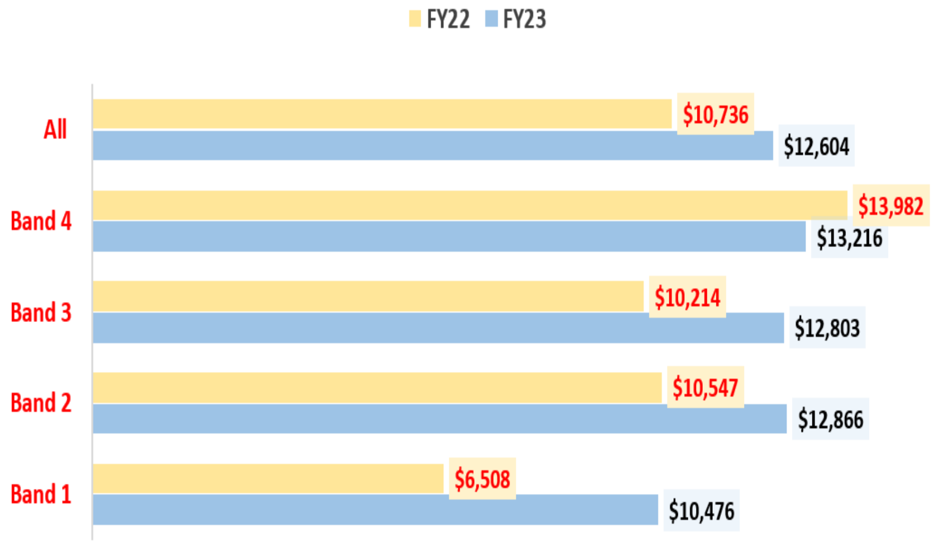


Figure 22: Unspent Funds by revenue band ($ per client)



Staff Hours Worked per Care Recipient

Table 15: Staff Hours and Minutes worked per care recipient per week

Internal staff hours worked per client week	FY23	FY22		*Difference*
Direct service provision	3.47	3.60	↓	(0.13)
Agency	0.09	0.08	↑	0.01
Care management & coordination	0.94	1.04	↓	(0.10)
Administration & support services	0.66	0.56	↑	0.10
Total Staff Hours	**5.16**	**5.28**	↓	**(0.12)**

Internal staff minutes worked per client week	FY23	FY22		*Difference*
Direct service provision	208.3	216.1	↓	(7.8)
Agency	5.6	4.9	↑	0.6
Care management & coordination	56.4	62.3	↓	(5.9)
Administration & support services	39.3	33.6	↑	5.7
Total Staff Minutes	**309.6**	**316.9**	↓	**(7.3)**

Figure 23: Staff Hours per care recipient week trend analysis

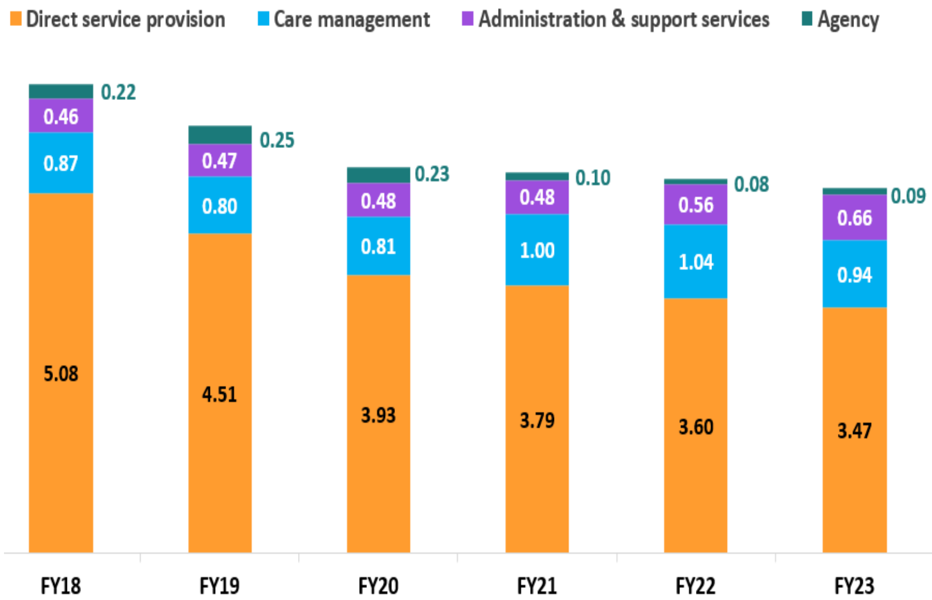


Figure 24: Internal and Brokered Services staff costs comparison

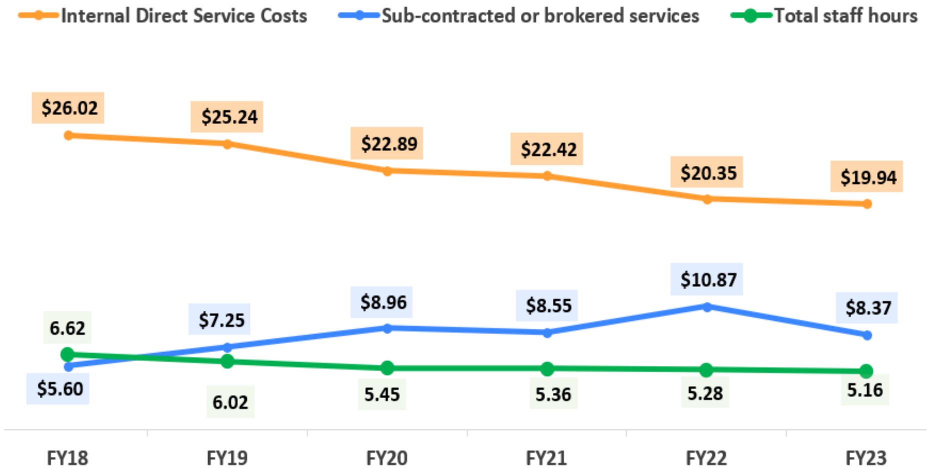
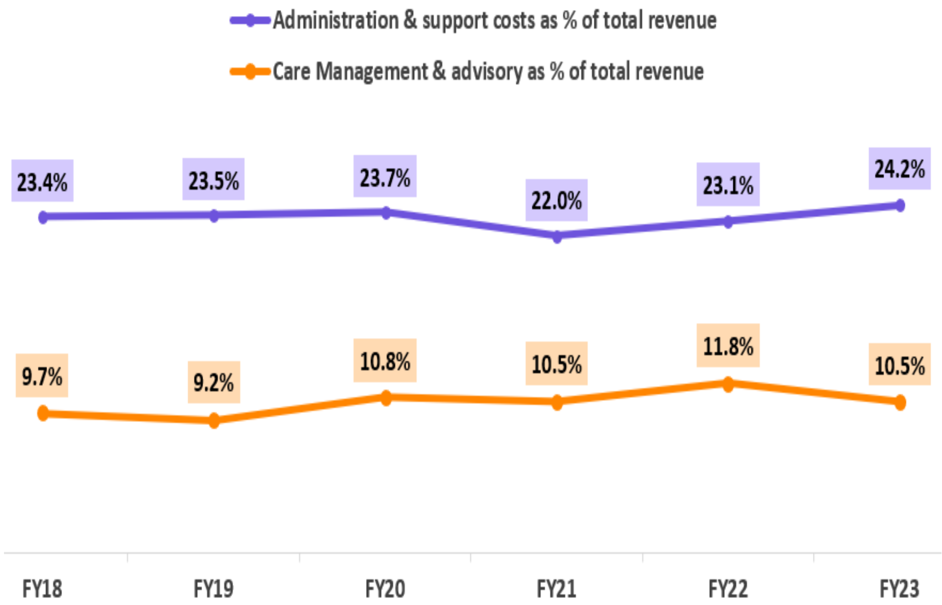
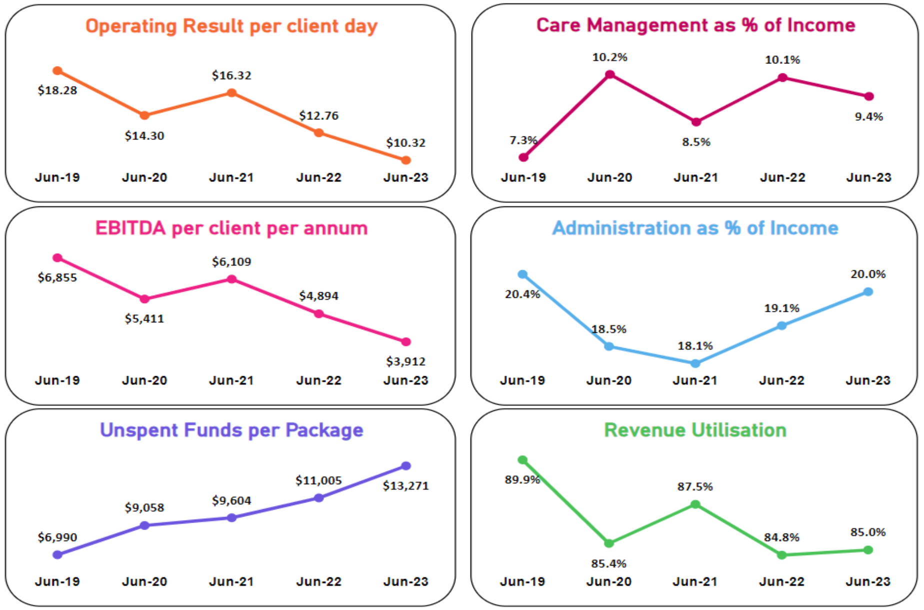


Figure 25: Case Management and Administration cost as % of revenue



First 25% Trends



Home Care Key Points First 25%

Declined Operating Result

$10.32 per client per day

$2.44

Jun-22 $12.76

Staff Hours Reducing

4.92 hours per care recipient

0.28 hours

Jun-22 5.20 hours

Increase in Unspent Funds

$13,271 average unspent funds per care recipient

$2,265

Jun-22 $11K

Decreased Revenue

$71.48 per client per day total recurrent revenue

$6.20

Jun-22 $77.68

Figure 26: EBITDA ($ per client pr annum) comparison First 25% and Average

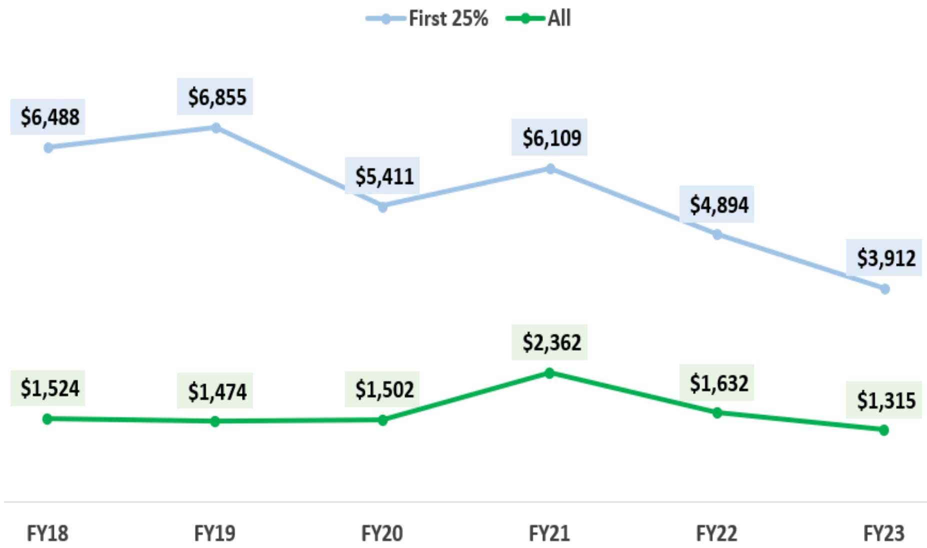


Table 16: Summary Home Care First 25% KPI results comparison

	FY23 21,985 Packages	FY22 12,871 Packages	Difference (YoY)	FY21 11,586 Packages
Total revenue $ per client per day	$71.48	$77.68	($6.20)	$77.69
Operating result per client per day	$10.32	$12.76	($2.44)	$16.32
EBITDA per client per annum	$3,912	$4,894	($981)	$6,109
Average total Internal Staff hours per client per week	4.92	5.20	(0.28)	5.35
Median growth rate	*16.6%*	*20.0%*	*(3.4%)*	*19.2%*
Revenue utilisation rate for the period	*85.0%*	*84.8%*	*0.3%*	*87.5%*
Average unspent funds per client	$13,271	$11,005	$2,265	$9,604
Cost of direct care & brokered services as % of total revenue	*55.6%*	*53.6%*	*2.0%*	*51.9%*
Care management & coordination costs as % of total revenue	*9.4%*	*10.1%*	*(0.7%)*	*8.5%*
Administration & support costs as % of total revenue	*20.0%*	*19.1%*	*0.9%*	*18.1%*
Profit margin	*14.4%*	*16.4%*	*(2.0%)*	*21.0%*

Home Care Package Demographics

Figure 27: HCP Client exits

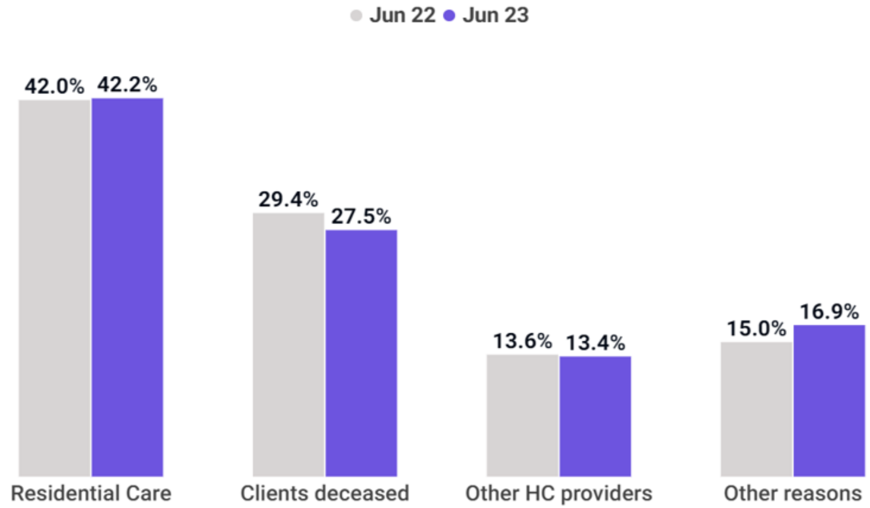
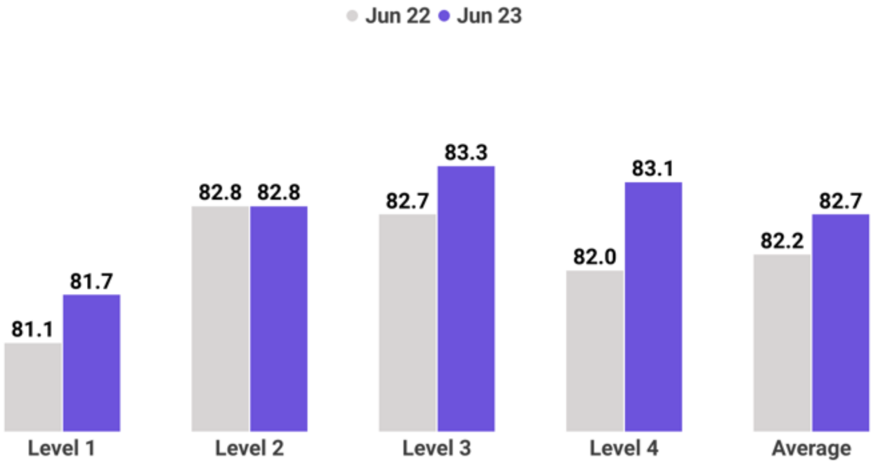


Figure 28: HCP Average Age of clients (participants)



Package Growth

Figure 29: Number of People in a Home Care Package

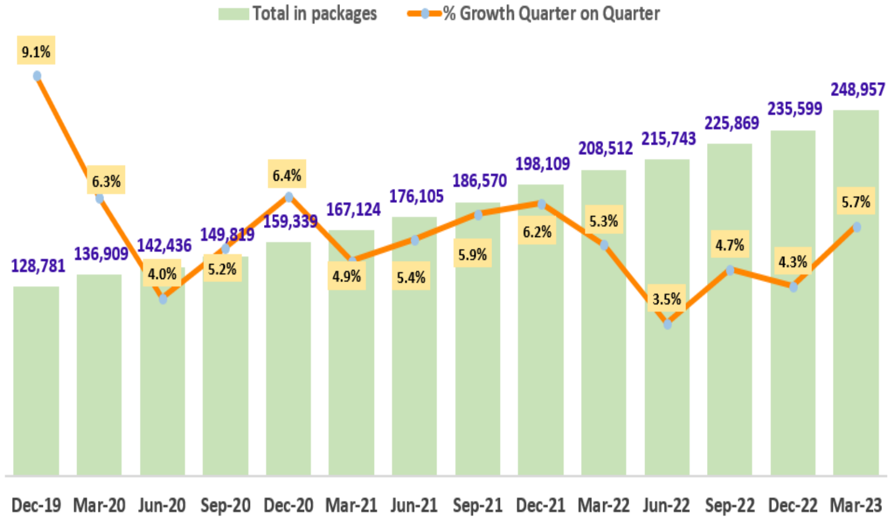
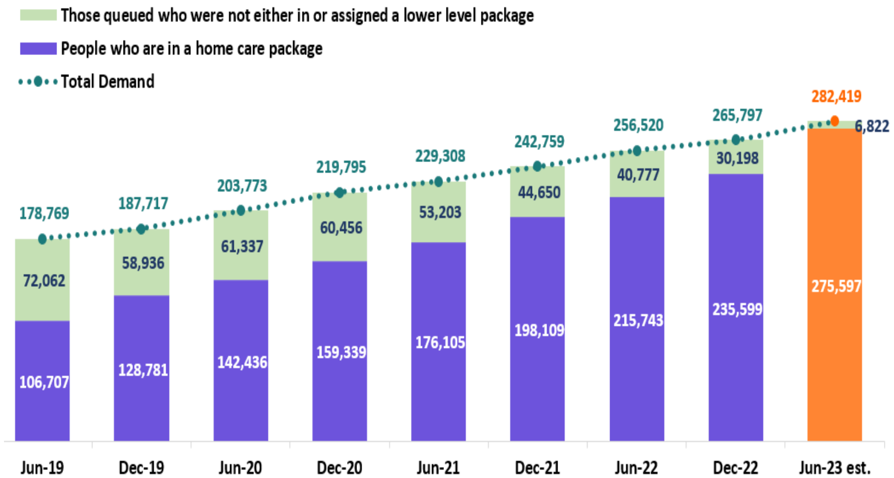


Figure 30: Demand for Home Care Packages



3. APPENDIX

StewartBrown Survey

Survey Outline

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

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

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

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

StewartBrown has also commenced a disability services benchmark incorporating the same granular analysis as the aged care Survey (Disability Services Survey (stewartbrown.com.au))

Survey Results Matrix

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

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

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

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, and the Governments has a number of programs to assist.

Other incentives and benefits may be required and several possible considerations could include:-

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

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

Subsidy Funding

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

AN-ACC Subsidy

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

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

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

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

Regulated Consumer Contribution for Home Care

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

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

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

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

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

Amendments to the Means-Tested Care Fee Criteria

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

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

These recommendations in full or at the very least in part, are fundamental to ensuring that aged care funding is appropriate and also being contributed to by the consumer.

In residential aged care, the means-tested care fee represents only 3.8% of the direct care subsidy. If this was lifted to (say) 9% and the means-tested care fee added to the funding envelope (rather than being deducted from the subsidy paid by the government), this would add in excess of $1.25 billion pa in the overall direct care funding envelope based on the FY23 direct care subsidy levels.

Deregulation of the Basic Daily Fee

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

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

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

Structural Reform of the Accommodation Pricing Model

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

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

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

4. GLOSSARY

Accommodation Result
Accommodation Result is the net result of accommodation revenue (DAPs/DACs/Accommodation supplements) and expenses related to capital items such as depreciation, property rental and refurbishment costs.

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

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

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

ACH EBITDA
The same as Facility EBITDA. The starting point for this calculation is the Aged Care Home (Facility) Result which is the combination of the Care and Accommodation results. It excludes all "provider revenue and expenditure" including fundraising revenue, revaluations, donations, capital grants and sundry revenue. It also excludes those items excluded from the EBITDA calculation above.

This measure is more consistent across the aged care homes (facilities) because it excludes all those items which are generally allocated at the aged care home (facility) level on an inconsistent and arbitrary basis depending on the policies of the individual provider.

Administration Costs
Administration Costs includes the direct costs related to administration and support services and excludes the allocation of workers compensation and quality and education costs to Direct Care (ACFI) and Indirect Care (everyday living).

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

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 *average*d across all the homes in the particular group. The *average* by line item is particularly useful for line items such as contract catering, cleaning and laundry, property rental, extra service revenue and administration fees as these items are not included by everyone.

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

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

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

Band 1 - Over $217
Band 2 - Between $207 and $217
Band 3 - Between $197 and $207
Band 4 - Under $197

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

Band 1 - Under $58
Band 2 - Between $58 and $68
Band 3 - Between $68 and $78
Band 4 - Over $78

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

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

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

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

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

EBITDA per bed per annum
Calculation of the overall aged care home (facility) EBITDA for the financial year-to-date divided by the number of operational beds in the aged care home (facility).

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

Facility
An aged care home is sometimes called a "facility" for convenience. The Facility Result is the result for each aged care home being considered. Often called Aged Care Home and abbreviated to ACH.

Indirect Care (Everyday Living) Result
Revenue from Basic Daily Fee plus Extra or Optional Service fees less Hotel Services (catering, cleaning, laundry) and Utilities (includes allocation of workers compensation premium and quality and education costs to hotel services staff).

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

Residential Care

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

Location - City

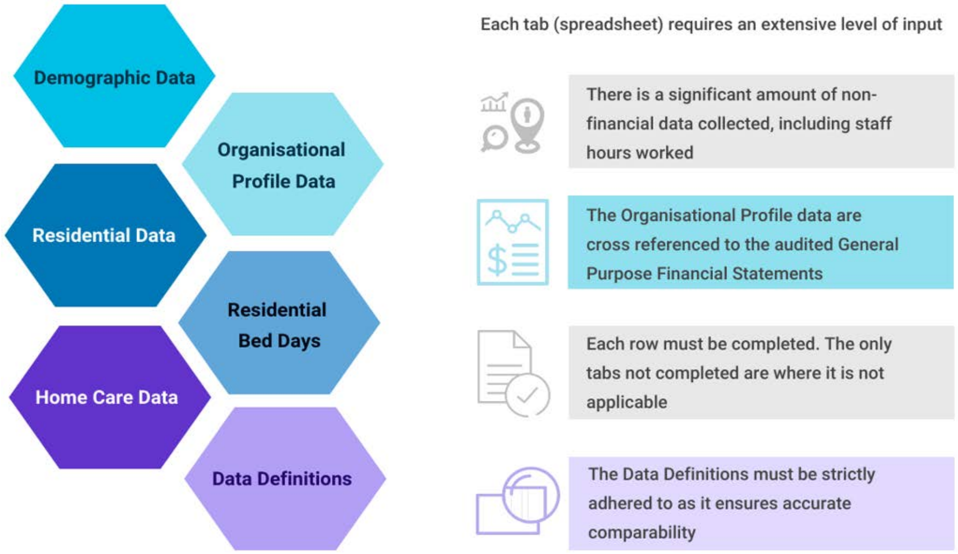
Aged care homes have been designated as being city based according to the designation by the Department of Health and Aged Care in their listing of aged care services. Those that were designated as being a "Major City of Australia" have been designated City.

Location - Regional

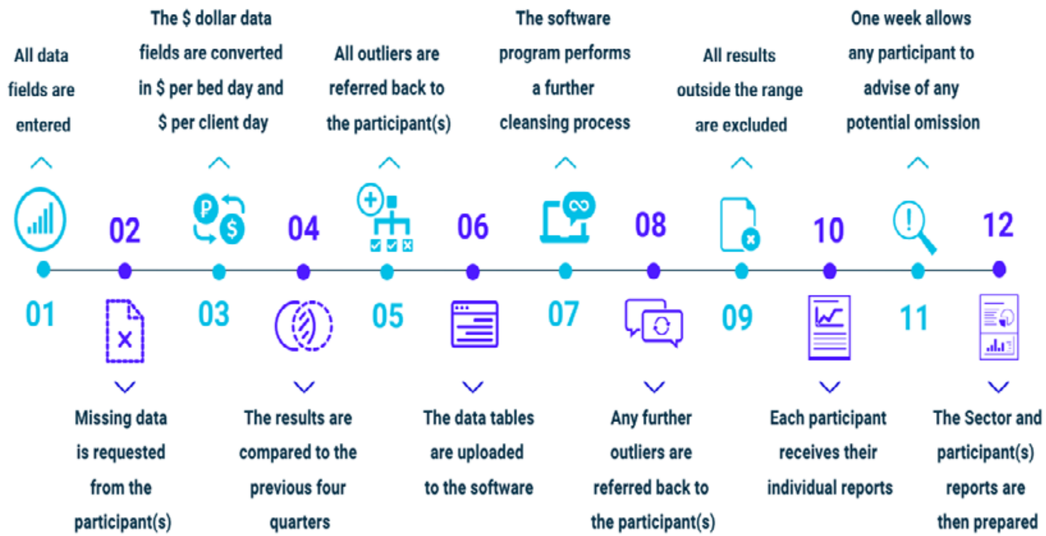
Aged care homes have been designated as being regionally based according to the designation by the Department of Health and Aged Care in their listing of aged care services. Those that were designated as being an "Inner Regional", "Outer Regional" or "Remote" have been designated as Regional.

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

Data Collection Process



Data Cleansing Process



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