



StewartBrown

Integrity + Quality + Clarity

Aged Care Financial Performance Survey Report



The StewartBrown March 2023 (nine months) *Aged Care Financial Performance Survey* incorporates detailed financial and supporting data from **1,143 aged care homes (91,622 beds/places)** and **69,753 home care packages across Australia**. The quarterly survey is the largest benchmark in the aged care sector and provides invaluable insight into the trends and drivers of financial performance at the sector level and at the aged care home or programme level.

9 months ended 31 March 2023 (Q3)

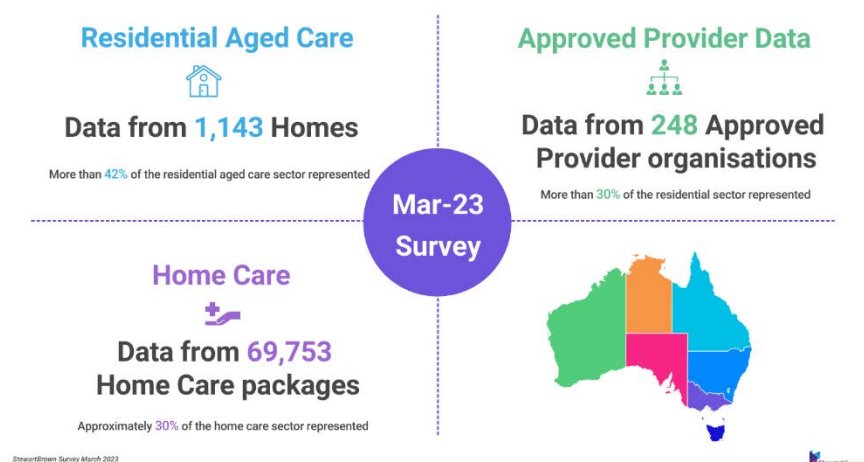
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1. EXECUTIVE SUMMARY

Abstract

The *Aged Care Financial Performance Survey* (Survey) March 2023 (Mar-23) Sector Report provides an overview of the financial performance of the aged care sector in Australia. It is based on the results of the StewartBrown Survey for the nine months ended 31 March 2023 (Q3) which includes the below metrics.



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

Commentary

The implementation of the AN-ACC subsidy from 1 October 2022 has had a positive transition impact on the operating performance for residential aged care, due to the taxpayer subsidy including full funding for the legislated mandated direct care minutes per resident per day, though the requirement to meet these minutes is not obligatory until 1 October 2023.

However, the residential aged care sector is still experiencing a continued decline in operating performance year-on-year

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

The government is continuing to demonstrate a strong commitment to implementing the reforms recommended by the Royal Commission and has established a positive and multilateral approach with all stakeholders.

However **more funding reforms are still required** which must also involve a greater level of consumer contribution for indirect care (everyday living) and accommodation services in particular.

The government has established the Aged Care Taskforce to consider a range of options to increase the required funding for aged care services.

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.

Over the last few years, StewartBrown has advocated a number of reform considerations, and it is anticipated that these, amongst other valid options, will be discussed by the Aged Care Taskforce.

Additional financial reforms that should be considered include:

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

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

Financial Results Overview

Summary

The Survey for the nine months ending March 2023 (Quarter 3) again highlights that residential aged care continues to be at a **critical position for the financial sustainability** for many providers.

The average operating results for residential aged care homes in all geographic sectors was an **operating loss of \$15.74 per bed day** (Mar-22 \$12.85 pbd loss) for mature homes (which exclude the outliers). This represents a loss of \$5,221 per bed per annum, and a continuation of losses for over 5 successive years. Extrapolating the deficit per bed represents a **residential sector loss in excess of \$850 million** for the nine month period.

Staffing shortages have been required to be managed with increased levels of agency staff and overtime for existing staff. Agency staff now represents \$17.04 per bed day, an increase of \$9.86 per bed day compared to the same period in 2022 (Mar-22 \$7.18 per bed day).

Occupancy has declined to be 90.9% of available beds for mature homes (Mar-22 91.4%), however has remained stable for the Mar-23 quarter. The fixed costs per bed increase when occupancy declines to these levels and further erodes financial performance.

This all equates to the continuing statistic that 64% of aged care homes operated at a loss (64% at Mar-22) and 41% operated at an EBITDA (cash loss) (38% at Mar-22) with these percentages being lower due to the short-term benefit of the AN-ACC subsidy (refer below).

Please note that these percentages are at the aged care home (facility) level, not the provider level as reported in the government snapshot. A provider may be reporting an overall surplus, however a number of homes run by that provider may be operating at a loss and these homes may be at financial risk of closure.

Home Care is also performing in a climate of operating issues. The delay with the implementation of the new Support at Home program (implementation date is 1 July 2025) and the potential implications is welcomed, however this also creates 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 \$3.39 per client per day** (Mar-22 \$4.29 pcpd). Revenue utilisation has decreased to 84.9% of available package funding and unspent funds have increased to an average of \$11,778 for every care recipient (*unspent funds are now in excess of an aggregate \$2.6 billion*).

Direct Care Funding (AN-ACC)

Direct care funding is determined by the assessed acuity of the resident, and under the current AN-ACC subsidy the level of funding based on a starting price of \$206.80 per resident per day (excluding the \$10 pbd Basic Daily Fee Supplement).

From 1 July 2023 the starting price will increase by 17.6% to \$243.10 per resident per day, which covers the FWC 15% direct care wage increase, CPI estimate for FY24 and provision for on-costs. The recent FWC minimum award ruling is likely to also have been factored into the new starting price, but to date this has not been officially confirmed.

The requirement for the mandated average of 200 minutes per resident per day of direct care is obligatory from 1 October 2023 (current average direct care minutes is 188.41 so the shortfall of an average of 11.59 minutes needs to be met by providers in the period to 1 October 2023).

It is important to highlight that direct care is funded by the taxpayer for 96.8% of the subsidy and the resident contributes only 3.2% of funding based on their ability to pay as determined by means testing.

Transition Effect of AN-ACC subsidy

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

The effect of this transition benefit was \$13.72 per bed day for the December 2022 quarter (3 months) and a lower benefit of \$8.65 per bed day for the March 2023 quarter (3 months). These are substantially higher when comparing the Direct Care result from the December and March quarters in isolation (AN-ACC subsidy) to the September quarter (ACFI subsidy).

Table 1: Comparison of Direct Care Result by quarter (\$ pbd)

All Homes	ACFI	AN-ACC	AN-ACC
	Sep-22 (Q1)	Dec-22 (Q2)	Mar-23 (Q3)
Direct Care Revenue	\$ 196.99	\$ 216.77	\$ 219.60
Direct Care Costs			
Staff costs	\$ 161.00	\$ 165.34	\$ 164.22
Agency staff	\$ 13.42	\$ 14.88	\$ 20.04
Other	\$ 6.01	\$ 6.46	\$ 8.51
	\$ 180.43	\$ 186.67	\$ 192.77
Operational Overheads	\$ 16.45	\$ 16.37	\$ 18.18
Direct Care Expenditure	\$ 196.88	\$ 203.05	\$ 210.95
Direct Care Result	\$ 0.11	\$ 13.72	\$ 8.65
Direct Care Minutes	186.48	184.95	190.19
<i>Direct Care Minutes as % Direct Care Revenue</i>	95%	85%	87%

The *Direct Care Result* (which is what the AN-ACC subsidy funds) has increased from \$0.11 pbd for the Sep-22 quarter, being the final quarter of the former ACFI subsidy, to a surplus of \$13.72 pbd for the December (3 month) quarter and a reduced surplus of \$8.65 pbd for the March 2023 (3 month) quarter.

Table 1 shows the effect of the increased direct care minutes on the Direct Care (AN-ACC) result where the minutes increased from 185 to 190 per resident per day.

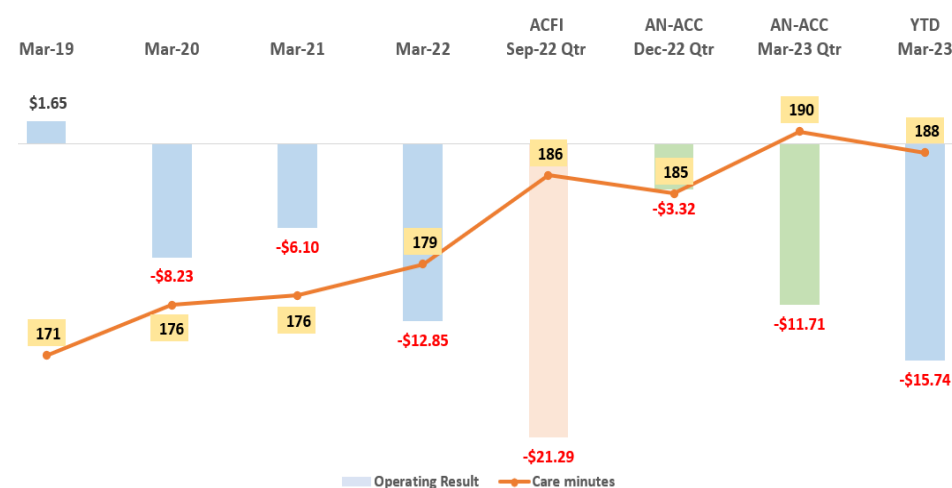
The increased AN-ACC transition benefit had the following effect on the overall operating results for the sector in the Dec-22 and Mar-23 quarter results (operating results includes direct care, indirect care and accommodation results).

The overall *Operating Result* for the nine month period was a loss of \$15.74 per bed day, however the Dec-22 quarter result in isolation was a loss of \$3.32 per bed day, with this declining for the Mar-23 quarter to be a \$11.71 per bed day deficit.

Figure 1 provides a summary of the separate operating result for each quarter and for the nine months year-to-date. On this basis, it is likely that the Jun-23 quarter will be a further deterioration as the direct care minutes will be required to increase to around 195 to then progress to the mandated 200 by October 2023.

The transition benefit (margin) of the AN-ACC subsidy may, however, improve for the Sep-23 quarter, as the new AN-ACC subsidy rate from 1 July 2023 also includes funding for the full mandated direct care minutes however these are not obligatory until 1 October 2023 as mentioned previously.

Figure 1: Comparison of Operating Results for Q1/Q2/Q3 FY23 (\$ 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 Supplement and additional/extra services charged in some facilities (where applicable).

A characteristic of these services is that the BDF (calculated at 85% of the single pension) is the same for all residents irrespective of financial means and acuity. The costs of providing these services have been greater than the revenue for the last ten years, and currently the sector average is **\$7.50 loss per resident per day**.

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

Accommodation

The accommodation results represent the major component of the poor financial performance, and the sector averaged a **\$13.64 loss per resident per day** for Mar-23 YTD. Depreciation represented \$21.70 per bed day and is a critical expense that needs to be covered given the cost associated with maintaining, refurbishing and eventual replacement of an aged care facility.

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

Home Care Revenue Utilisation

Home Care financial performance has stagnated over the last four financial years with the average operating result for Mar-23 being \$3.39 per care recipient (client) per day. Such a financial return is not adequate based on the investment required and business risk to provide these essential services to the elderly in a domestic home or retirement village setting.

Revenue utilisation, being the actual services provided as a percentage of the funding received, continues to remain less than 90% (84.9% for Mar-23). There are a number of valid reasons for such a low utilisation, a major contributory factor being the current funding model together with staffing shortages, however increased utilisation is required to fully cover the fixed costs, encourage investment in technology and innovation and therefore improve financial performance.

The resultant effect of the low utilisation is that unspent funds (being funding not being used by care recipients) has increased year on year to an average of \$11,778 per consumer (over \$2.6 billion nationally in aggregate). It is estimated that 96% of these unspent funds are never utilised and subsequently returned to Treasury (or not consumed in the first place due to unspent funds now being held by Services Australia until such time as being required, if at all).

StewartBrown Survey

Survey Outline

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

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

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

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

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

Survey Results Matrix

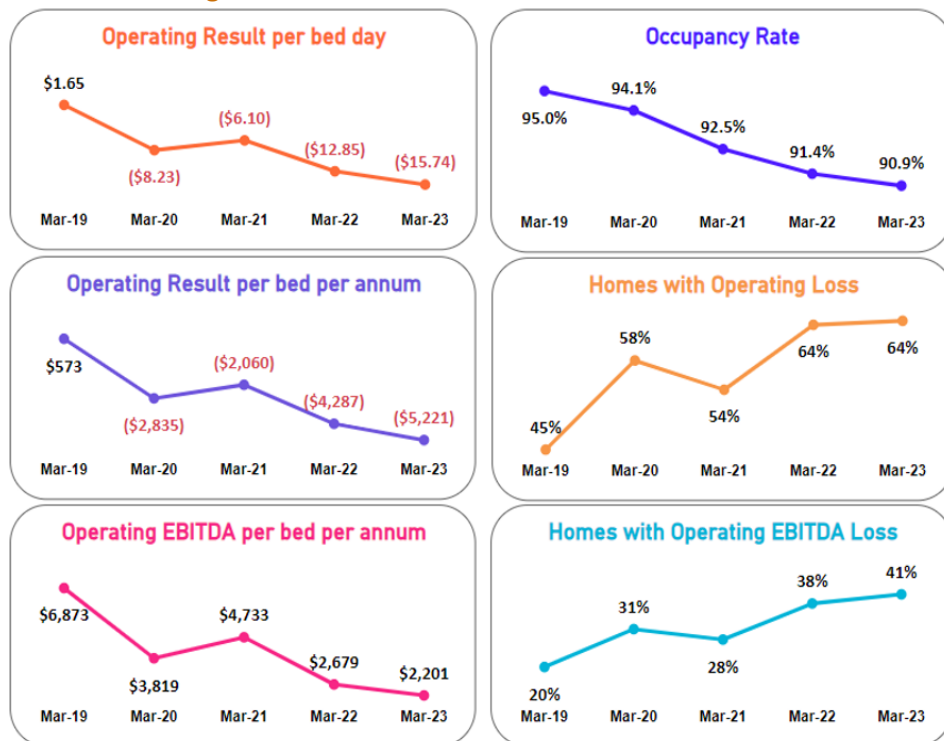
As noted above, the primary purpose of the Survey is for participating providers to benchmark individual aged care facility and home care programs against similar de-identified comparators using a range of metrics. To ensure accurate and relevant benchmark comparisons, all outlier aged care facilities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

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

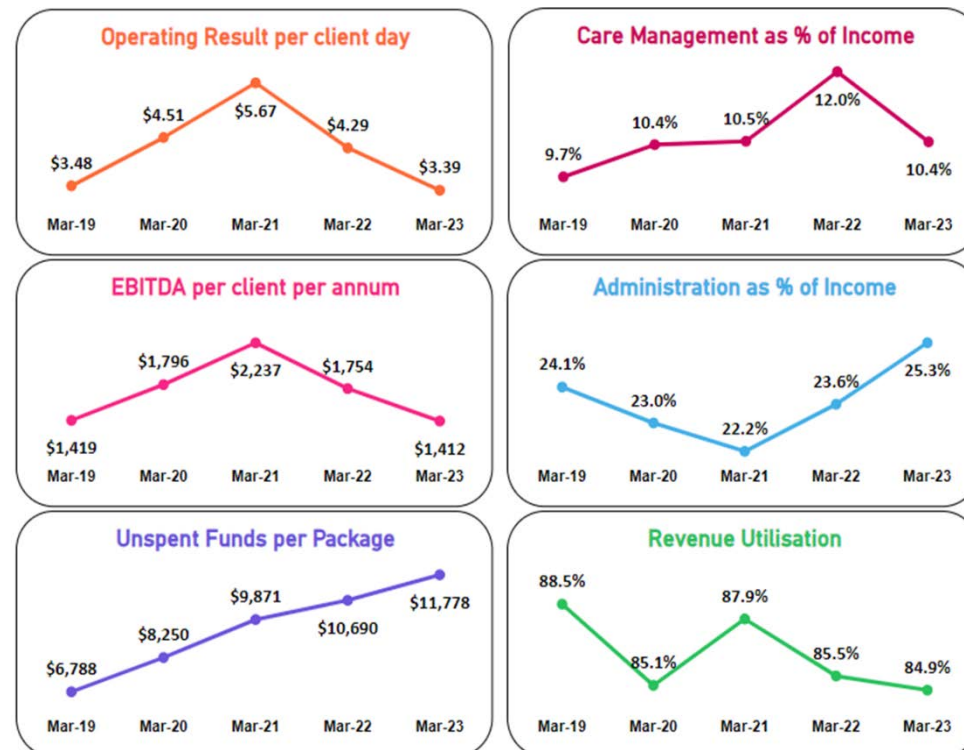
For the purpose of the Survey analysis, all facilities/programs included are referred to as being **mature**.

Mar-23 YTD (Q3) Results Snapshot

Residential Aged Care



Home Care



Mar-23 YTD (Q3) Financial Performance Analysis

Residential Aged Care Results

Revenue	<ul style="list-style-type: none"> Average Care subsidy (AN-ACC and ACFI and supplements) was \$211.28 pbd an increase of 9.6% from Mar-22 (\$192.80 pbd) <i>(due to AN-ACC subsidy including uplift for mandated direct care staffing average 200 minutes per resident per day from 1 October 2022)</i> Indirect care (everyday living) revenue <i>including the BDF supplement</i> was \$69.40 pbd an increase of 5.2% from Mar-22 (\$65.97 pbd) Accommodation revenue was \$36.01 pbd an increase from Mar-22 (\$32.70 pbd)
Expenses	<ul style="list-style-type: none"> Direct care labour costs (RN/EN/PCA) averaged \$155.77 pbd an increase of 13.7% from Mar-22 (\$137.03 pbd) Other direct care labour costs (Care Management/Allied Health/Lifestyle) averaged \$25.73 pbd a decrease of 2.7% from Mar-22 (\$26.45 pbd) Other direct care costs averaged \$6.96 pbd a decrease from Mar-22 (\$12.06 pbd) <i>(due to less covid-19 costs)</i> Indirect care (everyday living) costs was \$76.91 pbd an increase of 10.6% (Mar-22 \$69.52 pbd) Catering expenditure averaged \$37.43 pbd an increase of 10.2% (Mar-22 \$33.96 pbd) <i>(this is as a result of the targeted BDF supplement)</i> Administration costs averaged \$49.07 pbd an increase of 18.1% (Mar-22 \$39.85 pbd) <i>(due to increase quality, reporting and compliance requirements and AN-ACC implementation and training)</i> Accommodation expenditure averaged \$49.65 pbd (depreciation \$21.70 pbd) compared to Mar-22 \$44.51 pbd (depreciation \$19.65 pbd)
Operating Result	<ul style="list-style-type: none"> Direct care result for Mar-23 YTD increased by \$2.89 pbd to a surplus of \$5.40 pbd (including administration) from Mar-22 \$2.51 pbd <i>(refer AN-ACC commentary below)</i> <i>The effect of the AN-ACC subsidy increases not being fully offset by the requirement to meet the average 200 mandated minutes per resident per day (this not being required until 1 October 2023) resulted in an improved direct care surplus of \$13.72 pbd in the December quarter and \$8.65 pbd in the March quarter (in isolation). This surplus will further erode in the period to June 2023 as providers increase the direct care staffing minutes (cost) with no projected further increase in the AN-ACC subsidy (in real terms)</i> Indirect care result declined to a deficit at \$7.50 pbd (including administration) (Mar-22 \$3.56 pbd deficit) Accommodation result (including administration) was a deficit of \$13.64 pbd (Mar-22 \$11.80 pbd deficit) Operating result was a deficit of \$15.74 pbd (Mar-22 operating deficit \$12.85 pbd) <i>(refer AN-ACC comment above)</i> Operating EBITDA averaged \$2,201 pbpa (Mar-22 EBITDA \$2,679 pbpa)
Additional Trends	<ul style="list-style-type: none"> Direct care minutes (RN/EN/PCA) was 188.41 minutes per resident per day (Mar-22 179.00 minutes) Occupancy for mature homes declined to 90.9% (Mar-22 91.4%) <i>(occupancy based on actual available beds)</i> Occupancy for all homes slightly decreased to 90.0% (Mar-22 90.1%) <i>(occupancy based on approved places)</i> Supported resident ratio remained constant at 46.2% (Mar-22 45.8%) Average full RAD received for Mar-23 period was \$469,679 (Mar-22 \$456,288) Proportion of full RADs received for non-supported residents was 25.3%, full DAPs was 55.1% and Combinations (RAD/DAP) was 19.6%

Home Care Package (HCP) Results

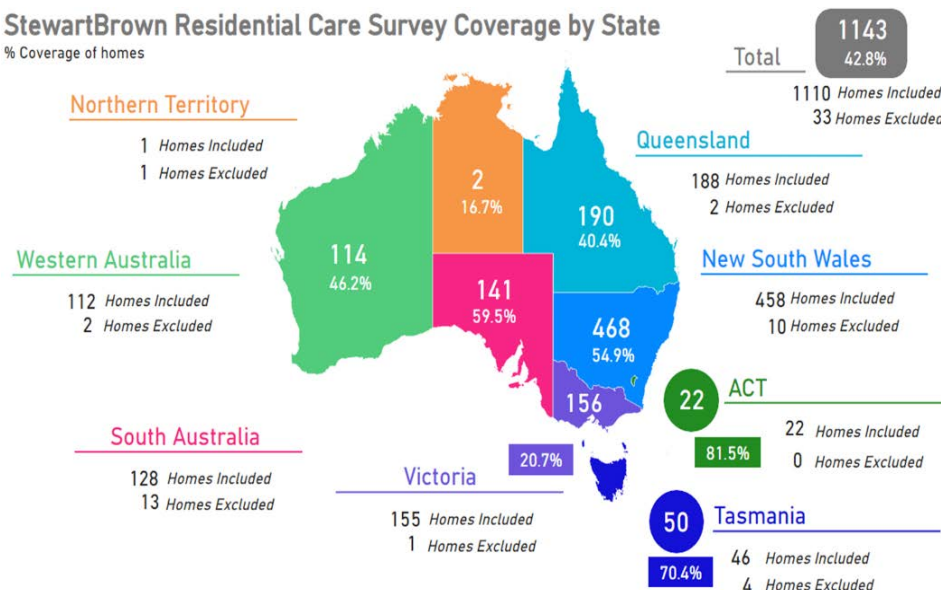
Revenue	<ul style="list-style-type: none"> Revenue was \$68.84 per client per day a slight increase from Mar-22 (\$68.38 pcpd) Care management revenue as a proportion of total revenue was 18.7% (Mar-22 18.7%) Package management revenue as a proportion of total revenue was 11.2% (Mar-22 10.1%) Revenue utilisation decreased by 0.6% to 84.9% of funding received for Mar-23 YTD (Mar-22 85.5%)
Expenses	<ul style="list-style-type: none"> Direct service costs increased by \$1.08 pcpd to be 58.6% of total revenue (Mar-22 57.4%) Case management cost as % of revenue has decreased to 10.4% of revenue (Mar-22 12.0% of revenue) Administration and support costs represent 25.3% of revenue (Mar-22 23.6%)
Unspent Funds	<ul style="list-style-type: none"> The amount of unspent funds per client (care recipient) has continued to rise and now averages \$11,778 per client (Mar-22 \$10,690 per client) In aggregate across the sector, this represents in excess of \$2.6 billion of funds that have not been utilised.
Operating Result	<ul style="list-style-type: none"> Operating results have declined by \$0.90 per client per day to \$3.39 pcpd (Mar-22 \$4.29 pcd) The profitability margin has declined from 6.3% for Mar-22 YTD to 4.9% for Mar-23 Profitability decline is being driven by the decrease in revenue utilisation
Other Trends	<ul style="list-style-type: none"> Average staff hours per week was 5.14 hours (Mar-22 5.31 hours) The number of packages in the survey has increased to represent 66,542 packages for Mar-23 YTD (52,202 packages for Mar-22 YTD)

2. FINANCIAL RESULTS - KEY METRICS

Residential Aged Care

StewartBrown Residential Care Survey Coverage by State

% Coverage of homes



Residential Key Points

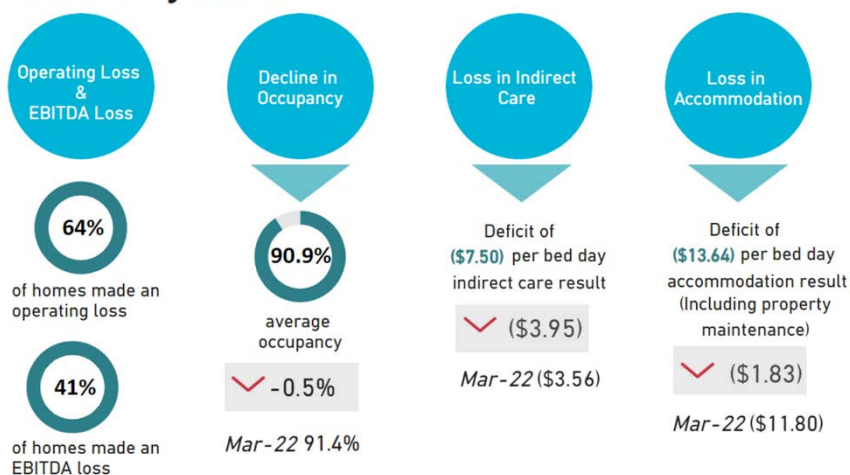


Table 2: Summary Income & Expenditure Comparison (\$ per bed day)

	Survey Mar-23 1,110 Homes	Survey Mar-22 1,166 Homes	Survey FY22 1,202 Homes
DIRECT CARE			
Revenue	\$211.28	\$192.80	\$194.77
Expenditure			
Direct care labour costs	155.77	137.03	139.17
Other direct care labour costs	25.73	26.45	26.43
Other direct care costs	6.96	12.06	12.16
Administration	17.41	14.74	15.16
	\$205.87	\$190.29	\$192.92
DIRECT CARE RESULT (A)	\$5.40	\$2.51	\$1.85
INDIRECT CARE			
Revenue	\$69.40	\$65.97	\$66.33
Expenditure			
Catering	37.43	33.96	34.51
Cleaning	10.28	9.65	9.88
Laundry	4.60	4.31	4.31
Other hotel services expense	0.09	0.07	0.08
Payroll tax	0.06	0.13	0.13
Overhead allocation (workcover & education)	0.92	0.81	0.80
Utilities	7.71	7.21	7.29
Administration	15.83	13.39	13.77
	\$76.91	\$69.52	\$70.78
INDIRECT CARE RESULT (B)	(\$7.50)	(\$3.56)	(\$4.45)
CARE RESULT (C) (A + B)	(\$2.10)	(\$1.05)	(\$2.60)
ACCOMMODATION			
Revenue			
Residents	14.59	13.02	13.03
Government	21.43	19.69	19.82
	\$36.01	\$32.70	\$32.84
Expenditure			
Depreciation	21.70	19.65	19.54
Property maintenance	12.11	10.72	11.08
Property rental	0.67	1.23	1.00
Other	1.34	1.20	1.24
Administration	13.83	11.72	12.05
	\$49.65	\$44.51	\$44.91
ACCOMMODATION RESULT (D)	(\$13.64)	(\$11.80)	(\$12.06)
OPERATING RESULT (\$ per bed day) (C + D)	(\$15.74)	(\$12.85)	(\$14.67)
OPERATING RESULT (\$ per bed per annum)	(\$5,221)	(\$4,287)	(\$4,871)
EBITDA (\$ per bed per annum)	\$2,201	\$2,679	\$1,949

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

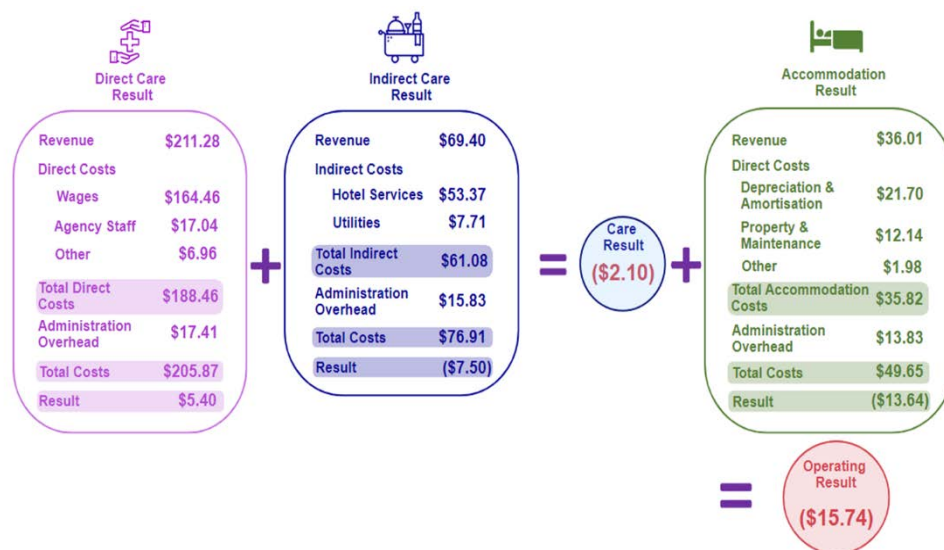
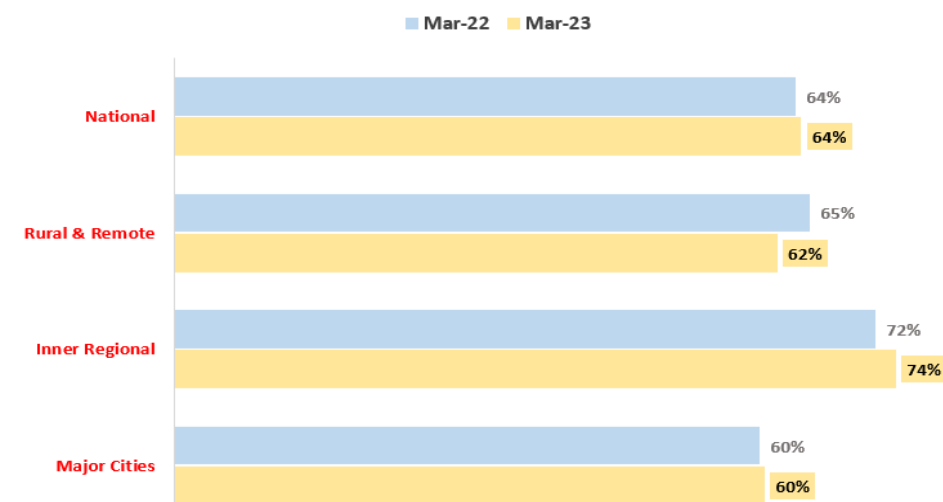


Table 3: Summary KPI Results Comparison

Summary KPI Results	Mar-23 1,110 Homes	Mar-22 1,166 Homes		Difference (YoY)	FY22 1,202 Homes
Operating Result (\$pbd)	(\$15.74)	(\$12.85)	↓	(\$2.89)	(\$14.67)
Operating Result (\$pbpa)	(\$5,221)	(\$4,287)	↓	(\$934)	(\$4,871)
EBITDA (\$pbpa)	\$2,201	\$2,679	↓	(\$478)	\$1,949
Average Occupancy (all homes)	90.0%	90.1%	↓	(0.0%)	89.7%
Average Occupancy (mature homes)	90.9%	91.4%	↓	(0.5%)	91.0%
Average direct care revenue (\$pbd)	\$211.28	\$192.80	↑	\$18.48	\$194.77
Total direct care minutes per resident per day	188.41	179.00	↑	9.41	176.91
Direct care services costs as a % of direct care revenue	89.2%	91.1%	↓	(1.9%)	91.3%
Supported Ratio %	46.2%	45.8%	↑	0.3%	45.3%
Average Full RAD/Bond held	\$438,395	\$422,935	↑	\$15,460	\$425,852
Average Full RAD taken during period	\$469,679	\$456,288	↑	\$13,391	\$455,006

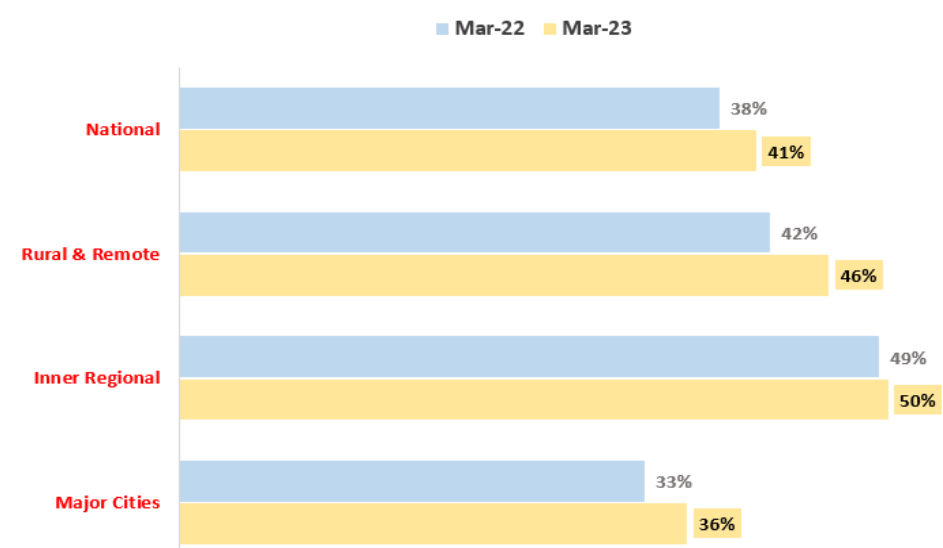
Number of Aged Care Homes making an Operating Loss

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 4: Summary KPI Results by geographic location

Major Cities 692 Aged Care Homes	Inner Regional 298 Aged Care Homes	Rural & Remote 120 Aged Care Homes
(\$4,230) Operating Result \$ per bed per annum	(\$7,943) Operating Result \$ per bed per annum	(\$5,079) Operating Result \$ per bed per annum
\$3,401 Operating EBITDA per bed per annum	(\$958) Operating EBITDA per bed per annum	\$1,960 Operating EBITDA per bed per annum
\$211.54 Average Direct Care Revenue per bed day	\$208.46 Average Direct Care Revenue per bed day	\$217.68 Average Direct Care Revenue per bed day
88.7% Direct care services costs as % of Direct Care revenue	91.3% Direct care services costs as % of Direct Care revenue	87.5% Direct care services costs as % of Direct Care revenue
52.3% Catering costs as % of Indirect Care revenue	56.9% Catering costs as % of Indirect Care revenue	58.5% Catering costs as % of Indirect Care revenue
188.83 Direct care minutes per resident per day	186.83 Direct care minutes per resident per day	189.67 Direct care minutes per resident per day
46.1% Supported resident ratio	45.2% Supported resident ratio	52.8% Supported resident ratio
91.2% Average occupancy	90.8% Average occupancy	88.7% Average occupancy
\$476,597 Average full accommodation deposit held	\$356,141 Average full accommodation deposit held	\$333,666 Average full accommodation deposit held
\$515,556 Average full RAD taken during the period	\$370,413 Average full RAD taken during the period	\$363,228 Average full RAD taken during the period

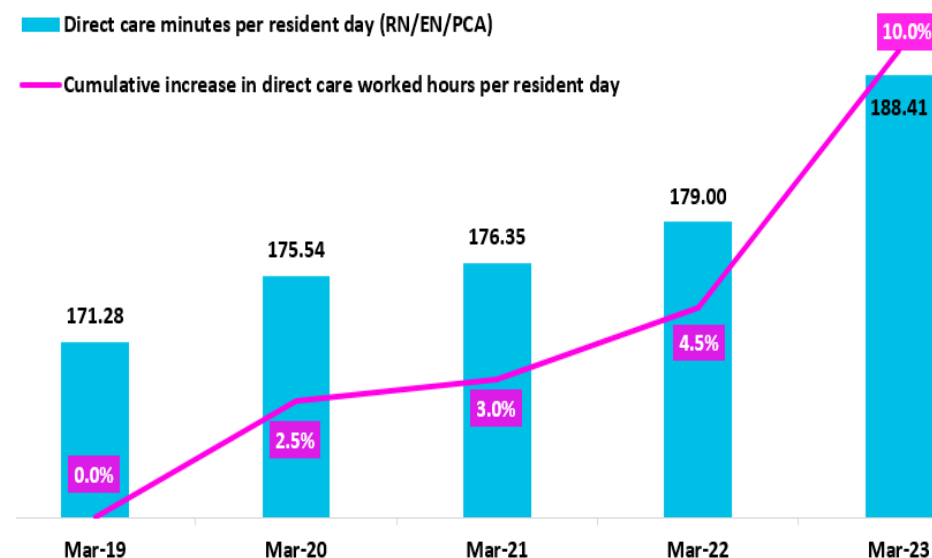
Direct Care Staffing Minutes (per resident per day)

Table 5: Direct Care staffing metrics

Staffing Category	Survey Average		Survey Average FY22
	Mar-23	Mar-22	
Registered nurses	31.37	27.43	27.11
Enrolled & licensed nurses	12.45	16.40	13.16
Other unlicensed nurses & personal care staff	144.53	133.29	135.85
Imputed agency direct care minutes implied	0.07	1.89	0.79
Total Direct Care Minutes	188.41	179.00	176.91
Care management	5.65	7.45	7.52
Allied health	5.82	5.43	5.07
Diversional/Lifestyle/Activities	7.43	6.93	7.20
Imputed agency other care minutes implied	0.22	n.a	n.a
Total Care Minutes	207.53	198.80	196.70

* 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 6: Indirect Care (everyday living) revenue and expenses (\$ pbd)

	Mar-23 1,110 Homes	Mar-22 1,166 Homes	YoY Movement	FY22 1,202 Homes
Basic daily fee supplement - government	\$9.99	\$9.90	↑	\$9.94
Basic daily fee - resident	\$56.43	\$53.26	↑	\$53.57
Other resident income	\$2.98	\$2.81	↑	\$2.81
Indirect care revenue	\$69.40	\$65.97	↑	\$66.33
Hotel services	\$53.37	\$48.93	↑	\$49.72
Utilities	\$7.71	\$7.21	↑	\$7.29
Indirect care expenses	\$61.08	\$56.13	↑	\$57.01
Administration overhead	\$15.83	\$13.39	↑	\$13.77
Indirect Care Result	(\$7.50)	(\$3.56)	↓	(\$4.45)

Accommodation Analysis

Table 7: Accommodation revenue and expenses (\$ pbd)

	Mar-23 1,110 Homes	Mar-22 1,166 Homes	YoY Movement	FY22 1,202 Homes
Accommodation revenue	\$36.01	\$32.70	↑	\$32.84
Accommodation expenses				
Depreciation	\$21.70	\$19.65	↑	\$19.54
Refurbishment	\$0.26	\$0.23	↑	\$0.22
Property maintenance	\$12.11	\$10.72	↑	\$11.08
Property rental	\$0.67	\$1.23	↓	\$1.00
Other accommodation costs	\$1.07	\$0.97	↑	\$1.02
Administration overhead	\$13.83	\$11.72	↑	\$12.05
Accommodation expenses	\$49.65	\$44.51	↑	\$44.91
Accommodation Result (\$ per bed day)	(\$13.64)	(\$11.80)	↓	(\$12.06)
Accommodation Result (\$ per bed per annum)	(\$4,524)	(\$3,938)	↓	(\$4,006)
Depreciation charge (\$ per bed per annum)	\$7,198	\$6,556	↑	\$6,487

Accommodation Pricing

Figure 6: Accommodation payment preferences (by pricing brackets)

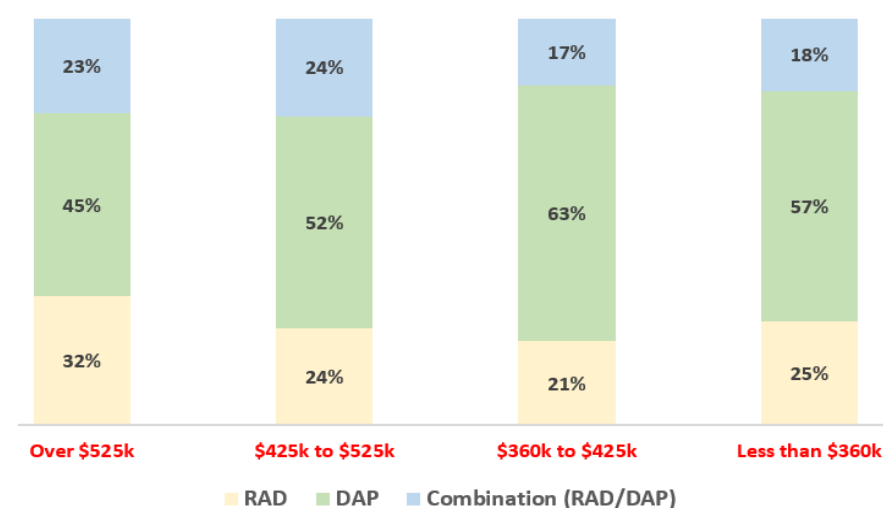
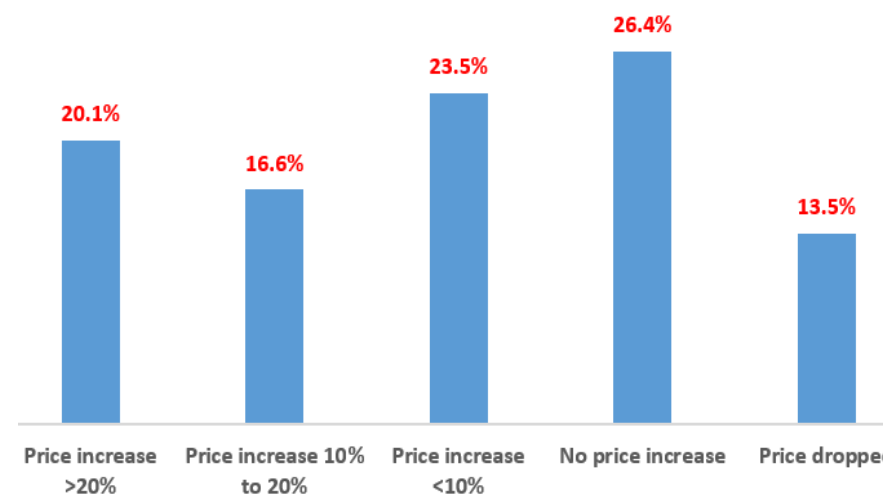


Figure 7: Accommodation price movements (Mar-18 to Mar-23)



Occupancy

Figure 8: Residential Occupancy by region (mature homes)

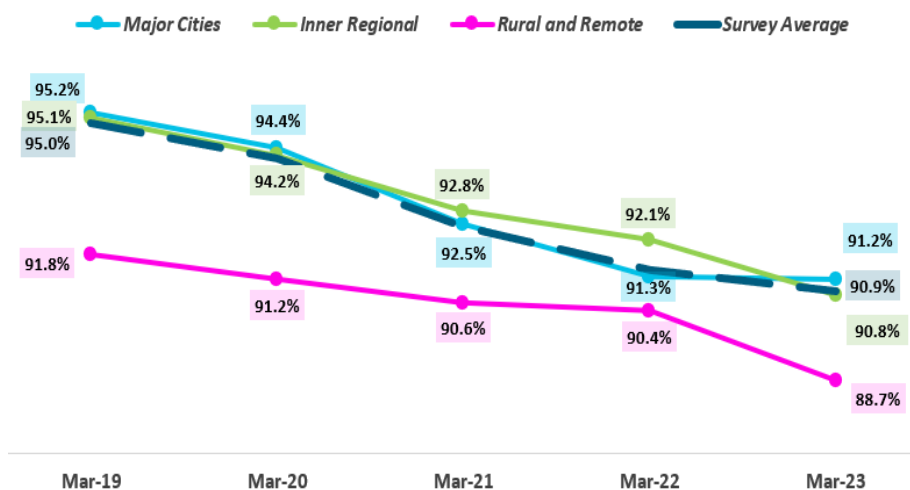


Figure 9: Residential Occupancy comparison by State/Territory

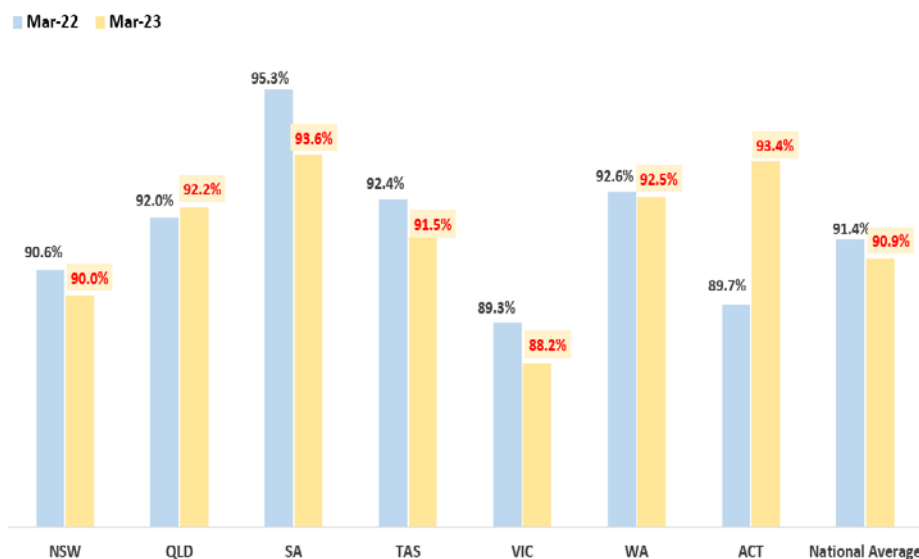
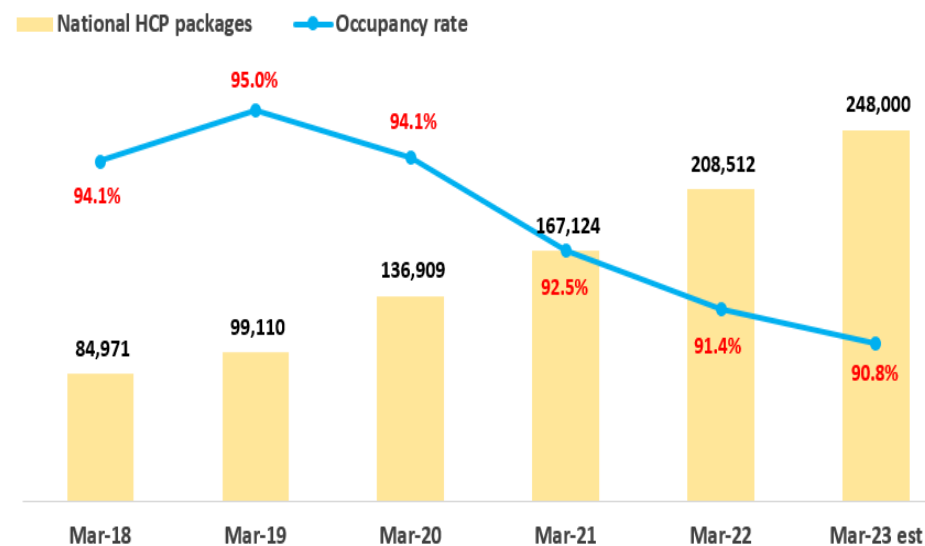


Figure 10: Residential Occupancy comparison to Home Care Packages

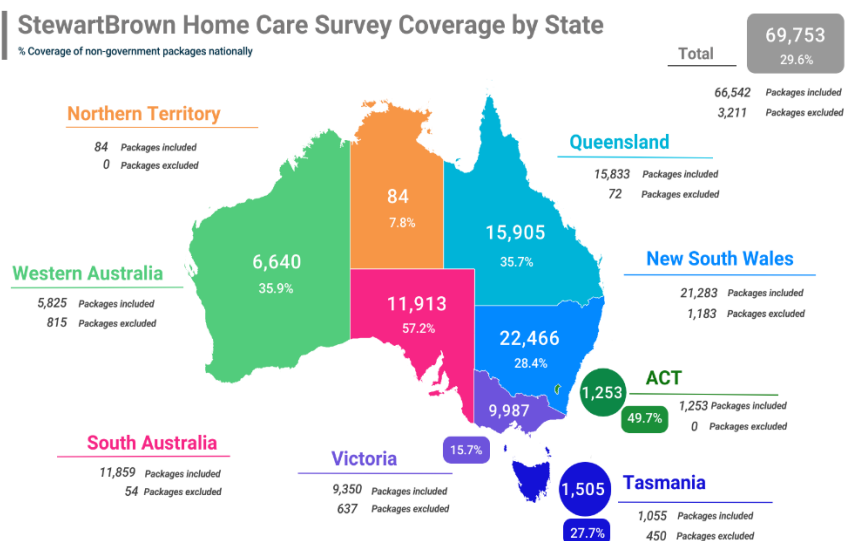


Administration Costs

Table 8: Administration costs (\$ pbd)

	Mar-23 1,110 Homes	Mar-22 1,166 Homes	YoY Movement	FY22 1,202 Homes
Administration (corporate) recharges	\$28.74	\$24.19	↑	\$25.29
Labour costs - administration (facility)	\$9.37	\$7.95	↑	\$7.79
Other administration costs	\$7.04	\$5.98	↑	\$6.19
Workers compensation	\$0.22	\$0.19	↑	\$0.17
Payroll tax - administration staff	\$0.02	\$0.04	↓	\$0.04
Fringe Benefits Tax	\$0.01	\$0.02	↓	\$0.02
Quality & education - labour costs	\$0.07	\$0.05	↑	\$0.05
Quality and education - other	\$0.02	\$0.02	↑	\$0.02
Insurances	\$1.57	\$1.41	↑	\$1.41
Total Administration Costs	\$47.07	\$39.85	↑	\$40.98

Home Care



StewartBrown Survey March 2023



Home Care Key Points

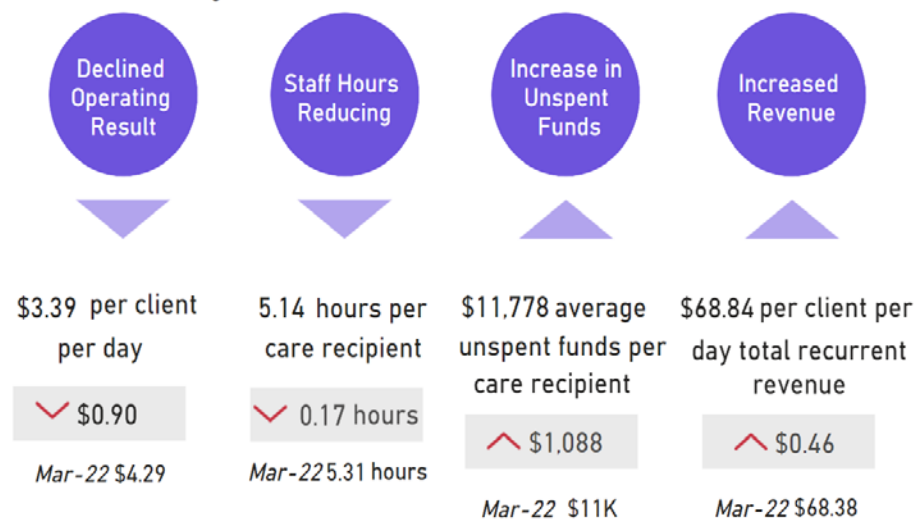


Figure 11: Home Care key metrics summary

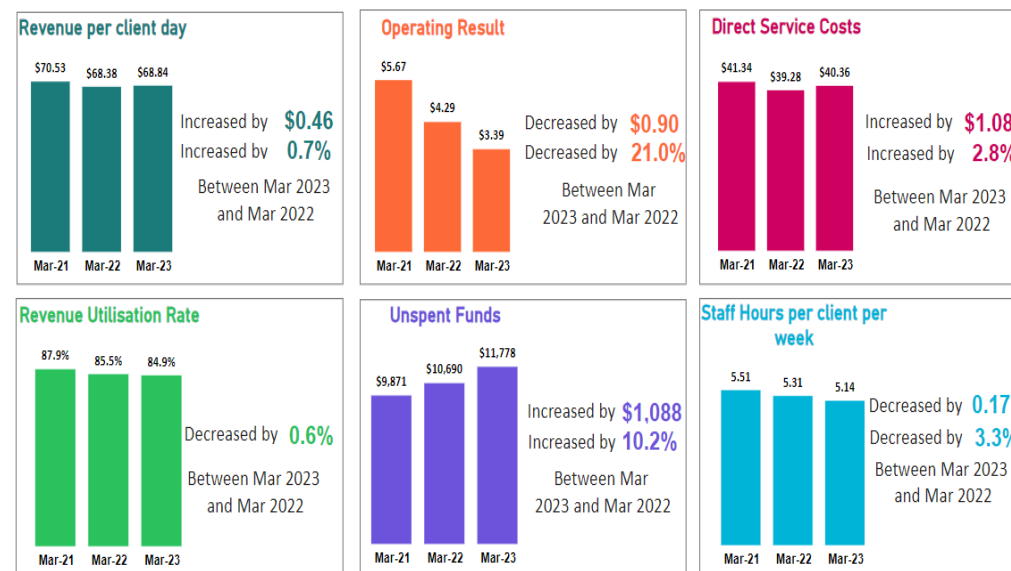


Table 9: Summary Home Care KPI Results Comparison

	Mar-23 66,542 Packages	Mar-22 52,202 Packages	Difference (YoY)	FY22 60,630 Packages
Total revenue \$ per client per day	\$68.84	\$68.38	↑ \$0.46	\$68.98
Operating result per client per day	\$3.39	\$4.29	↓ (\$0.90)	\$3.98
EBITDA per client per annum	\$1,412	\$1,754	↓ (\$342)	\$1,632
Average total Internal Staff hours per client per week	5.14	5.31	↓ (0.17)	5.28
Median growth rate	9.5%	11.8%	↓ (2.3%)	14.3%
Revenue utilisation rate for the period	84.9%	85.5%	↓ (0.6%)	85.0%
Average unspent funds per client	\$11,778	\$10,690	↑ \$1,088	\$10,736
Cost of direct care & brokered services as % of total revenue	58.6%	57.4%	↑ 1.2%	58.6%
Care management & coordination costs as % of total revenue	10.4%	12.0%	↓ (1.5%)	11.8%
Administration & support costs as % of total revenue	25.3%	23.6%	↑ 1.7%	23.1%
Profit Margin	4.9%	6.3%	↓ (1.4%)	5.8%

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

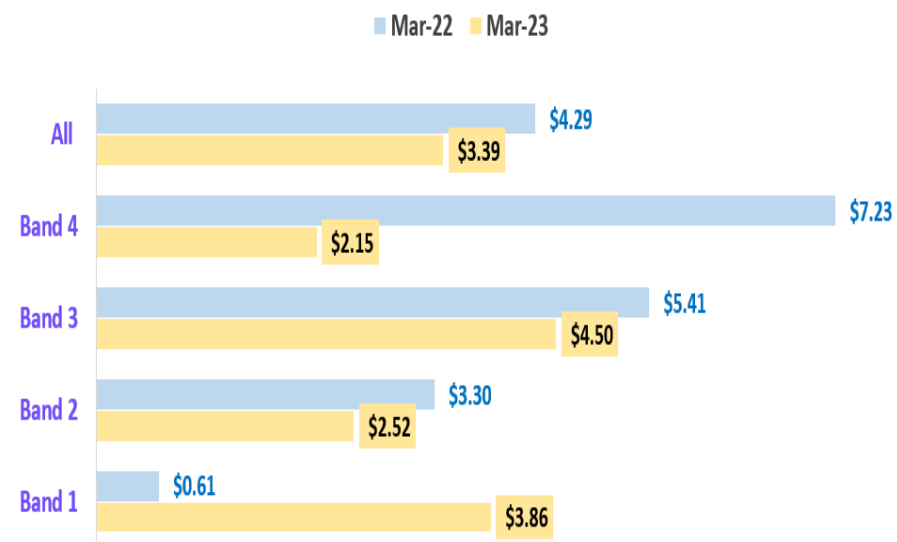


Figure 13: EBITDA Result by revenue band (\$ per client per annum)

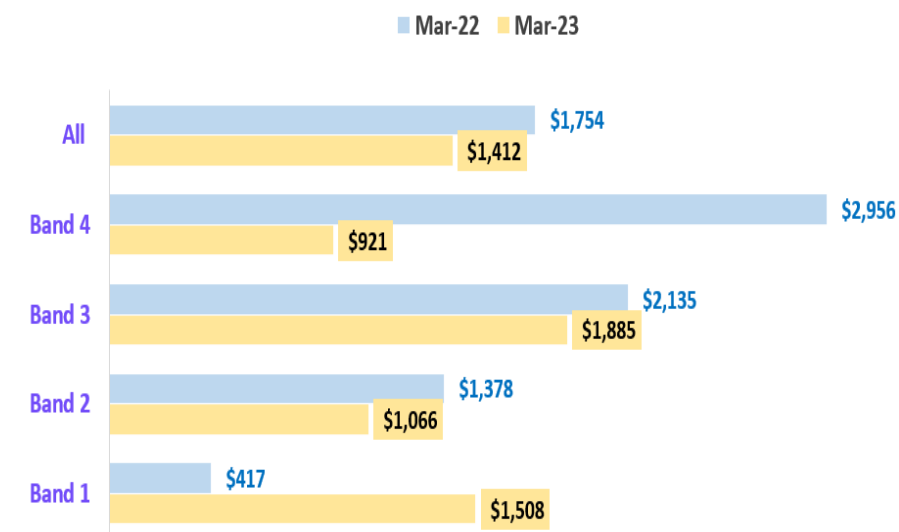


Figure 14: Revenue Utilisation percentage by revenue band

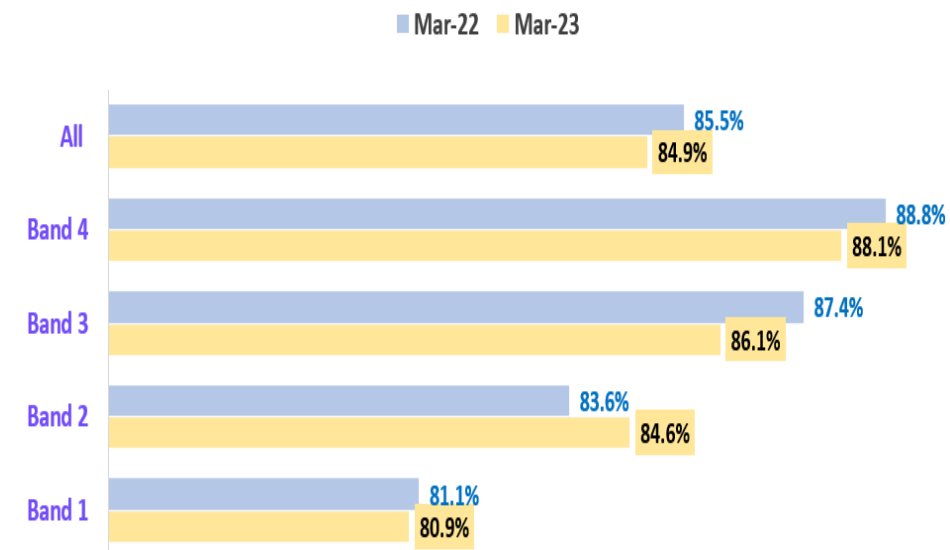
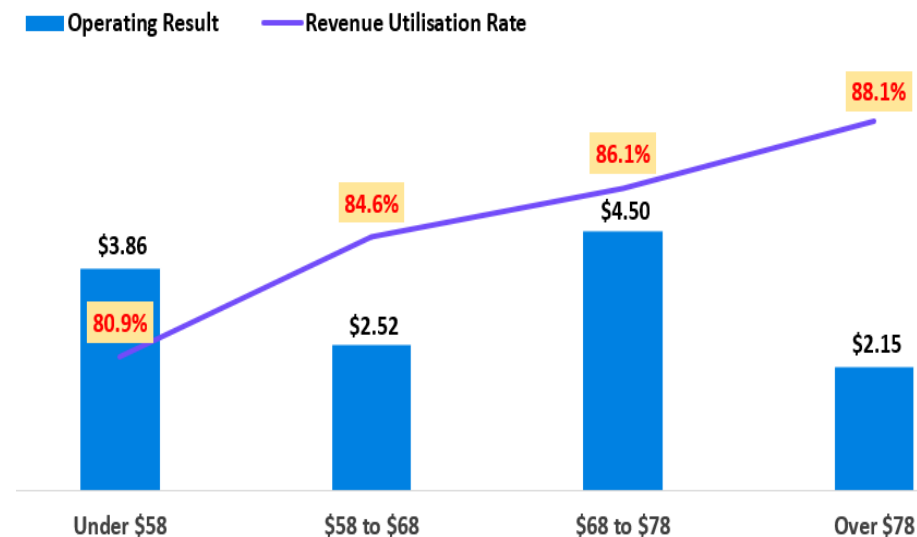


Figure 15: Operating Result (\$ pcd) and Revenue Utilisation by revenue band



Unspent Funds

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

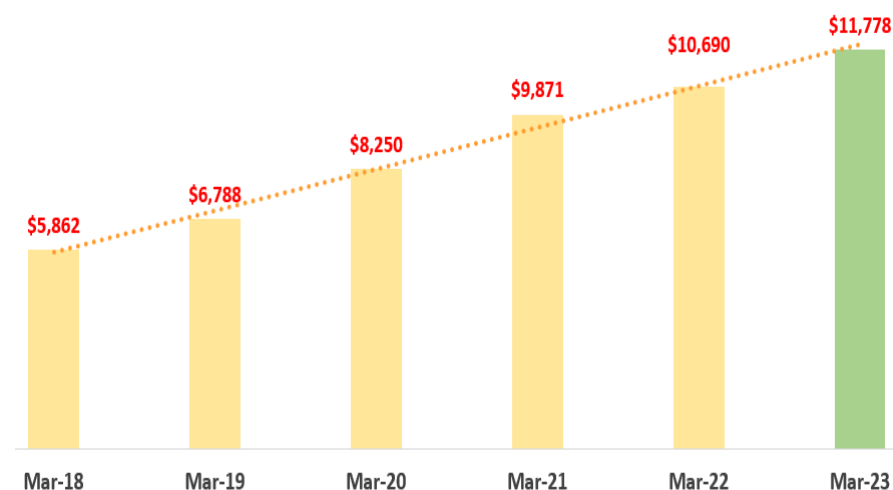
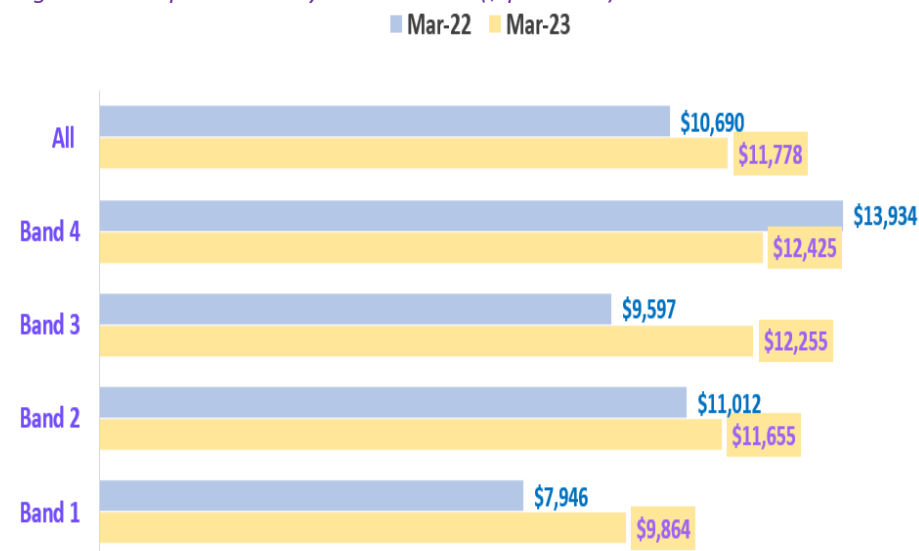


Figure 17: Unspent Funds by revenue band (\$ per client)



Staff Hours Worked per Care Recipient

Table 10: Staff Hours and Minutes worked per care recipient per week

Internal staff hours worked per client week		Mar-23	Mar-22		Difference
Direct service provision	3.34	3.62	↓		(0.29)
Agency	0.10	0.11	↓		(0.01)
Care management & coordination	0.89	1.05	↓		(0.15)
Administration & support services	0.81	0.54	↑		0.27
Total Staff Hours	5.14	5.31	↓		(0.17)

Internal staff minutes worked per client week		Mar-23	Mar-22		Difference
Direct service provision	200.2	217.3	↓		(17.1)
Agency	6.0	6.4	↓		(0.5)
Care management & coordination	53.5	62.7	↓		(9.3)
Administration & support services	48.6	32.1	↑		16.4
Total Staff Minutes	308.2	318.6	↓		(10.4)

Figure 18: Staff Hours per care recipient week trend analysis

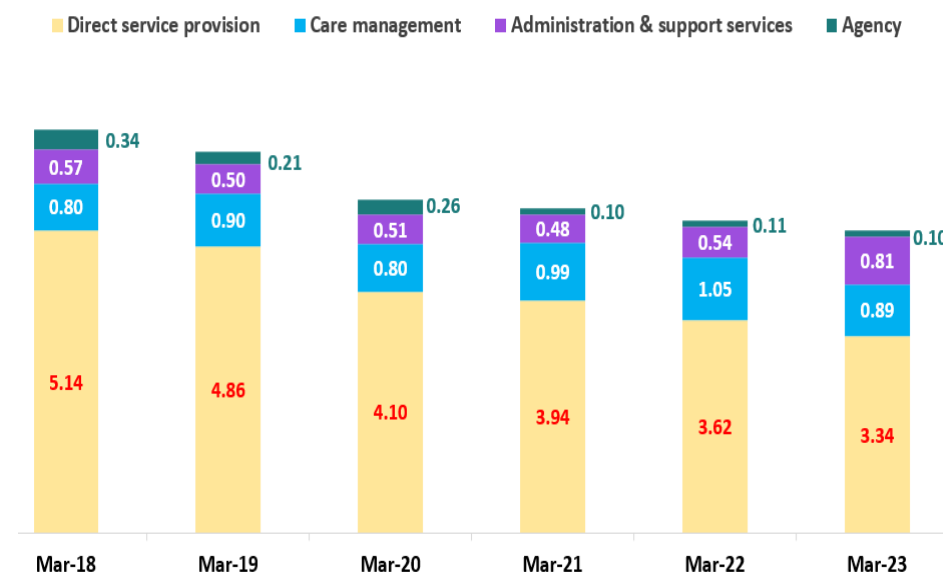


Figure 19: Internal and Brokered Services staff costs comparison

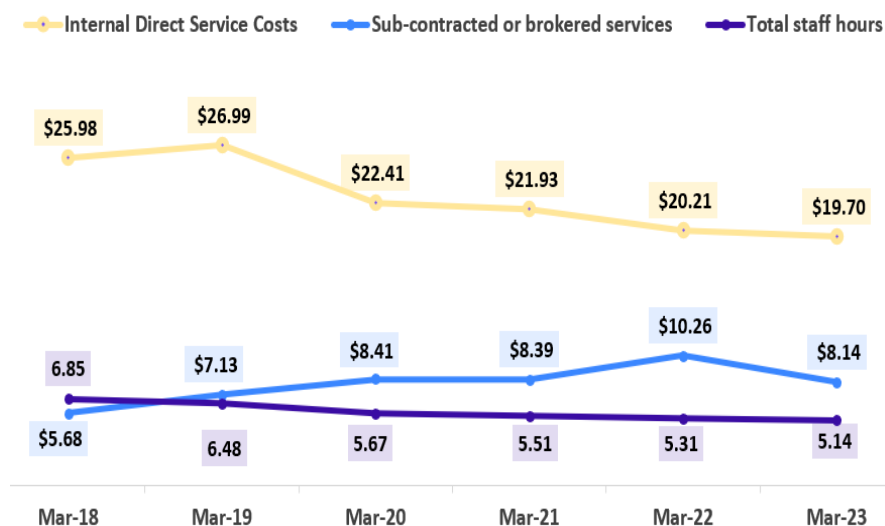
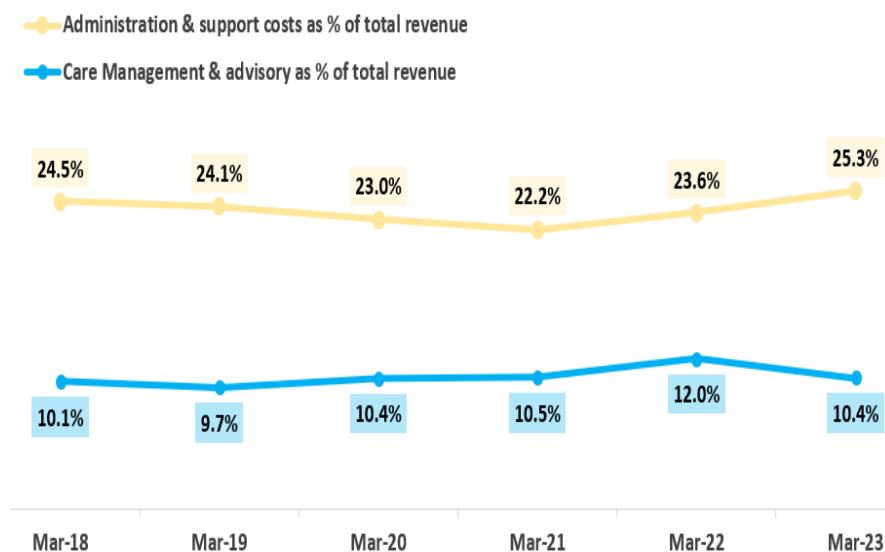


Figure 20: Care Management and Administration cost as % of revenue



Package Growth

Figure 21: Number of People in a Home Care Package

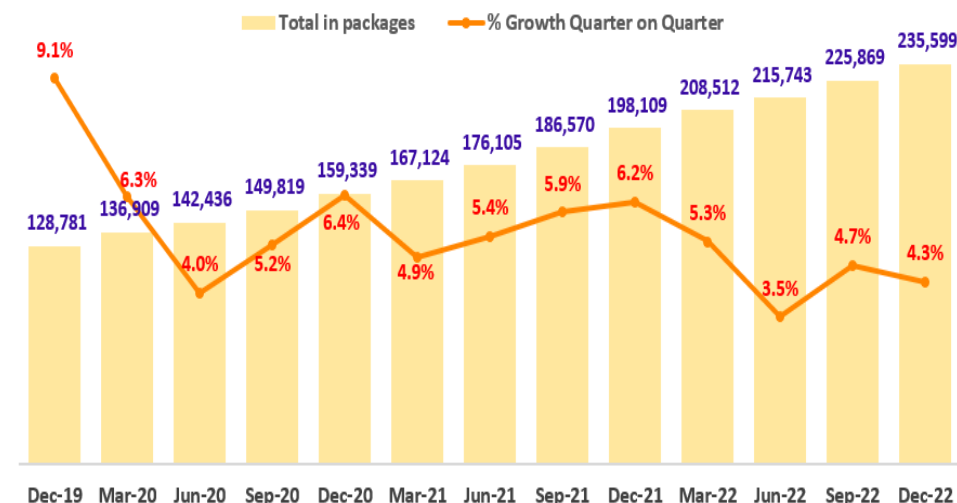
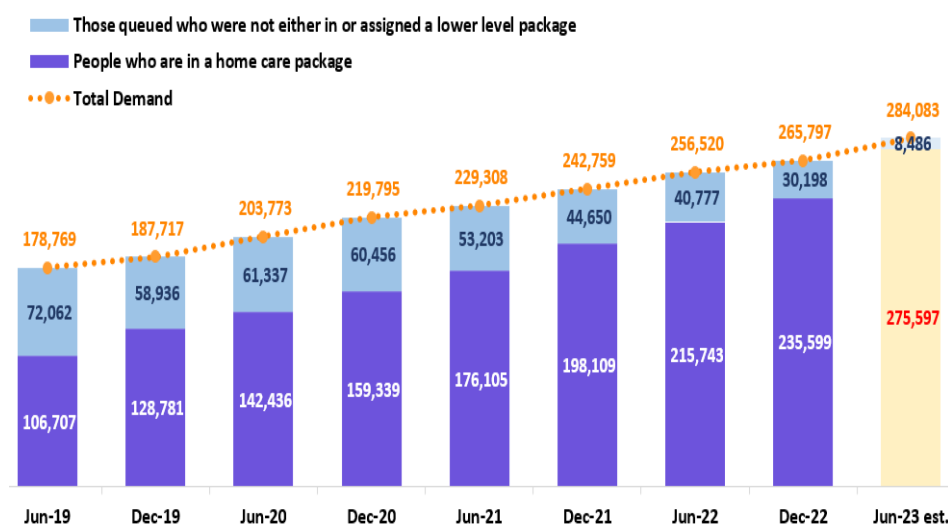


Figure 22: Demand for Home Care Packages



3. APPENDIX

Financial Reform Considerations

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

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

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

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

Staff Remuneration and Benefits

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

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

Several possible considerations could include:-

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

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

Subsidy Funding

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

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

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

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

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

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

Amendments to the Means-Tested Care Fee Criteria

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

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

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

In residential aged care, the means-tested care fee represents only 3.2% 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 AN-ACC subsidy paid by the government) this would add in excess of \$1.5 billion pa in the overall direct care funding envelope based on the Mar-23 AN-ACC.

Deregulation of the Basic Daily Fee

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

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

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

Structural Reform of the Accommodation Pricing Model

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

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

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

4. GLOSSARY

Accommodation Result

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

AN-ACC Direct Care Subsidy

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

AN-ACC Direct Care Result

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

ACH (Facility) Result

This refers to the Operating Result (excluding non-recurrent items), as distinct the Net Profit Before Tax (NPBT) Result which includes non-recurrent items.

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 *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 (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 \$215

Band 2 - Between \$205 and \$215

Band 3 - Between \$195 and \$205

Band 4 - Under \$195

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

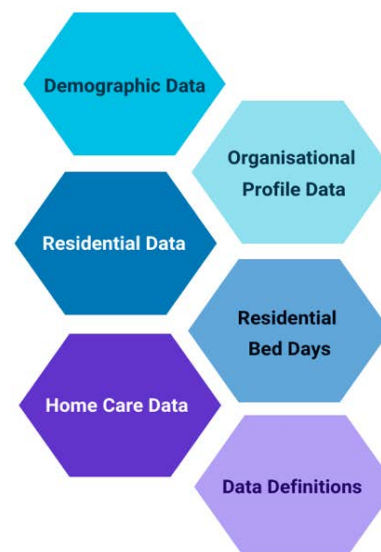
Aged care homes have been designated as being city based according to the designation by the Department of Health and Aged Care in their listing of aged care services. Those that were designated as being a “Major City of Australia” have been designated City.

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



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

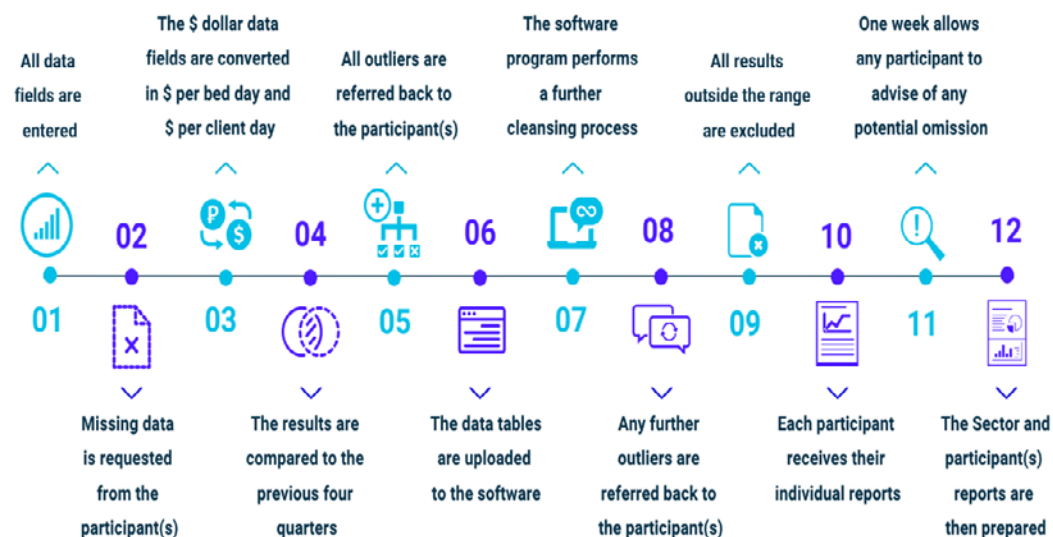


Each row must be completed. The only tabs not completed are where it is not applicable



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

Data Cleansing Process



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