

# Aged Care Financial Performance Survey Report

Three months ending

**30 September 2024**

**1,205**

Aged care homes

**99,956**

Beds/places

**77,555**

Home care packages

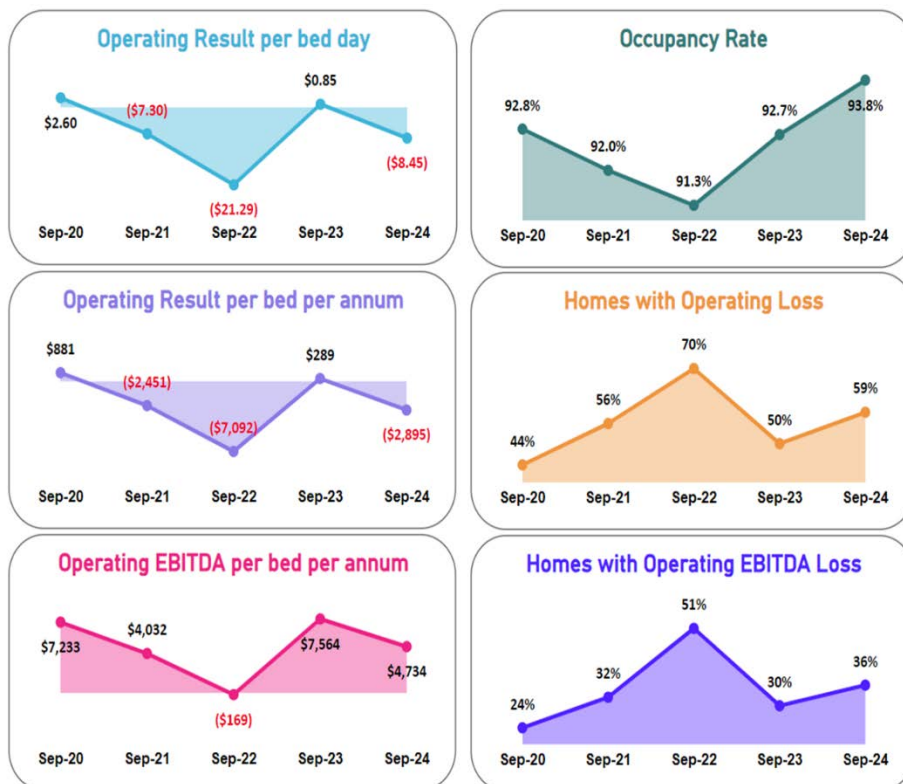
The quarterly survey is the **largest financial benchmark** in the aged care sector and provides invaluable insights into the **trends and drivers of financial performance** at the sector level and at the aged care home or program level.

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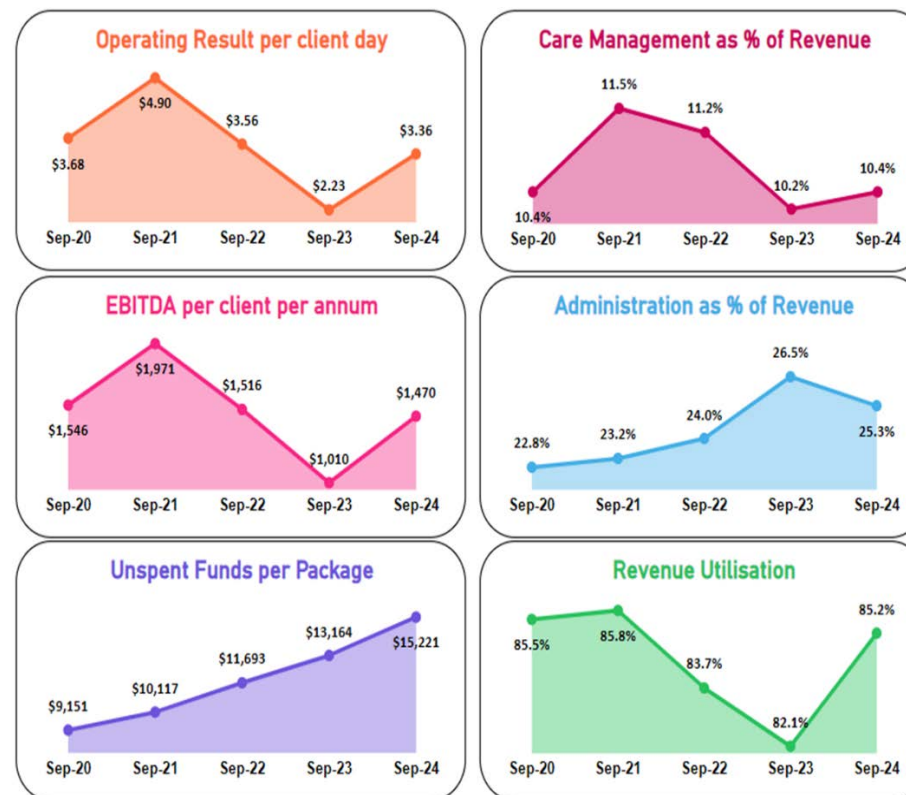
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## SEP-24 RESULTS SNAPSHOT

### Residential Aged Care



### Home Care



## SEP-24 FINANCIAL PERFORMANCE ANALYSIS (YEAR-TO-DATE)

### Residential Aged Care Results

|                          |   |
|--------------------------|---|
| <b>Revenue</b>           | <ul style="list-style-type: none"> <li>Average direct care revenue (AN-ACC, supplements and other recurrent direct care income) was \$276.20 pbd, an increase of 5.89% from Sep-23 (\$260.84 pbd). (Due to increase in AN-ACC on 1 December 2023 to 'back pay' providers to when the minimum award rate was mandated, treating the starting price increase as though it had occurred from 1 July 2023)</li> <li>Everyday living revenue <i>including hotelling supplement</i> was \$77.95 pbd, an increase of 5.62% from Sep-23 (\$73.81 pbd), with \$0.59 pbd (15.11%) increase in revenue generated from additional/extra services</li> <li>Accommodation revenue was \$43.09 pbd, an increase of 7.68% from Sep-23 (\$40.02 pbd) (<i>mainly due to MPIR lift to average 8.36% for new DAPs</i>)</li> </ul>   |
| <b>Expenses</b>          | <ul style="list-style-type: none"> <li>Direct care labour costs (RN/EN/PCA) averaged \$212.20 pbd an increase of 10.9% from Sep-23 (\$191.33 pbd)</li> <li>Other direct care labour costs (Care Management/Allied Health/Lifestyle) averaged \$24.81 pbd, a slight increase of 2.4% from Sep-23 (\$24.23 pbd)</li> <li>Other direct care costs averaged \$9.09 pbd, a slight increase from Sep-23 (\$9.03 pbd)</li> <li>Everyday living costs was \$85.98 pbd, an increase of 6.84% from Sep-23 (\$80.47 pbd)</li> <li>Catering expenditure averaged \$41.58 pbd, an increase of 5.9% from Sep-23 (\$39.28 pbd)</li> <li>Administration costs averaged \$53.47 pbd, an increase of 9.7% from Sep-23 (\$48.75 pbd) (<i>due to increase in quality, reporting and compliance requirements</i>)</li> <li>Accommodation expenditure averaged \$53.85 pbd (depreciation \$22.28 pbd) compared to Sep-23 \$50.72 pbd</li> </ul> |
| <b>Operating result</b>  | <ul style="list-style-type: none"> <li>Direct care margin for Sep-24 at \$10.32 pbd decreased significantly compared to Sep-23 at \$18.22 pbd. Sep-24 quarter is a transition period for providers to prepare for increasing direct care minutes from October 24, while the related costs were not funded</li> <li>Everyday living margin decreased to a deficit of \$8.02 pbd (including administration) (Sep-23 deficit \$6.67 pbd)</li> <li>Accommodation margin (including administration) was a deficit of \$10.75 pbd (Sep-23 deficit \$10.70 pbd)</li> <li>Operating result was a deficit of \$8.45 pbd (Sep-23 operating surplus \$0.85 pbd)</li> <li>Operating EBITDA averaged \$4,734 pbpa (Sep-23 EBITDA \$7,564 pbpa), which is significantly lower than an operating EBITDA of \$20,000 pbpa to allow ongoing investment to the sector</li> </ul>  |
| <b>Additional Trends</b> | <ul style="list-style-type: none"> <li>Direct care minutes (RN/EN/PCA) was <b>210.54 minutes per resident per day</b> (Sep-23 196.36 minutes), which reflects preparation for sector average 215 direct care minutes</li> <li>Occupancy for mature homes increased to 93.8% (Sep-23 92.7%), with occupancy based on actual available beds</li> <li>Supported resident ratio increased to 46.2% (Sep-23 45.7%)</li> <li>Average full RAD/RAC received for Sep-24 was \$487,854</li> <li>Proportion of full RADs received for non-supported residents was 24.5%, full DAPs was 54.4% and Combinations (RAD/DAP) was 21.1%. DAPs payer proportion was 50.1% for Sep-23. It is important to note residents who are yet to decide the payment methods will be reported as DAP payer</li> </ul>   |

## Home Care Package (HCP) Results

|                  |  |
|------------------|--|
| Revenue          | <ul style="list-style-type: none"> <li>Revenue was \$83.01 per client per day an increase from Sep-23 (\$75.78 pcpd)</li> <li>Care management revenue as a proportion of total revenue was 18.3% (Sep-23 18.9%)</li> <li>Package management revenue as a proportion of total revenue was 12.9% (Sep-23 12.6%)</li> <li>Revenue utilisation <b>increased by 3.1% to 85.2%</b> of funding received (Sep-23 82.1%)</li> </ul> |
| Expenses         | <ul style="list-style-type: none"> <li>Direct service costs increased by \$4.08 pcpd to be 59.4% of total revenue (Sep-23 59.7%), the drop in % is due to increase in home care total revenue.</li> <li>Care management cost as a % of revenue has increased to 10.4% of revenue (Sep-23 10.2% of revenue)</li> <li>Administration and support costs represent 25.3% of revenue (Sep-23 26.5%)</li> </ul>                  |
| Unspent funds    | <ul style="list-style-type: none"> <li>The amount of unspent funds per client (care recipient) has continued to rise and now averages <b>\$15,221 per client</b> (Sep-23 \$13,164 per client)</li> <li>In aggregate across the sector, this represents <b>in excess of \$4.2 billion</b> of funds that have not been utilised</li> </ul>   |
| Operating result | <ul style="list-style-type: none"> <li>Operating results have increased by \$1.13 per client per day to \$3.36 pcpd (Sep-23 \$2.23 pcpd)</li> <li>The profitability margin has increased from 2.9% for Sep-23 to 4.0% for Sep-24</li> <li>Profitability growth is being driven by the higher increase in revenue compared to costs</li> </ul>  |
| Other trends     | <ul style="list-style-type: none"> <li>Average staff hours per week was <b>5.40 hours</b> (Sep-23 5.32 hours)</li> </ul>   |

# EXECUTIVE SUMMARY

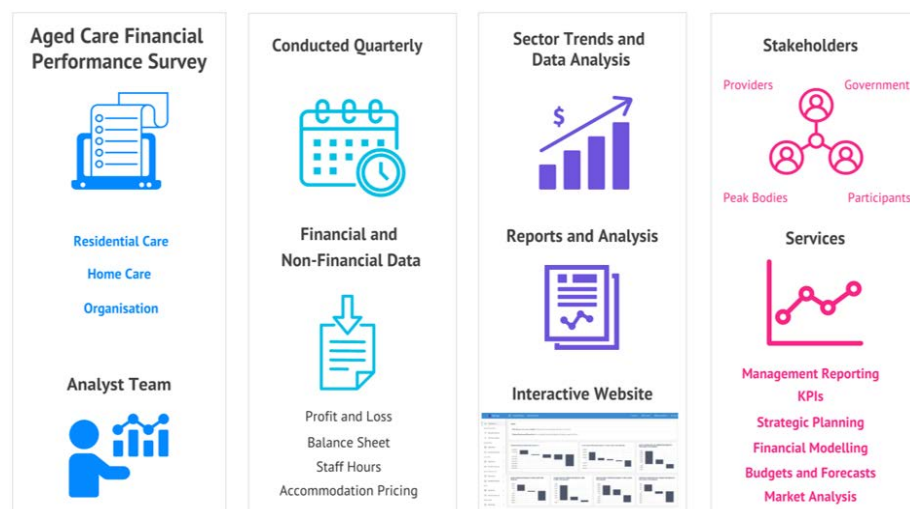
## Abstract

The *Aged Care Financial Performance Survey* (Survey) Report for the September 2024 three-month period (Sep-24) provides an overview and analysis 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 service 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 providers perspective.

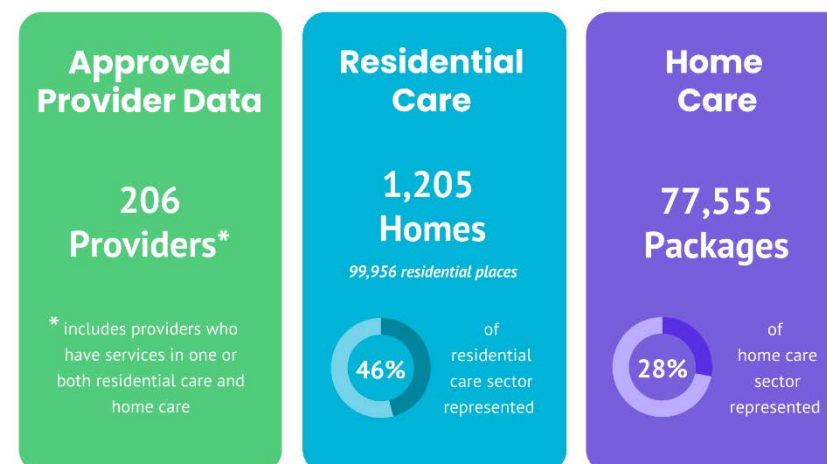
The primary objective of the Survey Report is that all financial policy and related public commentary should be evidenced-based, objective and supported by accurate data. The Survey provides the results from an extensive database.



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 three months ended 30 September 2024 are derived from data contributed by the following:



## Commentary

The *Aged Care Act 2024* passed by both houses of parliament on 25 November 2024 with bipartisan support for Chapter 4 “Funding for Aged Care Services” and several amendments to the original Bill introduced. The *Act* included the funding reforms resulting from the Aged Care Taskforce Report ([Aged care reforms and reviews | Australian Government Department of Health and Aged Care](#)) as well as other measures that were not part of the Taskforce recommendations.

From 1 January 2025, providers can benefit from the reforms stemming from the Taskforce report to increase the accommodation price to up to \$750,000 (subject to market research, competition analysis) without approval from IHACPA. Other funding reforms will follow in July.



The improved revenue potential is accompanied by increasing focus on quality. The Department of Health and Aged Care (Department) recent announcement indicates that Modified Monash Model (MMM1) facilities face potential funding reductions from April 2026 if they fail to meet target mandated direct care minutes.

The reason being that the Department noted lower compliance rates for services in metropolitan areas (38%) compared to regional and remote areas from care time reporting in the past two years. Details of the funding arrangements is [here](#).

Due to the administrative complexity of regularly updating the master roster arrangements, providers will likely need to incorporate buffer time in their master rosters to ensure consistent compliance with these direct care minute targets, resulting in increased operational costs.

The AN-ACC starting price has increased to \$280.01 per day from 1 October 2024, together with adjustments in National Weighted Activity Unit (NWAU) weightings and an increase in direct care minutes target to an average of 215, including 44 minutes for registered nurses (RN).

The increase in the AN-ACC starting price includes a loading to account for the difference between the AN-ACC price applicable from 1 December 2023 and the cost of care over the three months from 1 July 2024 to 30 September 2024. IHACPA calculated the difference to be \$4.67 per day in the AN-ACC pricing for the Sep-24 quarter. This is reflected as \$1.18 per day increase in AN-ACC price from Oct-2024 to Sep-25, spreading Sep-24 difference over a 12-month period.

The 24/7 RN supplement reduced as funded RN minutes increased and is only available to facilities with no more than 50 residents per day on average for a calendar month.

Based on the StewartBrown Survey for the Sep-24 quarter, facilities recorded an average of 41.2 RN minutes and 210.5 total direct care minutes per bed per day. Many providers were recruiting to prepare for the increase in direct care minutes from Oct-24.

For the first quarter of FY25, as providers have not been funded in that period for the additional minutes in preparation for the Oct 24 increase, the average operating result for the Sep-24 quarter is lower than the FY24 level. We are expecting an improvement in operating results for the Dec-24 quarter and year-to-date.

The Fair Work Commission (FWC) decision for the Stage 3 Work Value Case impacts the following workers:

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

The award rate increases range from 2.3% to 13.5%, depending on relevant pay points. From 1 January 2025, impacted workers should receive a full or partial pay rise. For workers eligible for higher pay increases, the increase will be implemented in two phases, with the second increase taking effect on 1 October 2025. The FWC decision is funded for residential care through the higher AN-ACC starting price and the increase in hotelling supplement.

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

The government is staging the introduction of price caps on services in the new Support at Home program. From 1 July 2025, the first year of the program, in-home aged care providers will continue to set their own prices for Support at Home services with the Department monitoring provider pricing behaviour to protect consumers. From 1 July 2026, the government set price caps will apply (refer [Changes to Support at Home pricing arrangements](#)).

## Financial Results Overview

### Summary

The Survey for the three months ending September 2024 shows an expected decrease in operating result for residential aged care and a further marginal improvement for the home care segment.

The average operating result for **residential aged care homes** across all geographic sectors was an **operating loss of \$8.45 per bed day (pbd)**, compared to Sep-23 \$0.85 pbd surplus (before direct care minutes became mandatory) for mature homes, which exclude outliers. This represents an **operating loss of \$2,895 per bed per annum (pbpa)**, compared to Sep-23 operating surplus of \$289 pbpa.

The decrease in operating result is primarily due to a decrease in the direct care margin due to increases in direct care minutes and staff pay rates. Providers are in the transition period to prepare for higher direct care minutes target from Oct-24 and additional labour costs related to the transition were not funded for Sep-24.

IHACPA recognised a \$4.67 per day variance in AN-ACC pricing to fund the indexation and wage increase in Sep-24 quarter before the increased AN-ACC price takes effect. This is estimated to equate to \$5.06 per bed day in direct care revenue when averaged across the Survey after applying average NWAU. After taking this variance into consideration, the direct care margin will increase to \$15.38 pbd (FY24 \$15.25 pbd) with an adjusted operating loss of \$3.39 pbd.

A more thorough analysis of the change in direct care result is provided in subsequent sections of this report.

Direct care staffing levels delivered to residents continued to increase in response to the 24/7 RN requirement and the mandatory direct care minutes from 1 October 2023. On average, Survey participants recorded RN minutes of 41.22 per resident per day and total direct care minutes of 210.54 per resident per day for the standalone Sep-24 quarter, compared to the 40 RN and 200 total direct care minutes targets respectively. This is an increase in RN Minutes from the June-24 quarter average of 40.52 and FY24 average of 38.02.

Providers had been actively recruiting, and the usage of agency staff decreased for Sep-24 quarter compared to FY24. Agency usage for RN dropped to 8.7% in minutes for the quarter, compared to over 10% during FY24.

Administration costs increased by \$3.09 pbd compared to FY24 level during the transition period as providers prepare for the change associated with transitioning to the new *Aged Care Act*.

Occupancy improved to 93.8% of available beds for mature homes from FY24 (92.6%), this is close to the pre-COVID19 Sep-20 occupancy level at 93.9%. A steady increase in occupancy level has been observed since Sep-23.

The Survey reports on beds (places) that are actually *available* to be filled by residents, rather than using approved places as the denominator, which includes offline beds. This is due to a large number of places not being available for use due to: insufficient staffing, refurbishment, new builds, sanctions or approved places having been allocated, but never utilised.

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

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

**For the three-month period ended Sep-24, 59% of aged care homes operated at a loss (50% for Sep-23) and 36% operated at an EBITDA (cash loss) compared to 30% for Sep-23.** It is relevant to note that Sep-23 was a transition period with increased AN-ACC funding while mandatory direct care minutes were not in place.

Despite the decrease in direct care margin during the Sep-24 transition period, providers' financial results are expected to improve for the remainder of FY25 due to increased funding levels. StewartBrown has forecasted that the increase in the AN-ACC starting price will be sufficient to fully fund both the increased direct care minutes target and the FWC Stage 3 decision.

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

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

**Home Care** continues to operate with legislative uncertainty as the sector awaits the reform of the Support at Home program. Although the Department is staging the introduction of service price caps, the 10% cap on the care management fee and the removal of the package management fee will still impact the pricing strategies and profitability of providers.

It is suggested that providers conduct a cost study to prepare for setting their prices from 1 July 2025 and to inform their business model when price capping is introduced in 2026. This would help them understand the costs in providing each type of services, the efficiency for each service, and what level of margin will need to be generated to absorb administrative costs.

Staffing remains a crucial concern for home care.



The current home care operating result has improved marginally to a **surplus of \$3.36 per client per day (pcpd)**, compared to Sep-23 \$2.23 pcpd. Revenue utilisation **decreased to 85.2% of available package funding compared to 86.3% for FY24** and unspent funds have increased to an average of \$15,221 for every care recipient.

Unspent funds are now estimated to be in excess of an aggregate \$4.2 billion across balances held by providers and the government.

Average staffing hours in providing direct home care services has increased slightly to be 5.40 hours per client per week, compared to 5.32 hours in Sep-23.

It is significantly below the average nine hours per client per week provided prior to the implementation of the Consumer Directed Care model in July 2015.

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

## Residential Aged Care

### Direct Care Result

Direct care subsidy & supplements for the three months ended Sep-24 averaged \$274.88 pbd, which is an increase from FY24 average of \$261.29 pbd. The AN-ACC starting price is \$253.82 for the quarter compared to weighted average of \$249.33 for FY24.

Direct care subsidies & supplements include the RN supplement for homes with fewer than 50 residents per day on average for a calendar month, which is estimated to amount to \$2.14 pbd when averaged across all homes in the Survey. The RN supplement is estimated to be \$0.86 pbd from October 2024 provided the facilities that currently meet supplement criteria continue to meet the new criteria for receiving the RN supplement.

Due to the increase in staffing levels to prepare for higher direct care minutes targets from 1 October 2024, despite a \$7.13 pbd overall increase in direct care revenue compared to FY24, the Sep-24 quarter direct care margin at \$10.32 pbd is lower than the FY24 average margin of \$15.25 pbd.

When compared to the Jun-24 quarter, direct care revenue decreased by \$5.72 pbd and the direct care margin decreased by \$2.84 pbd. The Sep-24 direct care service margin is 3.74%, which is a decrease from 5.15% for Jun-24 quarter.

**Table 1: Sep-24 quarter direct care margin movement compared to Jun-24 quarter for facilities included in both Surveys**

| Sector Average (\$ per bed day)                  | FY24           | Jun-24 QTR     | Sep-24 QTR     |
|--|----------------|----------------|----------------|
| Direct care subsidy & supplements                | \$261.29       | \$277.29       | \$274.88       |
| Other direct care revenue                        | \$7.78         | \$4.63         | \$1.32         |
| Total direct care labour costs                   | \$205.05       | \$217.09       | \$212.20       |
| Other direct care expenditure                    | \$32.66        | \$31.73        | \$33.90        |
| Administration - direct care overhead allocation | \$18.64        | \$19.95        | \$19.78        |
| <b>Direct Care Margin</b>                        | <b>\$15.25</b> | <b>\$13.16</b> | <b>\$10.32</b> |

*Note: Included facilities in both FY24 and Sep-24 Surveys*

Both Sep-24 and Jun-24 quarters reported higher than target average RN minutes and total direct care minutes.

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

|   | Sep-23          | Dec-23          | Mar-24          | Jun-24          | Sep-24          |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Registered nurses (RN)  | \$49.34         | \$53.12         | \$55.98         | \$60.21         | \$58.49         |
| Other direct care labour costs  | \$141.92        | \$151.77        | \$153.54        | \$156.88        | \$153.62        |
| <b>Total direct care labour costs</b>                                     | <b>\$191.26</b> | <b>\$204.89</b> | <b>\$209.52</b> | <b>\$217.09</b> | <b>\$212.11</b> |
| Registered nurses minutes   | 36.16           | 37.32           | 38.63           | 40.60           | 41.12           |
| Other direct care minutes   | 159.45          | 165.42          | 164.14          | 170.45          | 169.46          |
| <b>Total direct care minutes</b>  | <b>195.61</b>   | <b>202.74</b>   | <b>202.77</b>   | <b>211.05</b>   | <b>210.58</b>   |
| Agency RN costs   | \$7.24          | \$8.07          | \$8.92          | \$8.98          | \$7.32          |
| Other agency direct care labour costs                                     | \$10.14         | \$9.91          | \$10.30         | \$10.23         | \$7.99          |
| <b>Total agency costs</b>   | <b>\$17.38</b>  | <b>\$17.98</b>  | <b>\$19.22</b>  | <b>\$19.21</b>  | <b>\$15.30</b>  |
| Agency RN minutes   | 3.48            | 3.92            | 4.15            | 4.11            | 3.50            |
| Other agency direct care minutes  | 8.46            | 7.98            | 7.97            | 8.12            | 6.50            |
| <b>Total agency minutes</b>   | <b>11.94</b>    | <b>11.90</b>    | <b>12.12</b>    | <b>12.23</b>    | <b>10.00</b>    |
| Agency RN minutes as % of total RN minutes                                | 9.6%            | 10.5%           | 10.7%           | 10.1%           | 8.5%            |
| Agency direct care staff minutes as % of total direct care labour minutes | 6.1%            | 5.9%            | 6.0%            | 5.8%            | 4.7%            |
| Internal RN hourly rate   | \$77.29         | \$80.93         | \$81.90         | \$84.23         | <b>\$81.62</b>  |
| Agency RN hourly rate   | \$124.87        | \$123.58        | \$128.93        | \$131.21        | <b>\$125.40</b> |

*Note: Historical benchmark included facilities in Sep-24 Survey only. Sep-24 Survey included in Jun-24 to be consistent with previous table*

For Sep-24 facilities included in this analysis, the usage of agency for RNs dropped slightly to 8.5% of total RN usage after extensive recruitment activity over the past year, including in the Sep-24 quarter. The average agency RN hourly rate remains high at \$125.40 per hour for the quarter, which is a financial burden to providers who have to rely on these categories of staff.

The increased direct care minutes target starting in October 2024 means providers must maintain their recruitment efforts, even if current minutes exceed targets. One goal is to replace most agency staff with permanent employees.

Additionally, providers face challenges in adjusting their roster arrangements from October 2024 due to changes in NWAU weighting and direct care minutes targets for each AN-ACC class. Depending on the resident mix, the new target minutes might vary significantly from current target minutes level.

The current direct care margin for Sep-24 of \$10.32 per bed day (or 3.74% of direct care revenue) is probably inadequate for providers to attain an above-average Star Rating for staffing minutes. Such a rating would necessitate a significant increase in staff minutes beyond the current target.

This challenge is particularly acute given that reforms to everyday living and accommodation services, which currently operate at a loss, have not yet been implemented to enable providers to meet their costs in those areas of operation.

Based on a high-level comparison against the Sep-24 Survey submissions in direct care minutes and target minutes published by the Department, despite an average of 210.54 direct care minutes and 41.22 RN minutes, only 22% of facilities included in the analysis were calculated to have staffing to achieve a Star Rating 4 and above, and their direct care margin averaged at a marginal surplus of \$0.39 pbd.

### Direct Care Minutes versus Target Direct Care Minutes

Table 3 shows the results of an analysis completed comparing direct care minutes versus the target direct care minutes for 1,174 of the 1,181 facilities in the Survey.

Table 3: Actual minutes vs target minutes comparison by facility size

|                   | Actual RN minutes as % of target | Actual total direct care minutes as % of target | % of facilities actual RN minutes higher than target | % of facilities actual total direct care minutes higher than target |
|-------------------|----------------------------------|---|--|---|
| Under 40 places   | 141%                             | 109%  | 92%  | 81%   |
| 40 to 60 places   | 110%                             | 102%  | 74%  | 57%   |
| 60 to 80 places   | 102%                             | 102%  | 61%  | 59%   |
| 80 to 100 places  | 99%                              | 103%  | 52%  | 57%   |
| 100 to 120 places | 99%                              | 102%  | 58%  | 62%   |
| Over 120 places   | 98%                              | 102%  | 47%  | 63%   |

Facilities with under 40 places on average recorded higher direct care minutes compared to target, which is largely related to additional RN minutes to meet 24/7 RN requirements with 92% of facilities recording higher than target RN minutes for Sep-24. In contrast, facilities with more places recorded lower direct care minutes compared to target. Only 47% of facilities with over 120 places recorded higher than target RN minutes for the quarter.

Table 4: Actual minutes vs target minutes comparison by NFP vs FP

|                | Actual RN minutes as % of target | Actual total direct care minutes as % of target | % of facilities actual RN minutes higher than target | % of facilities actual total direct care minutes higher than target |
|----------------|----------------------------------|---|--|---|
| For Profit     | 101%                             | 101%  | 56%  | 49%   |
| Not For Profit | 102%                             | 102%  | 62%  | 62%   |

On average, facilities operated by not-for-profit providers recorded higher RN and total direct care minutes compared to their target than those operated by for profit providers.

Table 5: Actual minutes vs target minutes comparison by provider size

|                              | Actual RN minutes as % of target | Actual total direct care minutes as % of target | % of facilities actual RN minutes higher than target | % of facilities actual total direct care minutes higher than target |
|------------------------------|----------------------------------|---|--|---|
| Provider Size: 1 Home        | 94%                              | 106%  | 51%  | 77%   |
| Provider Size: 2 to 6 Homes  | 102%                             | 104%  | 58%  | 65%   |
| Provider Size: 7 to 20 Homes | 105%                             | 103%  | 70%  | 65%   |
| Provider Size: Over 20 Homes | 100%                             | 100%  | 58%  | 55%   |

Facilities operated by larger providers with over 20 homes recorded almost the same level of RN and total direct care minutes compared to target on average.

Standalone facilities recorded lower RN, but higher total direct care minutes compared to those with different provider sizes.

Table 6: Actual minutes vs target minutes comparison by MMM classification

|      | Actual RN minutes as % of target | Actual total direct care minutes as % of target | % of facilities actual RN minutes higher than target | % of facilities actual total direct care minutes higher than target |
|------|----------------------------------|---|--|---|
| MMM1 | 102%                             | 102%  | 63%  | 61%   |
| MMM2 | 101%                             | 103%  | 62%  | 62%   |
| MMM3 | 97%                              | 102%  | 53%  | 59%   |
| MMM4 | 101%                             | 102%  | 61%  | 57%   |
| MMM5 | 107%                             | 104%  | 62%  | 70%   |

Facilities located in MMM5 recorded the highest actual minutes as a percentage of target minutes, which is possibly related to the facility size. On average, facilities in MMM5 areas have 50 operating places, compared to over 70 places for all other location categories.

Facilities located in MMM3 areas recorded the lowest RN minutes as a percentage of target minutes and the lowest proportion of facilities meeting RN target minutes.

### Care Staff Costs and Minutes Movement

Analysis has been performed comparing the Sep-24 quarter, Jun-24 quarter Survey results against the Sep-23 quarter financial results for selected labour categories providing direct care services.

It is observed that other care labour (including care management, allied health and lifestyle) minutes across all homes increased in Sep-24 quarter compared to the Jun-24 quarter but decreased compared to the Sep-23 quarter before mandatory direct care minutes came into effect.

Allied health, lifestyle officers and enrolled nurses will be added as new staffing quality indicators from April 2025. There had been a decrease in minutes for these three labour categories during FY24, but an increase is observed for Sep-24 compared to Jun-24.

Figure 1: Enrolled nurses minutes variance between periods

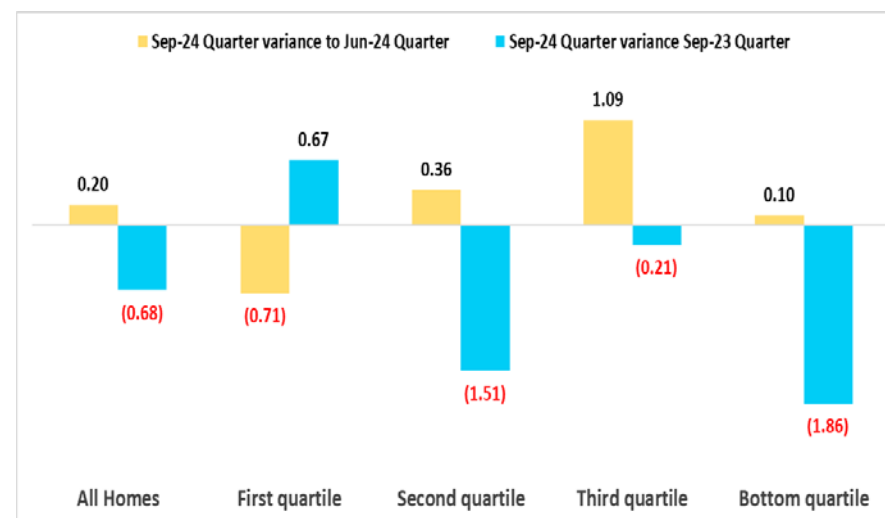


Figure 2: Other direct care labour minutes variance between periods

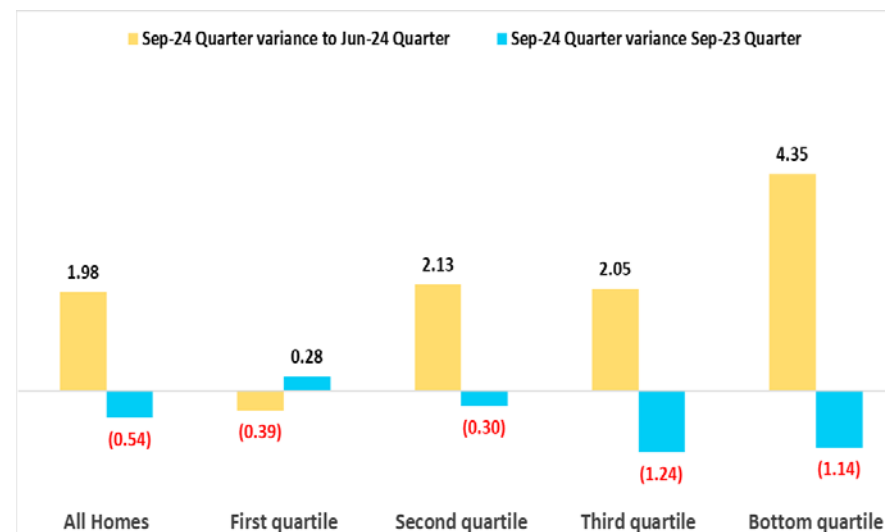
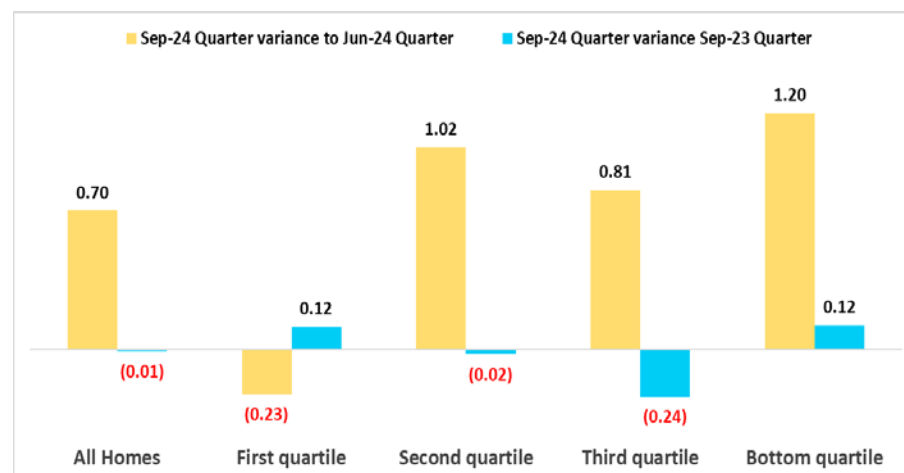


Figure 3: Care management labour minutes variance between periods



The increase in care management minutes for Sep-24 compared to Jun-24 might be due to more administrative requirements during the quarter. It reflects the efforts providers made to split care managers' hours on direct care services versus administrative work.

Figure 4: Allied health minutes variance between periods

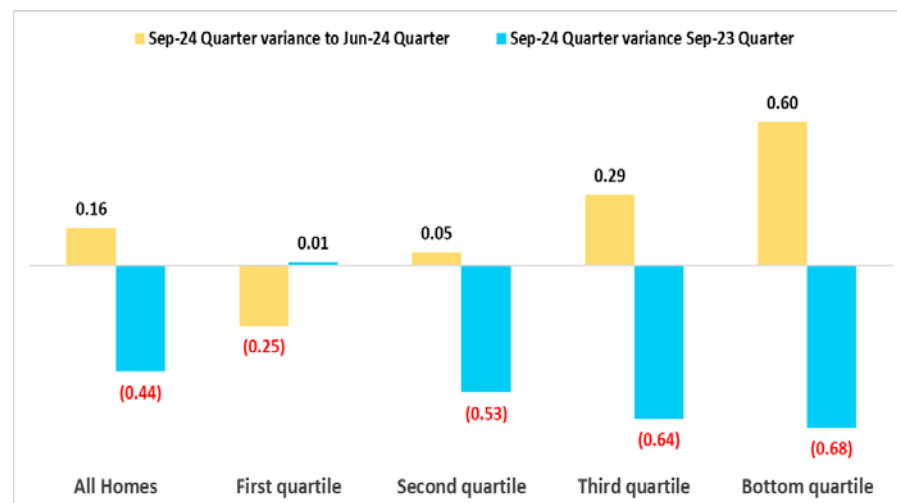
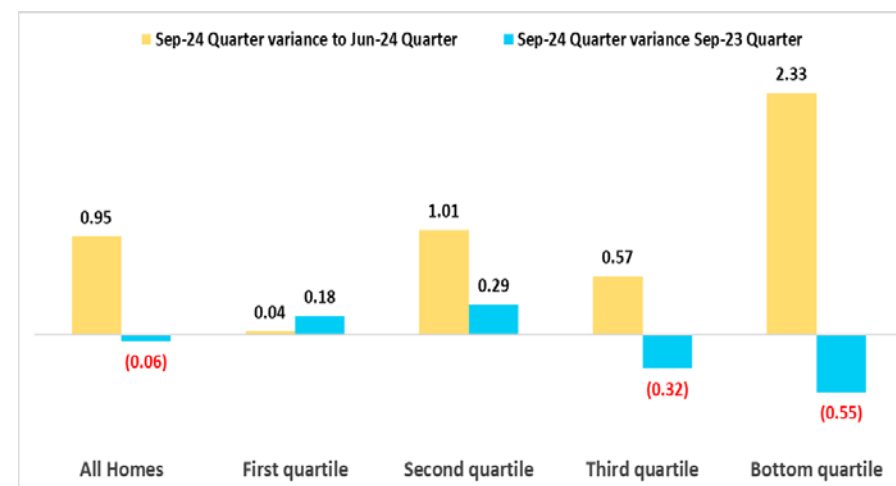


Figure 5: Lifestyle minutes variance between periods



### Allied Health Analysis

Communication from providers, residents and allied health professionals given to StewartBrown over a number of years suggests there is a significant concern as to whether the current funding and use of allied health is sufficient.

StewartBrown collects allied health data in different categories and calculated the percentage of facilities with certain allied health category usage in the Sep-24 Survey submission. All facilities included in the Survey reported allied health costs. The majority of facilities used physiotherapists, while usage of other categories varied.

Table 7: Percentage of allied health usage comparison by MMM locations

| Facility with allied health usage% | ALL | MMM1 | MMM2-3 | MMM4-7 |
|------------------------------------|-----|------|--------|--------|
| Physiotherapist                    | 94% | 95%  | 95%    | 90%    |
| Occupational Therapist             | 25% | 28%  | 19%    | 20%    |
| Speech Pathologist                 | 75% | 79%  | 70%    | 68%    |
| Podiatrist                         | 82% | 83%  | 82%    | 79%    |
| Dietetic Care                      | 79% | 82%  | 75%    | 73%    |
| Other Allied Health                | 41% | 44%  | 39%    | 35%    |
| Allied Health Assistants           | 16% | 18%  | 15%    | 9%     |

Figure 6: Allied health costs by category

















| Allied Health Costs   |                         |   |                      |   |        |
|---|-------------------------|---|----------------------|---|--------|
| [\$ per resident per day]   | Internal staff employed | + | External contractors | = | All    |
|  Physiotherapy                     | \$1.23                  | + | \$2.56               | = | \$3.79 |
|  Occupational therapy              | \$0.24                  | + | \$0.16               | = | \$0.40 |
|  Speech pathology                  | \$0.04                  | + | \$0.18               | = | \$0.22 |
|  Podiatry                          | \$0.03                  | + | \$0.39               | = | \$0.42 |
|  Dietician / Dietetics             | \$0.07                  | + | \$0.23               | = | \$0.30 |
|  Allied health assistants          | \$0.28                  | + | \$0.25               | = | \$0.52 |
|  Other allied health professionals | \$0.41                  | + | \$0.01               | = | \$0.42 |
|  Total                             | \$2.28                  | + | \$3.78               | = | \$6.06 |

Figure 7: Allied health minutes by category

| Allied Health Minutes   |                         |   |                      |   |      |
|---|-------------------------|---|----------------------|---|------|
| [Minutes per resident per day]  | Internal staff employed | + | External contractors | = | All  |
|  Physiotherapy                       | 0.84                    | + | 1.87                 | = | 2.71 |
|  Occupational therapy               | 0.20                    | + | 0.13                 | = | 0.33 |
|  Speech pathology                  | 0.02                    | + | 0.09                 | = | 0.11 |
|  Podiatry                          | 0.02                    | + | 0.29                 | = | 0.31 |
|  Dietician / Dietetics             | 0.05                    | + | 0.12                 | = | 0.17 |
|  Allied health assistants          | 0.14                    | + | 0.13                 | = | 0.27 |
|  Other allied health professionals | 0.50                    | + | 0.01                 | = | 0.51 |
|  Total                             | 1.77                    | + | 2.63                 | = | 4.41 |

## Operating Result by MMM

Operating result varies largely for facilities located in different MMM categories.

Facilities located in MMM4 areas recorded the lowest operating result for Sep-24 with a deficit of \$28.16 pbd, compared to facilities located in MMM1 areas with an operating deficit of \$3.29 pbd.

MMM1 facilities recorded the lowest loss in everyday living services at \$5.14 compared to other facilities. MMM5 facilities recorded the highest everyday living deficit at \$17.87 pbd due to higher expenditure.

Under the funding arrangement for FY25Q1, MMM1-MMM4 facilities receive the same BCT components, MMM4 facilities are not compensated for the higher labour costs in delivering direct care services. The NWAU for BCT will be adjusted under the new arrangement from Oct 24.

Table 8: Operating result by MMM locations (\$ per bed day)

|  | MMM1 Homes | MMM2 Homes | MMM3 Homes | MMM4 Homes | MMM5 Homes |
|--|------------|------------|------------|------------|------------|
|  | Sep-24     | Sep-24     | Sep-24     | Sep-24     | Sep-24     |
| Direct care revenue                    | \$274.72   | \$272.31   | \$275.72   | \$273.33   | \$292.87   |
| Total direct care labour costs         | \$208.71   | \$220.55   | \$215.46   | \$217.16   | \$227.40   |
| Other care labour costs                | \$24.53    | \$23.34    | \$25.85    | \$25.78    | \$27.59    |
| Other direct care expenditure          | \$9.17     | \$7.88     | \$8.94     | \$9.23     | \$10.26    |
| Administration - direct care overhead  | \$19.48    | \$19.25    | \$20.20    | \$20.46    | \$22.21    |
| Direct care expenditure                | \$261.89   | \$271.03   | \$270.45   | \$272.63   | \$287.46   |
| DIRECT CARE MARGIN                     | \$12.83    | \$1.29     | \$5.27     | \$0.71     | \$5.41     |
| Everyday living revenue                | \$79.04    | \$75.55    | \$76.15    | \$75.38    | \$75.02    |
| Everyday living expenditure            | \$84.18    | \$87.94    | \$88.20    | \$91.71    | \$92.89    |
| EVERYDAY LIVING MARGIN                 | (\$5.14)   | (\$12.40)  | (\$12.05)  | (\$16.33)  | (\$17.87)  |
| Accommodation revenue                  | \$43.16    | \$43.50    | \$42.19    | \$43.37    | \$42.65    |
| Accommodation expenditure              | \$54.14    | \$52.28    | \$51.42    | \$55.90    | \$53.48    |
| ACCOMMODATION MARGIN                   | (\$10.98)  | (\$8.78)   | (\$9.23)   | (\$12.54)  | (\$10.83)  |
| Operating result                       | (\$3.29)   | (\$19.89)  | (\$16.01)  | (\$28.16)  | (\$23.29)  |
| Operating EBITDA per bed per annum     | \$6,750    | \$438      | \$1,413    | (\$1,451)  | (\$1,649)  |
| Occupancy                              | 94.5%      | 92.6%      | 92.5%      | 93.2%      | 91.9%      |
| Total direct care minutes per resident | 211.22     | 210.91     | 207.62     | 207.36     | 210.49     |

The funding disparity for facilities located in MMM2, MMM3 and MMM4 are addressed in the new AN-ACC funding arrangement from October 24. Based on the average AN-ACC starting price for Sep-24, assuming the variable component will be decreased by 2.83% (refer analysis in *Table 22*).

The impact for the adjustment in AN-ACC weighting is estimated, and *Table 9* shows what the operating result is estimated to be if the new NWAU weighting applied to Sep-24.

**Table 9: Adjusted operating result for facilities in different MMM locations**

|                                     | MMM1<br>Homes   | MMM2<br>Homes   | MMM3<br>Homes   | MMM4<br>Homes    | MMM5<br>Homes    |
|-------------------------------------|-----------------|-----------------|-----------------|------------------|------------------|
| Direct care revenue                 | \$274.72        | \$272.31        | \$275.72        | \$273.33         | \$292.87         |
| Adjustment in AN-ACC weighting      | (\$1.69)        | \$11.10         | \$11.07         | \$16.15          | \$0.77           |
| <b>Adjusted direct care revenue</b> | <b>\$273.03</b> | <b>\$283.41</b> | <b>\$286.78</b> | <b>\$289.48</b>  | <b>\$293.64</b>  |
| <b>Adjusted direct care margin</b>  | <b>\$11.14</b>  | <b>\$12.39</b>  | <b>\$16.33</b>  | <b>\$16.86</b>   | <b>\$6.18</b>    |
| <b>Adjusted operating result</b>    | <b>(\$4.98)</b> | <b>(\$8.79)</b> | <b>(\$4.95)</b> | <b>(\$12.01)</b> | <b>(\$22.52)</b> |

\*Comparison between target minutes not taken into consideration.

MMM5 facilities will have the lowest adjusted operating result with a deficit of \$22.52 pbd. Adjusted operating result is more equitable for facilities in MMM1-4.

### Operating Result by Quartile

Quartile analysis is based on the operating result (\$ pbd) for each aged care home and then banding them into the respective quartiles. Average direct care minutes vary significantly by quartile, with first quartile homes averaging 202.00 direct care minutes per resident per day while bottom (fourth) quartile homes averaged 220.90 minutes per resident per day.

The difference in average direct care minutes between first quartile average and bottom quartile average of 18.90 minutes has decreased compared to the Sep-23 Survey at 29.79 minutes. The gap decreases as providers move towards their target minutes through active recruitment.

Additional analysis was conducted to estimate what the operating result for each quartile would be with target average minutes being achieved (refer to *Table 10*). It is assumed that the staffing structure remains the same for this analysis.

Based on the analysis, homes in the first quartile will require an additional \$3.57 pbd direct care labour costs on average to meet the average mandated minute targets, this is related to RN minutes.

As the Sep-24 quarter is the transition period for providers to prepare for increased direct care minutes target from October 2024, higher than target minutes for the quarter are expected. If to bring total direct care minutes to their target level for Sep-24 quarter, facilities in fourth quartile might be able to save up to \$15.66 pbd. Taking this into account, the difference in operating result between first quartile and fourth quartile would decrease from \$100.15 pbd to \$80.92 pbd.

**Table 10: Operating result and adjusted operating result for target minutes**

| FY24 Survey                                       | All Homes       | First<br>Quartile | Second<br>Quartile | Third<br>Quartile | Fourth<br>Quartile |
|---|-----------------|-------------------|--------------------|-------------------|--------------------|
| <b>Staff Minutes</b>                              |                 |                   |                    |                   |                    |
| Registered nurses                                 | 41.22           | 40.01             | 40.68              | 40.70             | 43.83              |
| Enrolled and licensed nurses                      | 10.54           | 8.19              | 10.89              | 11.46             | 11.61              |
| Other unlicensed nurses/personal care staff       | 158.78          | 153.80            | 157.38             | 159.25            | 165.46             |
| Imputed agency direct care minutes implied        |                 |                   |                    |                   |                    |
| <b>Total direct care minutes per resident day</b> | <b>210.54</b>   | <b>202.00</b>     | <b>208.95</b>      | <b>211.41</b>     | <b>220.90</b>      |
| <b>Gap from target minutes</b>                    |                 |                   |                    |                   |                    |
| Registered nurses                                 | (0.66)          | 0.56              | (0.02)             | (0.27)            | (3.23)             |
| Other direct care labour                          | (4.22)          | 3.21              | (2.73)             | (6.33)            | (11.77)            |
| <b>Additional costs</b>                           |                 |                   |                    |                   |                    |
| Registered nurses                                 | (\$0.93)        | \$0.75            | (\$0.03)           | (\$0.40)          | (\$4.86)           |
| Other direct care labour                          | (\$3.79)        | \$2.82            | (\$2.42)           | (\$5.74)          | (\$10.80)          |
| <b>Additional costs - without restructuring</b>   | <b>\$0.00</b>   | <b>\$3.57</b>     | <b>\$0.00</b>      | <b>\$0.00</b>     | <b>\$0.00</b>      |
| <b>Operating result</b>                           | <b>(\$8.45)</b> | <b>\$38.73</b>    | <b>\$3.15</b>      | <b>(\$19.78)</b>  | <b>(\$61.42)</b>   |
| <b>Operating result after additional costs</b>    | <b>(\$8.45)</b> | <b>\$35.16</b>    | <b>\$3.15</b>      | <b>(\$19.78)</b>  | <b>(\$61.42)</b>   |
| <b>Potential costs saving from restructuring</b>  | <b>\$4.72</b>   | <b>\$0.00</b>     | <b>\$2.45</b>      | <b>\$6.13</b>     | <b>\$15.66</b>     |
| <b>Total additional costs</b>                     | <b>(\$4.72)</b> | <b>\$3.57</b>     | <b>-\$2.45</b>     | <b>(\$6.13)</b>   | <b>(\$15.66)</b>   |
| <b>Operating result after costs saving</b>        | <b>(\$3.73)</b> | <b>\$35.16</b>    | <b>\$5.59</b>      | <b>(\$13.65)</b>  | <b>(\$45.76)</b>   |

### The 24/7 Registered Nurse Requirement

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

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

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

If average RNs for a shift is 8 hours or more, this analysis would flag the facility to have met the 24/7 RN requirements.



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

Based on the analysis for facilities that provided valid shift hours information (1,108 out of 1,181) the following outcomes arise.

Table 11: 24/7 RN requirement analysis Sep-24

| 24/7 Registered Nurses       | Number of facilities | Proportion  | Average hours - morning shift | Average hours - afternoon shift | Average hours - overnight shift |
|------------------------------|----------------------|-------------|-------------------------------|---------------------------------|---------------------------------|
| Potential eligible exemption | 30                   | 3%          | 10.14                         | 6.03                            | 4.04                            |
| Meet                         | 754                  | 68%         | 30.62                         | 17.58                           | 11.11                           |
| Below                        | 324                  | 29%         | 7.31                          | 3.79                            | 2.59                            |
| <b>Total</b>                 | <b>1,108</b>         | <b>100%</b> | <b>26.74</b>                  | <b>16.63</b>                    | <b>10.68</b>                    |

Figures show 29% of homes may not be meeting the 24/7 requirement, a reduction compared to the FY24 level of 32% and FY23 level of 48%.

Table 12: 24/7 RN requirement analysis FY24

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

Table 13: 24/7 RN requirement analysis FY23

| 24/7 Registered Nurses       | Number of facilities | Proportion  | Average hours - morning shift | Average hours - afternoon shift | Average hours - overnight shift |
|------------------------------|----------------------|-------------|-------------------------------|---------------------------------|---------------------------------|
| Potential eligible exemption | 36                   | 3%          | 6.68                          | 2.97                            | 1.82                            |
| Meet                         | 505                  | 49%         | 22.60                         | 11.62                           | 8.15                            |
| Below                        | 498                  | 48%         | 8.72                          | 4.72                            | 2.95                            |
| <b>Total</b>                 | <b>1,039</b>         | <b>100%</b> | <b>20.04</b>                  | <b>12.08</b>                    | <b>8.11</b>                     |

Average hours for the overnight shift have seen the largest increase by 24% compared to the FY23 average.

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

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

- 47% of MMM4 facilities failed to meet 24/7 requirements, making up the highest proportion
- MMM2 has the lowest proportion of 21% not meeting the 24/7 RN requirement
- WA and NSW homes have the highest proportion of not meeting 24/7 RN requirements at 37%, while the proportion is 17% for Victorian homes
- Homes with more places have a lower proportion of not meeting requirements. For homes with over 100 beds, only 10% did not meet the requirements, while for those with under 40 places, 71% did not meet the requirements or are exempted from the requirement

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

### Everyday Living

Everyday living includes hotel services (catering/cleaning/laundry), utilities and an administration cost allocation. The major revenue components comprise the Basic Daily Fee (BDF), hotelling supplement and additional/extra services charged in some homes.

A characteristic of these services is that the Basic Daily Fee (BDF), calculated at 85% of the single aged 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 (\$8.02) pbd loss.

The deficit is inclusive of the average \$11.42 per resident per day hotelling supplement paid by the government. The hotelling supplement increased to \$12.55 pbd from 20 September 2024 to fund indexation and wage increases, part of which are in place from July 24.

It is worth noting that facilities which provide additional or extra services (i.e. revenue for additional services being over \$3 pbd for this analysis) increased from 18.3% in FY22, 25.7% in FY23, 33.8% in FY24 to 36.7% in the Sep-24 Survey, which means more facilities are now adopting additional services to help alleviate the losses being incurred in this area.

However, even with increased additional services revenue (and additional associated marginal costs) the everyday living margin remains in deficit at (\$8.02) pbd as noted above. Therefore, revenue from additional services on their own are not sufficient to reduce the everyday living margin deficit.

Table 14: Everyday living margin comparison

|   | Facilities with additional/extra services | Facilities without additional/extra services | Difference      |
|---|---|--|-----------------|
| Basic daily fee - resident                                      | \$61.93                                   | \$62.20                                      | (\$0.27)        |
| Hotelling supplement - government                               | \$11.42                                   | \$11.42                                      | (\$0.00)        |
| Fees for additional services and extra or optional service fees | \$8.74                                    | \$0.09                                       | \$8.65          |
| <b>Everyday living revenue</b>                                  | <b>\$82.09</b>                            | <b>\$73.71</b>                               | <b>\$8.38</b>   |
| Hotel services expenditure                                      | \$58.35                                   | \$59.42                                      | (\$1.07)        |
| Utilities   | \$9.04                                    | \$9.21                                       | (\$0.16)        |
| Administration - everyday living overhead allocation            | \$18.39                                   | \$17.55                                      | \$0.85          |
| <b>Everyday living expenditure</b>                              | <b>\$85.79</b>                            | <b>\$86.17</b>                               | <b>(\$0.38)</b> |
| <b>EVERYDAY LIVING MARGIN</b>                                   | <b>(\$3.70)</b>                           | <b>(\$12.46)</b>                             | <b>\$8.76</b>   |
| Other resident services and consumables                         | \$2.18                                    | \$1.52                                       | \$0.66          |

Facilities without additional/extra services recorded an average everyday living margin deficit of \$12.46 pbd, while facilities with additional/extra services recorded a deficit of \$3.70 pbd. For the facilities providing additional services, the everyday living expenditure including other resident services and consumables from direct care services is only \$0.28 pbd higher, while revenue is an average of \$8.38 pbd higher.

Following the increase in the Hotelling Supplement to \$12.55 pbd from Sep-24, the Department announced a further increase of \$1.89 pbd from July 25 to fund higher hotelling costs. However, the full amount for the hotelling supplement from July 25 is yet to be advised by IHACPA.

StewartBrown believes a hotelling supplement higher than \$20 pbd should be considered a reasonable level, \$20 pbd hotelling supplement would only bring facilities without additional/extra services to \$3.88 pbd deficit in everyday living services without taking further indexation into consideration.

An increasing proportion of facilities utilising internal catering services was noted in recent Surveys. 74% of facilities in the Sep-24 Survey used internal catering services only, compared to 65% for Sep-22 Survey.

Table 15: Catering costs comparison Survey average vs in-house (\$ pbd)

| Catering (all homes)                         | Sep-22         | Sep-23         | Sep-24         |
|--|----------------|----------------|----------------|
| Labour costs                                 | \$18.34        | \$20.81        | \$21.62        |
| Consumables - food                           | \$10.14        | \$12.16        | \$13.67        |
| Consumables - other                          | \$0.53         | \$0.57         | \$0.80         |
| Contract catering                            | \$7.53         | \$6.01         | \$5.73         |
| Income from sale of meals *                  | (\$0.23)       | (\$0.28)       | (\$0.24)       |
| <b>Total catering cost</b>                   | <b>\$36.31</b> | <b>\$39.28</b> | <b>\$41.58</b> |
| Catering (in-house)                          | Sep-22         | Sep-23         | Sep-24         |
| Labour costs                                 | \$23.26        | \$24.28        | \$24.83        |
| Consumables - food                           | \$12.82        | \$14.60        | \$15.85        |
| Consumables - other                          | \$0.58         | \$0.60         | \$0.71         |
| Contract catering                            | (\$0.03)       | \$0.02         | (\$0.07)       |
| Income from sale of meals *                  | (\$0.28)       | (\$0.32)       | (\$0.27)       |
| <b>Total catering (in house)</b>             | <b>\$36.35</b> | <b>\$39.18</b> | <b>\$41.06</b> |
| % of facilities using in-house catering only | 65%            | 75%            | 74%            |
| * Usually a credit amount                    |                |                |                |

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

### Accommodation

Accommodation continues to be the biggest margin deficit for an aged care facility. The Sep-24 Survey recorded an average margin deficit of \$10.75 pbd compared to a deficit of \$10.70 pbd for Sep-23.

Higher average Maximum Permissible Interest Rate (MPIR) for incoming residents contributed to the improvement. MPIR for Sep-24 quarter is 8.36% compared to 7.90% for Sep-23 quarter. It further increased to 8.38% and 8.42% for the Dec-24 and Mar-25 quarters respectively.

While depreciation costs of \$22.28 per bed day are excluded from EBITDA calculations as a non-cash component, they represent a critical expense that facilities must account for. This funding is essential for ongoing maintenance, refurbishment, and eventual facility replacement.

Modern, well-maintained facilities typically achieve higher occupancy rates, as incoming residents tend to favour updated amenities, particularly in competitive markets where older facilities may struggle to maintain occupancy.

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

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

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

### Financial Impact of RADs

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

### How much an ingoing RAD is used for investment purposes?

This differs between FP and NFP approved providers (excluding Government). By referring to below and the figures from *Table 16*, the relevant ratios to be considered are:

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

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

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

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

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

It needs to be noted that the remaining average 75% of the RAD liability balance has been utilised for permitted uses such as capital expenditure, repayment of permitted use debts, or refunding of outgoing RADs.

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

In summary, it may be considered that only 20 to 25% of an incoming RAD is actually invested to provide investment revenue.

### Interest rates for RAD investment earnings

These differ for FP and NFP providers and figures in *Table 16* include investment return ratios (highlighted in blue).

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

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

NFP Providers have the advantage of receiving the imputation credit benefit on equity investments and managed funds investments, due to their status which is similar to super funds, so their current net percentage return would be in the order of 5.50% to 6.0% per annum, whilst FP's would be in the 4.0% to 4.5% pa return (on less investment amounts as noted above).

### Summary

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

- On average, the amount of Incoming RADs that can be directly invested average in the range of 20-25% of the RAD amount over the time period of the RAD holding
- The average current investment return on the net RAD amount that is invested (being 20-25% of the incoming RAD) is currently between 4.2 to 5.0% per annum

From an Approved Provider perspective, there is a large differential from receiving a daily accommodation payment (DAP) if we look at an example which considers the MPIR is 8.42% from 1 Jan 25 and based on 100% of the RAD equivalent, the investment return from a RAD being 22.5% of the RAD amount and a return (MPIR equivalent) of 4.75% per annum on average.

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

|  |                 |
|--|-----------------|
| <b>Annualised amount - DAP</b> (\$750,000 x 8.42%)       | <b>\$63,150</b> |
| <b>Annualised amount - RAD</b> (A + B)                   | <b>\$23,016</b> |
| <i>RAD - 2% retention</i> (A)                            | <i>\$15,000</i> |
| <i>Investment return</i> (B) (\$750,000 x 22.5% x 4.75%) | <i>\$8,016</i>  |

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

Table 16: RAD Analysis

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

## Economies of Scale

A common discussion point has been whether there is economy of scale in residential aged care sector and the following is an analysis of the Sep-24 results based on how many aged care homes a provider operates (refer *Table 17*).

Based on the Sep-24 Survey result, larger providers with more than 20 homes have the highest operating result and the highest adjusted operating result compared to other groups. This is also the case for the direct care result which largely contributes to the overall financial result. Other care labour costs are the lowest for providers with 21 or more homes.

These larger providers have lower total direct care minutes than smaller providers, but the RN minutes level are higher than single facility providers. This should not be interpreted as large providers having a lower quality/standard of care as it may predominantly be due to a number of other factors.

For the Sep-24 quarter specifically, as providers were working toward their increased direct care minutes from October 2024, only single facilities recorded a lower-than-target RN minutes on average.

If we adjust the operating result to reflect the costs involved in meeting the minutes target for the quarter, providers with over 20 facilities are still estimated to be with the best operating result, compared to single facility providers having the lowest.

Based on the Sep-24 Survey, large providers have a lower everyday living margin deficit compared to smaller providers due to higher efficiency delivering such services and more additional service fees.

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

Table 17: Operating result and adjusted operating result for target minutes by provider size

| Sep-24 Survey                                   | Single Facility | 2-6 Facilities | 7-20 Facilities | 21+ Facilities |
|---|-----------------|----------------|-----------------|----------------|
| Direct care revenue                             | \$271.01        | \$276.14       | \$276.38        | \$276.95       |
| Direct care labour costs                        | \$211.55        | \$212.62       | \$212.61        | \$211.79       |
| Other care labour costs                         | \$29.01         | \$29.05        | \$25.73         | \$21.52        |
| Other direct care costs                         | \$27.10         | \$29.74        | \$30.82         | \$27.23        |
| Direct care expenditure                         | \$267.66        | \$271.40       | \$269.17        | \$260.54       |
| Direct care margin (A)                          | \$3.34          | \$4.74         | \$7.22          | \$16.41        |
| Everyday living margin                          | (\$12.65)       | (\$9.27)       | (\$12.00)       | (\$3.58)       |
| Accommodation margin                            | (\$11.58)       | (\$12.11)      | (\$10.13)       | (\$10.54)      |
| Operating result (B)                            | (\$20.89)       | (\$16.64)      | (\$14.92)       | \$2.29         |
| Expenditure - administration (included above)   | \$47.54         | \$55.02        | \$57.37         | \$50.74        |
| <b>Staff Minutes</b>                            |                 |                |                 |                |
| Registered nurses                               | 37.75           | 41.33          | 42.57           | 40.69          |
| Enrolled and licensed nurses                    | 15.41           | 11.68          | 12.55           | 7.63           |
| Other unlicensed nurses/personal care staff     | 158.86          | 161.21         | 157.55          | 158.72         |
| Imputed agency direct care minutes              |                 |                |                 |                |
| Total direct care minutes per resident day      | 212.02          | 214.23         | 212.67          | 207.05         |
| <b>Gap from target minutes</b>                  |                 |                |                 |                |
| Registered nurses                               | 2.24            | (0.84)         | (1.87)          | (0.10)         |
| Other direct care labour                        | (13.63)         | (7.89)         | (4.53)          | (0.86)         |
| <b>Additional costs</b>                         |                 |                |                 |                |
| Registered nurses                               | \$3.15          | (\$1.16)       | (\$2.63)        | (\$0.15)       |
| Other direct care labour                        | (\$12.22)       | (\$7.01)       | (\$4.01)        | (\$0.78)       |
| Additional costs - without restructuring (C)    | \$3.15          | \$0.00         | \$0.00          | \$0.00         |
| Operating result after additional costs (B - C) | (\$24.04)       | (\$16.64)      | (\$14.92)       | \$2.29         |
| Potential costs saving from restructuring (D)   | \$12.22         | \$7.01         | \$4.01          | \$0.78         |
| Total net additional costs (E = C - D)          | (\$9.06)        | (\$7.01)       | (\$4.01)        | (\$0.78)       |
| Operating result after costs saving (B - E)     | (\$11.83)       | (\$9.63)       | (\$10.90)       | \$3.07         |
| Direct Care Margin after costs saving (A - E)   | \$12.41         | \$11.74        | \$11.23         | \$17.19        |

## Comparison of Survey Result to the Quarterly Financial Snapshot

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

It is noted that there is a difference in the QFR Snapshot results and the StewartBrown Survey results. To explain the differences in these results it is important to understand the different methods of analysis, data collection and data cleansing that are used.

### Operating Result

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

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

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

### Data Sources

The StewartBrown Survey result is sourced from granular data obtained at the individual aged care home and home care package level, where data is collected for every income and expense line item as well as a significant amount of other data.

The overall residential and home care results are the aggregate of each individual aged care home and home care program. The University of Technology Sydney (UARC) use the same granular methodology in their analysis and reporting.

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

The collection of granular data at both the aged care home and home care program levels facilitates a comprehensive data validation process.

This process involves extensive cleansing and cross-referencing of a wide range of metrics for each data entry line, including comparisons with previous quarters, regional data, resident/client mix, and the size of homes/programs.

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

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

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

In this respect the QFS shows the result in terms of NPBT and not operating result. The summarised QFR template is included as *Appendix 1*. The methodology for determining the allocation to each operating segment in the QFR varies between providers. By way of further comparison, there are only 14 data points collected in the QFR for each residential home and home care package.

### Comparison (FY 2024)

|                            | DoHAC<br>\$ pbd | StewartBrown<br>\$ pbd |    |
|----------------------------|-----------------|------------------------|----|
| Revenue                    | \$ 422.58       | \$ 402.87              | *  |
| NPBT (DoHAC)<br>add/less   | \$ 8.22         |                        |    |
| COVID grants               | \$ (7.62)       |                        |    |
| Impairment of bed licences | \$ 9.84         |                        |    |
| Non-recurrent              | \$ (8.36)       |                        | ** |
| <b>Operating result</b>    | <b>\$ 2.07</b>  | <b>\$ (1.58)</b>       |    |

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

\*\* Estimate based SB Survey for non-recurrent revenue



The Quarterly Financial Snapshot reported a marginal deficit in NPBT for the June quarter (\$8.50 pbd surplus for YTD Mar-24 while \$8.22 pbd surplus for FY24).

#### Comment

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

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

### Home Care Services

#### Care Management and Package Management Fees in Home Care

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

Based on Sep-24 Survey, it is estimated that 88% of programs/packages which submitted data are charging care management at over 10% of total available funding, which is a decrease compared to FY24 level of 96%.

When the 10% cap implements, home care providers are estimated to lose \$5.27 per client per day care management revenue (\$15.22 pcd moving to \$9.95 pcd), and the removal of package management fee means providers will need to build the \$10.67 pcd into service pricing.

The margin on service delivery (unit cost) will need to increase to above 32% from the current 13.6% to maintain the present operating surplus.

### Direct Services

Table 18: Direct Services Margin movement

|  | Sep-21       | Sep-22       | Sep-23       | Sep-24       |
|--|--------------|--------------|--------------|--------------|
| Direct services                                  | 40.55        | 34.61        | 39.35        | 44.60        |
| Sub-contracted and brokered services             | 9.71         | 11.25        | 12.54        | 12.51        |
| <b>Direct Services Revenue</b>                   | <b>50.26</b> | <b>45.87</b> | <b>51.89</b> | <b>57.11</b> |
| Total internal direct service costs              | 28.04        | 24.79        | 29.44        | 31.85        |
| Total external direct service costs              | 12.43        | 14.08        | 15.82        | 17.49        |
| <b>Total Direct Care (Internal and External)</b> | <b>40.47</b> | <b>38.87</b> | <b>45.26</b> | <b>49.34</b> |
| <b>Direct Services Margin</b>                    | <b>9.79</b>  | <b>6.99</b>  | <b>6.63</b>  | <b>7.77</b>  |
| Direct Services Margin in %                      | 19.5%        | 15.2%        | 12.8%        | 13.6%        |

Direct Services margin is 13.6% for Sep-24, which was a decrease from Sep-21 level of 19.5%.

## FUNDING REFORM - FORECAST RESULTS

### Residential Funding Reforms

#### Contributions to Clinical Care

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

#### Contributions to Non-Clinical Care

- Means-tested Care Fee (MTCF) to be abolished and replaced with a Non-Clinical Care Contribution (NCCC) as part of the AN-ACC subsidy. This contribution to be capped at a maximum of \$101.16 per day
- No Annual Cap for the means-tested NCCC
- Lifetime Cap to be increased to \$130,000 (indexed) or 4 years in care, whichever comes sooner
- **No financial benefit to providers.**

#### AN-ACC Subsidy

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

#### Contributions to Everyday Living costs

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

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

#### Contributions to Accommodation

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

### Accommodation Supplement

- The accommodation supplement plays an important role to incentivise aged care providers to provide accommodation to residents that do not have the financial ability to pay a RAD or DAP
- Currently, the maximum accommodation supplement payable to providers with a supported resident ratio in excess of 40% is \$69.49 per day. If this was a DAP it would equate to an accommodation price of \$301,233. The average agreed accommodation price, based on average full RAD taken, is now almost \$500,000 and the equivalent DAP would be \$115.48 per day, significantly higher than the maximum Accommodation Supplement. This difference will further increase should the accommodation price cap to \$750,000 leads to increased accommodation prices
- The Government has accepted Taskforce Recommendation #14 to conduct an independent pricing review on the amount of the accommodation supplement to ensure equity for all residents.

### Funding Reform Financial Modelling

The financial impact of the *Aged Care Act 2024* reforms has been modelled using three scenarios based on the Sep-24 StewartBrown Survey result.

#### Scenario 1: Operating result based on reforms as announced

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

#### Scenario 2: Operating result based on additional hotelling supplement with moderate accommodation price increase

- Hotelling supplement to be \$21.37 per day from July 2025 based on meeting the actual cost of providing everyday living services and indexed based on this amount (FY26 weighted average \$21.73 pbd)
- RAD retention of 2% per annum to be phased in for new residents
- RAD pricing (accommodation price) for MMM1 facilities to be progressively increased each year to move toward an average of \$680,000 in FY29. Facilities located in other areas follow the same movement in percentage.
- DAP pricing to be based on 8% per annum floor (MPIR).

#### Scenario 3: Operating result based on additional hotelling supplement with full accommodation price increase

- Hotelling supplement to be \$21.37 per day from July 2025 based on meeting the actual cost of providing everyday living services and indexed based on this amount (FY26 weighted average \$21.73 pbd)
- RAD retention of 2% per annum to be phased in for new residents
- RAD pricing (accommodation price) in MMM1 areas to be progressively increased each year to move toward an average of \$750,000 by FY29. Facilities located in other areas follow the same movement in percentage.
- DAP pricing to be based on 8% per annum floor (MPIR).

Figure 8: Projected Operating Results Sep-24 to FY29 based on 3 scenarios (\$ pbd)



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

Projections for FY29 indicate varying levels of financial performance across different scenarios. *Scenario 1* forecasts a moderate improvement, with the sector expected to achieve an operating surplus of \$19.36 per bed day.

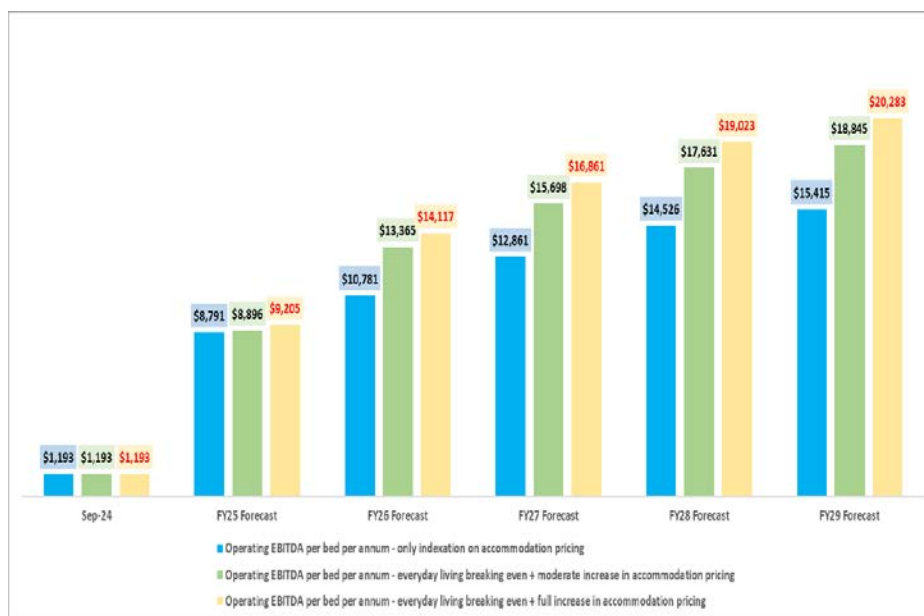
*Scenario 2* is the mid-point with a steady increase in accommodation pricing and the hotelling supplement meeting the actual cost of providing everyday living services. The forecast result for FY29 is \$29.38 per bed day.

*Scenario 3* presents the more optimistic outlook, projecting a substantially higher operating surplus of \$33.58 per bed day.

It should be noted that the scenario forecasts do not include any increase other than CPI in the accommodation supplement which remains significantly less than the equivalent DAP amount.

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

Figure 9: EBITDA forecast Sep-24 to FY29 based on 3 scenarios (\$ pbpa)



Operating EBITDA is forecasted in FY29 to range from \$15,415 to \$20,283 per bed per annum based on various scenarios. **All scenarios exclude any increase other than CPI in the accommodation supplement.**

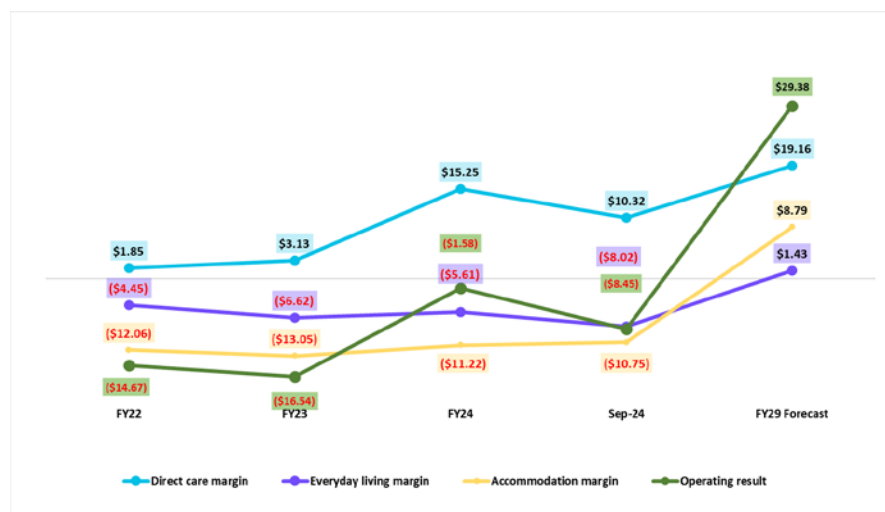
With a high capital requirement to meet increasing demand, and a lower effective life of buildings than commercials, residential and retirement villages, a sustainable EBITDA around \$20,000 per bed per annum would be considered a minimum level of return.

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

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



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



## Change in AN-ACC NWAU Weighting

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

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

Table 19: Change in NWAU weighting for MMM1 to MMM5 facilities.

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

On average, BCT NWAU weighting will be increased by 5% for facilities in Sep-24 Survey.

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

In the Sep-24 Survey, 76% of facilities who submitted data provided valid occupied bed days for each category of AN-ACC class. The data for these 900 facilities were calculated against the current and new NWAU weighting and direct care minutes target.

Table 20: AN-ACC mix in% by Class (validated data in Sep-24 Survey Submission)

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

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

Table 21: NWAU weighting and target minutes difference

|                          | Current | From Oct 2024 | % difference |
|--------------------------|---------|---------------|--------------|
| NWAU Weighting           | 0.563   | 0.547         | (2.83%)      |
| RN target                | 40.56   | 43.69         | 7.72%        |
| Total direct care target | 205.70  | 214.03        | 4.05%        |

NWAU weighting for variable components based on the survey average resident mix is calculated to be reduced under the new funding arrangement, and target minutes will also be decreased. RN target for the resident mix will only be increased by 7.72% compared to the 10% increase from 40 to 44 minutes and total direct care only 4.05% compared to 7.5% from 200 to 215 minutes.

Table 22: Total NWAU weighting for BCT and variable components

|                   | Current | From Oct 2024 | % difference |
|-------------------|---------|---------------|--------------|
| AN-ACC Class NWAU | 0.563   | 0.547         | (2.83%)      |
| BCT NWAU          | 0.492   | 0.515         | 4.75%        |
| Total weighting   | 1.055   | 1.062         | 0.70%        |

\*BCT NWAU excluded MMM6 and MMM7 facilities.

The total weighting after combining BCT and variable component is estimated to increase by 0.7% despite the decrease in variable for facilities located to MMM1-5 on average.

However, as BCT component for MMM1 is only increased by 0.01 while the variable component decreased by 0.017, a separate analysis is done for MMM1 facilities included in the survey. MMM1 facilities will see a slight reduction in total NWAU weighting under the adjusted arrangement.

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

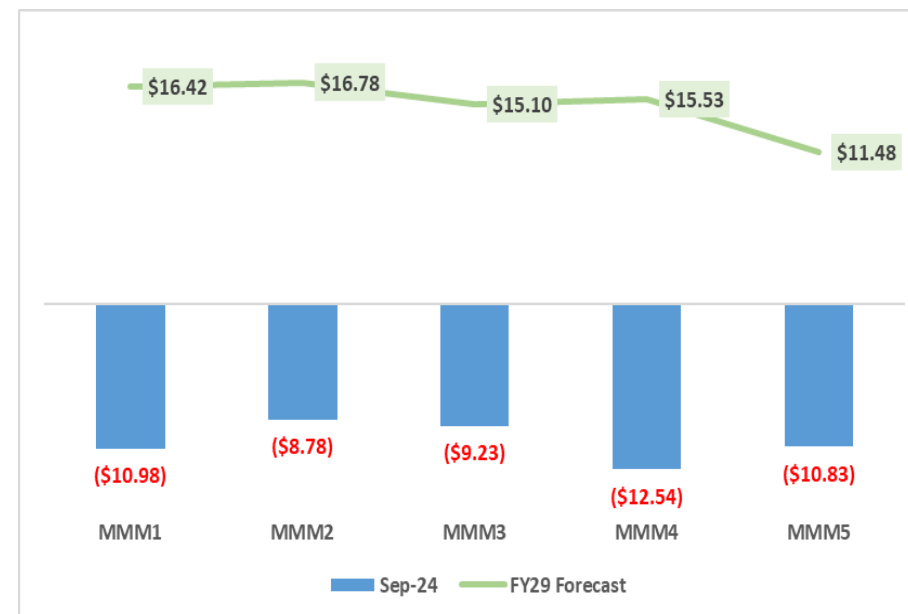
### Accommodation Margin Forecast

The majority of facilities recorded over \$10 pbd margin deficit in accommodation services for Sep-24.

Table 23 shows the forecast FY29 accommodation margin by MMM category based on Scenario 3. On average, facilities in all MMM locations are forecasted to have accommodation margin surplus in FY29 as a result of RAD retention, increased accommodation price and increased average MPIR for existing residents.

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

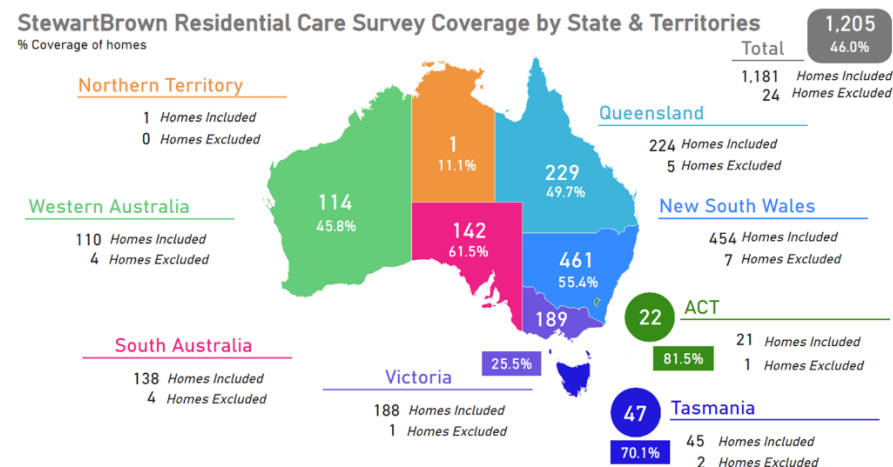
Table 23: Accommodation margin comparison for Sep-24 and FY29 Forecast





## FINANCIAL RESULTS - KEY METRICS

### Residential Aged Care



### Sep-24 Results Snapshot

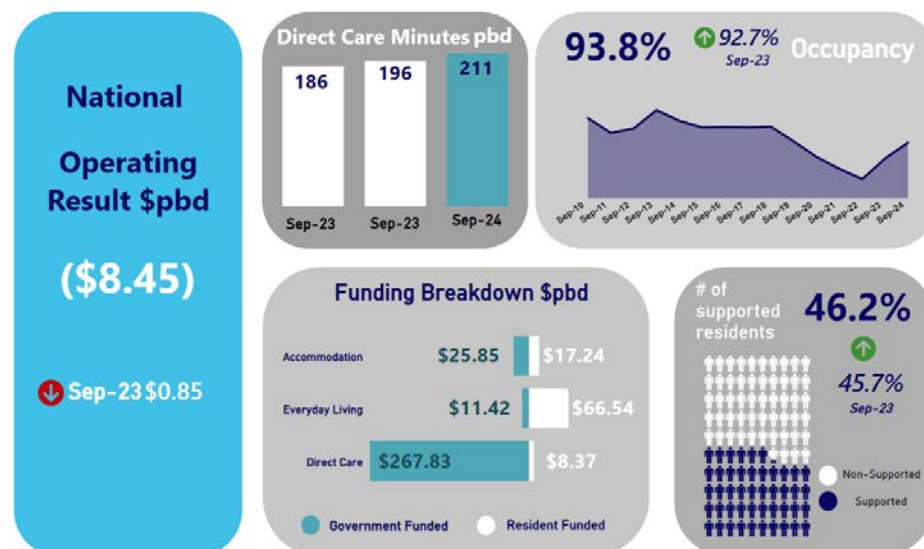


Table 24: Summary income and expenditure comparison (\$ per bed day)

|  | Survey<br>Q1 FY25<br>1,181 Homes | Q1 FY24<br>1,175 Homes | Survey<br>FY24<br>1,194 Homes |
|--|----------------------------------|------------------------|-------------------------------|
| <b>DIRECT CARE</b>                                   |                                  |                        |                               |
| Revenue  | \$276.20                         | \$260.84               | \$271.60                      |
| Expenditure  |                                  |                        |                               |
| Direct care labour costs                             | 212.20                           | 191.33                 | 205.05                        |
| Other direct care labour costs                       | 24.81                            | 24.23                  | 23.72                         |
| Other direct care costs                              | 9.09                             | 9.03                   | 8.95                          |
| Administration                                       | 19.78                            | 18.03                  | 18.64                         |
|  | \$265.88                         | \$242.62               | \$256.35                      |
| <b>DIRECT CARE MARGIN (A)</b>                        | <b>\$10.32</b>                   | <b>\$18.22</b>         | <b>\$15.25</b>                |
|  | 3.7%                             |                        |                               |
| <b>EVERYDAY LIVING</b>                               |                                  |                        |                               |
| Revenue  | \$77.95                          | \$73.81                | \$76.31                       |
| Expenditure  |                                  |                        |                               |
| Catering   | 41.58                            | 39.28                  | 40.19                         |
| Cleaning   | 11.35                            | 10.61                  | 10.66                         |
| Laundry  | 4.77                             | 4.68                   | 4.79                          |
| Other hotel services expenses                        | 0.07                             | 0.11                   | 0.08                          |
| Payroll tax  | 0.05                             | 0.10                   | 0.11                          |
| Overhead allocation (workcover & education)          | 1.06                             | 0.98                   | 0.93                          |
| Utilities  | 9.12                             | 8.32                   | 8.22                          |
| Administration                                       | 17.98                            | 16.39                  | 16.94                         |
|  | \$85.98                          | \$80.47                | \$81.92                       |
| <b>EVERYDAY LIVING MARGIN (B)</b>                    | <b>(\$8.02)</b>                  | <b>(\$6.67)</b>        | <b>(\$5.61)</b>               |
| <b>ACCOMMODATION</b>                                 |                                  |                        |                               |
| Revenue  |                                  |                        |                               |
| Residents  | 17.24                            | 16.57                  | 16.73                         |
| Government   | 25.85                            | 23.45                  | 24.92                         |
|  | \$43.09                          | \$40.02                | \$41.65                       |
| Expenditure  |                                  |                        |                               |
| Depreciation   | 22.28                            | 21.44                  | 22.36                         |
| Property maintenance                                 | 13.35                            | 12.53                  | 13.52                         |
| Property rental                                      | 0.91                             | 1.04                   | 0.77                          |
| Other  | 1.59                             | 1.38                   | 1.42                          |
| Administration                                       | 15.71                            | 14.33                  | 14.81                         |
|  | \$53.85                          | \$50.72                | \$52.88                       |
| <b>ACCOMMODATION MARGIN (C)</b>                      | <b>(\$10.75)</b>                 | <b>(\$10.70)</b>       | <b>(\$11.22)</b>              |
| <b>OPERATING RESULT (\$ per bed day) (A + B + C)</b> | <b>(\$8.45)</b>                  | <b>\$0.85</b>          | <b>(\$1.58)</b>               |
| <b>OPERATING RESULT (\$ per bed per annum)</b>       | <b>(\$2,895)</b>                 | <b>\$289</b>           | <b>(\$536)</b>                |
| <b>EBITDA (\$ per bed per annum)</b>                 | <b>\$4,734</b>                   | <b>\$7,564</b>         | <b>\$7,039</b>                |

Figure 12: Residential operating result snapshot (\$ per bed day)



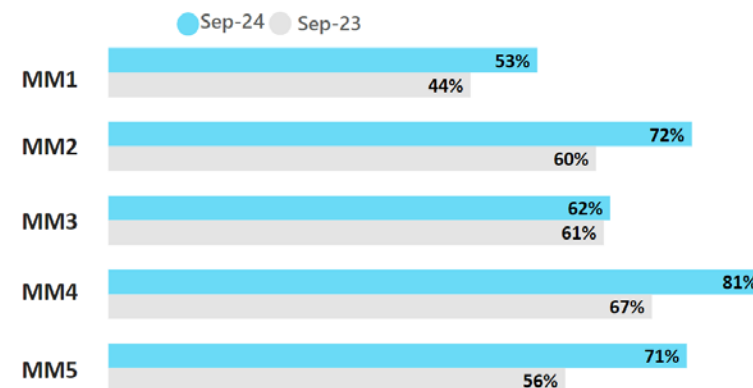
Table 25: Summary KPI results comparison

| Summary KPI Results                              | Q1 FY25<br>1,181 Homes | Q1 FY24<br>1,175 Homes | Difference<br>(YoY) | FY24<br>1,194 Homes |
|--|------------------------|------------------------|---------------------|---------------------|
| Operating Result (\$pbd)                         | (\$8.45)               | \$0.85                 | ↓ (\$9.30)          | (\$1.58)            |
| Operating Result (\$pbpa)                        | (\$2,895)              | \$289                  | ↓ (\$3,183)         | (\$536)             |
| EBITDA (\$pbpa)                                  | \$4,734                | \$7,564                | ↓ (\$2,830)         | \$7,039             |
| Average Occupancy (all homes)                    | 93.5%                  | 92.3%                  | ↑ 1.2%              | 92.0%               |
| Average Occupancy (mature homes)                 | 93.8%                  | 92.7%                  | ↑ 1.1%              | 92.6%               |
| Average direct care revenue (\$pbd)              | \$276.20               | \$260.84               | ↑ \$15.36           | \$271.60            |
| Total direct care minutes per resident per day   | 210.54                 | 196.36                 | ↑ 14.18             | 202.42              |
| Direct care expenditure % of direct care revenue | 96.3%                  | 93.0%                  | ↑ 3.2%              | 94.4%               |
| Supported Ratio %                                | 46.2%                  | 45.7%                  | ↑ 0.5%              | 46.1%               |
| Average Full RAD/Bond held                       | \$464,293              | \$450,866              | ↑ \$13,427          | \$467,569           |
| Average Full RAD taken during period             | \$487,854              | \$493,129              | ↓ (\$5,275)         | \$494,106           |

### Number of Aged Care Homes making an Operating Loss

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

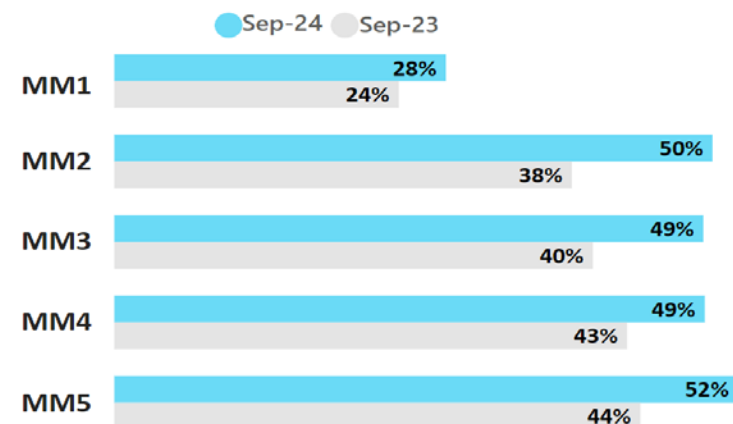
#### Operating Result



### Number of Aged Care Homes making an EBITDA loss

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

#### Operating EBITDA



## Modified Monash Model (MMM) Analysis

Table 26: Summary KPI Results by MMM category

| MMM 1<br>747<br>Aged Care Homes                                     | MMM 2<br>102<br>Aged Care Homes                                     | MMM 3<br>130<br>Aged Care Homes                                     | MMM 4<br>77<br>Aged Care Homes                                      | MMM 5<br>117<br>Aged Care Homes                                     |
|---|---|---|---|---|
| <b>(\$1,133)</b><br>Operating Result \$ per bed per annum           | <b>(\$6,723)</b><br>Operating Result \$ per bed per annum           | <b>(\$5,409)</b><br>Operating Result \$ per bed per annum           | <b>(\$9,578)</b><br>Operating Result \$ per bed per annum           | <b>(\$7,813)</b><br>Operating Result \$ per bed per annum           |
| <b>\$6,750</b><br>Operating EBITDA per bed per annum                | <b>\$438</b><br>Operating EBITDA per bed per annum                  | <b>\$1,413</b><br>Operating EBITDA per bed per annum                | <b>(\$1,451)</b><br>Operating EBITDA per bed per annum              | <b>(\$1,649)</b><br>Operating EBITDA per bed per annum              |
| <b>\$274.72</b><br>Average Direct Care Revenue per bed day          | <b>\$272.31</b><br>Average Direct Care Revenue per bed day          | <b>\$275.72</b><br>Average Direct Care Revenue per bed day          | <b>\$273.33</b><br>Average Direct Care Revenue per bed day          | <b>\$292.87</b><br>Average Direct Care Revenue per bed day          |
| <b>95.3%</b><br>Direct care expenditure as % of direct care revenue | <b>99.5%</b><br>Direct care expenditure as % of direct care revenue | <b>98.1%</b><br>Direct care expenditure as % of direct care revenue | <b>99.7%</b><br>Direct care expenditure as % of direct care revenue | <b>98.2%</b><br>Direct care expenditure as % of direct care revenue |
| <b>51.6%</b><br>Catering costs as % of indirect care revenue        | <b>55.4%</b><br>Catering costs as % of indirect care revenue        | <b>56.5%</b><br>Catering costs as % of indirect care revenue        | <b>58.7%</b><br>Catering costs as % of indirect care revenue        | <b>59.3%</b><br>Catering costs as % of indirect care revenue        |
| <b>211.22</b><br>Direct care minutes per resident per day           | <b>210.91</b><br>Direct care minutes per resident per day           | <b>207.62</b><br>Direct care minutes per resident per day           | <b>207.36</b><br>Direct care minutes per resident per day           | <b>210.49</b><br>Direct care minutes per resident per day           |
| <b>46.3%</b><br>Supported resident ratio                            | <b>45.9%</b><br>Supported resident ratio                            | <b>45.6%</b><br>Supported resident ratio                            | <b>46.2%</b><br>Supported resident ratio                            | <b>46.7%</b><br>Supported resident ratio                            |
| <b>94.5%</b><br>Average occupancy                                   | <b>92.6%</b><br>Average occupancy                                   | <b>92.5%</b><br>Average occupancy                                   | <b>93.2%</b><br>Average occupancy                                   | <b>91.9%</b><br>Average occupancy                                   |
| <b>\$500,992</b><br>Average full accommodation deposit held         | <b>\$392,427</b><br>Average full accommodation deposit held         | <b>\$366,020</b><br>Average full accommodation deposit held         | <b>\$386,185</b><br>Average full accommodation deposit held         | <b>\$347,126</b><br>Average full accommodation deposit held         |
| <b>\$533,217</b><br>Average full RAD taken during the period        | <b>\$413,428</b><br>Average full RAD taken during the period        | <b>\$389,562</b><br>Average full RAD taken during the period        | <b>\$369,968</b><br>Average full RAD taken during the period        | <b>\$349,873</b><br>Average full RAD taken during the period        |

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

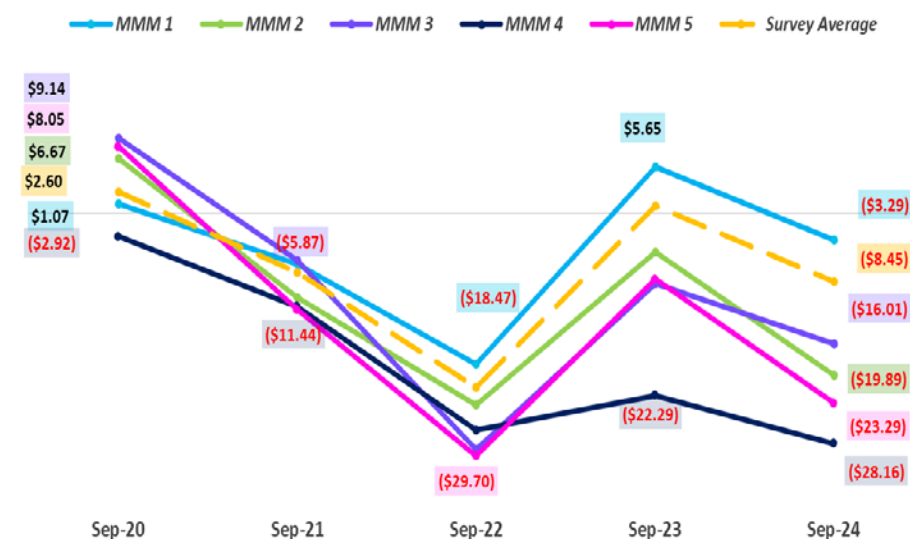


Figure 16: Operating EBITDA result by MMM classification (\$ per bed per annum)

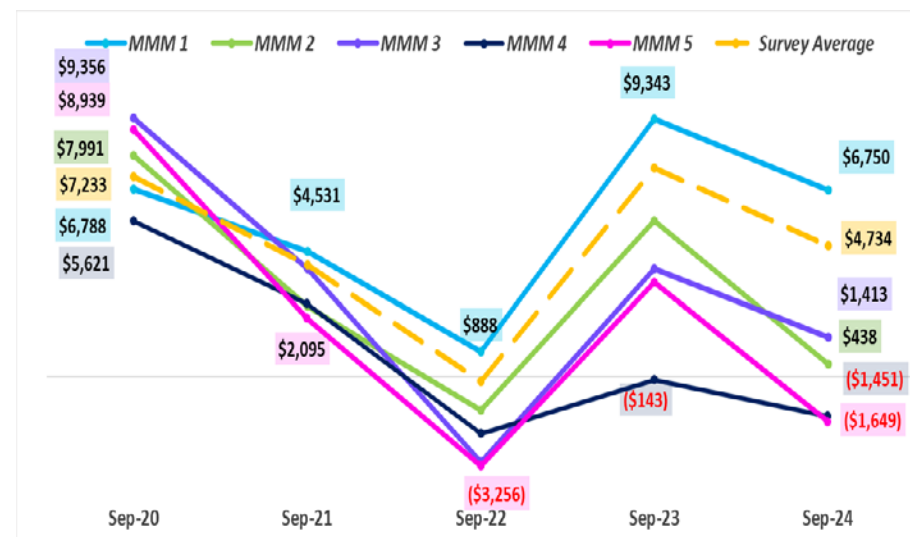


Figure 17: Everyday living margin by MMM classification (\$ per bed day)

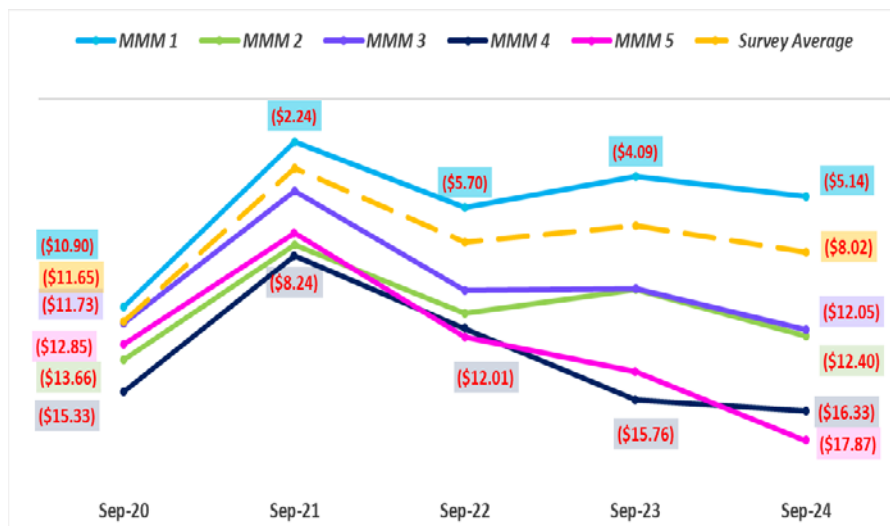
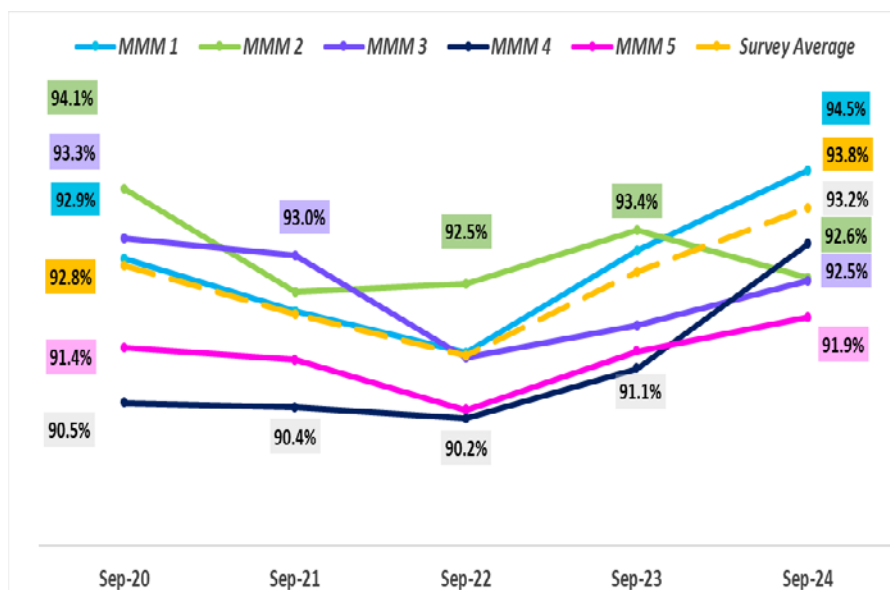


Figure 18: Occupancy percentage by MMM classification



Direct Care Staffing Minutes (per resident per day)

Table 27: Direct care staffing metrics

| Staffing Category                             | Survey Average |               |          | Survey Average |
|---|----------------|---------------|----------|----------------|
|   | Q1 FY25        | Q1 FY24       |          | FY24           |
| Registered nurses                             | 41.22          | 36.12         | ↑        | 38.02          |
| Enrolled & licensed nurses                    | 10.54          | 11.71         | ↓        | 10.88          |
| Other unlicensed nurses & personal care staff | 158.78         | 148.51        | ↑        | 153.52         |
| Imputed agency direct care minutes implied    |                | 0.03          |          | 0.00           |
| <b>Total Direct Care Minutes</b>              | <b>210.54</b>  | <b>196.36</b> | <b>↑</b> | <b>202.42</b>  |
| Care management                               | 4.17           | 4.16          | ↑        | 3.97           |
| Allied health                                 | 4.41           | 4.84          | ↓        | 4.46           |
| Diversional/Lifestyle/Activities              | 7.19           | 7.13          | ↑        | 6.67           |
| Imputed agency other care minutes implied     |                | 0.09          |          |                |
| <b>Total Care Minutes</b>                     | <b>226.32</b>  | <b>212.58</b> | <b>↑</b> | <b>217.52</b>  |

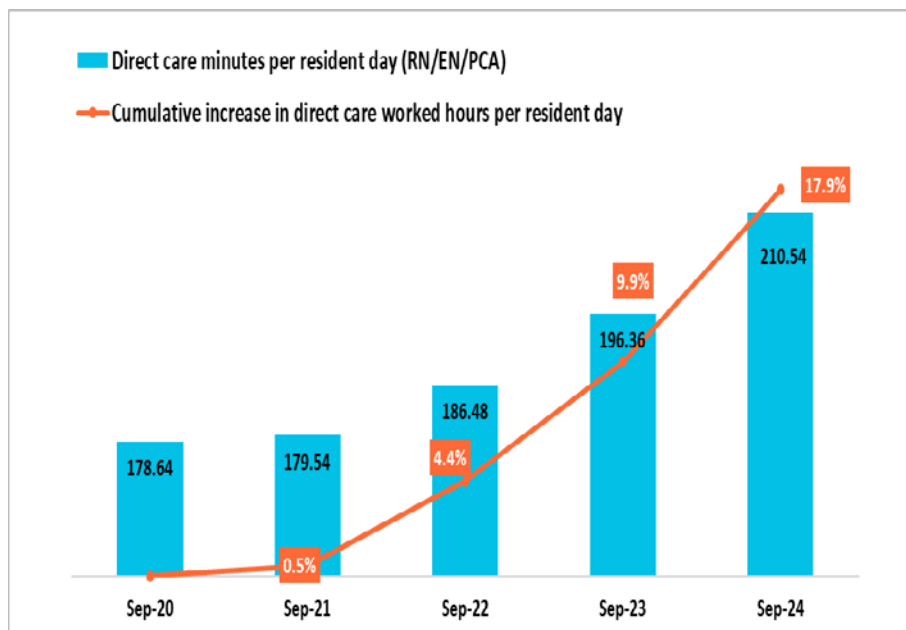
Table 28: Agency direct care staffing metrics

| Staffing Category                                      | Survey Average |              |          | Survey Average |
|--|----------------|--------------|----------|----------------|
|  | Q1 FY25        | Q1 FY24      |          | FY24           |
| Agency - Registered nurses                             | 3.57           | 3.39         | ↑        | 3.85           |
| Agency - Enrolled & licensed nurses                    | 0.53           | 0.64         | ↓        | 0.58           |
| Agency - Other unlicensed nurses & personal care staff | 6.08           | 7.61         | ↓        | 7.48           |
| Imputed agency direct care minutes implied             |                | 0.03         |          | 0.00           |
| <b>Total Direct Care Agency Minutes</b>                | <b>10.18</b>   | <b>11.68</b> | <b>↓</b> | <b>11.90</b>   |

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



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



## Everyday living

Table 29: Everyday living revenue and expenses (\$ pbd)

|                                   | Q1 FY25<br>1,181 Homes | Q1 FY24<br>1,175 Homes | YoY<br>Movement | FY24<br>1,194 Homes |
|-----------------------------------|------------------------|------------------------|-----------------|---------------------|
| Hotelling supplement - government | \$11.42                | \$10.81                | ↑               | \$11.09             |
| Basic daily fee - resident        | \$62.06                | \$59.12                | ↑               | \$61.08             |
| Other resident income             | \$4.47                 | \$3.88                 | ↑               | \$4.15              |
| <b>Everyday Living revenue</b>    | <b>\$77.95</b>         | <b>\$73.81</b>         | ↑               | <b>\$76.31</b>      |
| Hotel services                    | \$58.88                | \$55.76                | ↑               | \$56.77             |
| Utilities                         | \$9.12                 | \$8.32                 | ↑               | \$8.22              |
| <b>Everyday Living expenses</b>   | <b>\$68.00</b>         | <b>\$64.08</b>         | ↑               | <b>\$64.98</b>      |
| Administration overhead           | \$17.98                | \$16.39                | ↑               | \$16.94             |
| <b>Everyday Living margin</b>     | <b>(\$8.02)</b>        | <b>(\$6.67)</b>        | ↓               | <b>(\$5.61)</b>     |

## Accommodation Analysis

Table 30: Accommodation revenue and expenses (\$ pbd)

|  | Q1 FY25<br>1,181 Homes | Q1 FY24<br>1,175 Homes | YoY<br>Movement | FY24<br>1,194 Homes |
|--|------------------------|------------------------|-----------------|---------------------|
| <b>Accommodation revenue</b>                 | <b>\$43.09</b>         | <b>\$40.02</b>         | ↑               | <b>\$41.65</b>      |
| <b>Accommodation expenses</b>                |                        |                        |                 |                     |
| Depreciation                                 | \$22.28                | \$21.44                | ↑               | \$22.36             |
| Refurbishment                                | \$0.28                 | \$0.23                 | ↑               | \$0.31              |
| Property maintenance                         | \$13.32                | \$12.50                | ↑               | \$13.50             |
| Property rental                              | \$0.91                 | \$1.04                 | ↓               | \$0.77              |
| Other accommodation costs                    | \$1.33                 | \$1.18                 | ↑               | \$1.14              |
| Administration overhead                      | \$15.71                | \$14.33                | ↑               | \$14.81             |
| <b>Accommodation expenses</b>                | <b>\$53.85</b>         | <b>\$50.72</b>         | ↑               | <b>\$52.88</b>      |
| <b>Accommodation Margin (\$ per bed day)</b> | <b>(\$10.75)</b>       | <b>(\$10.70)</b>       | ↓               | <b>(\$11.22)</b>    |
| <b>Accommodation Margin (\$ per bed pa)</b>  | <b>(\$3,682)</b>       | <b>(\$3,631)</b>       | ↓               | <b>(\$3,802)</b>    |
| <b>Depreciation charge (\$ per bed pa)</b>   | <b>\$7,628</b>         | <b>\$7,275</b>         | ↑               | <b>\$7,575</b>      |

## Accommodation Pricing

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

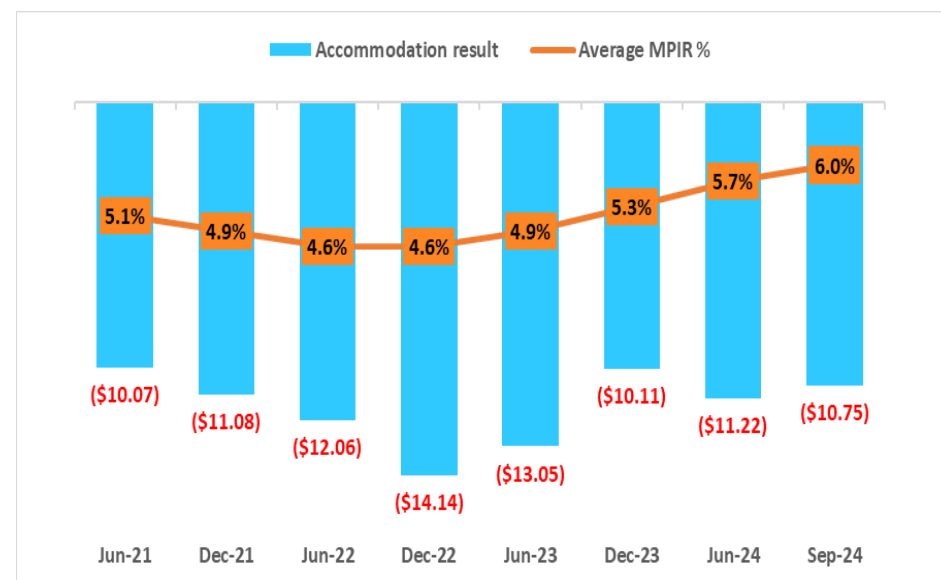
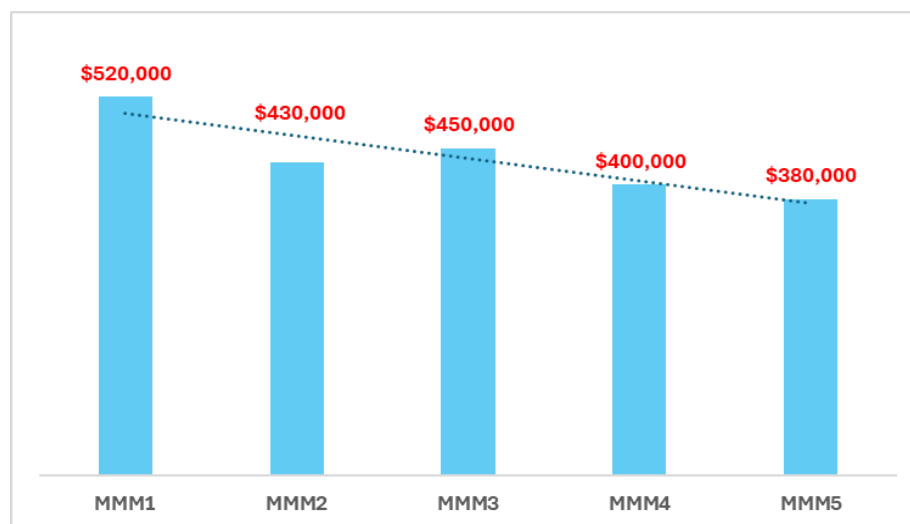
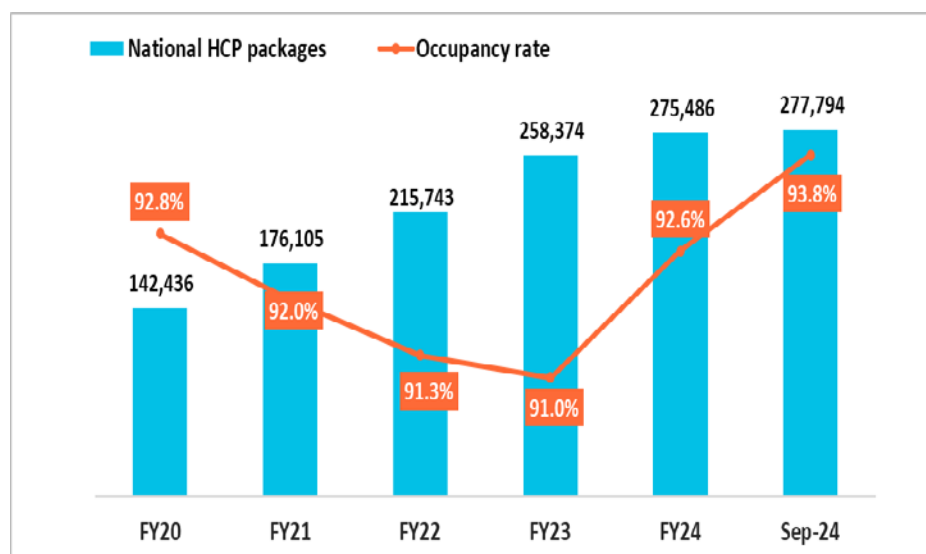


Figure 21: Median accommodation price by MMM



## Occupancy

Figure 22: Residential occupancy comparison to home care packages



## Administration Costs

Table 31: Administration costs (\$ pbd)

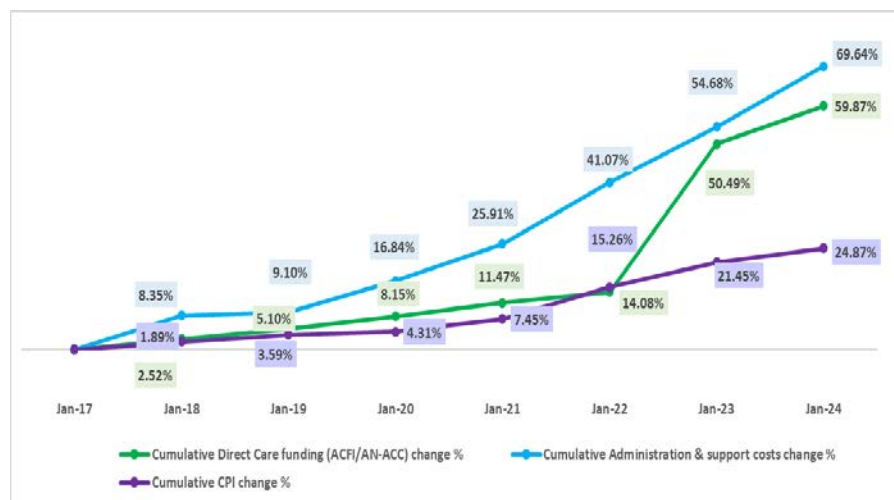
|  | Q1 FY25<br>1,181 Homes | Q1 FY24<br>1,175 Homes | YoY<br>Movement | FY24<br>1,194 Homes |
|--|------------------------|------------------------|-----------------|---------------------|
| Administration (corporate) recharges     | \$34.66                | \$30.85                | ↑               | \$32.22             |
| Labour costs - administration (facility) | \$9.04                 | \$9.11                 | ↓               | \$8.71              |
| Other administration costs               | \$7.61                 | \$6.72                 | ↑               | \$7.30              |
| Workers compensation                     | \$0.23                 | \$0.21                 | ↑               | \$0.20              |
| Payroll tax - administration staff       | \$0.01                 | \$0.03                 | ↓               | \$0.03              |
| Fringe Benefits Tax                      | \$0.00                 | \$0.00                 | ↓               | \$0.01              |
| Quality & education - labour costs       | \$0.05                 | \$0.06                 | ↓               | \$0.05              |
| Quality and education - other            | \$0.02                 | \$0.02                 | ↓               | \$0.02              |
| Insurances                               | \$1.83                 | \$1.74                 | ↑               | \$1.84              |
| <b>Total Administration Costs</b>        | <b>\$53.47</b>         | <b>\$48.75</b>         | ↑               | <b>\$50.38</b>      |

Table 32: Administration costs by provider size (\$ pbd)

|  | Provider Size:<br>1 Home | Provider Size:<br>2 to 6 Homes | Provider<br>Size: 7 to 20<br>Homes | Provider Size:<br>Over 20<br>Homes |
|--|--------------------------|--------------------------------|------------------------------------|------------------------------------|
| Administration (corporate) recharges     | \$6.33                   | \$29.77                        | \$40.63                            | \$36.79                            |
| Labour costs - administration (facility) | \$21.63                  | \$12.29                        | \$7.35                             | \$6.88                             |
| Other administration costs               | \$15.24                  | \$10.43                        | \$7.52                             | \$5.18                             |
| Workers compensation                     | \$0.73                   | \$0.32                         | \$0.19                             | \$0.17                             |
| Payroll tax - administration staff       | \$0.02                   | \$0.07                         | \$0.01                             | \$0.00                             |
| Fringe Benefits Tax                      | \$0.02                   | \$0.00                         | \$0.00                             | \$0.00                             |
| Quality & education - labour costs       | \$0.19                   | \$0.08                         | \$0.06                             | \$0.02                             |
| Quality and education - other            | \$0.09                   | \$0.04                         | \$0.01                             | \$0.02                             |
| Insurances                               | \$3.30                   | \$2.02                         | \$1.60                             | \$1.68                             |
| <b>Total Administration Costs</b>        | <b>\$47.54</b>           | <b>\$55.02</b>                 | <b>\$57.37</b>                     | <b>\$50.74</b>                     |



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



## Agency Analysis

Figure 24: Agency direct care staff costs (\$ per bed day)

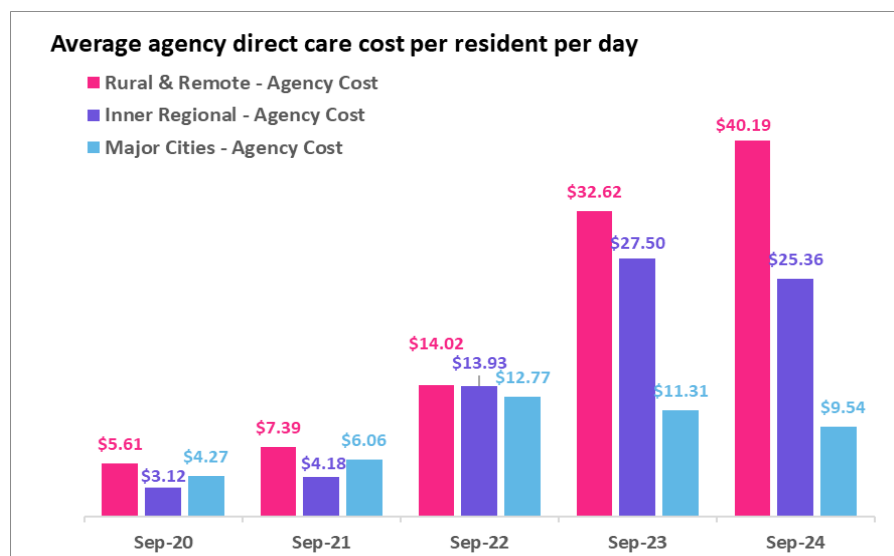
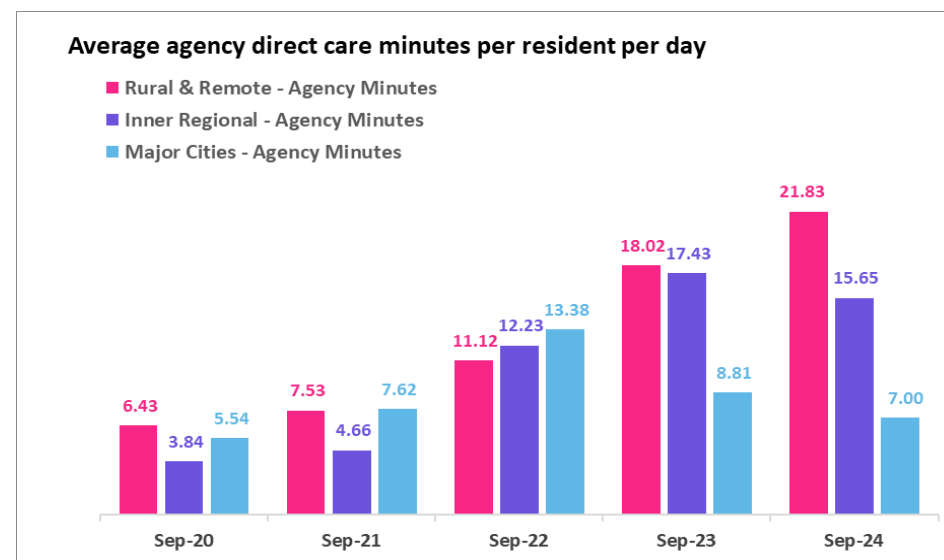


Figure 25: Agency direct care staff minutes (per resident per day)



## First 25% Trends

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

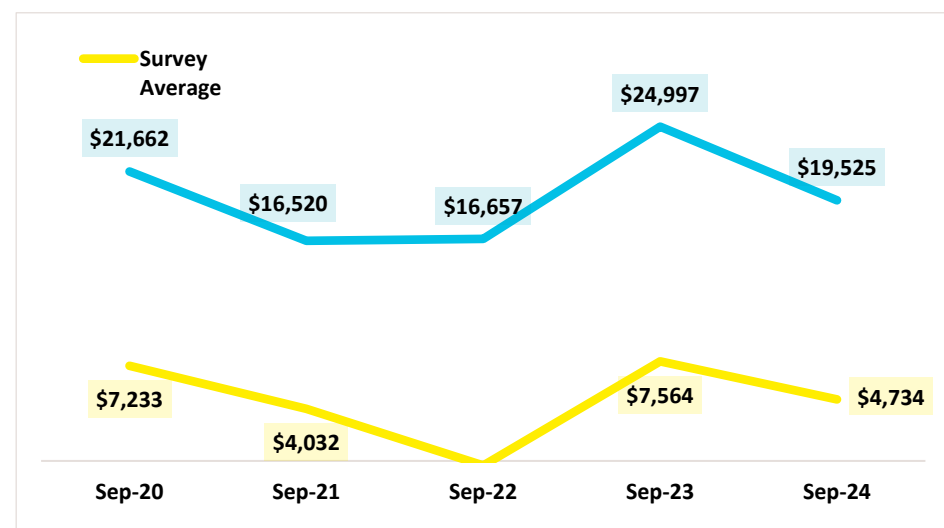


Figure 27: First 25% direct care result (\$ pbd) and direct care minutes trend

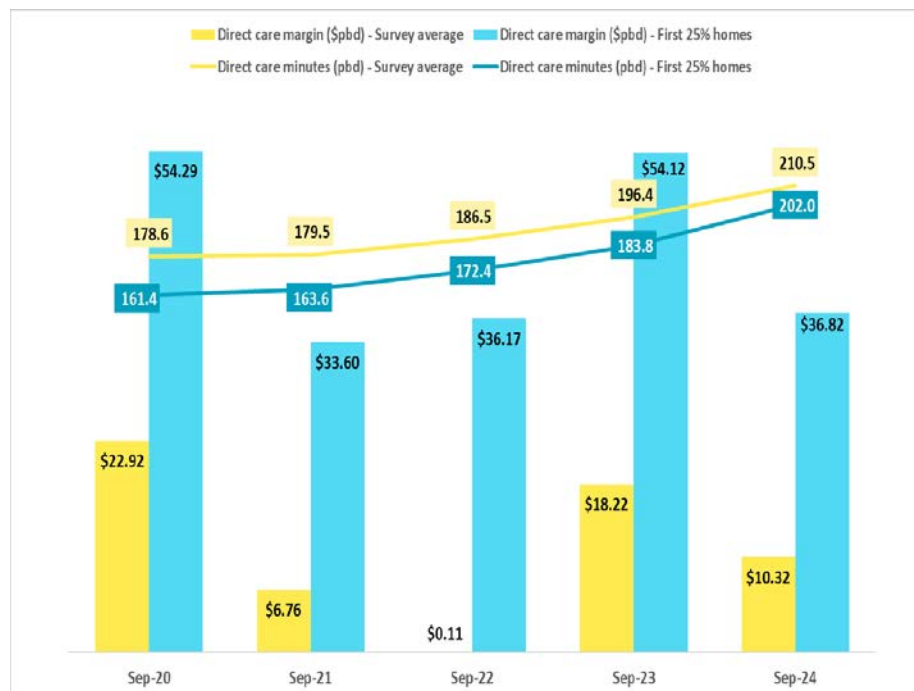


Table 33: First 25% direct care staffing metrics

| Staffing Category                             | Survey First 25% |               |          | Survey First 25% |
|---|------------------|---------------|----------|------------------|
|   | Q1 FY25          | Q1 FY24       |          | FY24             |
| Registered nurses                             | 40.01            | 33.77         | ↑        | 36.02            |
| Enrolled & licensed nurses                    | 8.19             | 8.71          | ↓        | 8.13             |
| Other unlicensed nurses & personal care staff | 153.80           | 141.30        | ↑        | 147.97           |
| Imputed agency direct care minutes implied    |                  | 0.03          |          |                  |
| <b>Total Direct Care Minutes</b>              | <b>202.00</b>    | <b>183.81</b> | <b>↑</b> | <b>192.12</b>    |
| Care management                               | 4.08             | 3.90          | ↑        | 4.15             |
| Allied health                                 | 3.52             | 3.42          | ↑        | 3.32             |
| Diversional/Lifestyle/Activities              | 5.61             | 5.08          | ↑        | 4.67             |
| Imputed agency other care minutes implied     |                  | 0.12          |          |                  |
| <b>Total Care Minutes</b>                     | <b>215.22</b>    | <b>196.33</b> | <b>↑</b> | <b>204.27</b>    |

Table 34: First 25% agency direct care staffing metrics

| Staffing Category                                      | Survey First 25% |             |          | Survey First 25% |
|--|------------------|-------------|----------|------------------|
|  | Q1 FY25          | Q1 FY24     |          | FY24             |
| Agency - Registered nurses                             | 2.36             | 1.64        | ↑        | 2.26             |
| Agency - Enrolled & licensed nurses                    | 0.39             | 0.27        | ↑        | 0.37             |
| Agency - Other unlicensed nurses & personal care staff | 3.71             | 4.26        | ↓        | 4.65             |
| Imputed agency direct care minutes implied             |                  | 0.03        |          |                  |
| <b>Total Direct Care Agency Minutes</b>                | <b>6.46</b>      | <b>6.21</b> | <b>↑</b> | <b>7.29</b>      |

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

## Home Care

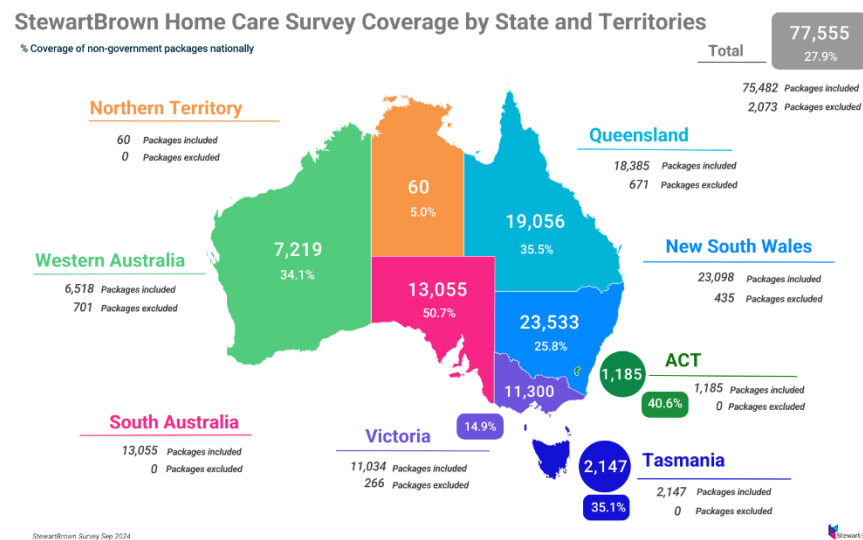
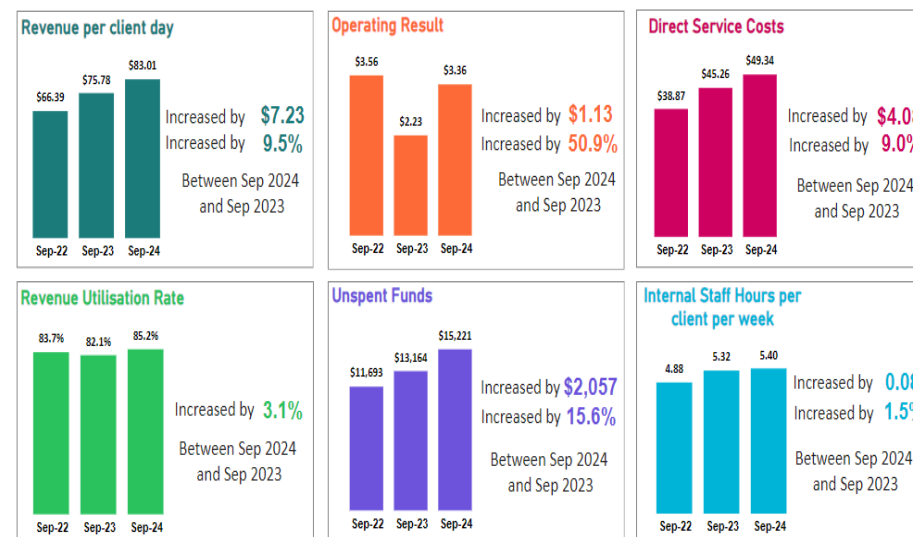


Figure 28: Home care key metrics summary



## Sep-24 Results Snapshot

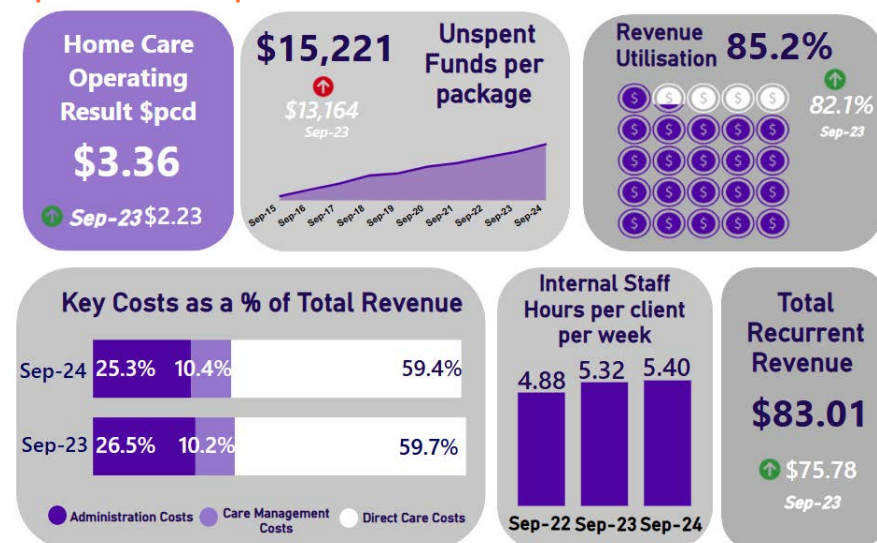


Table 35: Home care KPI results comparison summary

|   | Sep-24<br>75,482 Packages | Sep-23<br>63,264 Packages | Difference<br>(YoY) | FY24<br>71,003 Packages |
|---|---------------------------|---------------------------|---------------------|-------------------------|
| Total revenue \$ per client per day                           | \$83.01                   | \$75.78                   | ↑ \$7.23            | \$78.44                 |
| Operating result per client per day                           | \$3.36                    | \$2.23                    | ↑ \$1.13            | \$2.76                  |
| EBITDA per client per annum                                   | \$1,470                   | \$1,010                   | ↑ \$460             | \$1,213                 |
| Average total Internal Staff hours per client per week        | 5.40                      | 5.32                      | ↑ 0.08              | 5.22                    |
| Median growth rate  | 0.0%                      | 1.1%                      | ↓ (1.1%)            | 2.9%                    |
| Revenue utilisation rate for the period                       | 85.2%                     | 82.1%                     | ↑ 3.1%              | 86.3%                   |
| Average unspent funds per client                              | \$15,221                  | \$13,164                  | ↑ \$2,057           | \$14,517                |
| Cost of direct care & brokered services as % of total revenue | 59.4%                     | 59.7%                     | ↓ (0.3%)            | 60.6%                   |
| Care management & coordination costs as % of total revenue    | 10.4%                     | 10.2%                     | ↑ 0.2%              | 10.1%                   |
| Administration & support costs as % of total revenue          | 25.3%                     | 26.5%                     | ↓ (1.2%)            | 25.1%                   |
| Profit margin   | 4.0%                      | 2.9%                      | ↑ 1.1%              | 3.5%                    |

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

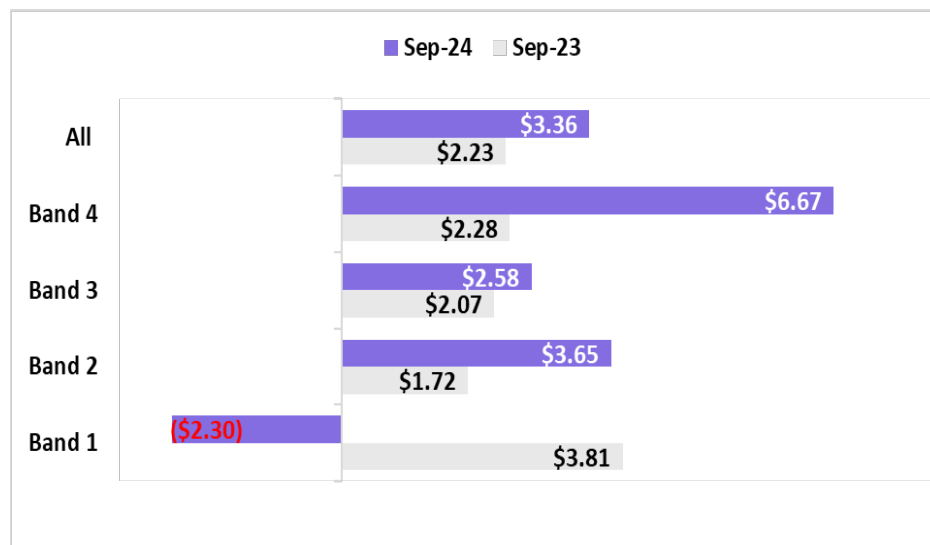


Figure 30: EBITDA result by revenue band (\$ per client per annum)

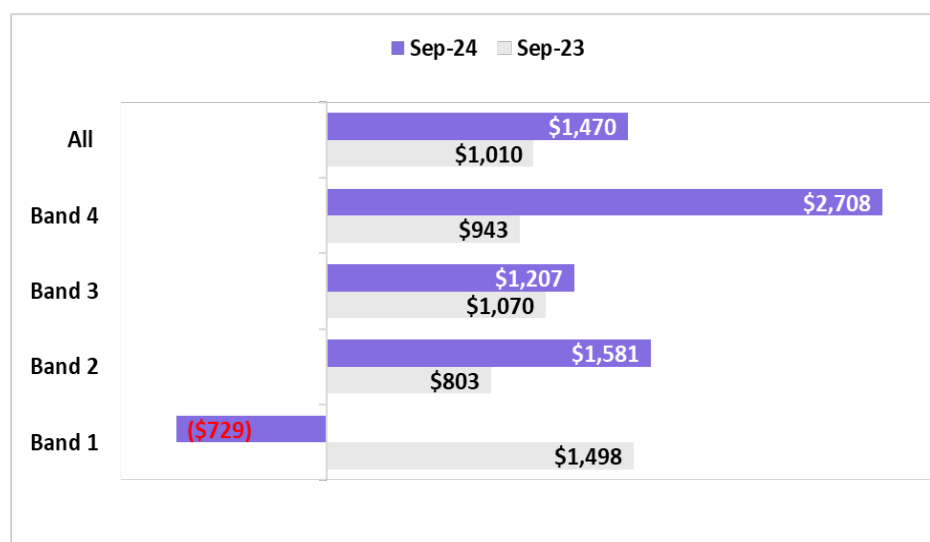


Figure 31: Revenue utilisation percentage by revenue band

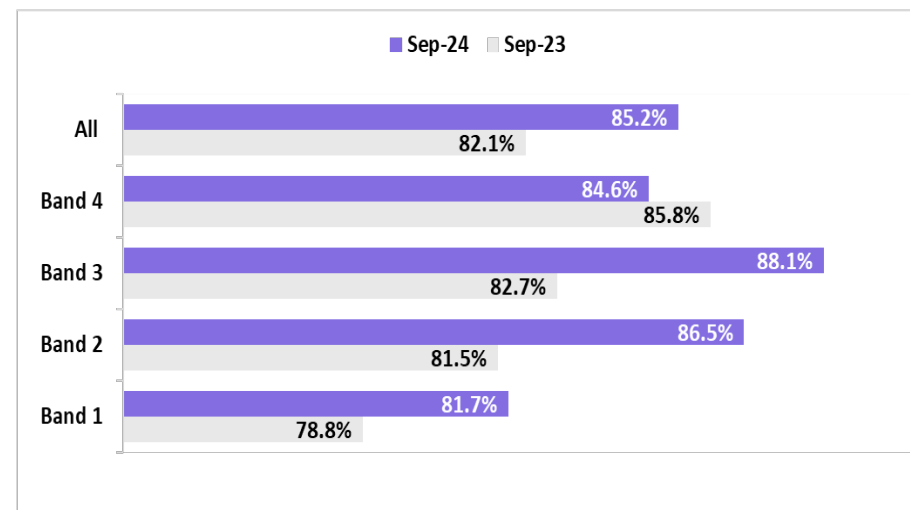


Figure 32: Operating result and revenue utilisation revenue band

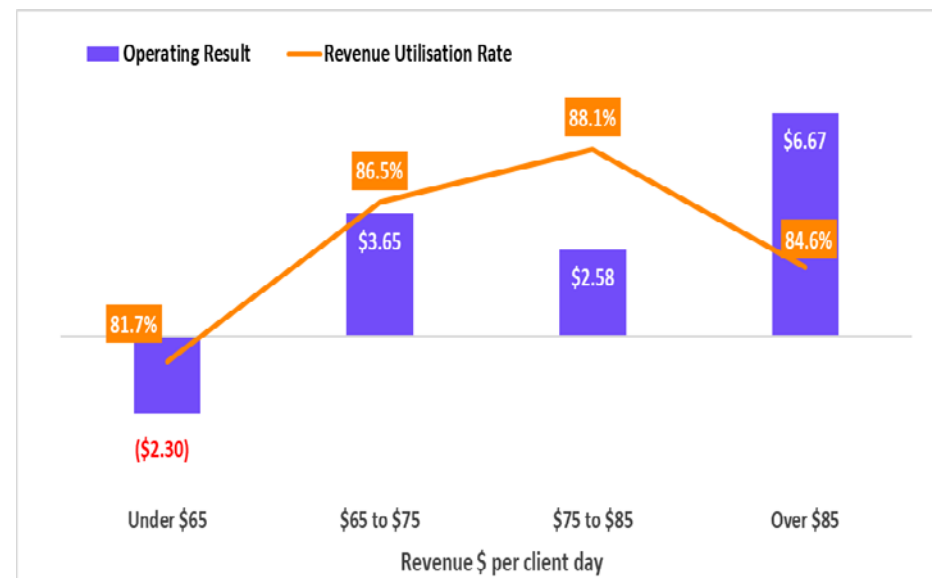
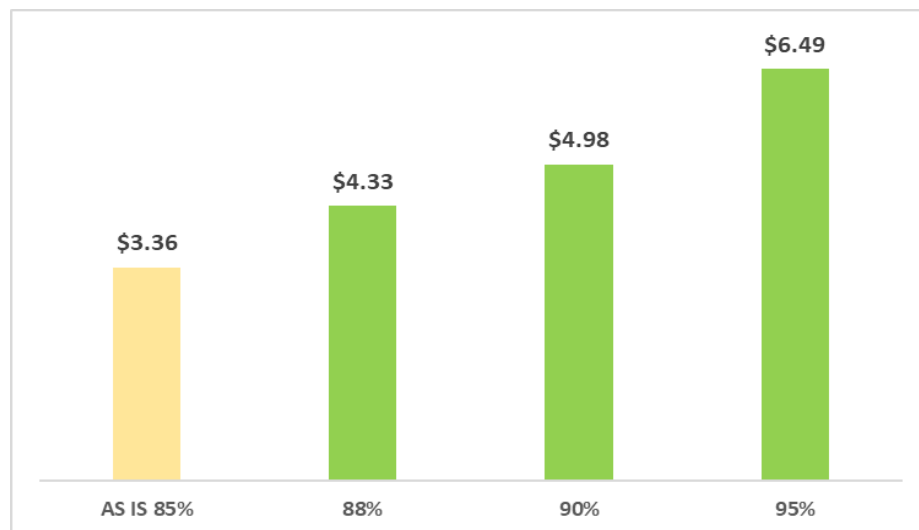


Figure 33: Operating result projections based on higher revenue utilisation (\$ pcd)



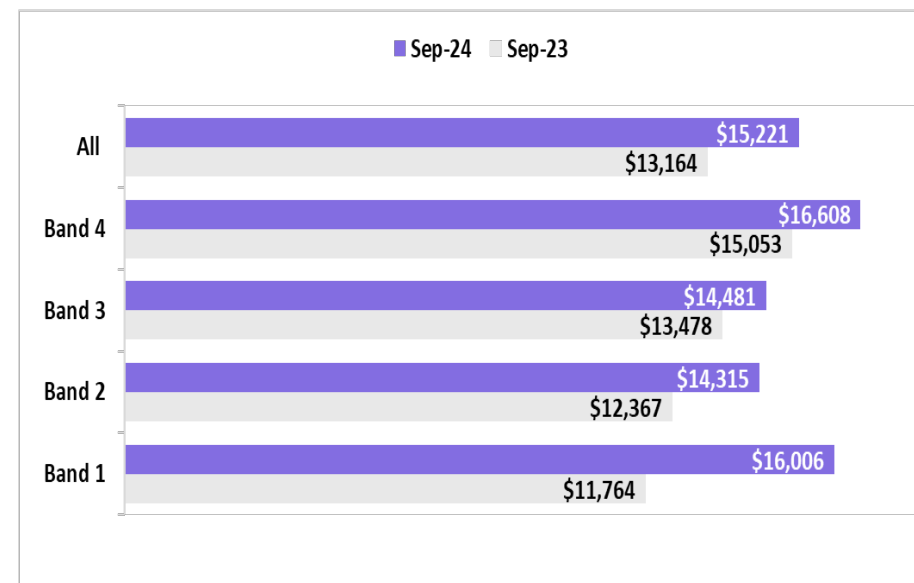
\*Modelling assumes costs are 60% variable and 40% fixed

### Unspent Funds

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



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



### Staff Hours Worked per Care Recipient

Table 36: Staff hours and minutes worked per care recipient per week

| Internal staff hours worked per client week   |              |   |             |
|---|--------------|---|-------------|
| Sep-24  | Sep-23       |   | Difference  |
| 3.46  | 3.49         | ↓ | (0.03)      |
| 0.10  | 0.12         | ↓ | (0.01)      |
| 0.98  | 0.90         | ↑ | 0.08        |
| 0.86  | 0.82         | ↑ | 0.05        |
| <b>5.40</b>                                   | <b>5.32</b>  | ↑ | <b>0.08</b> |
| Internal staff minutes worked per client week |              |   |             |
| Sep-24  | Sep-23       |   | Difference  |
| 207.4   | 209.4        | ↓ | (2.0)       |
| 6.1   | 7.0          | ↓ | (0.9)       |
| 58.7  | 53.8         | ↑ | 4.9         |
| 51.7  | 49.0         | ↑ | 2.7         |
| <b>324.0</b>                                  | <b>319.3</b> | ↑ | <b>4.8</b>  |

Figure 36: Staff hours per care recipient week trend analysis

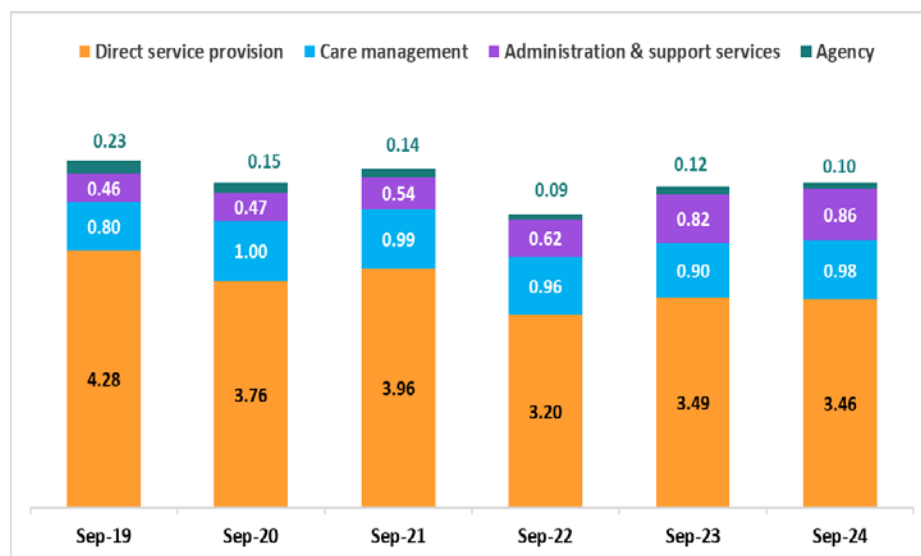


Figure 37: Internal and brokered services staff costs comparison

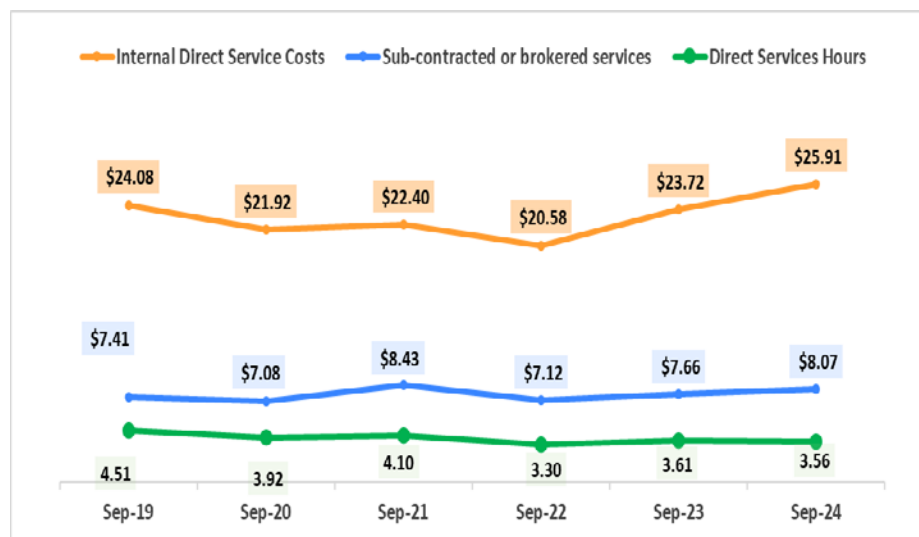


Figure 38: Care management and administration cost as % of revenue

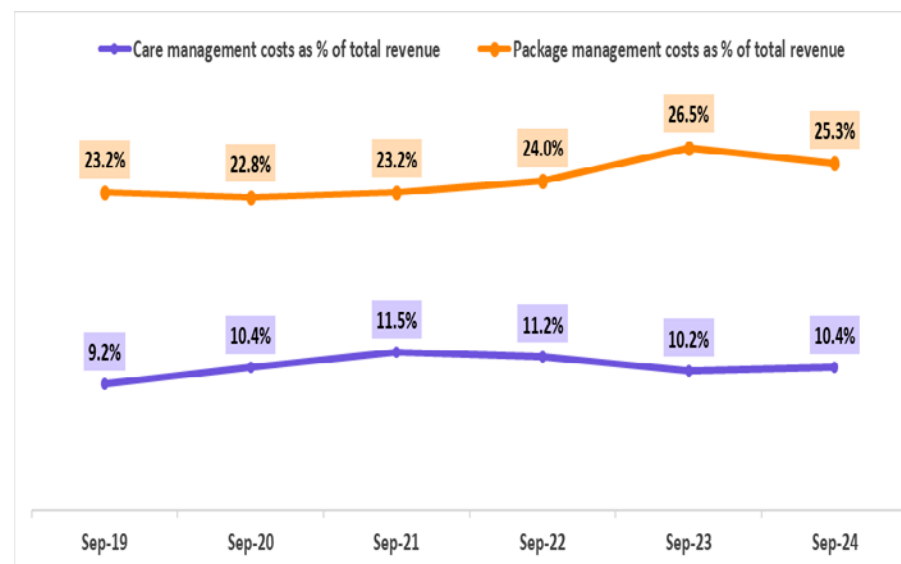
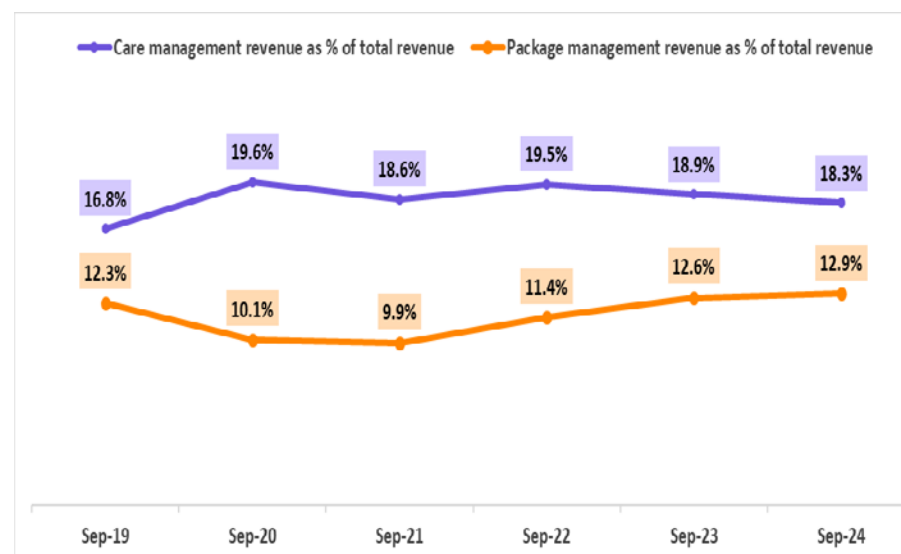
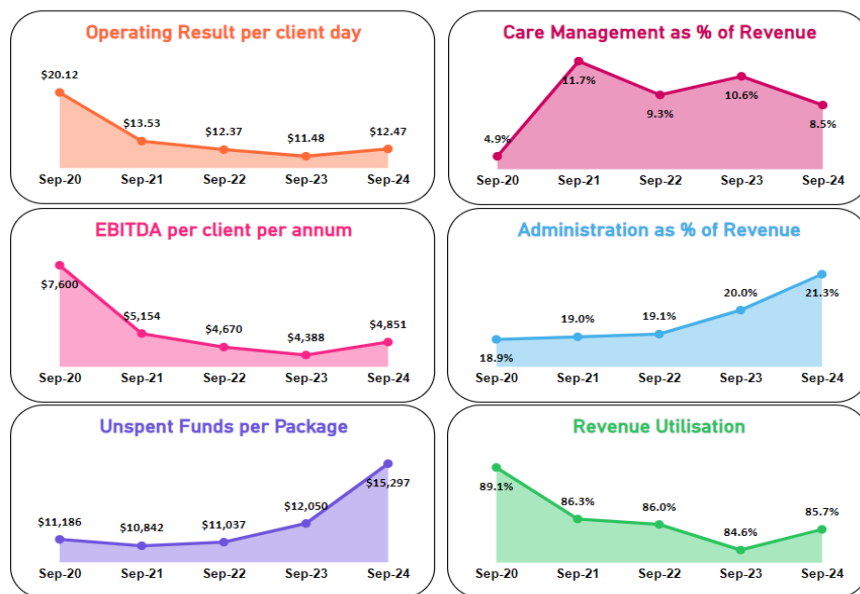


Figure 39: Care management and package management revenue as % of revenue





## First 25% Trends



## Home Care Key Points First 25%

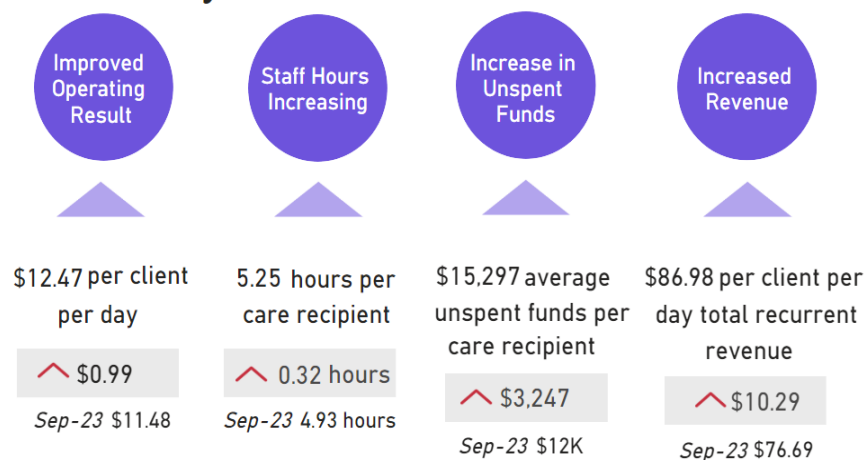


Figure 40: EBITDA (\$ per client per annum) comparison First 25% and average

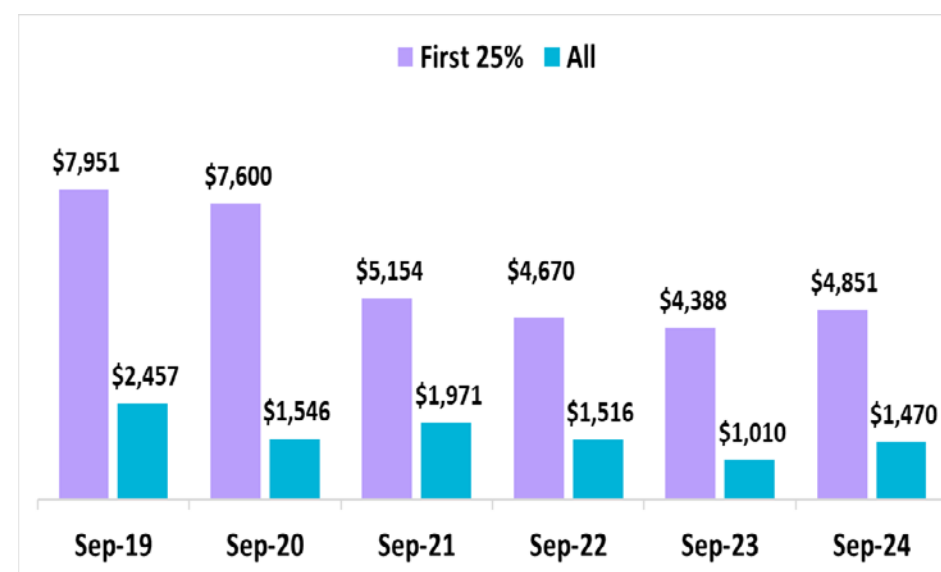


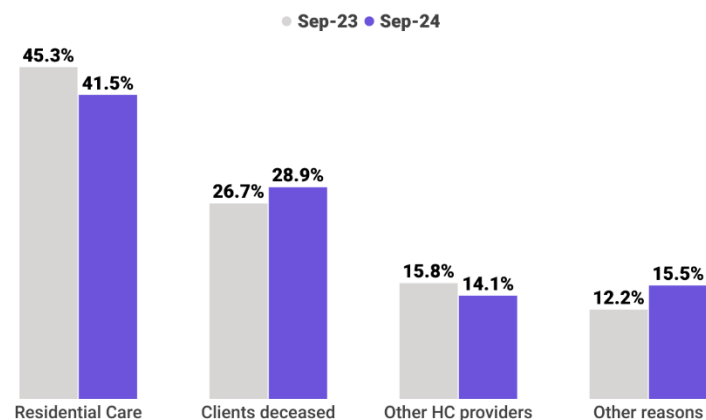
Table 37: Home care First 25% KPI results comparison summary

|   | Sep-24<br>22,202 Packages | Sep-23<br>16,539 Packages | Difference<br>(YoY) | FY24<br>20,793 Packages |
|---|---------------------------|---------------------------|---------------------|-------------------------|
| Total revenue \$ per client per day                           | \$86.98                   | \$76.69                   | ↑ \$10.29           | \$77.80                 |
| Operating result per client per day                           | \$12.47                   | \$11.48                   | ↑ \$0.99            | \$10.68                 |
| EBITDA per client per annum                                   | \$4,851                   | \$4,388                   | ↑ \$463             | \$4,163                 |
| Average total Internal Staff hours per client per week        | 5.25                      | 4.93                      | ↑ 0.32              | 4.73                    |
| Median growth rate  | 0.0%                      | 3.6%                      | ↓ (3.6%)            | 6.2%                    |
| Revenue utilisation rate for the period                       | 85.7%                     | 84.6%                     | ↑ 1.1%              | 86.6%                   |
| Average unspent funds per client                              | \$15,297                  | \$12,050                  | ↑ \$3,247           | \$14,381                |
| Cost of direct care & brokered services as % of total revenue | 54.9%                     | 53.8%                     | ↑ 1.1%              | 55.5%                   |
| Care management & coordination costs as % of total revenue    | 8.5%                      | 10.6%                     | ↓ (2.1%)            | 9.0%                    |
| Administration & support costs as % of total revenue          | 21.3%                     | 20.0%                     | ↑ 1.3%              | 20.9%                   |
| Profit margin   | 14.3%                     | 15.0%                     | ↓ (0.6%)            | 13.7%                   |

## Home Care Package Demographics

Figure 41: Home care client exits

### Reasons for Client Exits



## Package Growth

Figure 42: Number of people in a home care package

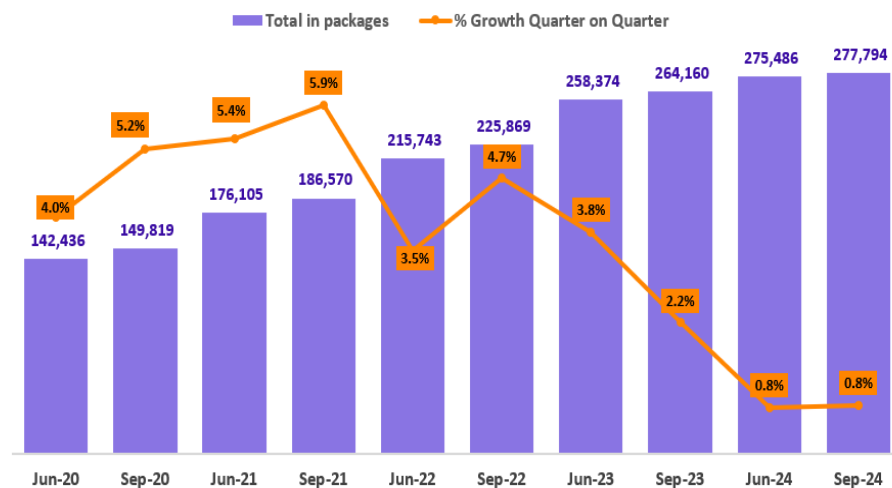
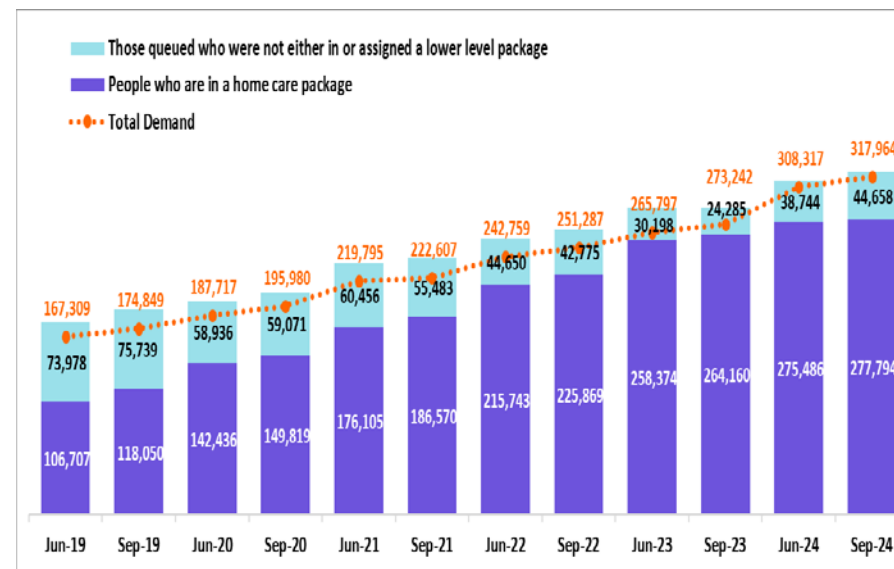


Figure 43: Demand for home care packages



## APPENDIX

### StewartBrown Survey

#### Survey Outline

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

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

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

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

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

To join the Survey please email [benchmark@stewartbrown.com.au](mailto:benchmark@stewartbrown.com.au)

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

#### Survey Results Matrix

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

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

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

#### Financial Reform Considerations

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

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

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

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

## Staff Remuneration and Benefits

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

The Fair Work Commission wage ruling effective from 30 June 2023 of 15% increase (for direct care, recreation and head chef staff only) is a positive step. Whether this increase is sufficient on its own to attract additional staff is questionable. The Government has a number of other employee programs that also assist.

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

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

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

## Accommodation

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

As noted previously, currently the maximum accommodation supplement payable to providers with a supported resident ratio in excess of 40% is \$69.49 per day which equates to an accommodation price of \$301,233.

The average agreed accommodation price, based on average full RAD taken, is now almost \$500,000 and the equivalent DAP would be \$115.48 per day which is significantly higher than the maximum Accommodation Supplement. This difference will further increase with higher accommodation prices.

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

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

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

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

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

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

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

INTERACTIVE DASHBOARD (PROVIDER AGGREGATE AND INDIVIDUAL FACILITY LEVEL):





# CARE

## DIRECT CARE

### DIRECT CARE REVENUE

Government subsidies - care

Means-tested care fee

### Direct care subsidy & supplements

Recurrent grants and other care

Non-recurrent operating care grants

### Direct care revenue

| De-identified<br>Provider | De-identified<br>Provider | De-identified<br>Provider | De-identified<br>Provider | De-identified<br>Provider |
|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| FY22                      | Dec-22                    | FY23                      | Sep-23                    | Dec-23                    |
|                           |                           |                           |                           |                           |
| 179.97                    | 193.20                    | 200.64                    | 243.43                    | 245.75                    |
| 9.70                      | 9.57                      | 9.48                      | 9.50                      | 11.07                     |
| <b>189.67</b>             | <b>202.77</b>             | <b>210.12</b>             | <b>252.93</b>             | <b>256.82</b>             |
| 0.82                      | 2.24                      | 1.79                      | 0.57                      | 0.48                      |
| 9.98                      | -                         | -                         | -                         | -                         |
| <b>200.47</b>             | <b>205.01</b>             | <b>211.90</b>             | <b>253.49</b>             | <b>257.31</b>             |

## DIRECT CARE EXPENDITURE

### Care Labour costs

Registered nurses

Enrolled and licensed nurses (registered with the NMBA)

Other unlicensed nurses/personal care staff

FWC 15% leave entitlement increase

### Total direct care labour costs

Care management

Allied health

Lifestyle/ Recreation/ Activities Officer /Diversional Therapy

Workers' compensation - care services

Payroll tax - care services

### Total care labour costs

Medical, incontinence supplies & nutritional supplements

Chaplaincy / Pastoral care

Quality and education allocation to care services

Other resident services and consumables

Infection prevention and Covid-19

### Expenditure - direct care services

Administration - direct care overhead allocation

### Direct care expenditure

### DIRECT CARE RESULT

|                 |                 |                |                 |                 |
|-----------------|-----------------|----------------|-----------------|-----------------|
|                 |                 |                |                 |                 |
| 27.80           | 30.35           | 32.09          | 38.39           | 40.00           |
| 2.39            | 2.30            | 2.71           | 2.15            | 1.92            |
| 110.23          | 120.89          | 123.22         | 138.25          | 142.37          |
| -               | -               | 3.20           | -               | -               |
| <b>140.42</b>   | <b>153.54</b>   | <b>161.21</b>  | <b>178.79</b>   | <b>184.29</b>   |
| 7.82            | 7.88            | 8.86           | 8.20            | 8.57            |
| 6.26            | 7.18            | 6.80           | 5.53            | 5.57            |
| -               | -               | -              | -               | -               |
| 3.16            | 6.04            | 5.92           | 3.17            | 3.17            |
| -               | -               | -              | -               | -               |
| <b>157.65</b>   | <b>174.63</b>   | <b>182.80</b>  | <b>195.69</b>   | <b>201.61</b>   |
| 4.19            | 4.49            | 4.64           | 4.65            | 4.25            |
| -               | -               | -              | -               | -               |
| 0.27            | 0.42            | 0.45           | 0.37            | 0.32            |
| 1.04            | 1.21            | 1.35           | 1.36            | 1.34            |
| 0.14            | (9.84)          | 0.82           | (1.07)          | (0.50)          |
| <b>163.29</b>   | <b>170.92</b>   | <b>190.05</b>  | <b>201.02</b>   | <b>207.01</b>   |
| 16.46           | 17.44           | 17.46          | 18.10           | 17.89           |
| <b>179.76</b>   | <b>188.36</b>   | <b>207.51</b>  | <b>219.11</b>   | <b>224.91</b>   |
| <b>\$ 20.72</b> | <b>\$ 16.65</b> | <b>\$ 4.40</b> | <b>\$ 34.38</b> | <b>\$ 32.40</b> |

Total care labour costs as a % of direct care revenue

Direct care expenditure as a % of direct care revenue

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

| ALL HOMES<br>(1187 Homes)<br>Dec-23 | First 25% - All<br>HOMES<br>(297 Homes)<br>Dec-23 | NSW/ACT<br>(475 Homes)<br>Dec-23 | NSW/ACT - First<br>25%<br>(119 Homes)<br>Dec-23 | Major Cities<br>(739 Homes)<br>Dec-23 |
|-------------------------------------|---|----------------------------------|---|---------------------------------------|
| 252.49                              | 256.74  | 251.95                           | 252.36  | 250.44                                |
| 8.62                                | 8.88  | 9.87                             | 11.14   | 9.72                                  |
| <b>261.11</b>                       | <b>265.62</b>                                     | <b>261.83</b>                    | <b>263.50</b>                                   | <b>260.16</b>                         |
| 2.15                                | 4.01  | 1.30                             | 1.35  | 1.49                                  |
| -                                   | -   | -                                | -   | -                                     |
| <b>263.26</b>                       | <b>269.63</b>                                     | <b>263.13</b>                    | <b>264.85</b>                                   | <b>261.65</b>                         |

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

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

# INDIRECT CARE

## INDIRECT CARE REVENUE

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

## INDIRECT CARE EXPENDITURE

### HOTEL SERVICES

#### CATERING

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

#### CLEANING

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

#### LAUNDRY

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

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

#### UTILITIES

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

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

| ALL HOMES<br>(1187 Homes)<br>Dec-23 | First 25% - All<br>HOMES<br>(297 Homes)<br>Dec-23 | NSW/ACT<br>(475 Homes)<br>Dec-23 | NSW/ACT - First<br>25%<br>(119 Homes)<br>Dec-23 | Major Cities<br>(739 Homes)<br>Dec-23 |
|-------------------------------------|---|----------------------------------|---|---------------------------------------|
| 60.33                               | 60.86   | 60.30                            | 60.90   | 60.44                                 |
| 10.94                               | 10.96   | 10.96                            | 10.98   | 10.95                                 |
| 3.98                                | 5.87  | 4.55                             | 6.08  | 5.11                                  |
| <b>75.26</b>                        | <b>77.70</b>                                      | <b>75.81</b>                     | <b>77.95</b>                                    | <b>76.50</b>                          |

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

|              |             |              |             |              |
|--------------|-------------|--------------|-------------|--------------|
| 6.20         | 4.73        | 4.29         | 3.54        | 5.64         |
| 1.72         | 1.47        | 1.55         | 1.24        | 1.73         |
| 2.63         | 2.74        | 4.81         | 4.96        | 3.17         |
| <b>10.55</b> | <b>8.94</b> | <b>10.65</b> | <b>9.74</b> | <b>10.53</b> |

|             |             |             |             |             |
|-------------|-------------|-------------|-------------|-------------|
| 2.77        | 2.70        | 2.71        | 2.53        | 2.61        |
| 0.46        | 0.60        | 0.62        | 0.80        | 0.44        |
| 1.44        | 0.99        | 1.35        | 0.75        | 1.61        |
| <b>4.67</b> | <b>4.28</b> | <b>4.68</b> | <b>4.09</b> | <b>4.66</b> |

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

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

|                  |                |                  |                |                  |
|------------------|----------------|------------------|----------------|------------------|
| <b>63.82</b>     | <b>58.10</b>   | <b>63.48</b>     | <b>57.09</b>   | <b>62.44</b>     |
| 16.84            | 15.37          | 16.84            | 15.30          | 16.75            |
| <b>80.65</b>     | <b>73.47</b>   | <b>80.31</b>     | <b>72.39</b>   | <b>79.19</b>     |
| <b>\$ (5.40)</b> | <b>\$ 4.23</b> | <b>\$ (4.51)</b> | <b>\$ 5.56</b> | <b>\$ (2.69)</b> |

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

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

## GLOSSARY

### Accommodation Margin

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

### AN-ACC Direct Care Subsidy

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

### Direct Care Margin

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

### Facility (Aged Care Home) Result

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

### Facility EBITDA

The starting point for this calculation is the Aged Care Home (Facility) Result which is the combination of the direct care margin, everyday living margin and accommodation margin. It excludes all “provider revenue and expenditure” including fundraising revenue, revaluations, donations, capital grants and sundry revenue. It also excludes those items excluded from the EBITDA calculation above.

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

### Administration Costs

Administration Costs includes the direct costs related to administration and support services and excludes the allocation of workers compensation and quality and education costs to Direct Care, Everyday living and accommodation.

Although administration costs are unfunded specifically, each of the respective revenue streams requires a significant component. The allocation of the administration costs has been based on the average provider responses received from the FY23 Administration Survey.

The allocation for each revenue stream is as follows:-

- Direct care: 37.0%
- Everyday living: 33.6%
- Accommodation: 29.4%.

### Aged Care Home

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

### Averages

For residential care all *averages* are calculated using the total of the raw data submitted for any one line item and then dividing that total by the total occupied bed days for the aged care homes in the group. For example, the average for contract catering across all homes would be the total amount submitted for that line item divided by the total occupied bed days for all aged care homes in the Survey.

For home care all *averages* are calculated using the total of the raw data submitted for any one line item and then dividing that total by the total client days for the programs in the group. For example, the average for sub-contracted and brokerage costs across all programs would be the total amount submitted for that line item divided by the total client days for all programs in the Survey.

### **Average by line item**

This measure is *averaged* across only those aged care homes that provide data for that line item. All other measures are *averaged* across all the homes in the particular group. The *average* by line item is particularly useful for line items such as contract catering, cleaning and laundry, property rental, extra service revenue and administration fees as these items are not included by everyone.

### **Bed day**

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

### **Benchmark**

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

### **Benchmark bands**

#### *Residential Care*

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

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

Band 1 - Over \$282

Band 2 - Between \$272 and \$282

Band 3 - Between \$262 and \$272

Band 4 - Under \$262

#### *Home Care*

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

Band 1 - Under \$70

Band 2 - Between \$70 and \$80

Band 3 - Between \$80 and \$90

Band 4 - Over \$90

### **Dollars per bed day**

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

### **Dollars per client day**

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

### **EBITDA**

This measure represents earnings before interest (including investment revenue), taxation, depreciation and amortisation. The calculation excludes interest (and investment) revenue as well as interest expense on borrowings. The main reason for this is to achieve some consistency in the calculation. Different organisations allocate interest and investment revenue differently at the “aged care home (facility) level”. To ensure that the measure is consistent across all organisations we exclude these revenue and expense items.

### **EBITDA per bed per annum**

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

### **NPBT**

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

### **Facility**

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

### **Everyday Living Margin**

Revenue from Basic Daily Fee, Additional Service fees and Hotelling Supplement less Hotel Services (catering, cleaning, laundry) and Utilities (includes allocation of workers compensation premium and quality and education costs to hotel services staff).



### Home Care Packages (HCP)

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

### Residential Care

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

### Location - City

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

### Location - Regional

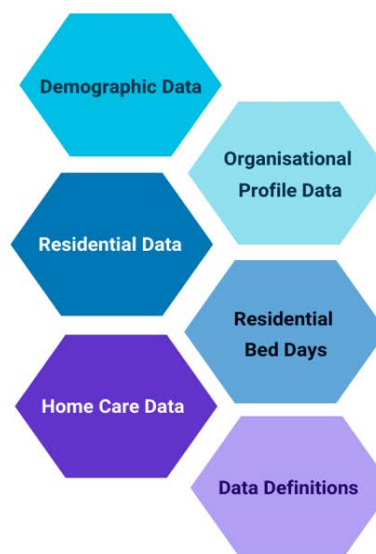
Aged care homes have been designated as being regionally based according to the designation by the Department of Health and Aged Care in their listing of aged care services. Those that were designated as being an “Inner Regional”, “Outer Regional” or “Remote” have been designated as Regional.

### Modified Monash Model (MMM)

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

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

### Data Collection Process



Each tab (spreadsheet) requires an extensive level of input



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



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

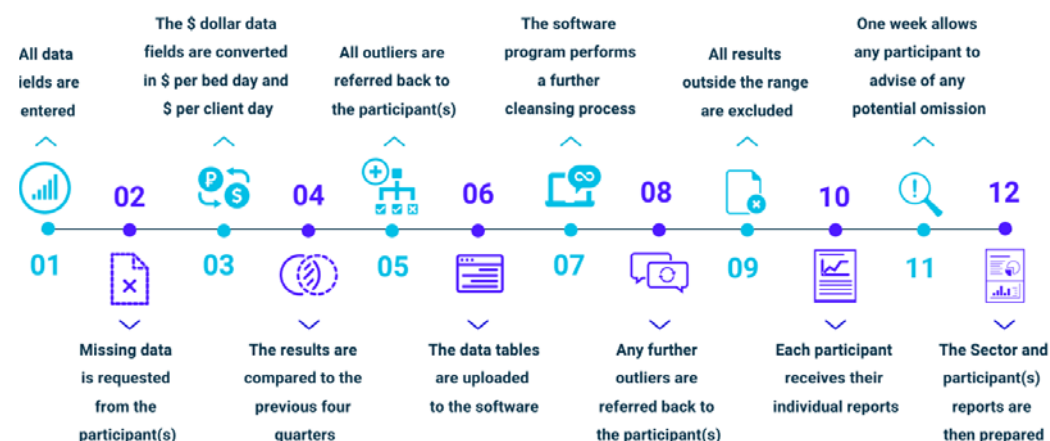


Each row must be completed. The only tabs not completed are where it is not applicable



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

### Data Cleansing Process



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

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