



StewartBrown

Integrity + Quality + Clarity

Aged Care Sector Report



The StewartBrown March 2022 *Aged Care Financial Performance Survey* incorporates detailed financial and supporting data from **1,282 aged care homes (103,015 beds/places)** and **58,314 home care packages across Australia**. The quarterly survey is the largest benchmark in the aged care sector and provides invaluable insight into the trends and drivers of financial performance at the sector level and at the aged care home or programme level.

9 months ended 31 March 2022

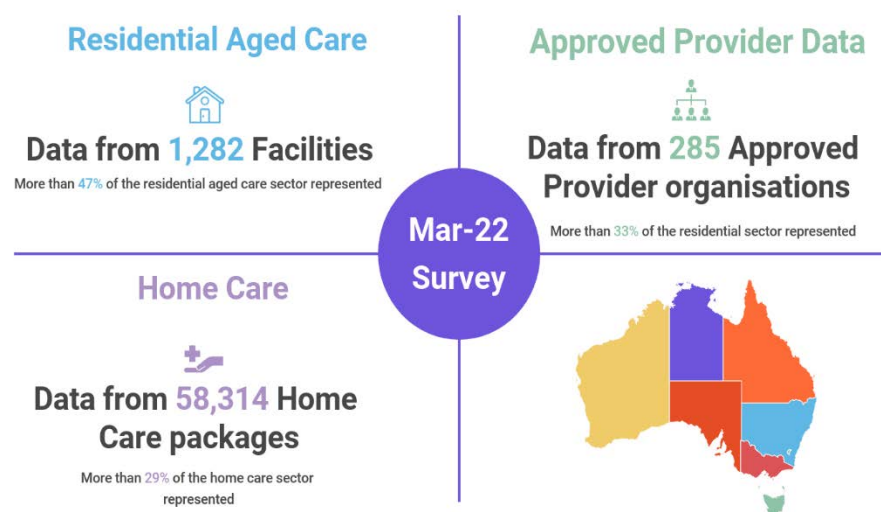
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1. EXECUTIVE SUMMARY

Abstract

The *Aged Care Financial Performance Survey* (Survey) March 2022 Sector Report provides an overview of the financial performance of the aged care sector in Australia. It is based on the results of the StewartBrown Survey for the 9 months ended 31 March 2022 which includes the below metrics.



Refer Glossary, which provides a graphical depiction of the Data Collection, Data Cleansing and Survey Metrics processing.

Commentary

The Survey for the 9 month period ending March 2022 continues to highlight the declining financial sustainability of the sector, with residential aged care now being at a **critical financial sustainability position**.

The average operating results for residential aged care homes in all geographic sectors was an **operating loss of \$12.85 per bed per day** (March 2021 \$6.10 pbd loss) despite the additional Basic Daily Fee supplement of \$10 per bed day.

Occupancy remains a major concern and the combination of negative factors has eroded essential investment from new and existing providers.

The key financial indicators for residential aged care have deteriorated apart from the significant impact of Covid-19 pandemic, with the COPE (indexation) increase of 1.1% being offset against the Superannuation Guarantee Scheme increase of 0.5%, workforce award increases ranging between 1.75% to 3.5%, and higher inflation (5.1% for the March quarter). *Please note that the financial performance excludes the additional Covid-19 outbreak costs and grant reimbursements.*

It is the opinion of StewartBrown that after 5 years of significant aggregate operating losses in the residential aged care sector, that structural funding reforms (including care recipient co-contribution) are essential. However, to avoid closure of homes and reduced service delivery, especially in regional locations, an emergency funding package needs to be delivered in the short term to ensure current viability and allow for the necessary funding reforms to be properly implemented.

Home Care also faces significant operating issues. As with residential aged care, staffing remains the most crucial concern, and this coupled with a complicated regulatory environment has seen the financial performance stagnate with the current operating result being a surplus of \$4.29 per client per day, a decline in revenue utilisation to 85.5% of available package funding and an increase in unspent funds to now average \$10,690 for every care recipient.

The funding reform agenda needs to clearly articulate each specific area to be addressed. A number of additional financial reforms need to be strongly considered including:

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

Fiscal Cliff

It seems a very reasonable proposition is that residential aged care has now reached the fiscal cliff. The following graphs demonstrates the *forecast result* for the year ended June 2022 and the number of homes making an operating and cash loss.

Figure 1: Residential Operating Result (including FY22 forecast) (\$ per bed day)

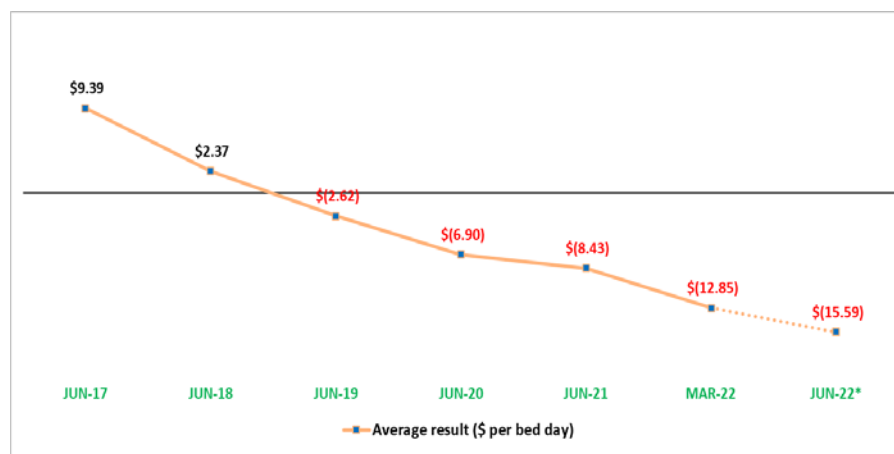
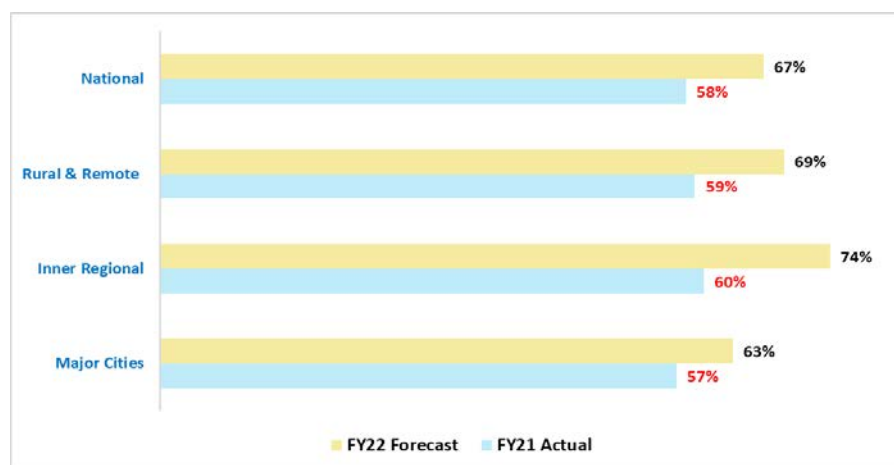


Figure 2: FY22 forecast percentage of homes making an operating loss



Accumulated Operating Losses

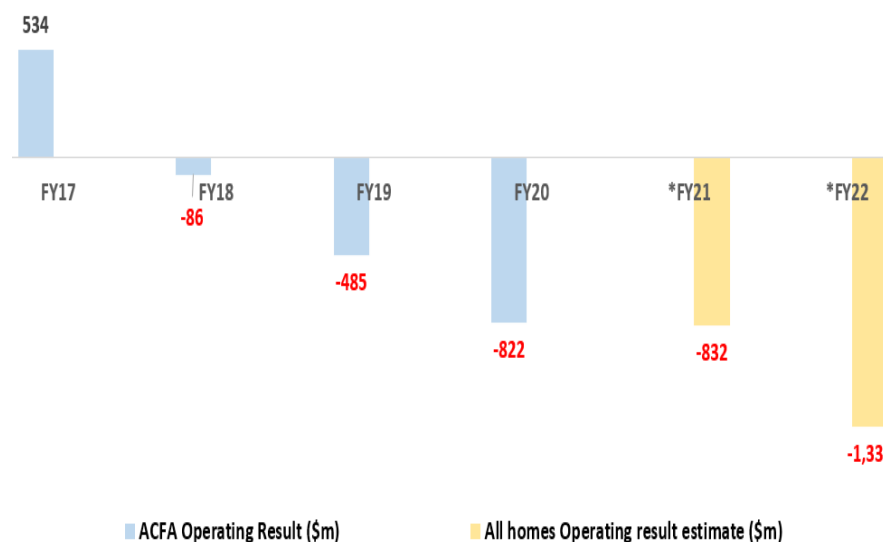
All approved providers must submit an Aged Care Financial Report (ACFR) (signed by a Director) and an audited General Purpose Financial Statements (GPFS) to the Department. This allows a full analysis of the overall financial position of the aged care sector, and in particular the residential aged care sector.

Similarly, StewartBrown also receive aggregate financial information from each participant in the Survey which undergoes significant detailed data cleansing and checking to historical results (by provider) and to the published financial statements.

Whilst there is some formal and social media speculation that providers are making surpluses, the overall results for the sector are quite conclusive as they are cross referenced to various sources such as the ACFR and GPFS and lodgement with ASIC and ACNC as required.

The residential aged care sector has sustained significant aggregate operating losses for the last 5 years totalling an estimated \$3.561 billion, with \$1.336 billion being the FY22 forecast.

Figure 3: Aggregate Operating Results for Residential Aged Care Sector (\$M)



Source: ACFA FY17 to FY20; * StewartBrown Survey results extrapolated FY21 and FY22

The following figures provide explanation as to the fundamental reasons for the operating losses, being COPE subsidy increases not matching CPI, Wages Price Index or direct care costs (Figures 4 and 5); the effect on occupancy due to increased home care packages (Figure 6) and the extent of the financial viability issue represented by the performance gap for 75% of aged care homes (Figure 7).

Figure 4: Cumulative percentage increase in COPE, CPI and Wages Price Index

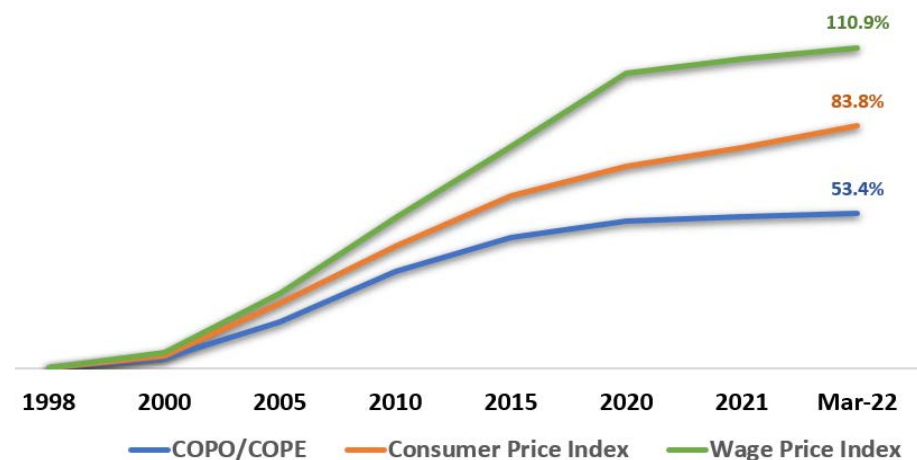


Figure 5: Cumulative percentage increase in ACFI Subsidy and Direct Care costs

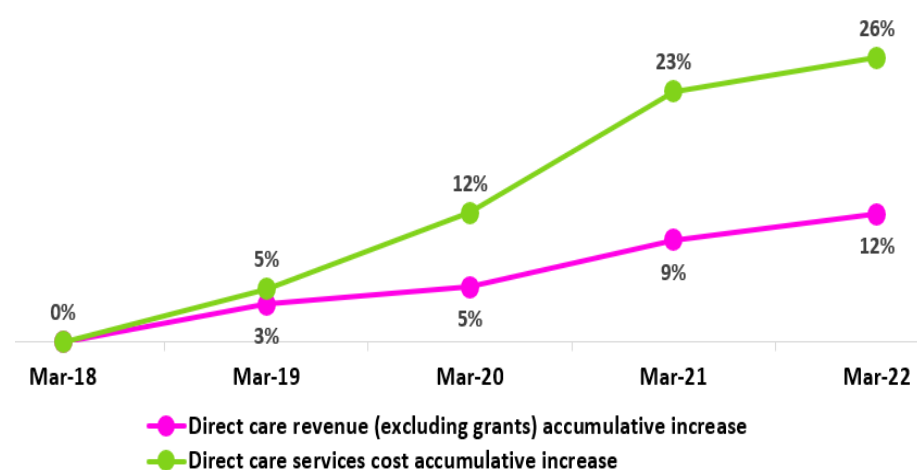


Figure 6: Residential occupancy comparison to increase in Home Care Packages

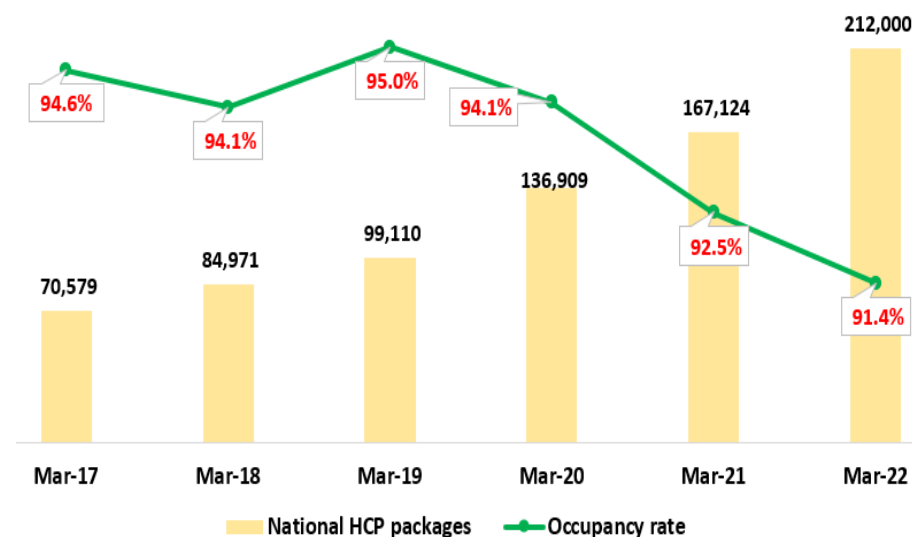
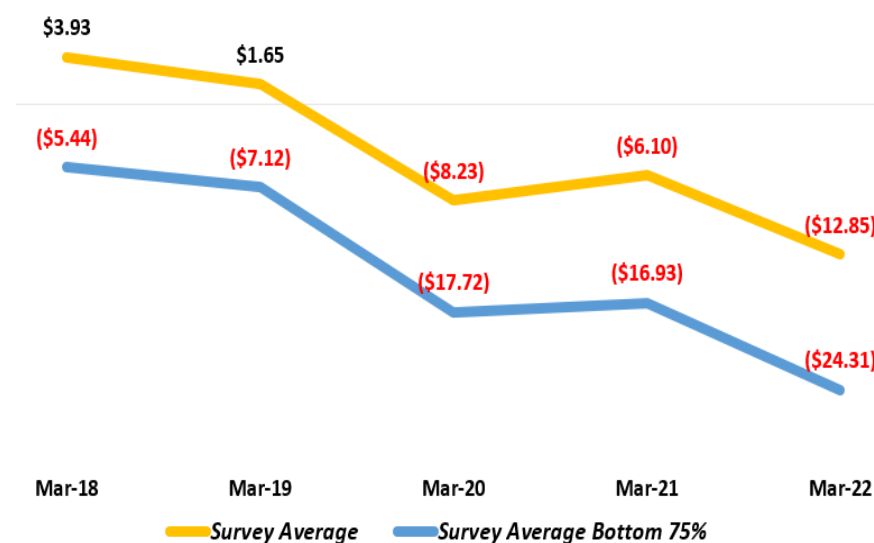
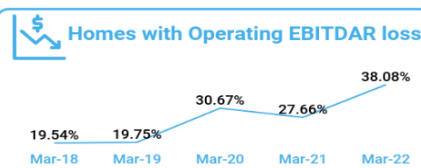
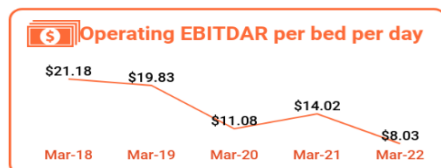
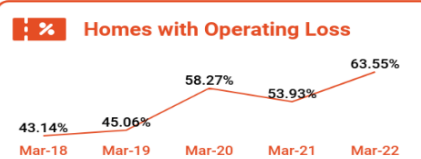
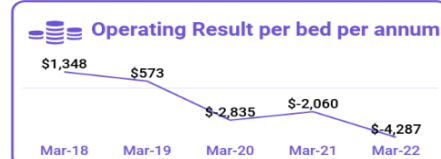
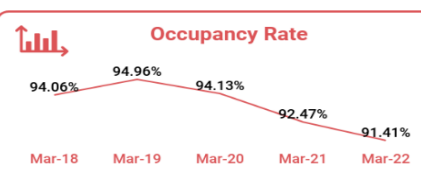
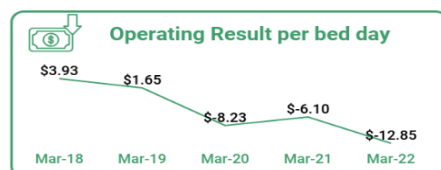


Figure 7: Operating results comparison of Bottom 75% of homes (\$ pe bed day)

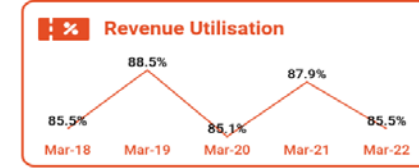
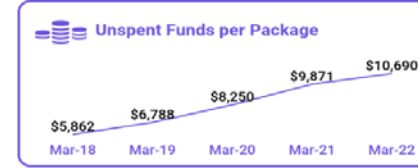
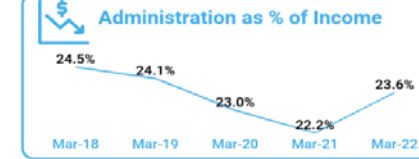
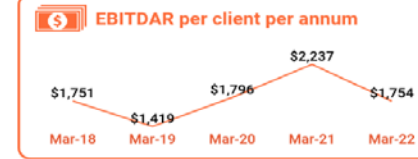
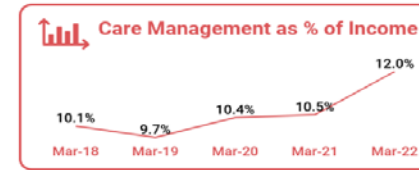
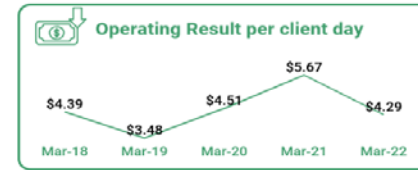


Mar-22 YTD Results Snapshot

Residential Aged Care



Home Care



Occupancy for Mar-22 declined by 1.1% to 91.4% (Mar-21 92.5%)

Direct care costs represented 91.1% of direct care revenue. COPE increase not meeting direct care cost increases

Accommodation result (including property maintenance) was a deficit of \$11.70 pbd

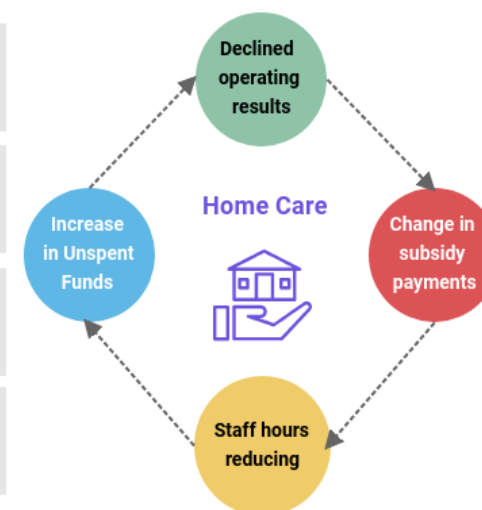
64% of homes made an operating loss. 38% of homes also made an EBITDAR loss

Operating results declined to \$4.29 per client per day (Mar-21 \$5.67)

Unspent funds per client continued to increase to average \$10,690 per care recipient (Mar-21 \$9,871)

Funding for actual services provided in arrears effective from 1 September 2021

Staff hours have declined since the 2016 consumer directed care reform. Staff hours per care recipient decreased to be 5.31 hours (Mar-21 5.51 hours)



Mar-22 YTD Financial Performance Analysis

Residential Aged Care Results

Revenue	<ul style="list-style-type: none"> Average ACFI and supplements was \$192.80 pbd an increase of 2.1% from Mar-21 (\$185.94 pbd) Indirect care (everyday living) revenue <i>excluding the BDF supplement</i> was \$55.97 pbd an increase of 2.1% from Mar-21 (\$54.82 pbd) Indirect care (everyday living) revenue <i>including the BDF supplement</i> was \$65.97 pbd Accommodation revenue was \$32.70 pbd a decrease of 0.5% from Mar-21 (\$32.55 pbd) Covid funding support ceased at FY21 (Mar-21 \$13.18 pbd)
Expenses	<ul style="list-style-type: none"> Direct care labour costs (RN/EN/PCA) averaged \$141.61 pbd an increase of 5.6% from Mar-21 (\$134.05 pbd) Other direct care labour costs (Care Management/Allied Health/Lifestyle) averaged \$21.87 pbd an increase of 12.9% from Mar-21 (\$19.36 pbd) Other direct care costs averaged \$9.98 pbd an increase of 8.1% from Mar-21 (\$9.23 pbd) Direct care expenses relating to Covid-19 averaged \$2.08 pbd (Mar-21 \$8.63 pbd) Indirect care (everyday living) costs was \$69.63 pbd (including administration) an increase of 4.6% (Mar-21 \$66.59 pbd) Catering expenditure averaged \$33.96 pbd and increase of 5.0% (Mar-21 \$32.33 pbd) <i>(this may be as a result of the targeted BDF supplement)</i> Administration costs was \$39.85 pbd an increase of 6.4% (Mar-21 \$37.45 pbd) <i>(due to increase quality, reporting and compliance requirements)</i> Accommodation expenditure averaged \$44.40 pbd (depreciation \$19.65 pbd) compared to Mar-21 \$42.37 pbd (depreciation \$19.09 pbd)
Operating Result	<ul style="list-style-type: none"> Direct care result declined by \$12.97 pbd to a surplus of \$2.52 pbd from Mar-21 \$15.49 pbd Indirect care result improved but remains in a deficit at \$3.66 pbd (including administration) Accommodation result was a deficit of \$11.70 pbd Operating result <i>(including BDF supplement of \$10 pbd from 1 July 2021)</i> was a deficit of \$12.85 pbd (Mar-21 operating deficit \$6.10 pbd) Operating EBITDAR averaged \$2,679 pbpa (Mar-21 EBITDAR \$4,733 pbpa)
Additional Trends	<ul style="list-style-type: none"> Direct care minutes (RN/EN/PCA) was 179.00 minutes per resident per day (Mar-21 176.35 minutes) Occupancy for mature homes declined to 91.4% (Mar-21 92.5%) <i>(occupancy based on actual available beds)</i> Occupancy for all homes decreased to 90.1% (Mar-21 90.8%) <i>(occupancy based on approved places)</i> Supported resident ratio decreased by 0.8% to 45.8% (Mar-21 46.7%) Average full RAD received for Mar-22 period was \$456,288 (Mar-21 \$446,558) Proportion of full RADs received was 24%, full DAPs was 55% and Combinations (RAD/DAP) was 21%

Home Care Package (HCP) Results

Revenue	<ul style="list-style-type: none"> Revenue was \$68.38 per client per day a decrease of 3.0% from Mar-21 (\$70.53 pcpd) Care management revenue as a proportion of total revenue was 18.7% Package management revenue as a proportion of total revenue was 10.1% Revenue utilisation decreased by 2.4% to 85.5% of funding received for Mar-22 period (Mar-21 87.9%)
Expenses	<ul style="list-style-type: none"> Direct service costs decreased by \$2.06 pcpd (57.4% of total revenue compared to 58.6% at Mar-21) Case management cost as % of revenue has increased to 12.0% of revenue (Mar-21 10.5% of revenue) Administration and support costs represent 23.6% of revenue (Mar-21 22.2%)
Unspent Funds	<ul style="list-style-type: none"> The amount of unspent funds per client (care recipient) has continued to rise and now averages \$10,690 per client (Mar-21 \$9,871 per client) In aggregate across the sector, this represents in excess of \$1.9 billion of funds that have not been utilised.
Operating Result	<ul style="list-style-type: none"> Operating results have declined from \$5.67 per client per day for Mar-21 to \$4.29 pcpd for Mar-22 The profitability margin has declined from 8.0% for Mar-21 to 6.3% for Mar-22 Profitability decline is being driven by a \$2.15 decrease in total revenue per client per day in parallel with decrease in revenue utilisation
Other Trends	<ul style="list-style-type: none"> Average staff hours per week was 5.31 hours (Mar-21 5.51 hours) The number of packages in the survey has increased 3.2% (1,635 packages) from Jun-21 to Mar-22

2. RESIDENTIAL CARE ANALYSIS

Operating Result

The Operating Result as shown below has further declined from a deficit of \$8.43 per bed day (pbd) for the 12 months to Jun-21 to a **deficit of \$12.85 pbd** for the 9 months to Mar-22. This decline is a significant concern as it is after the \$10 per bed day Basic Daily Fee supplement (from 1 July 2021) and the COPE (indexation) increase of 1.1% on the ACFI subsidy.

All of the operating performance fundamentals have deteriorated in the current nine month period. Occupancy has declined, staff costs have risen at a greater rate than the COPE indexation, resident acuity funding has plateaued, administration costs have risen due to increased compliance requirements, the Omicron variant has increased the severe staffing shortage and accommodation revenue has not increased in line with overall property price significant gains.

The continued negative financial performance has placed the residential aged care sector in a very vulnerable position with regards to future viability.

Figure 8: Residential Operating Result Snapshot (\$ per bed day)

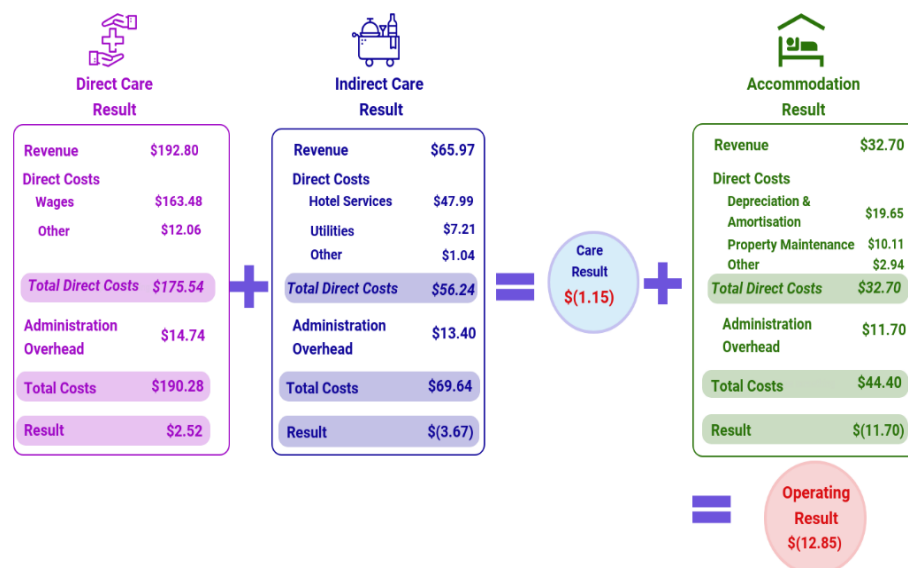


Table 1: Summary Income & Expenditure Comparison (\$ per bed day)

	Survey Mar-22 1,166 Homes	Survey Mar-21 1,081 Homes	Survey FY21 1,163 Homes
DIRECT CARE			
Revenue	\$192.80	\$200.61	\$198.96
Expenditure			
Direct care labour costs	\$141.61	\$134.05	\$134.60
Other direct care labour costs	\$21.87	\$19.36	\$20.23
Other direct care costs	\$12.06	\$17.86	\$16.75
Administration	\$14.74	\$13.85	\$13.76
	\$190.28	\$185.12	\$185.33
DIRECT CARE RESULT (A)	\$2.52	\$15.49	\$13.63
INDIRECT CARE			
Revenue	\$65.97	\$54.82	\$54.79
Expenditure			
Catering	\$33.96	\$32.33	\$32.90
Cleaning	\$9.65	\$9.24	\$9.25
Laundry	\$4.31	\$4.18	\$4.29
Other hotel services expense	\$0.07	\$0.11	\$0.06
Payroll tax	\$0.14	\$0.12	\$0.11
Overhead allocation (workcover & education)	\$0.90	\$0.81	\$0.82
Utilities	\$7.21	\$7.21	\$6.93
Administration	\$13.40	\$12.59	\$12.51
	\$69.63	\$66.59	\$66.88
INDIRECT CARE RESULT (B)	\$(3.66)	\$(11.77)	\$(12.09)
CARE RESULT (C) (A + B)	\$(1.15)	\$3.72	\$1.55
ACCOMMODATION			
Revenue			
Residents	\$13.02	\$13.06	\$13.03
Government	\$19.69	\$19.49	\$19.83
	\$32.70	\$32.55	\$32.86
Expenditure			
Depreciation	\$19.65	\$19.09	\$19.59
Property maintenance	\$10.11	\$9.67	\$10.20
Property rental	\$1.23	\$1.03	\$0.53
Other	\$1.71	\$1.56	\$1.59
Administration	\$11.71	\$11.01	\$10.93
	\$44.40	\$42.37	\$42.84
ACCOMMODATION RESULT (D)	\$(11.70)	\$(9.82)	\$(9.98)
OPERATING RESULT (\$ per bed day) (C + D + E)	\$(12.85)	\$(6.10)	\$(8.43)
OPERATING RESULT (\$ per bed per annum)	\$(4,287)	\$(2,060)	\$(2,832)
EBITDAR (\$ per bed per annum)	\$2,679	\$4,733	\$3,924

Table 2: Summary KPI Results Comparison

Summary KPI Results	Mar-22 1,166 Homes	Mar-21 1,081 Homes		Difference (YoY)	FY21 1,163 Homes
Operating Result (\$pbd)	(\$12.85)	(\$6.10)	↓	(\$6.74)	(\$8.43)
Operating Result (\$pbpa)	(\$4,287)	(\$2,060)	↓	(\$2,227)	(\$2,832)
EBITDAR (\$pbpa)	\$2,679	\$4,733	↓	(\$2,054)	\$3,924
Average Occupancy (all homes)	90.1%	90.8%	↓	(0.8%)	90.2%
Average Occupancy (mature homes)	91.4%	92.5%	↓	(1.1%)	92.0%
Average direct care subsidy & supplements (\$pbd)	\$191.90	\$187.93	↑	\$3.97	\$187.12
Total care minutes per resident per day	179.00	176.35	↑	2.65	175.81
Direct care services costs as a % of direct care revenue	91.1%	85.4%	↑	5.7%	86.2%
Supported Ratio %	45.8%	46.7%	↓	(0.8%)	47.0%
Average Full RAD/Bond held	\$422,935	\$402,557	↑	\$20,378	\$408,359
Average Full RAD taken during period	\$456,288	\$446,558	↑	\$9,731	\$448,532

Trend Analysis

Figure 9: Residential Operating Results by Region (\$ per bed day)

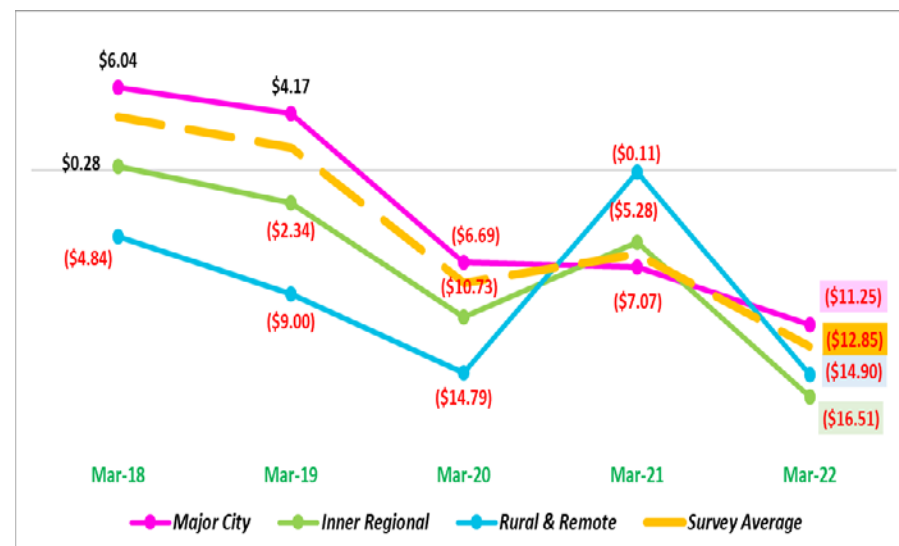
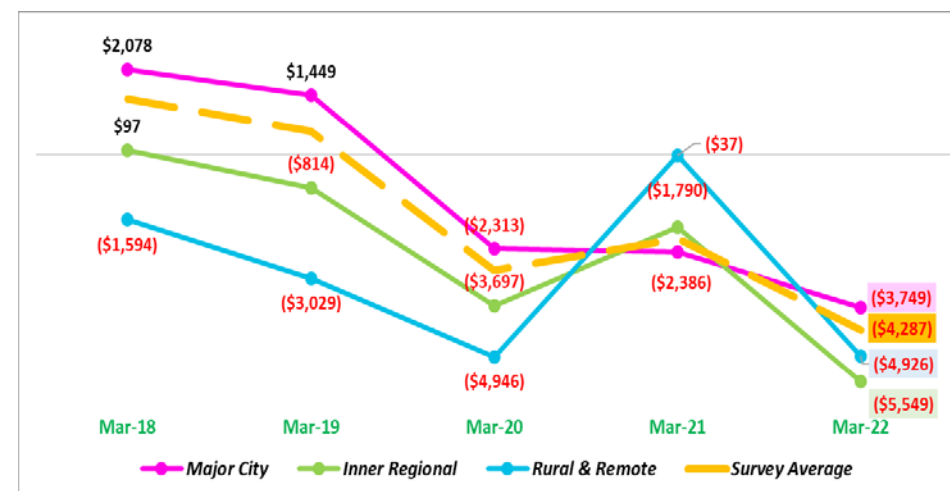
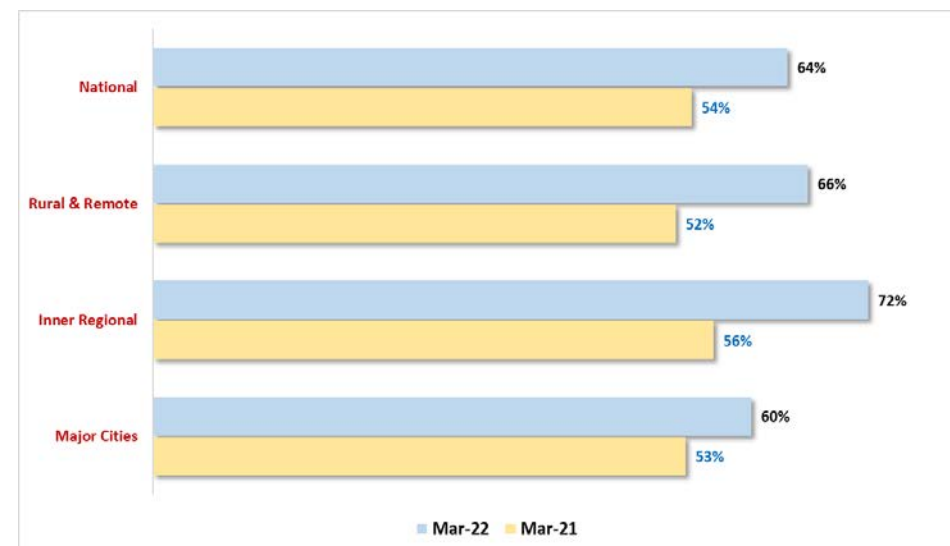


Figure 10: Residential Operating Results by Region (\$ per bed per annum)



Number of Aged Care Homes making an Operating Loss

Figure 11: Aged care homes making an operating loss by remoteness



Operating Result Metrics

Figure 12: Operating Result by ACFI band and Occupancy percentage (\$ pbd)

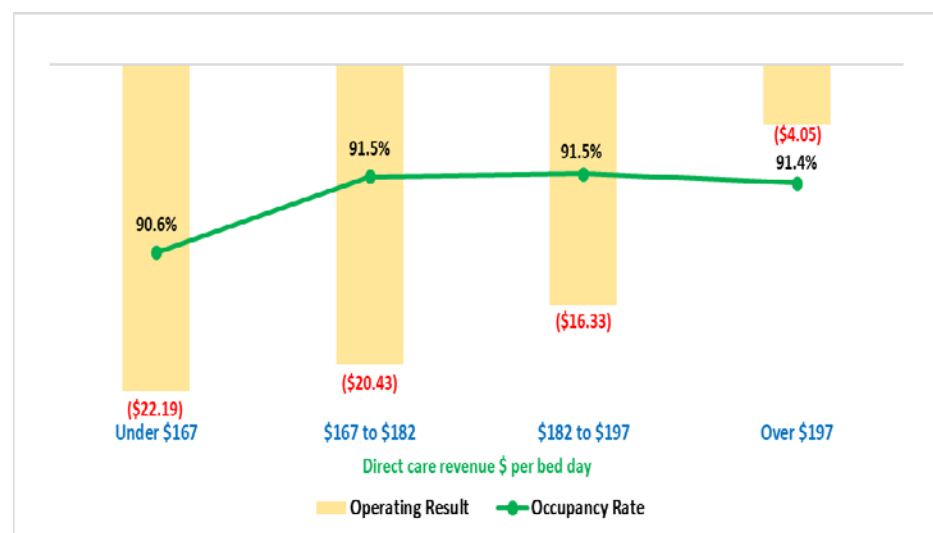


Figure 13: Operating Result comparison by size of aged care home (\$ per bed day)

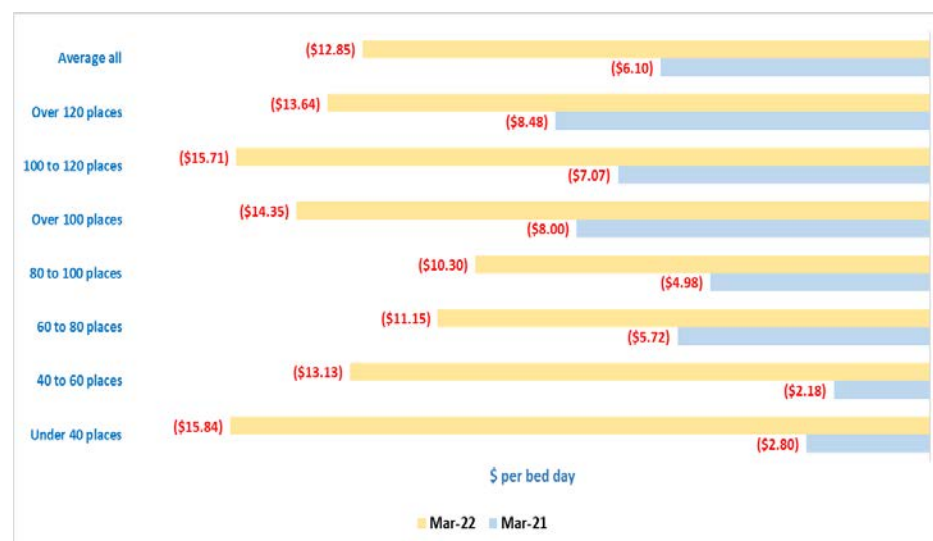
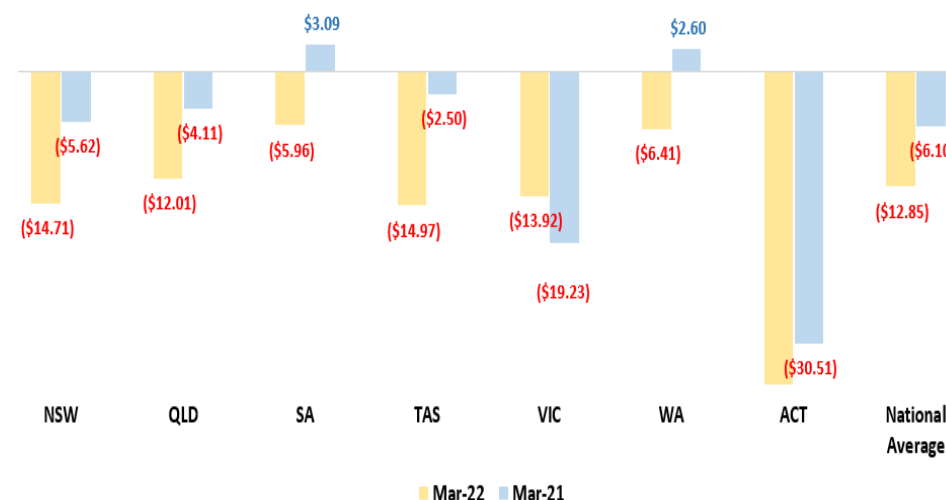


Figure 14: Operating Result comparison by State/Territory (\$ per bed day)



EBITDAR Result

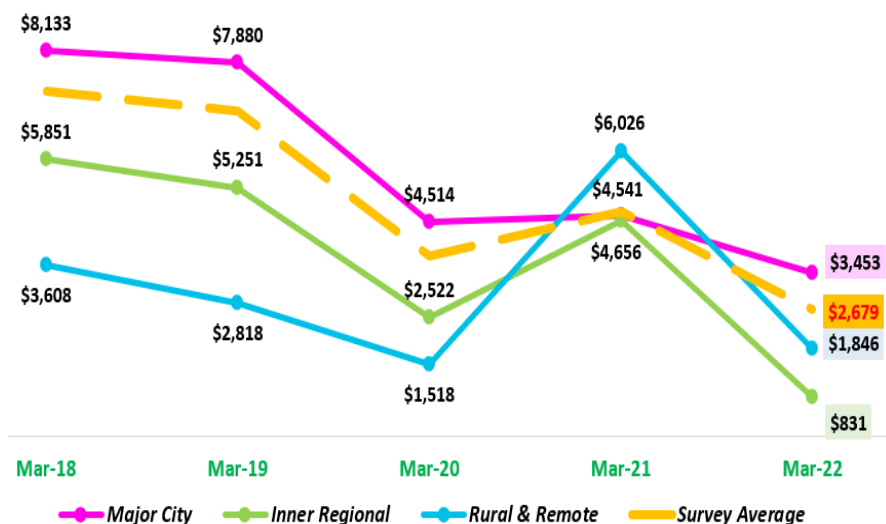
The graph below displays residential operating EBITDAR (Earnings Before Interest, Taxation, Depreciation, Amortisation and Rent) trend for the years from Mar-18 to Mar-22.

The average Mar-22 EBITDA surplus was \$2,679 per bed per annum (pbpa). The Mar-21 EBITDA result was \$4,733 pbpa which is a deterioration of \$2,054 pbpa, and after allowing for the Basic Daily Fee supplement (\$2,740 pbpa) the normalised result was a **deterioration of \$4,794 pbpa**.

The number of homes making an EBITDAR (cash) loss (*Figure 16*) continues to rise and remains concerning as it is financially unsustainable over any extended period.

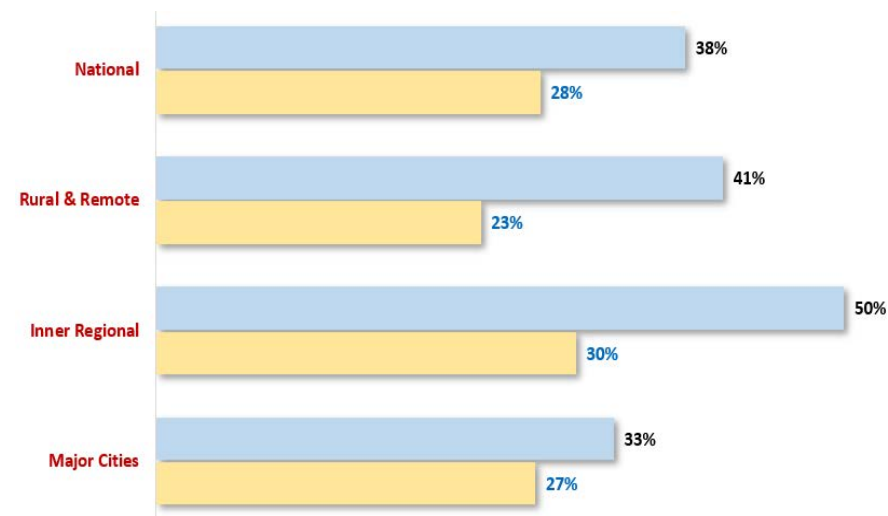
The resultant effect is that those homes with a continual EBITDAR losses will need to be cross subsidised by other business activities, which may be difficult or, in the case of small providers, unlikely to be feasible.

Figure 15: Residential EBITDAR Results by Region (\$ per bed per annum)



Number of Aged Care Homes making an EBITDAR loss

Figure 16: Aged care homes making an EBITDAR loss by remoteness



Results by Geographic Location

Homes in all locations, including metropolitan, regional and remote locations are making operating losses, which is unsustainable in the longer term.

Aged care homes in Victoria and NSW were heavily impacted by the Delta variant in the first 5 months, and the Omicron variant impacted most regions from December. General COVID funding ceased from 1 July 2021 except if there was a specific outbreak at a home. Major city homes had an average **operating loss** of \$11.25 per bed day compared to Inner Regional (\$16.51 per bed day and Rural and remote (\$14.90 per bed day).

Many regional and remote homes benefitted from the increased viability supplement which slightly improved their performance.

The following graphs highlight the varying results by geographic region.

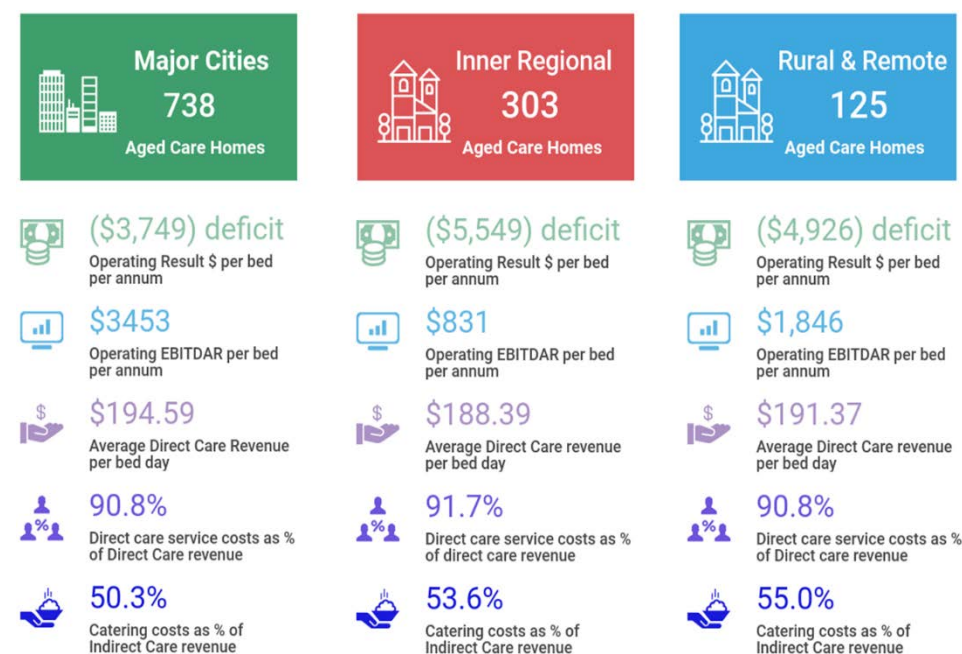




Figure 17: Direct Care staff hours by region

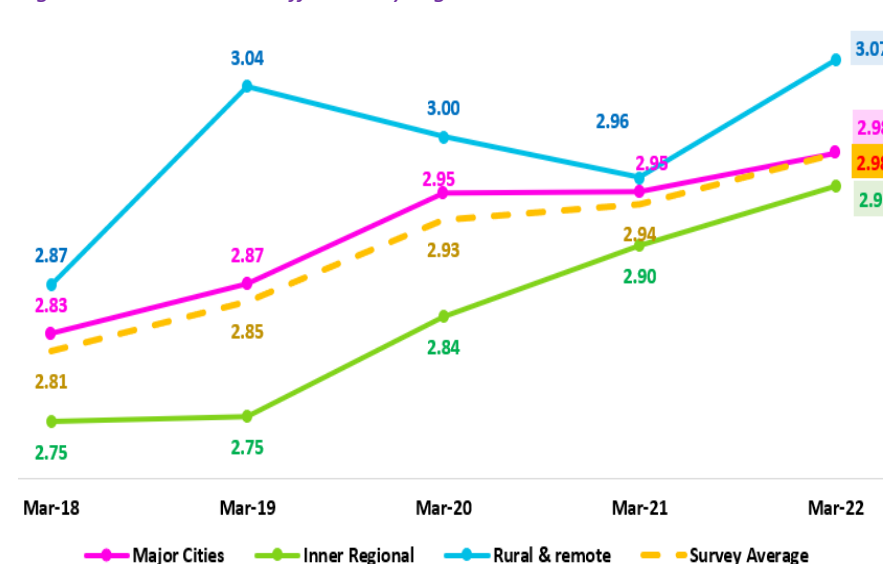


Figure 18: Direct Care staff hours by facility size



Direct Care Staffing Hours

Table 3: Direct Care staffing metrics

Staffing Category	Survey Average			Survey Average
	Mar-22	Mar-21		
Registered nurses	0.46	0.44	↑	0.44
Enrolled & licensed nurses	0.27	0.29	↓	0.28
Other unlicensed nurses & personal care staff	2.22	2.20	↑	2.19
Imputed agency care hours implied	0.03	0.02	↑	0.03
Total Direct Care Hours	2.98	2.94	↑	2.93
Care management	0.12	0.12	↑	0.12
Allied health	0.09	0.13	↓	0.11
Diversional/Lifestyle/Activities	0.12	0.08	↑	0.11
Total Care Hours	3.31	3.27	↑	3.27
Total Direct Care minutes per resident day	179.00	176.35	↑	175.81

Average Direct Care Minutes Trend per resident day

The required (average) minimum mandated minutes per resident per day (200 minutes for RN/EN/PCA staff) effective from 1 October 2023 will require increased staffing by an average 21.00 minutes from the staffing levels for the Mar-22 period. This represents an increase of 11.7%.

To achieve this mandated level will require additional direct care staff to be employed. This will be a significant challenge for the sector, particularly in regional, rural and remote locations where registered nurse availability is at a premium.

Targeted initiatives designed to attract, train and retain staff will be a major strategic imperative in the coming years. Incentives which may include the provision of low cost accommodation and increased remuneration will require the funding and support from Government.

The graph below highlights providers have progressively increased the number of minutes per resident per day

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

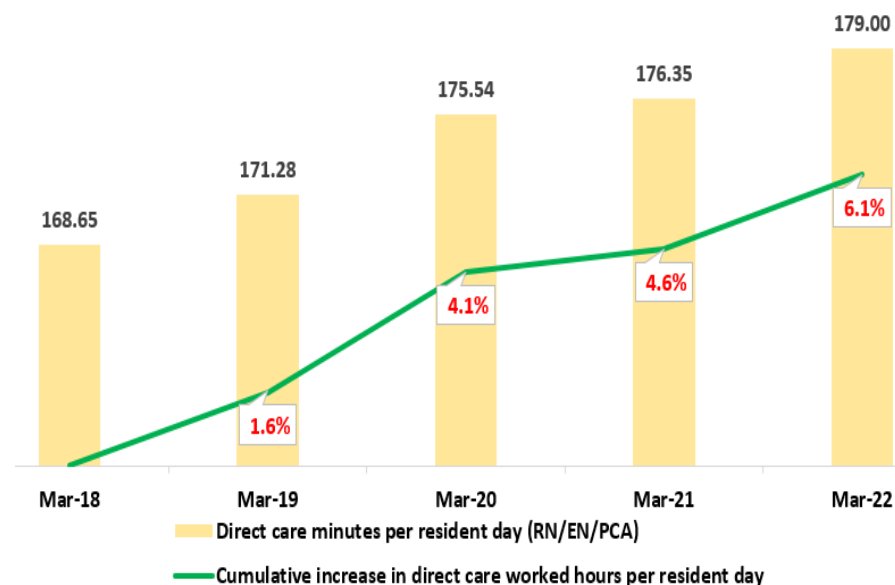


Figure 20: Direct Care Staff Minutes by Region (minutes per resident per day)

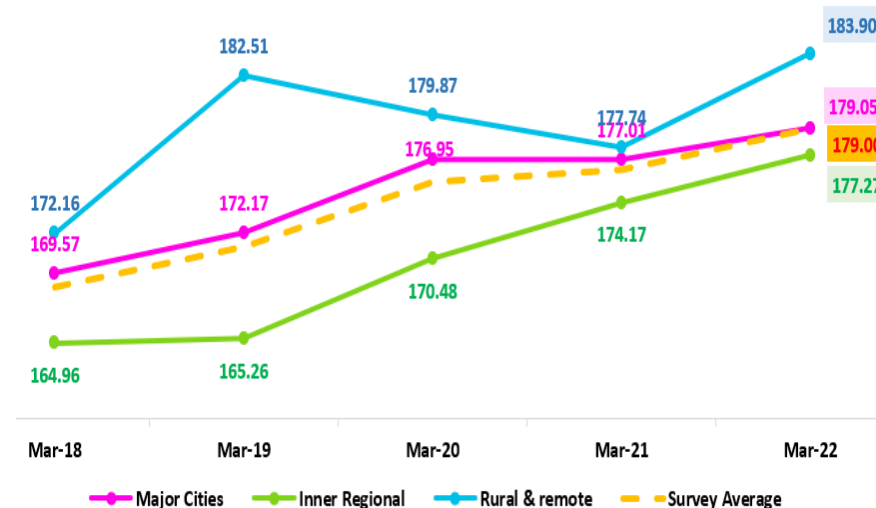
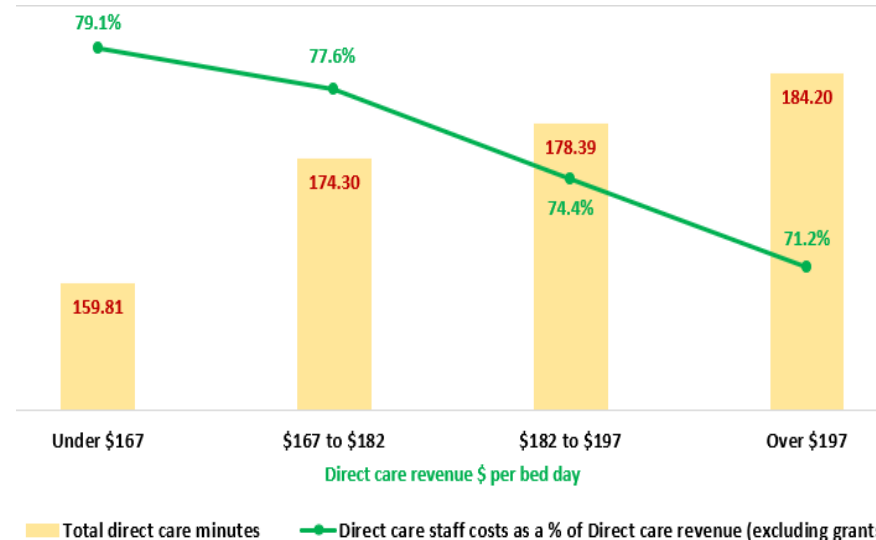


Figure 21: Direct Care Minutes by average ACFI subsidy bands



Indirect Care (Everyday Living) Analysis

The continued under-recovery of indirect care costs is a major contributor to the poor financial performance in residential care. Whilst opportunities exist to charge additional optional services to residents, several challenges exist in this regard.

With a supported resident ratio averaging 45.8% across all aged care homes, this will continue to be an issue for providers in addressing the introduction of additional optional services.

For the Mar-22 YTD period the direct costs of providing indirect care (everyday living) (including administration allocation) exceeded the revenue by \$3.67 pbd (Mar-21 \$11.77 pbd). The Basic Daily Fee supplement (average \$9.90 pbd) was only offset by an increase in Hotel services expenditure of \$2.13 pbd.

StewartBrown recommends an urgent reform to deregulate the Basic Daily Fee in line with the Tune Review Recommendation 14.

Table 4: Indirect Care (everyday living) revenue and expenses (\$ pbd)

	Mar-22 1,166 Homes	Mar-21 1,081 Homes	YoY Movement	FY21 1,163 Homes
Basic daily fee supplement - government	9.90	0.00	↑	-
Basic daily fee - resident	53.26	52.18	↑	52.32
Other resident income	2.81	2.64	↑	2.47
Indirect care revenue	\$65.97	\$54.82	↑	\$54.79
Hotel services	47.99	45.86	↑	46.51
Allocation of W/Comp to hotel services	0.65	0.61	↑	0.61
Payroll tax	0.14	0.12	↑	0.11
Utilities	7.21	7.21	↓	6.93
Quality and education allocation to everyday living	0.26	0.21	↑	0.21
Indirect care expenses	\$56.24	\$54.00	↑	\$54.37
Indirect care result (before Administration)	\$9.73	\$0.82	↑	\$0.42
Administration	13.40	12.59	↑	12.51
Indirect Care Result	(\$3.67)	(\$11.77)	↑	(\$12.09)

Accommodation Analysis

Achieving an acceptable accommodation result is considered essential to facilitate the continued refurbishment, major maintenance and upkeep of buildings and their surroundings in line with current and future consumer expectations, as well as meeting safety and compliance requirements.

The returns on providing accommodation should also provide sufficient incentives for providers to invest in new building stock, particularly considering the future growth projections for the sector.

Table 5: Accommodation revenue and expenses (\$ pbd)

	Mar-22 1,166 Homes	Mar-21 1,081 Homes	YoY Movement	FY21 1,163 Homes
Accommodation revenue	\$32.70	\$32.55	↑	\$32.86
Accommodation expenses				
Depreciation	19.65	19.09	↑	19.59
Refurbishment	0.23	0.27	↓	0.32
Property maintenance	10.11	9.67	↑	10.20
Property rental	1.23	1.03	↑	0.53
Other accommodation costs	1.48	1.29	↑	1.26
Administration	11.71	11.01	↑	10.93
Accommodation expenses	44.41	42.36	↑	\$42.84
Accommodation Result (\$ per bed day)	(\$11.70)	(\$9.82)	↓	(\$9.98)
Accommodation Result (\$ per bed per annum)	(\$3,905)	(\$3,313)	↓	(\$3,351)
<i>Imputed DAP (based on RAD holdings x 70%) (\$pbpa)</i>	<i>\$4,575</i>	<i>\$4,454</i>	↑	<i>4,444</i>
Accommodation Result with imputed DAP (\$pbpa)	\$670	\$1,141	↓	\$1,093
Depreciation charge \$ per bed per annum	\$6,556	\$6,444	↑	\$6,578

Consultations with providers, coupled with data collected from Survey participants, indicate that a policy of undertaking a major internal refurbishment every 8 - 10 years would be considered best practise. This policy should also be applied to new constructions. The Accommodation result for the Mar-22 period was **deficit of \$11.70 per bed day** after an allocation of administration costs (Mar-21 deficit \$9.82 pbd).

StewartBrown is advocating a reform to the accommodation pricing model to have a deferred rental on RADs to ensure equitability from a consumer and provider perspective.

Accommodation Pricing

Figure 22: Median Accommodation Price Trend (by region)

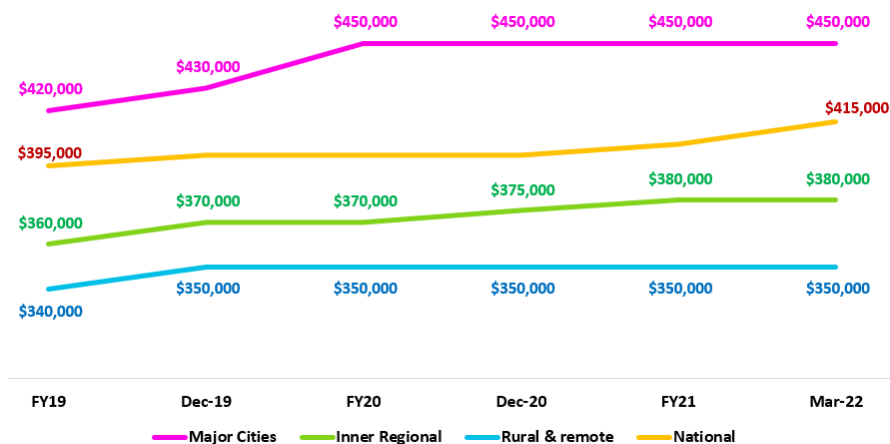
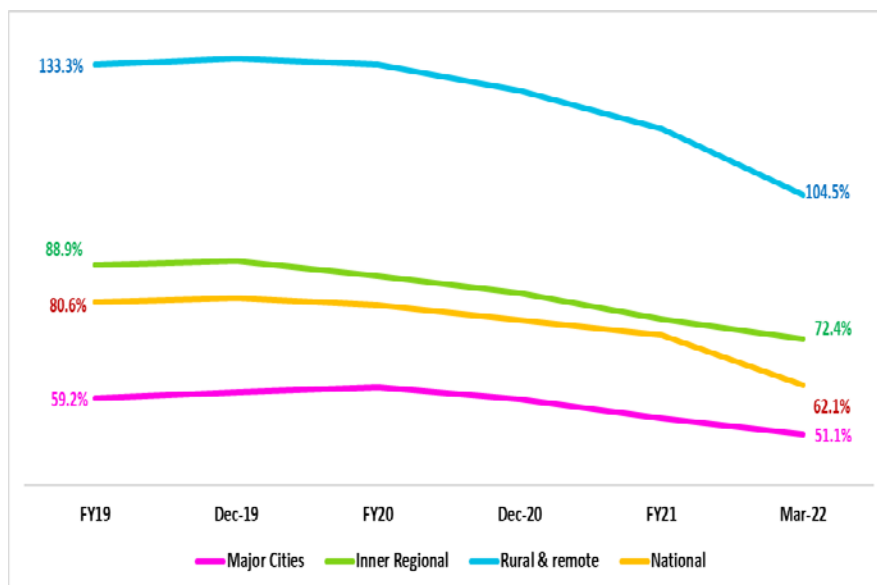


Figure 23: Median Accommodation Price as % of Medium House Price



Occupancy

Figure 24: Residential Occupancy by region (mature homes)

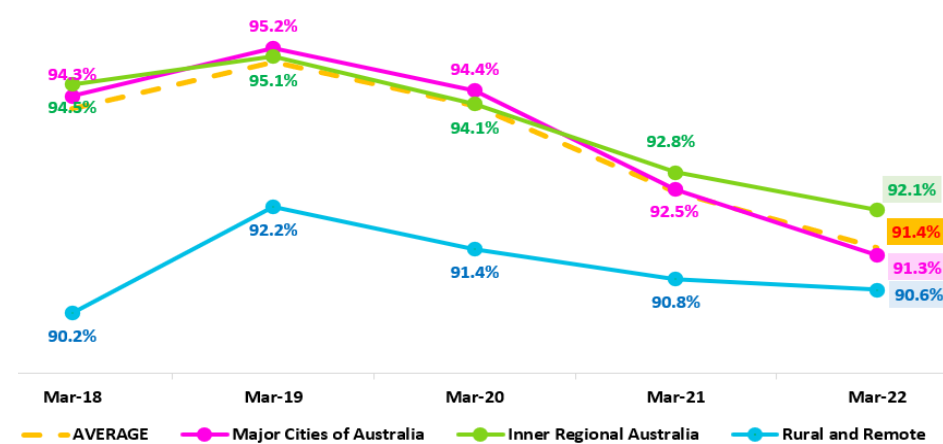


Figure 25: Residential Occupancy by facility size (number of available places)

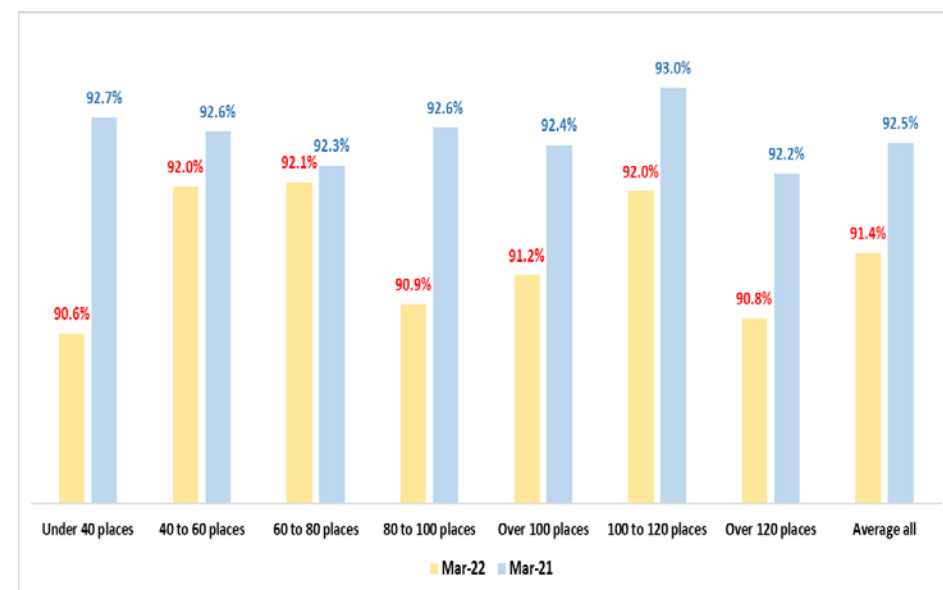
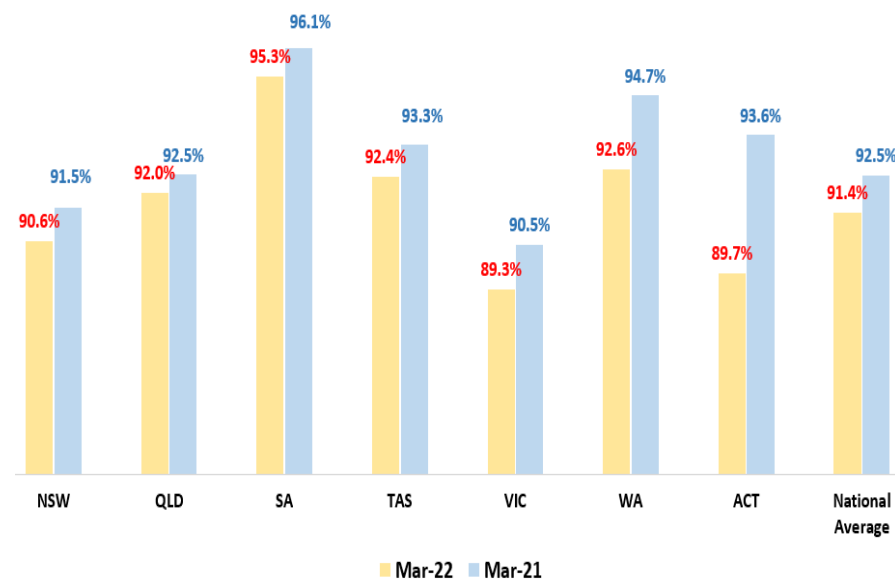


Figure 26: Residential Occupancy by State/Territory (mature homes)



Administration Costs

Administration costs have continued to increase at a rate higher than CPI. One of the main drivers for this is related to increasing compliance and reporting requirements.

It is likely that administration costs will continue to increase further in FY22 due to increased compliance costs associated with the Quality and Safety Standards, Serious Incident Response Scheme (SIRS), COVID-19, ACFR and QFR reporting requirements, and greater scrutiny on direct care staffing costs and care service delivery by consumers and stakeholders.

Table 6: Administration costs (\$ pbd)

	Mar-22 1,166 Homes	Mar-21 1,081 Homes	YoY Movemen	FY21 1,163 Homes
Administration (corporate) recharges	24.19	23.41	↑	23.00
Labour costs - administration (facility)	7.95	7.17	↑	7.03
Other administration costs	5.98	5.42	↑	5.66
Workers compensation	0.19	0.16	↑	0.16
Payroll tax - administration staff	0.04	0.03	↑	0.03
Fringe Benefits Tax	0.02	0.00	↑	0.02
Quality & education - labour costs	0.05	0.03	↑	0.04
Quality and education - other	0.02	0.02	↓	0.02
Insurances	1.41	1.19	↑	1.24
Total Administration Costs	\$39.85	\$37.45	↑	\$37.20

Allocation of Administration Costs

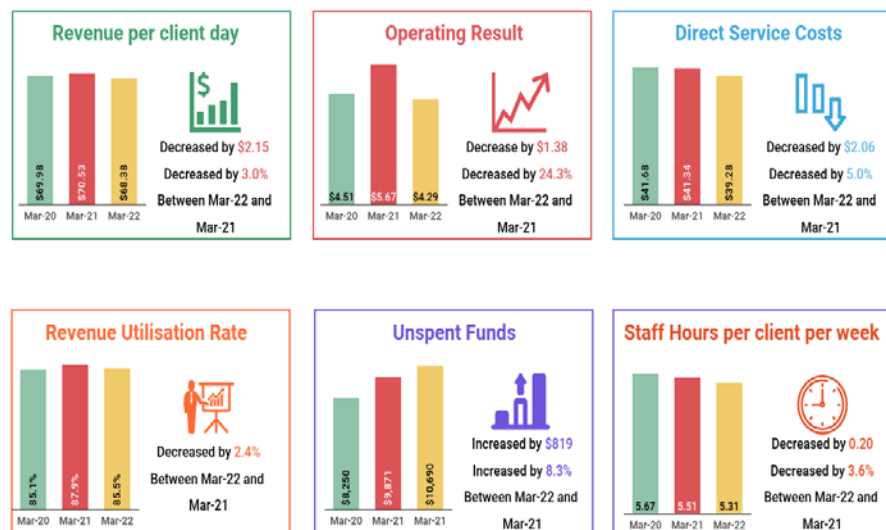
Although administration costs are unfunded specifically, each of the respective revenue streams requires a significant component. The allocation of the administration costs has been based on the average provider responses received from the annual Administration Survey.

The allocation for each revenue stream is as follows:-

- Direct Care: 37% (\$14.74 per bed day)
- Indirect Care: 33.6% (\$13.40 per bed day)
- Accommodation: 29.4% (\$11.71 per bed day)

3. HOME CARE ANALYSIS

Operating Result



Overview

Home Care service revenue has decrease by \$2.15 per client day (3% since Mar-21) with the components being direct services (increase \$0.10 pcd), brokered services (decrease \$0.31 pcd), care management (decrease \$1.36 pcd), administration and support costs (decrease \$0.44 pcd) and exit fees (decrease \$0.25 pcd). The operating surplus is **\$4.29 per client per day** (pcpd) a decrease of \$1.38 pcpd from Mar-21.

The average unspent funds is now **\$10,690 per client** compared to Mar-21 (\$9,871 per client). In aggregate, across the sector this represents in excess of \$1.9 billion nationally.

Revenue utilisation has also decreased from 87.9% Mar-21 to **85.5% for Mar-22** (FY21 87.3%). Average staff hours worked per client week decreased to **5.31 staff hours per client per week** (Mar-21 5.51 hours). Revenue utilisation remains the primary issue in improving the financial performance.

Table 7: Summary KPI Results Comparison

	Mar-22 (52,202 Pkgs)	Mar-21 (43,210 Pkgs)	Difference (YoY)	FY21 (50,567 Pkgs)
Total revenue \$ per client per day	\$68.38	\$70.53	↓ (\$2.15)	\$72.08
Operating result per client per day	\$4.29	\$5.67	↓ (\$1.38)	\$6.05
EBITDA per client per annum	\$1,754	\$2,237	↓ (\$483)	\$2,362
Average total Internal Staff hours per client per week	5.31	5.51	↓ (0.20)	5.36
Median growth rate	11.79%	9.80%	↑ 2.0%	13.82%
Revenue utilisation rate for the period	85.5%	87.9%	↓ (2.4%)	87.3%
Average unspent funds per client	\$10,690	\$9,871	↑ \$819	\$9,855
Cost of direct care & brokered services as % of total revenue	57.4%	58.6%	↓ (1.2%)	58.4%
Care management & coordination costs as % of total revenue	12.0%	10.5%	↑ 1.5%	10.5%
Administration & support costs as % of total revenue	23.6%	22.2%	↑ 1.3%	22.0%
Profit Margin	6.3%	8.0%	↓ (1.8%)	8.4%

Figure 27: Operating Result by revenue band (\$ per client per day)

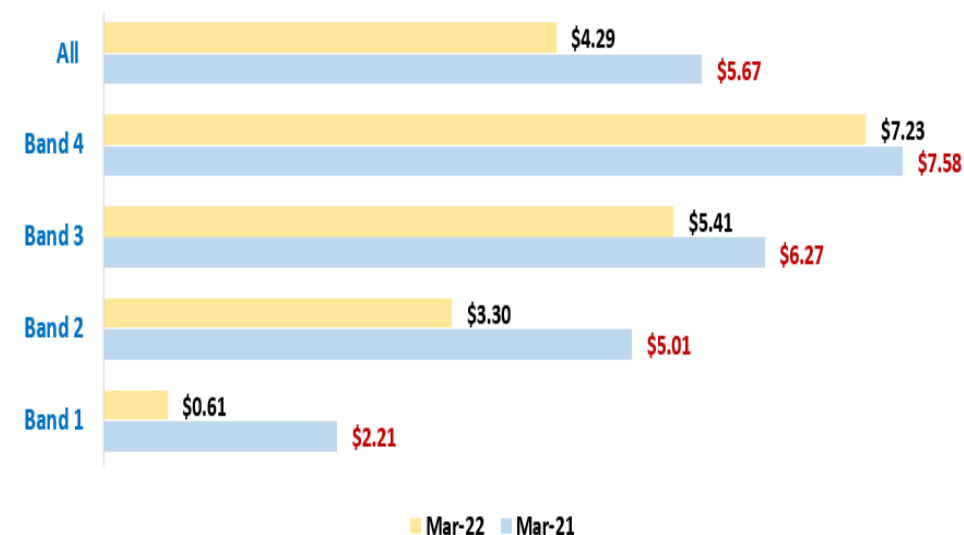


Figure 28: EBITDA Result by revenue band (\$ per client per annum)

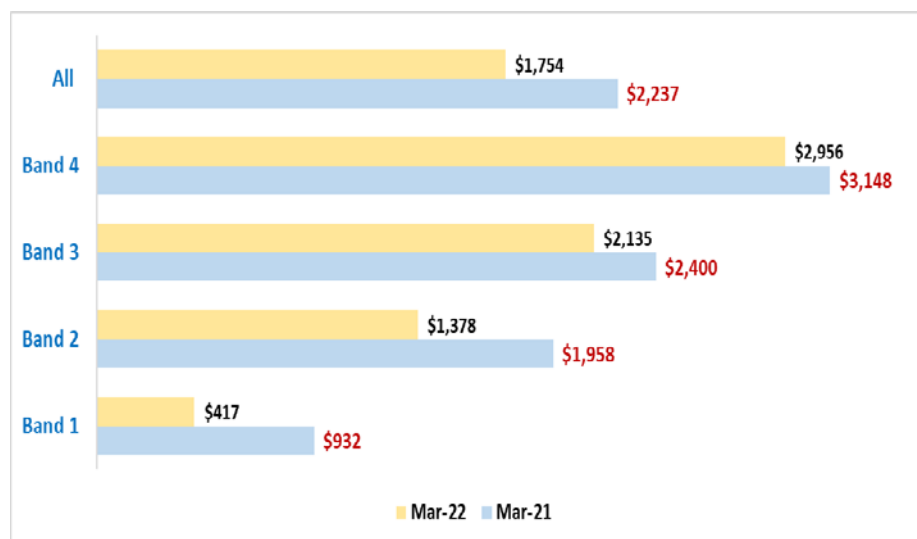


Figure 30: Revenue Utilisation percentage by revenue band

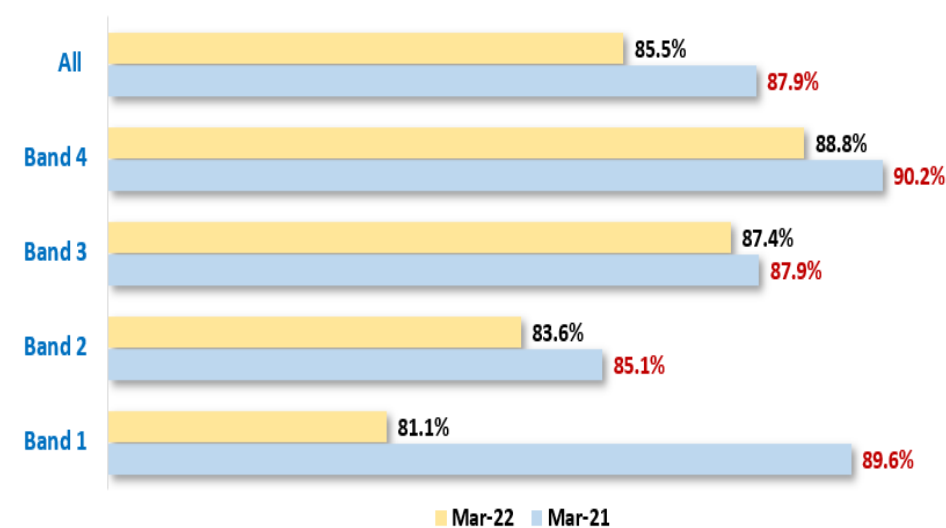


Figure 29: Operating Result by revenue split (\$ per client per day)

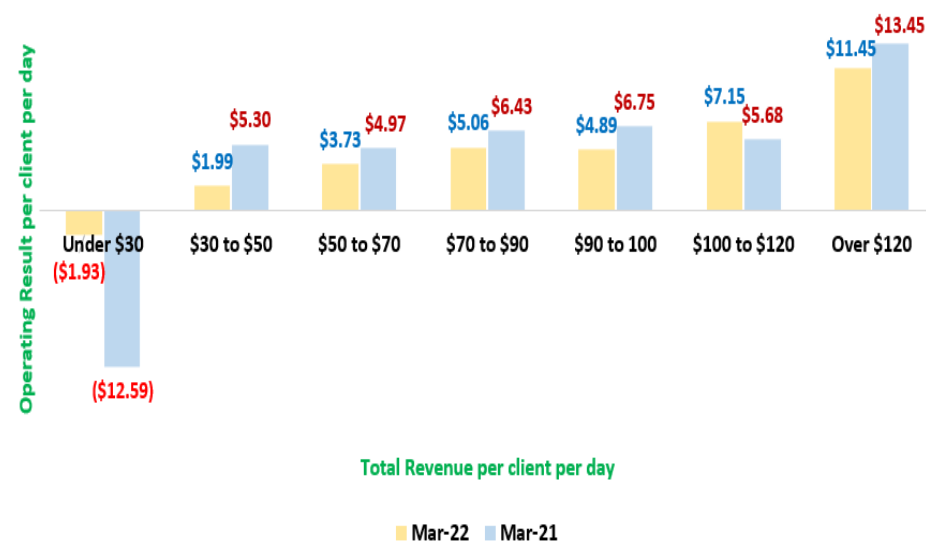
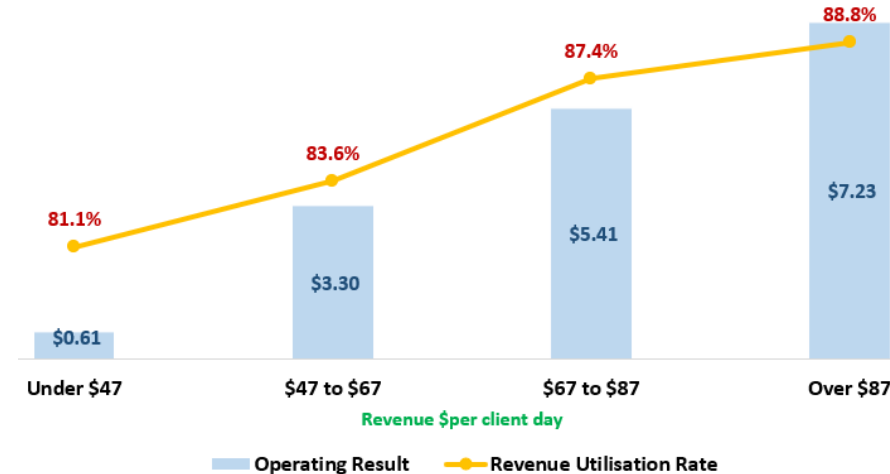


Figure 31: Operating Result and Revenue Utilisation revenue band



Unspent Funds

Figure 32: Average Unspent Funds by revenue band (\$ per client)

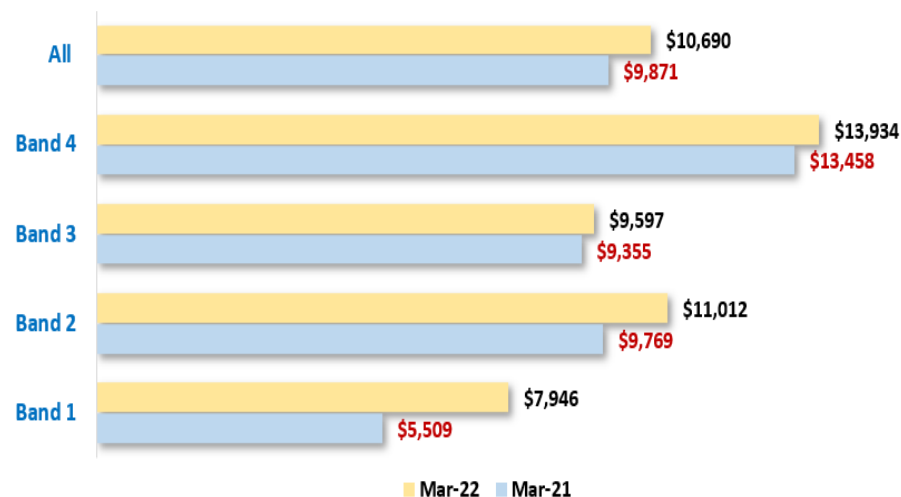
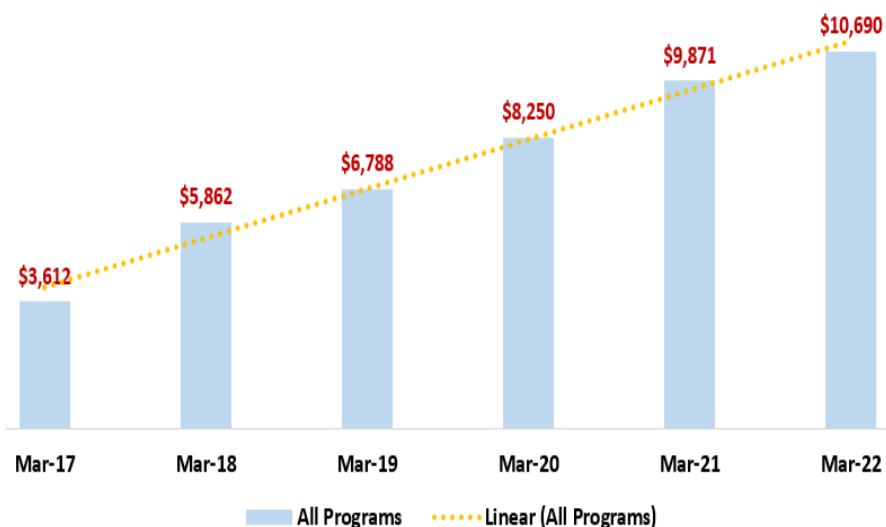


Figure 33: Unspent Funds trend analysis (\$ per client)



Staff Hours Worked per Care Recipient

Direct service hours per care recipient per week (including agency staff) has decreased to 3.73 hours (on average) for Mar-22 compared to 4.04 hours for Mar-21. It is important to note that staffing hours are for direct care service delivery by providers to clients (care recipients). These hours do not include sub-contracted (or brokered) services which may include home maintenance, cleaning, social support and allied health. Sub-contractors as well as providers perform these services.

Table 8: Staff Hours worked per care recipient per week

Survey (Average)					
Internal staff hours worked per client week		Mar-22	Mar-21		Difference
Direct service provision		3.62	3.94	↓	(0.32)
Agency		0.11	0.10	↑	0.01
Care management & coordination		1.05	0.99	↑	0.05
Administration & support services		0.54	0.48	↑	0.05
Total Staff Hours		5.31	5.51	↓	(0.20)

Figure 34: Staff Hours per care recipient per week trend analysis

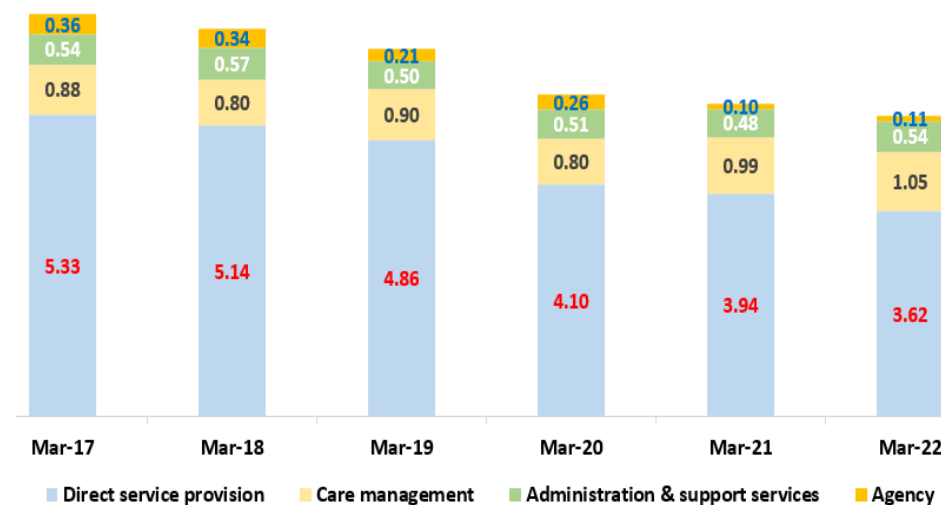


Figure 35: Staff Hours per care recipient week trend analysis (Levels 2 and 4)

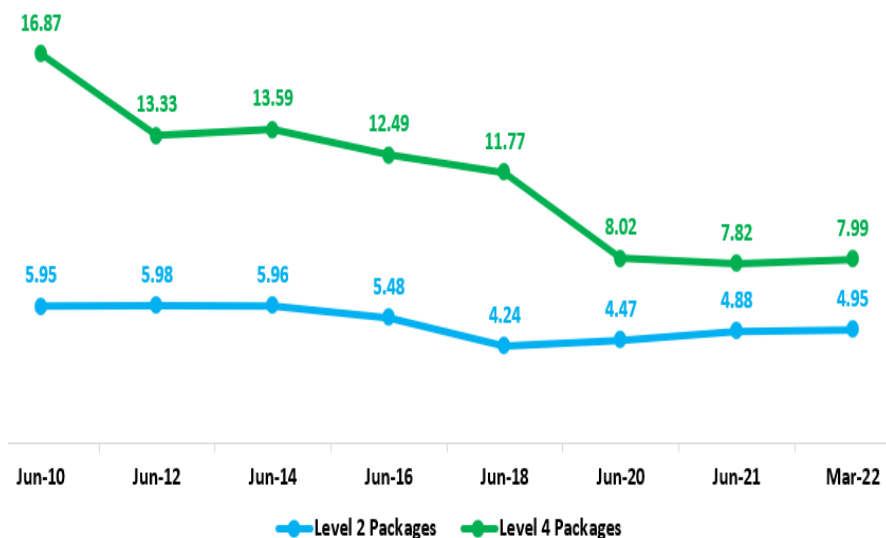


Figure 36: Internal and Brokered Services staff costs comparison

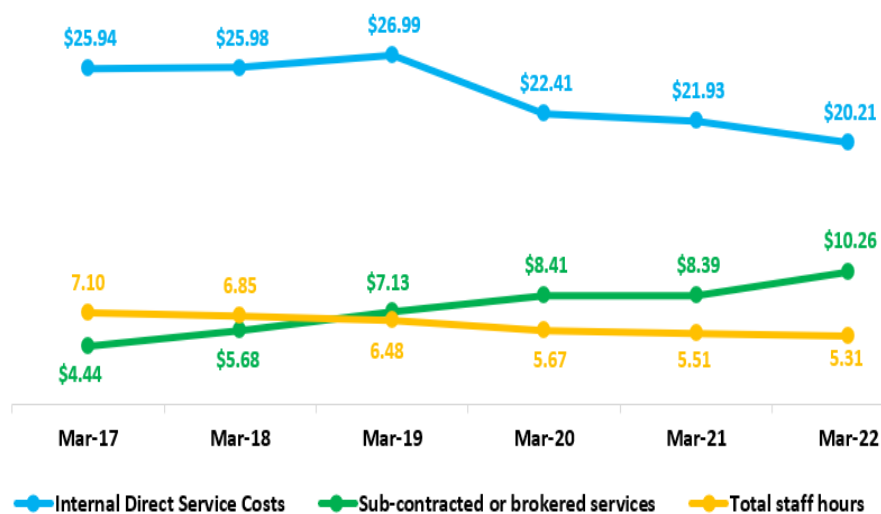
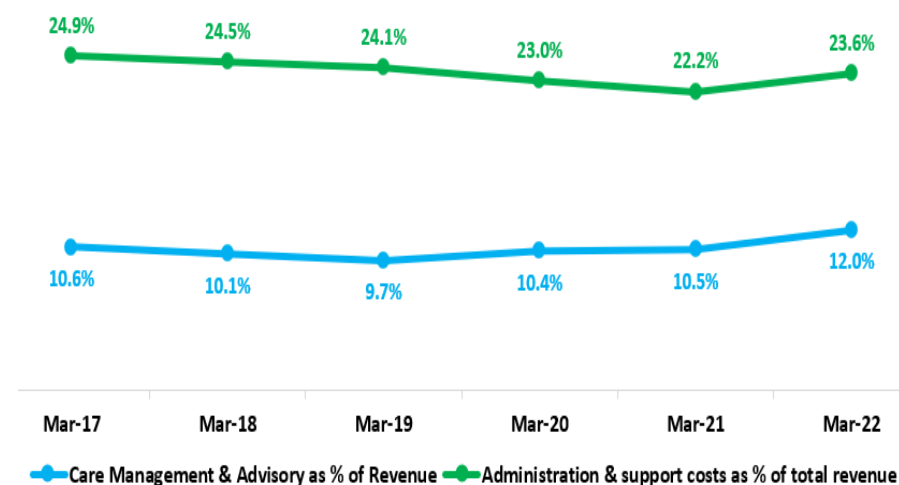
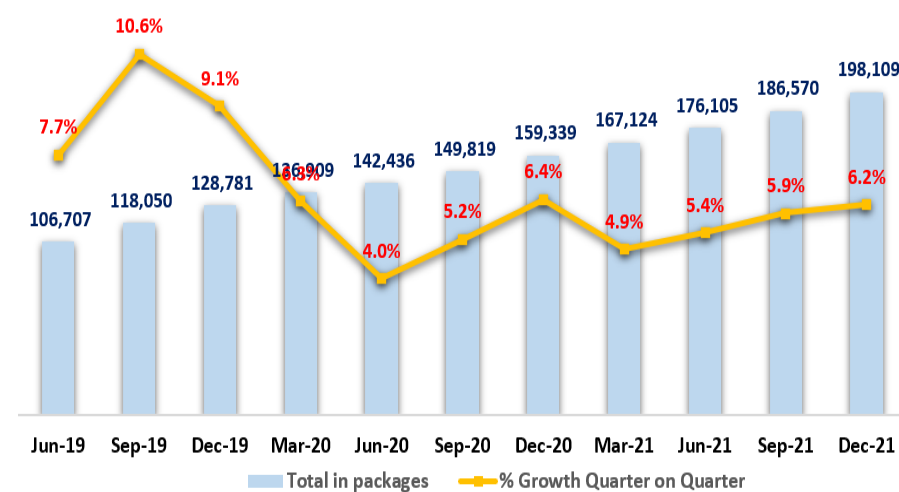


Figure 37: Case Management and Administration cost as % of revenue



Package Growth

Figure 38: Number of People in a Home Care Package



4. GLOSSARY

Accommodation Result

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

ACFA

Aged Care Financing Authority - the (former) statutory authority which provides independent advice to the government on funding and financing issues, informed by consultation with consumers, and the aged care and finance sectors.

ACFI Revenue

Aged Care Funding Instrument (ACFI) revenue includes the subsidy received from the Commonwealth and the means-tested care fee component levied to the resident. ACFI revenue includes the additional care supplement subsidies and some specific grant (not capital) funding.

Direct Care (ACFI) Result

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

ACH (Facility) Result

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

ACH EBITDAR

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

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

Administration Costs

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

Aged Care Home

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

Averages

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

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

Average by line item

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

Bed Day

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

Benchmark

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

Benchmark Bands

Residential Care

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

Band 1 - Over \$197

Band 2 - Between \$182 and \$197

Band 3 - Between \$167 and \$182

Band 4 - Under \$167

Home Care

Based on Total Revenue (Direct Care + Brokered + Case Management + Administration) (\$ per client day):

Band 1 - Under \$47

Band 2 - Between \$47 and \$67

Band 3 - Between \$67 and \$87

Band 4 - Over \$87

Care Result

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

Dollars per bed day

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

Dollars per client day

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

EBITDAR

This measure represents earnings before interest (including investment revenue), taxation, depreciation, amortisation and rent. The calculation excludes interest (and investment) revenue as well as interest expense on borrowings. *EBITDAR is used for residential care analysis only, whereas Home Care uses EBITDA only.*

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.

EBITDAR per bed per annum

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

NPBT

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

Facility

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

Indirect Care (Everyday Living) Result

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

Home Care Packages (HCP)

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

Residential Care

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

Location - City

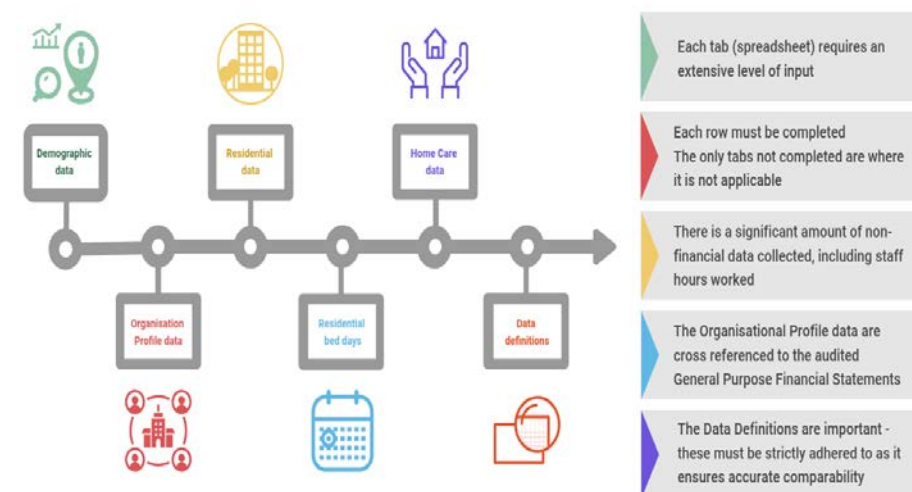
Aged care homes have been designated as being city based according to the designation by the Department of Health in their listing of aged care services. Those that were designated as being a “Major City of Australia” have been designated City.

Location - Regional

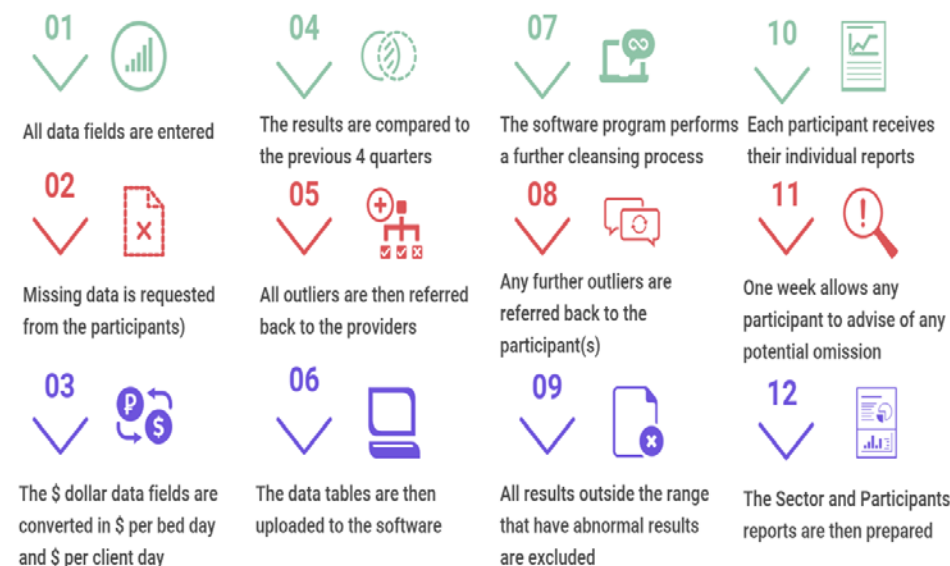
Aged care homes have been designated as being regionally based according to the designation by the Department of Health in their listing of aged care services. Those that were designated as being an “Inner Regional”, “Outer Regional” or “Remote” have been designated as Regional.

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

Data Collection Process



Data Cleansing Process

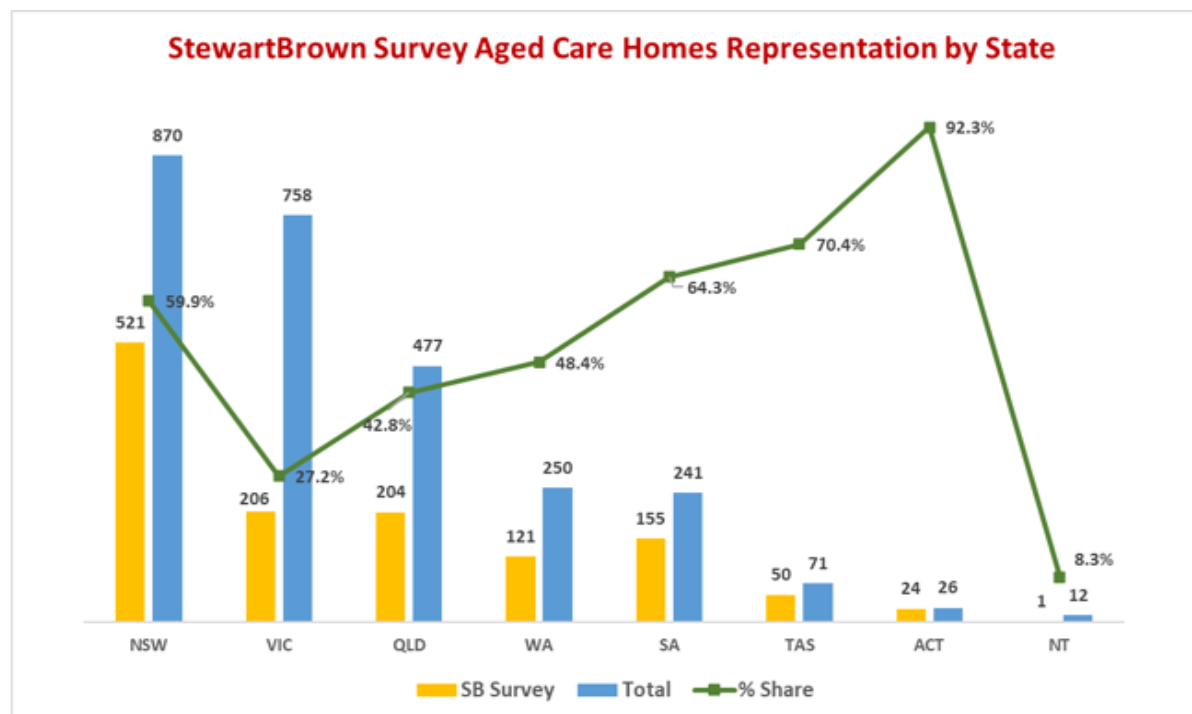


Survey Data and Metrics

Residential Data Set

Number of Residential homes in Survey	Total
StewartBrown Residential Survey	
Homes included	1,166
Homes excluded	116
Survey total	1,282
GEN Aged Care Data Service Listing (30 June 2021)	
Total	2,705
Coverage % = (A)/(B)	47.4%

Number of Residential Places in Survey	Total
StewartBrown Residential Survey	
Places included	94,198
Places excluded	8,817
Survey total	103,015
GEN aged care Data Service Listing (30 June 2021)	
Total	191,029
Coverage % = (A)/(B)	53.9%

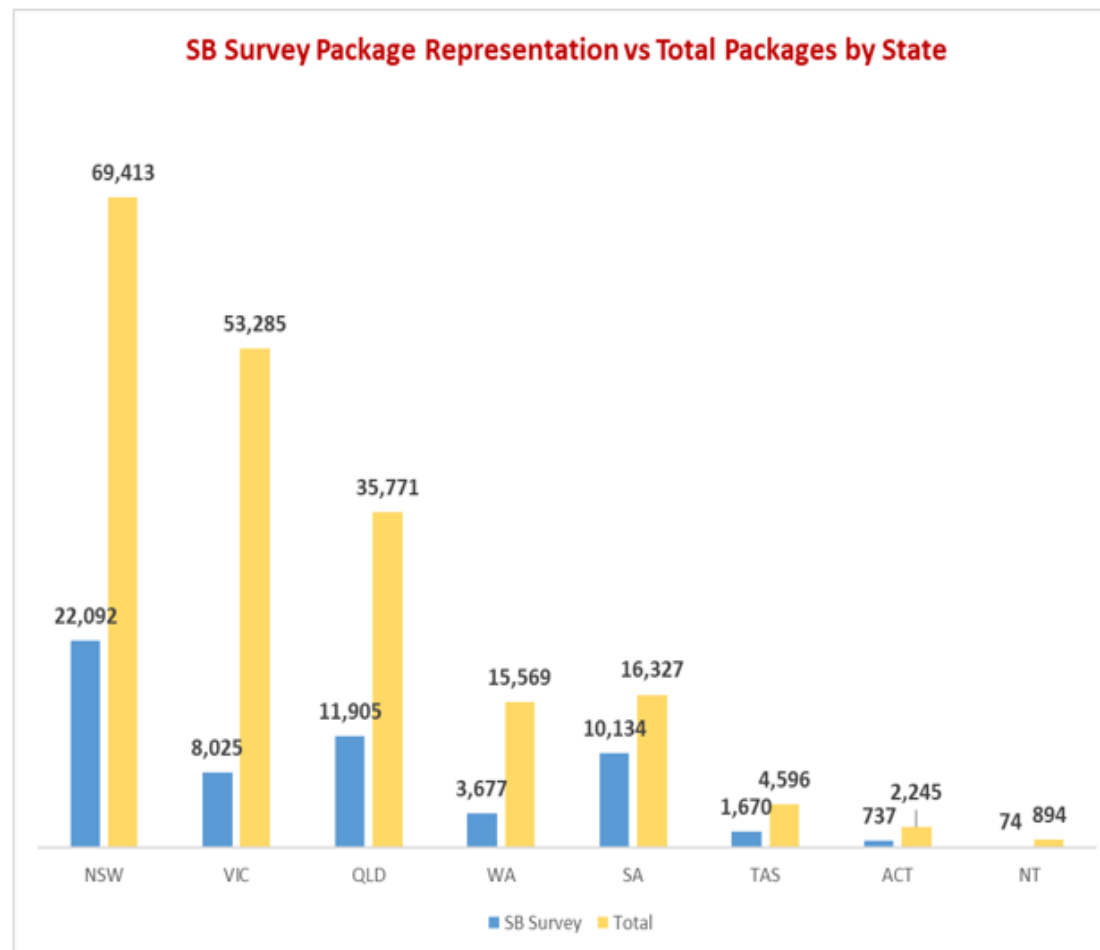


State/territory	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SB Survey	521	206	204	121	155	50	24	1	1,282
Total	870	758	477	250	241	71	26	12	2,705
% Share	59.9%	27.2%	42.8%	48.4%	64.3%	70.4%	92.3%	8.3%	47.4%

Home Care Data Set

Number of Home Care Packages in Survey	Total
StewartBrown Home Care Survey	
Package included	52,202
Package excluded	6,112
Survey total	58,314
GEN Aged Care Data Service Listing (31 December 2021)	
Total	198,109
Coverage % = (A)/(B)	29.4%

State/Territory	SB Survey	Total	% Share
NSW	22,092	69,413	31.8%
VIC	8,025	53,285	15.1%
QLD	11,905	35,771	33.3%
WA	3,677	15,569	23.6%
SA	10,134	16,327	62.1%
TAS	1,670	4,596	36.3%
ACT	737	2,245	32.8%
NT	74	894	8.3%
Unknown	0	9	0.0%
Total	58,314	198,109	29.4%



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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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