



StewartBrown

Integrity + Quality + Clarity

Aged Care Sector Report



The StewartBrown September 2021 Aged Care Financial Performance Survey incorporates detailed financial and supporting data from **1,198 aged care homes (97,080 beds/places)** and **56,223 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.

For the 3 months ended 30 September 2021

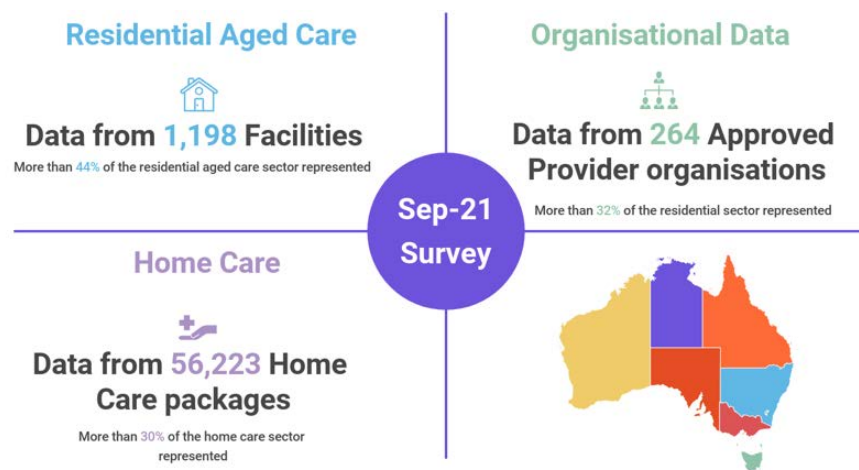
CONTENTS

1. EXECUTIVE SUMMARY.....	1
Abstract	1
Commentary.....	1
Sep-21 YTD Results Snapshot	2
Sep-21 YTD Financial Performance Analysis	3
2. RESIDENTIAL CARE ANALYSIS	5
Operating Result.....	5
EBITDAR Result	8
Results by Geographic Location	9
ACFI Subsidy Comparison to Direct Care Costs	9
Direct Care Staffing Hours	10
Everyday Living (Indirect Care) Analysis	11
Accommodation Analysis	12
Accommodation Pricing	13
Occupancy	13
Administration Costs	14
3. HOME CARE ANALYSIS.....	15
Operating Result.....	15
Unspent Funds.....	17
Staff Hours Worked per Care Recipient	17
Package Growth	18
Funding Reform	19
4. GLOSSARY	20

1. EXECUTIVE SUMMARY

Abstract

The *Aged Care Financial Performance Survey* (Survey) September 2021 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 3 months ended 30 September 2021 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 3 month period ending September 2021 continues to highlight the declining financial sustainability of the sector, with residential aged care becoming a major focal point of consternation.

The average operating results for residential aged care homes in all geographic sectors was an operating loss of \$7.30 per bed per day 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 for FY22 are not promising 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 (3.0% for the September quarter).

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 \$4.90 per client per day, a decline in revenue utilisation to 85.8% of available package funding and an increase in unspent funds to now average \$10,117 for every care recipient.

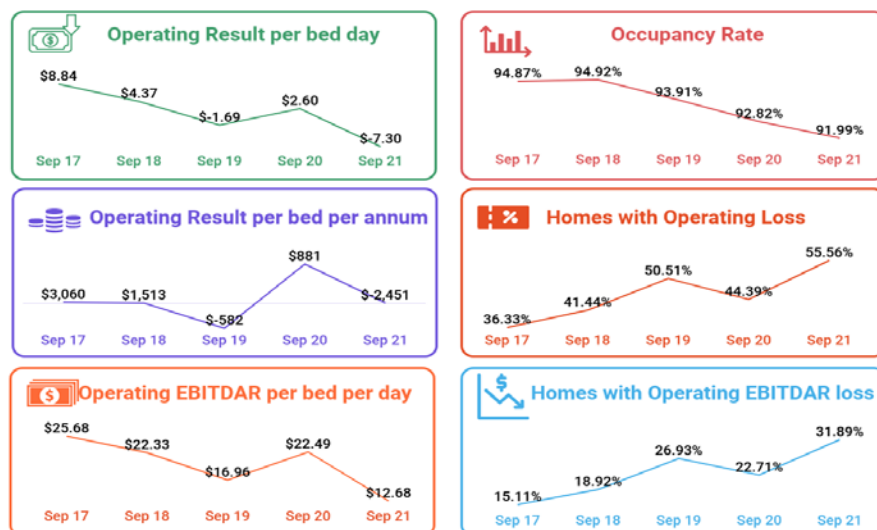
The aged care sector continues to operate in a difficult clinical, operational and financial environment. The increasingly destabilising effects of the highly transmissible Omicron coronavirus variant have heightened the issues with the existing policy settings, particularly in regards to staffing which is at a crisis level and the implementation of the much needed reform agenda having to compete with the current uncertain climate.

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

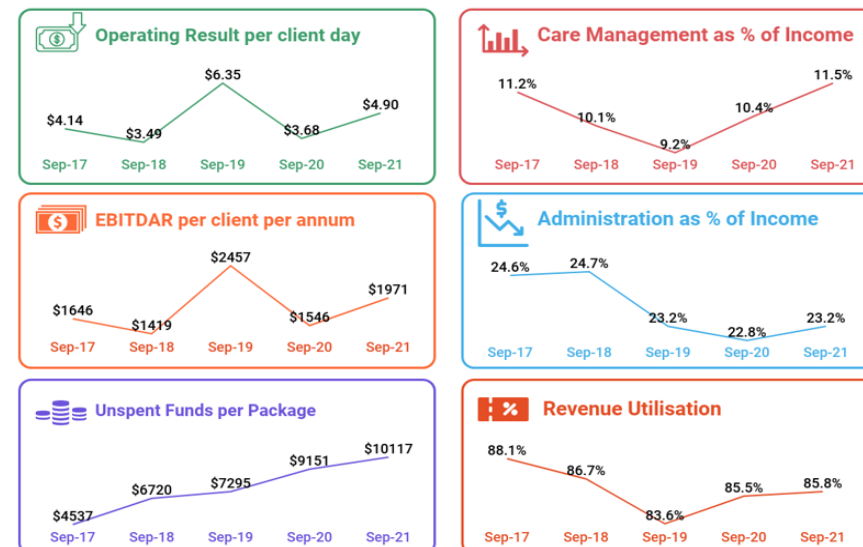
- Funding to increase staff remuneration and benefits
- Subsidy funding to directly correlate to direct costs of care (particularly staff)
- Regulated consumer contribution for Home Care (and CHSP) based on ability to pay
- Deregulation of residential Basic Daily Fee
- Structural enhancement of residential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

Sep-21 YTD Results Snapshot

Residential Aged Care



Home Care



Occupancy for Sep-21 declined by 0.8% to 92.0% (Sep-20 92.8%)

Direct care costs represented 88.9% of ACFI subsidy. COPE increase not meeting direct care cost increases

Direct cost exceeded revenue by \$0.04 per bed day (\$13.39 pbd including administration)

56% of homes made an operating loss. 32% of homes also made an EBITDAR loss



Operating results improved to \$4.90 per client per day (Sep-20 \$3.68)

Unspent funds per client continued to increase to average \$10,117 per care recipient (Sep-20 \$9,151)

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 marginally increased to be 5.62 hours (Sep-20 5.39 hours)

Sep-21 YTD Financial Performance Analysis

Residential Aged Care Results

Revenue	<ul style="list-style-type: none"> Average ACFI was \$191.65 pbd an increase of 3.1% from Sep-20 (\$185.94 pbd) Everyday living revenue <i>excluding the BDF supplement</i> was \$55.37 pbd an increase of \$2.48% from Sep-20 (\$54.03 pbd) Everyday living revenue <i>including the BDF supplement</i> was \$64.88 pbd Accommodation revenue was \$32.52 pbd a decrease of 1.96% from Sep-20 (\$33.17 pbd) Covid funding support ceased at FY21 (Sep-20 \$18.92 pbd)
Expenses	<ul style="list-style-type: none"> Direct care labour costs (RN/EN/PCA) averaged \$137.69 pbd an increase of 6.6% from Sep-20 (\$129.15 pbd) Other direct care labour costs (Care Management/Allied Health/Lifestyle) averaged \$21.37 pbd an increase of 15.6% from Sep-20 (\$18.48 pbd) Other direct care costs averaged \$9.76 pbd an increase of 3.6% from Sep-20 (\$9.42 pbd) Direct care expenses relating to Covid-19 averaged \$2.72 pbd (Sep-20 \$11.45 pbd) Everyday living costs was \$64.92 pbd (excluding administration) an increase of 2.5% (Sep-20 \$63.34 pbd) Catering expenditure averaged \$33.15 pbd and increase of 3.7% (Sep-20 \$31.97 pbd) <i>(this may be as a result of the targeted BDF supplement)</i> Administration costs was \$39.68 pbd an increase of 7.7% (Sep-20 \$36.83 pbd) <i>(due to increase quality, reporting and compliance requirements)</i> Accommodation expenditure averaged \$21.53 pbd (depreciation \$19.06 pbd) compared to Sep-20 \$20.97 pbd (depreciation \$18.75 pbd)
Operating Result	<ul style="list-style-type: none"> ACFI result declined by \$8.50 pbd to a surplus of \$6.76 pbd from Sep-20 \$15.76 pbd (excluding net Covid-19 funding) Everyday Living result improved but remains in a deficit at \$13.39 pbd (including administration) Accommodation result was a deficit of \$0.68 pbd Operating result <i>(including BDF supplement of \$10 pbd from 1 July 2021)</i> was a deficit of \$7.30 pbd (FY21 operating deficit \$8.43 pbd) Operating EBITDAR averaged \$4,257 pbpa (FY21 EBITDAR \$3,924 pbpa)
Additional Trends	<ul style="list-style-type: none"> Direct care minutes (RN/EN/PCA) was 180.39 minutes per resident per day (Sep-20 was 178.64 minutes) Occupancy for mature homes declined to 92.0% (Sep-20, 92.8%) <i>(occupancy based on actual available beds)</i> Occupancy for all homes decreased to 90.7% (Sep-20 91.5%) <i>(occupancy based on approved places)</i> Supported resident ratio decreased by 0.8% to 46.2% (Sep-20 47.0%) Average full RAD received for Sep-21 period was \$444,921 (Sep-20 \$423,925) Proportion of full RADs received was 16%, full DAPs was 66% and Combinations (RAD/DAP) was 18%

Home Care Package (HCP) Results

Revenue	<ul style="list-style-type: none"> Revenue was \$70.26 per client per day an increase of 1.4% from Sep-20 (\$69.29 pcpd) Care management revenue as a proportion of total revenue was 19.4% Package management revenue as a proportion of total revenue was 11.1% Revenue utilisation increased by 0.3% to 85.8% of funding received for Sep-21 period (85.3% for Sep-20)
Expenses	<ul style="list-style-type: none"> Direct service costs decreased by \$1.52 pcpd (57.6% of total revenue compared to 60.6% at Sep-20) Case management cost as % of revenue has increased to 11.5% of revenue (Sep-20 10.4% of revenue) Administration and support costs represent 23.2% of revenue (Sep-20 with 22.8%)
Unspent Funds	<ul style="list-style-type: none"> The amount of unspent funds per client (care recipient) has continued to rise and now averages \$10,117 per client (Sep-20 \$9,151 per client) In aggregate across the sector, this represents in excess of \$1.7 billion of funds that have not been utilised.
Operating Result	<ul style="list-style-type: none"> Operating results have improved from \$3.68 per client per day for Sep-20 to \$5.62 pcpd for Sep-21 However, the operating result has declined from the FY21 average of \$6.05 pcpd The profitability margin has improved from 5.3% for Sep-20 to 7.0% for Sep-21 Profitability improvements are being driven by a \$0.97 increase in package revenue per client per day in parallel with efficiency gains in direct service delivery
Other Trends	<ul style="list-style-type: none"> Average staff hours per week was 5.62 hours (Sep-20 5.39 hours) The number of packages in the survey has increased 5.9% (10,465 packages) from Jun-21 to Sep-21

2. RESIDENTIAL CARE ANALYSIS

Operating Result

The Operating Result as shown below has slightly improved from a deficit of \$8.43 per bed day (pbd) for the 12 months to Jun-21 to a **deficit of \$7.30 pbd** for the 3 months to Sep-21. This improvement is predominantly due to the \$10 per bed day Basic Daily Fee supplement and the COPE (indexation) increase of 1.1% on the ACFI subsidy.

When comparing to the Sep-20 surplus (3 months) of \$2.60 pbd it needs to be noted that this surplus included \$7.66 pbd net Covid funding. By excluding the Covid funding (Sep-20) the adjusted Sept-20 result would have been a deficit of \$5.06 pbd, meaning that the current Sep-21 deficit result of \$7.30 pbd is a *deterioration \$2.24 pbd* year-on-year. If a further adjustment was made for the \$10 pbd Basic Daily Fee supplement (Sep-21) the normalised underlying operating result for Sept-20 is a **deterioration \$12.24 pbd** year-on-year.

Figure 1: Residential Operating Result Snapshot (\$ per bed day)

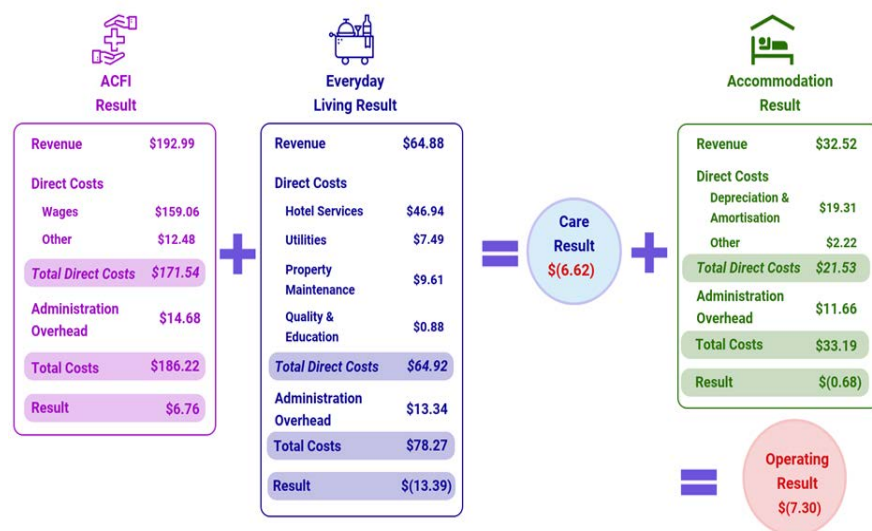


Table 1: Summary Income & Expenditure Comparison (\$ per bed day)

	Survey		Survey
	Sep-21 1,107 Homes	Sep-20 1,070 Homes	Jun-21 1,163 Homes
ACFI			
Revenue	\$192.99	\$205.05	\$198.96
Expenditure			
Direct care labour costs	\$137.69	\$129.15	\$134.60
Other ACFI labour costs	\$21.37	\$18.48	\$20.23
Other direct costs	\$12.48	\$20.87	\$16.75
Administration	\$14.68	\$13.62	\$13.76
	\$186.22	\$182.13	\$185.33
ACFI RESULT (A)	\$6.76	\$22.92	\$13.63
EVERYDAY LIVING			
Revenue	\$64.88	\$54.03	\$54.79
Expenditure			
Catering	\$33.15	\$31.97	\$32.90
Cleaning	\$9.37	\$8.93	\$9.25
Laundry	\$4.21	\$4.03	\$4.29
Other hotel services expense	\$0.09	-	\$0.06
Payroll tax	\$0.13	\$0.09	\$0.11
Overhead allocation (workcover & education)	\$0.88	\$0.82	\$0.82
Utilities	\$7.49	\$7.56	\$6.93
Routine maintenance & motor vehicle	\$9.61	\$9.94	\$10.20
Administration	\$13.34	\$12.38	\$12.51
	\$78.27	\$75.72	\$77.08
EVERYDAY LIVING RESULT (B)	(\$13.39)	(\$21.69)	(\$22.29)
CARE RESULT (C) (A + B)	(\$6.62)	\$1.23	(\$8.65)
ACCOMMODATION			
Revenue			
Residents	\$13.16	\$12.90	\$13.03
Government	\$19.36	\$20.26	\$19.83
	\$32.52	\$33.17	\$32.86
Expenditure			
Depreciation	\$19.31	\$18.75	\$19.59
Property rental	\$0.67	\$1.14	\$0.53
Other	\$1.56	\$1.08	\$1.59
Administration	\$11.66	\$10.82	\$10.93
	\$33.19	\$31.80	\$32.64
ACCOMMODATION RESULT (D)	(\$0.68)	\$1.37	\$0.22
OPERATING RESULT (\$ per bed day) (C + D + E)	(\$7.30)	\$2.60	(\$8.43)
OPERATING RESULT (\$ per bed per annum)	(\$2,451)	\$881	(\$2,832)
EBITDAR (\$ per bed per annum)	\$4,257	\$7,620	\$3,924

Table 2: Summary KPI Results Comparison

Summary KPI Results	Sept-21 1,107 Homes	Sept-20 1,070 Homes		Difference (YoY)	Jun-21 1,163 Homes
Operating Result (\$pbd)	(\$7.30)	\$2.60	↓	(\$9.90)	(\$8.43)
Operating Result (\$pbpa)	(\$2,451)	\$881	↓	(\$3,332)	(\$2,832)
EBITDAR (\$pbpa)	\$4,257	\$7,620	↓	(\$3,363)	\$3,924
Average Occupancy (all homes)	90.7%	91.5%	↓	(0.7%)	90.2%
Average Occupancy (mature homes)	92.0%	92.8%	↓	(0.8%)	92.0%
Average ACFI Revenue (\$pbd)	\$192.99	\$205.05	↓	(\$12.06)	\$198.96
Average ACFI Revenue excluding care grants (\$pbd)	\$191.65	\$185.94	↑	\$5.71	\$187.12
Total Care minutes per resident per day	180.39	178.64	↑	1.75	175.81
ACFI services costs as a % of ACFI	82.4%	72.0%	↑	10.4%	77.8%
Supported Ratio	46.2%	47.0%	↓	(0.8%)	47.0%
Average Full RAD/Bond held	\$416,676	\$387,879	↑	\$28,798	\$408,359
Average Full RAD taken during period	\$444,921	\$423,925	↑	\$20,996	\$448,532

Trend Analysis

Figure 2: Residential Operating Results by Region (\$ per bed day)

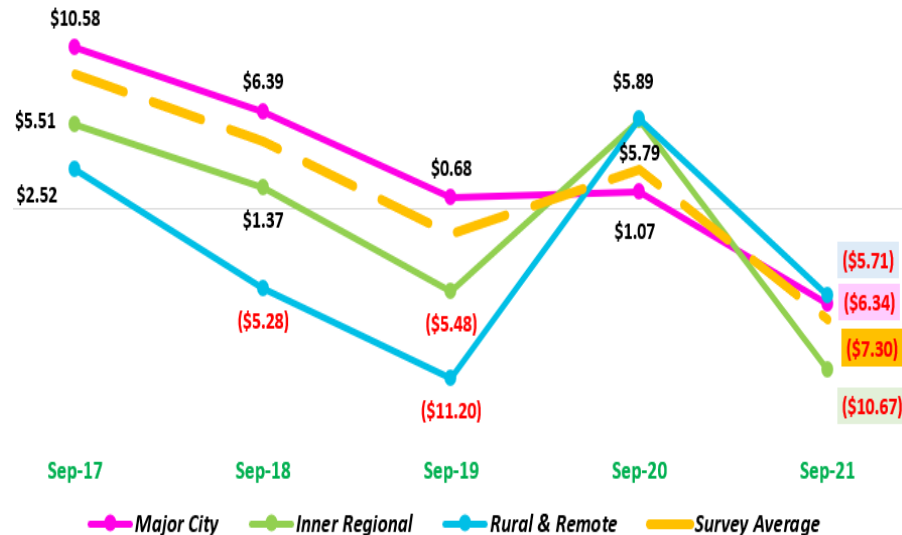
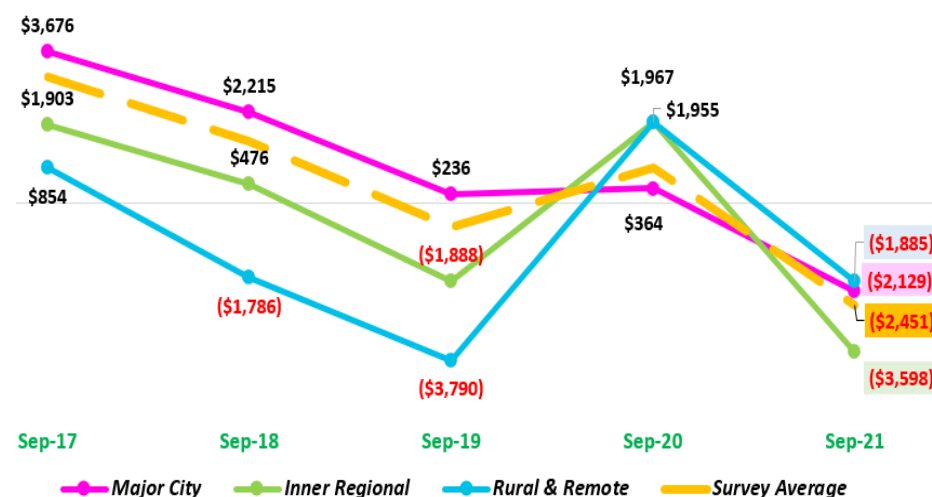
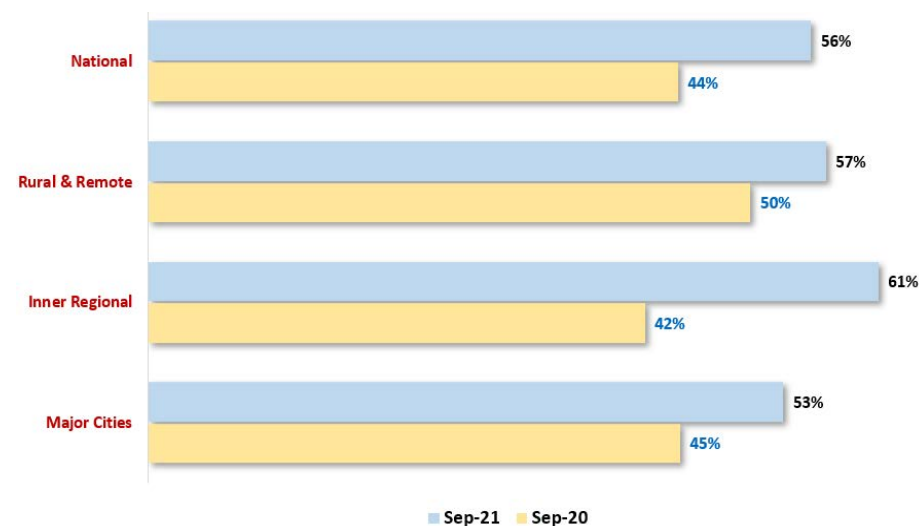


Figure 3: Residential Operating Results by Region (\$ per bed per annum)



Number of Aged Care Homes making an Operating Loss

Figure 4: Aged care homes making an operating loss by remoteness



Operating Result Metrics

Figure 5: Operating Result by average ACFI subsidy (\$ per bed day)

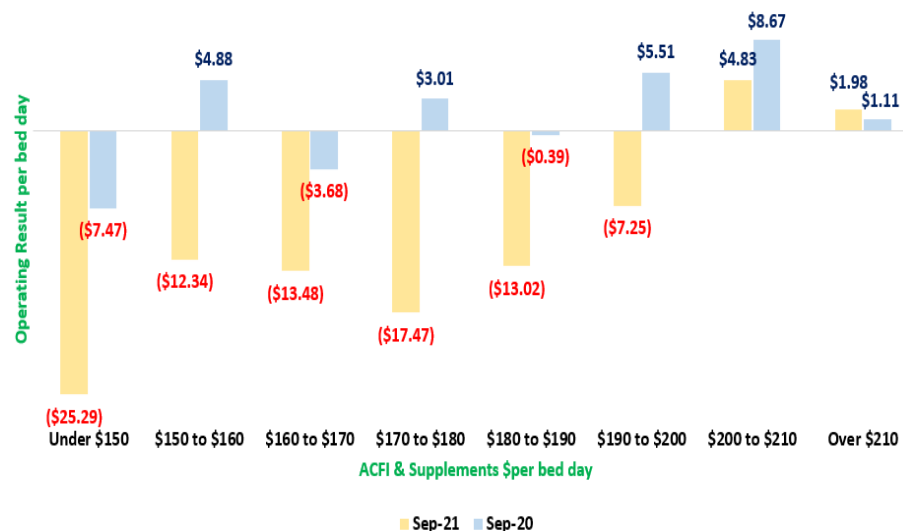


Figure 6: Operating Result by Occupancy percentage (\$ per bed day)

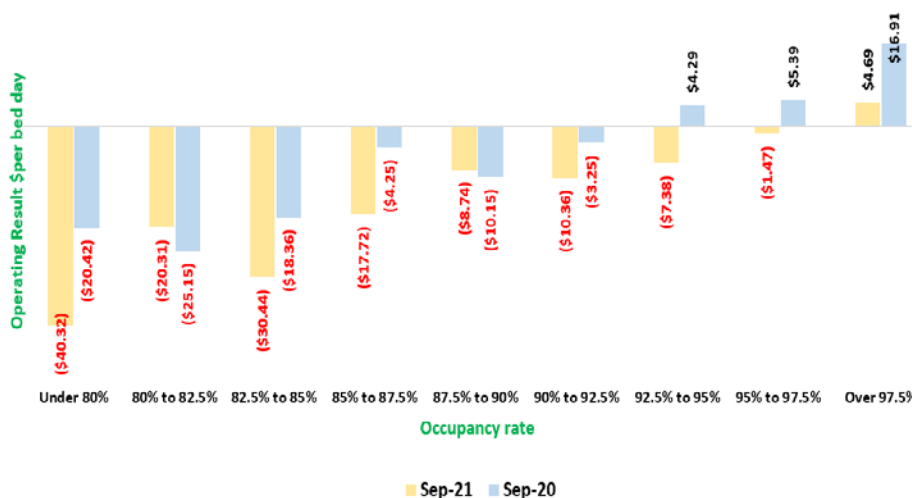


Figure 7: Operating Result by ACFI band and Occupancy percentage (\$ per bed day)

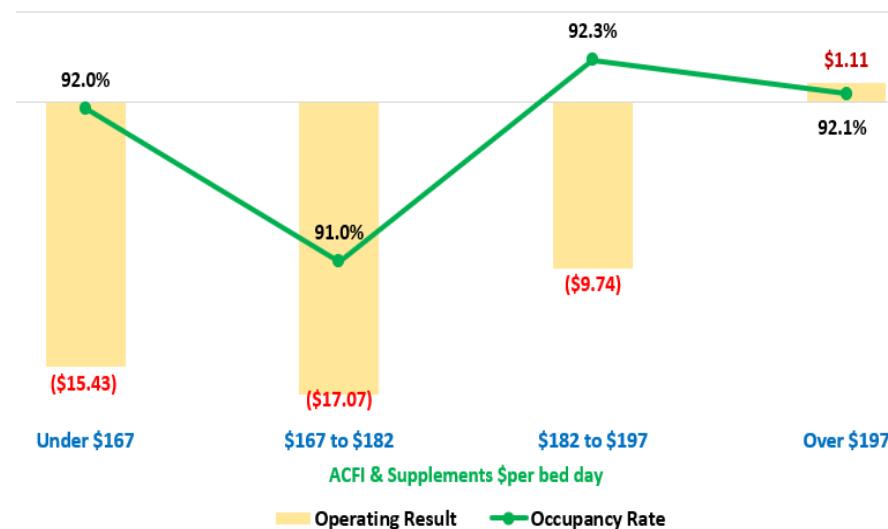


Figure 8: Operating Result comparison by size of aged care home (\$ per bed day)

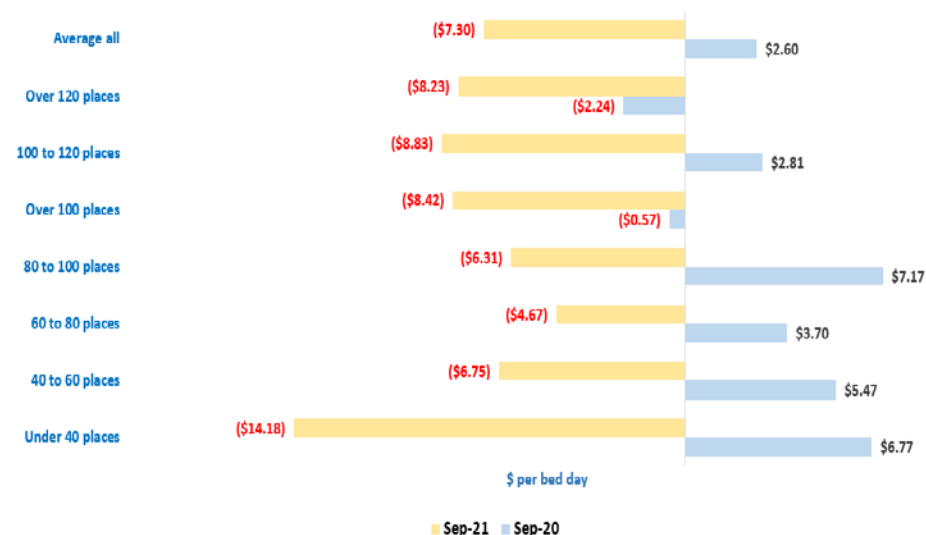
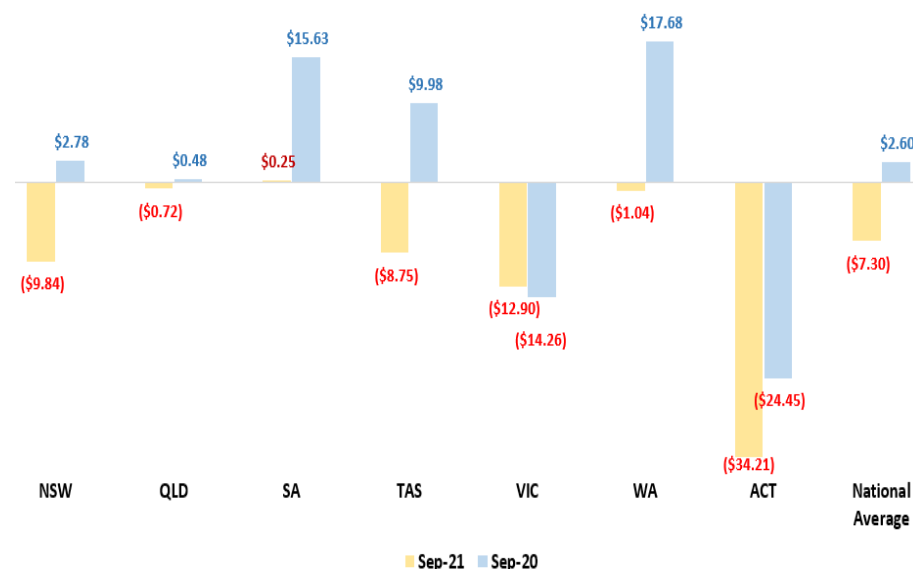


Figure 9: Operating Result comparison by State/Territory (\$ per bed day)



EBITDAR Result

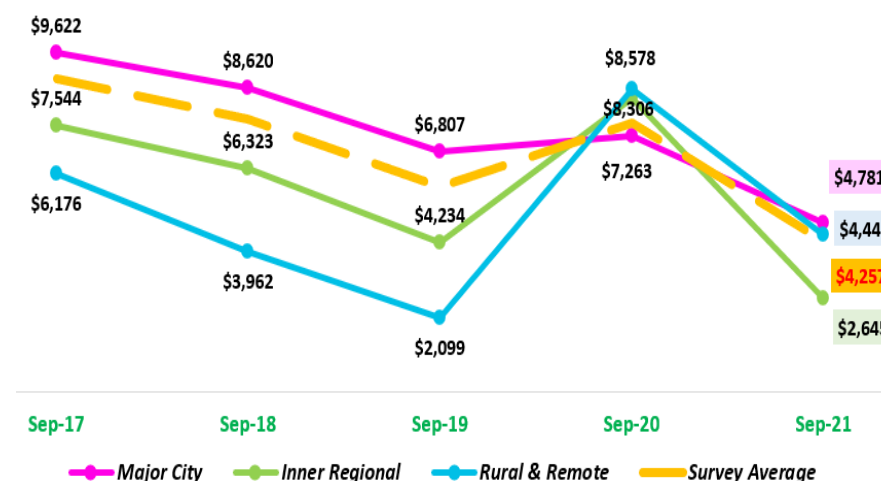
The graph below displays residential operating EBITDAR (Earnings Before Interest, Taxation, Depreciation, Amortisation and Rent) trend for the years from Sep-17 to Sep-21.

The average Sep-21 EBITDA surplus was \$4,257 per bed per annum (pbpa). The Sep-20 EBITDA result *excluding* the net Covid funding was \$5,025 pbpa which is a deterioration of \$768 pbpa, and after allowing for the Basic Daily Fee supplement (\$920 pbpa) the normalised result was a **deterioration of \$1,688 pbpa**.

The number of homes making an EBITDAR (cash) loss (Figure 11) remains concerning as it is financially unsustainable over any extended period.

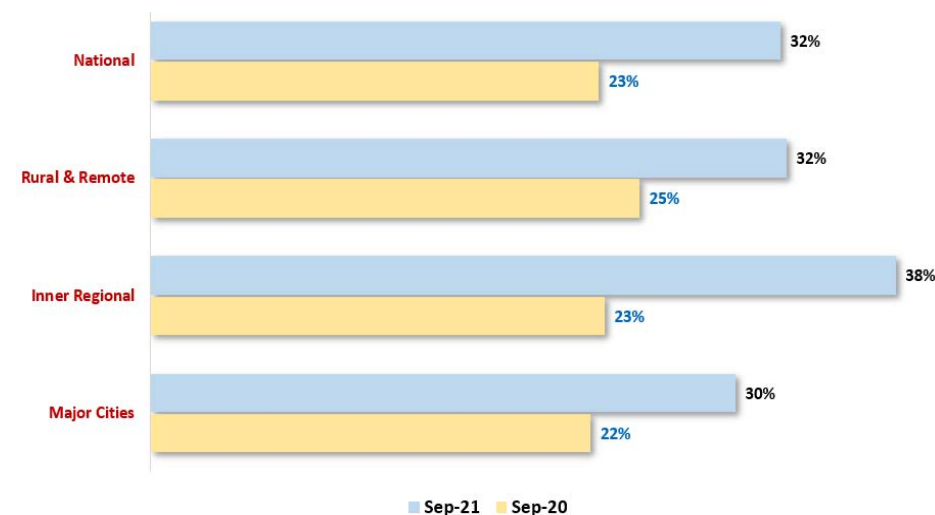
The resultant effect is that those homes with a continual EBITDAR losses will need to be cross subsidised by other business activities, which may be difficult or, in the case of small providers, unlikely to be feasible.

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



Number of Aged Care Homes making an EBITDAR loss

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



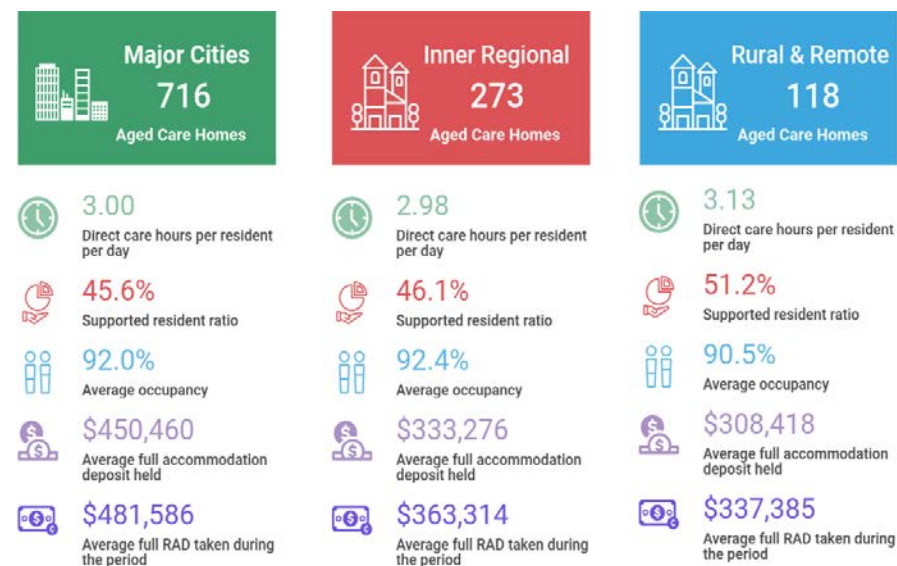
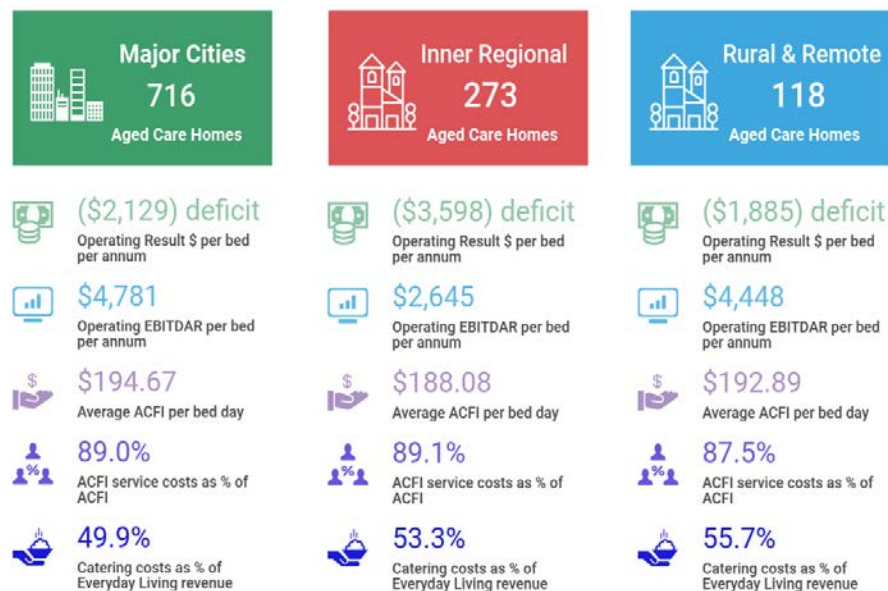
Results by Geographic Location

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

Metropolitan homes continue to be impacted by the COVID-19 pandemic, particularly in the Sydney and Melbourne greater metropolitan areas more so than in homes in regional and remote areas. 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 \$6.34 per bed day compared to Inner Regional (\$10.67 per bed day and Rural and remote (\$5.71 per bed day).

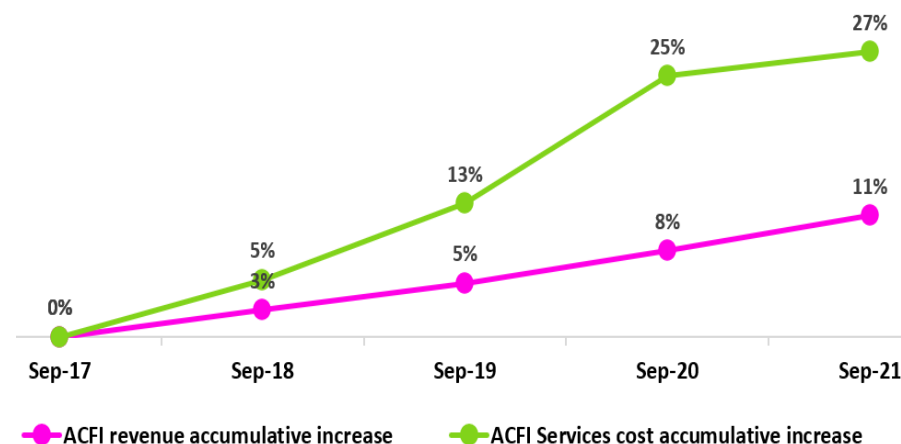
Many regional and remote homes also benefitted from the increased viability supplement.

The following graphs highlight the varying results by geographic region.



ACFI Subsidy Comparison to Direct Care Costs

Figure 12: Cumulative increase in ACFI subsidy and Direct Care costs



Direct Care Staffing Hours

Table 3: Direct Care staffing metrics

Staffing Category	Survey Average			Survey Average
	Sep-21	Sep-20		Jun-21
Registered nurses	0.46	0.44	↑	0.44
Enrolled & licensed nurses	0.28	0.29	↓	0.28
Other unlicensed nurses & personal care staff	2.23	2.22	↑	2.19
Imputed agency care hours implied	0.03	0.03	↑	0.03
Total Direct Care Hours	3.01	2.98	↑	2.93
Care management	0.13	0.14	↓	0.12
Allied health	0.11	0.12	↓	0.11
Diversion/Lifestyle/Activities	0.11	0.12	↓	0.11
Total Care Hours	3.35	3.36	↓	3.27
Total Direct Care minutes per resident day	180.39	178.64	↑	175.81

Figure 13: Direct Care staff hours by region

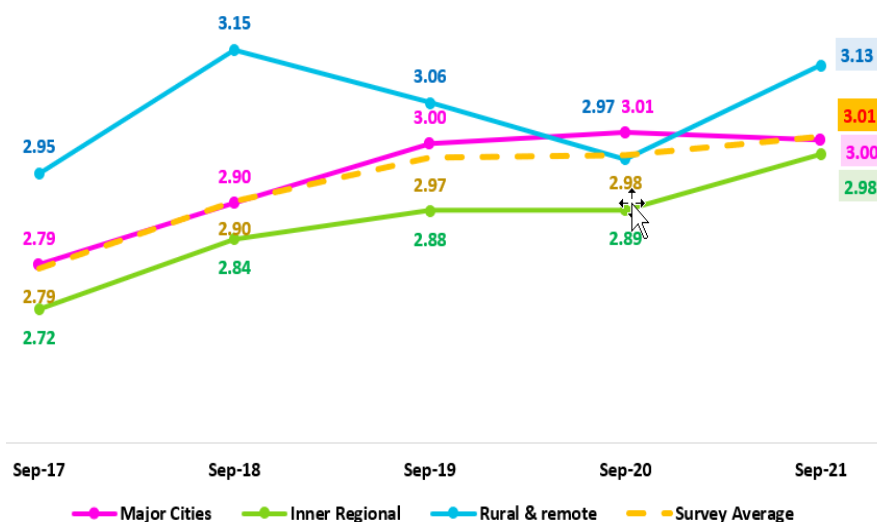
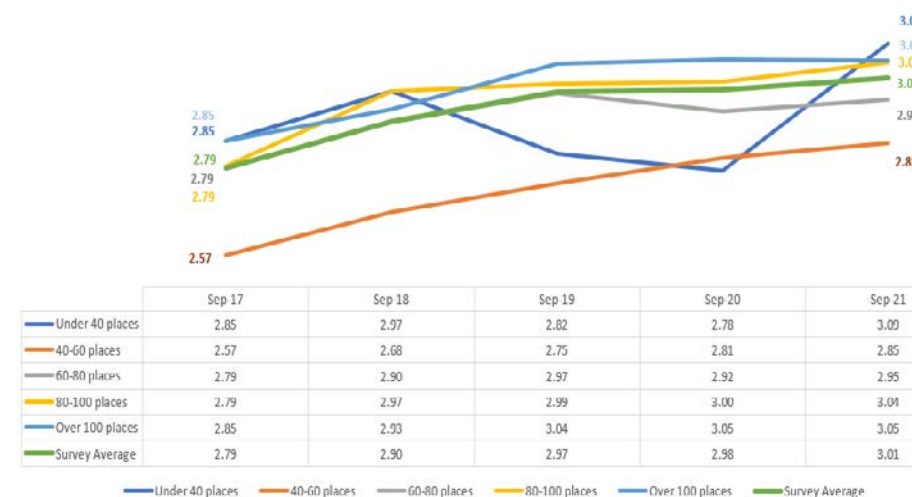


Figure 14: Direct Care staff hours by facility size



Average Direct Care Minutes Trend per resident day

The minimum mandated minutes per resident per day (200 minutes for RN/EN/PCA staff) will require increased staffing by an average 19.61 minutes from the staffing levels for the Sep-21 period. This represents an increase of 10.9%.

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

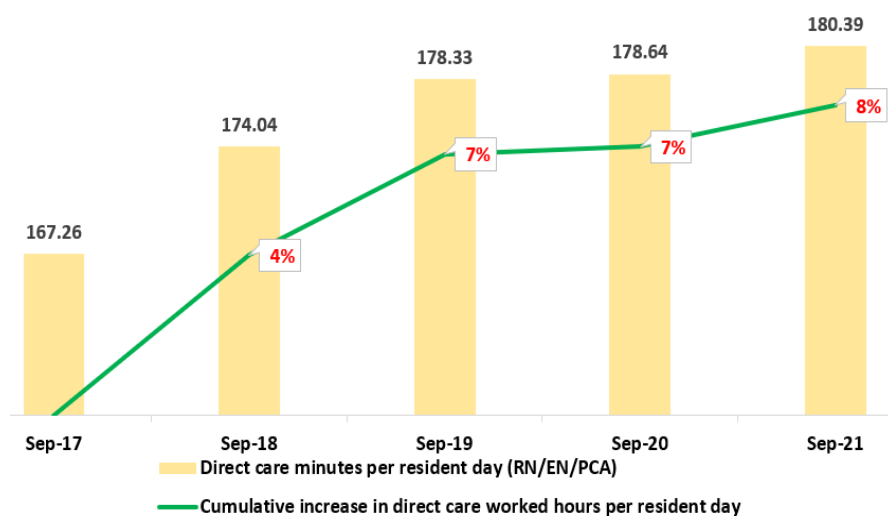


Figure 17: Direct Care Minutes by average ACFI subsidy bands

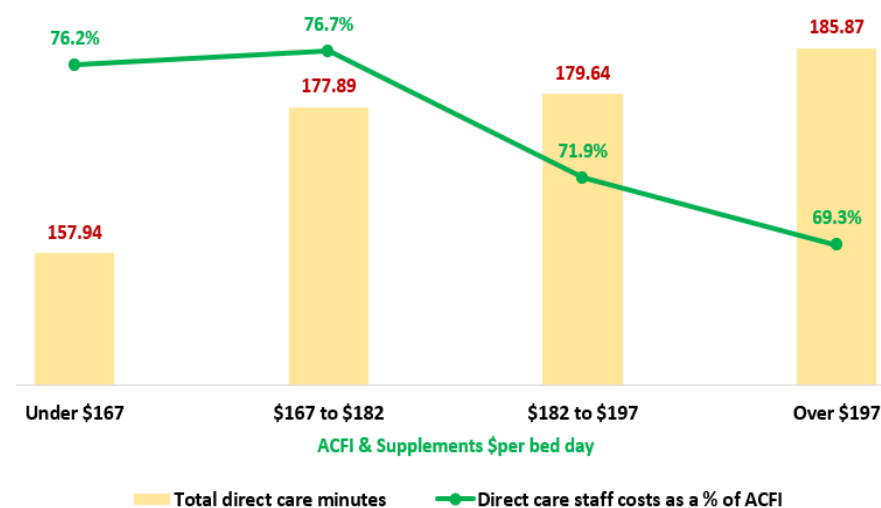
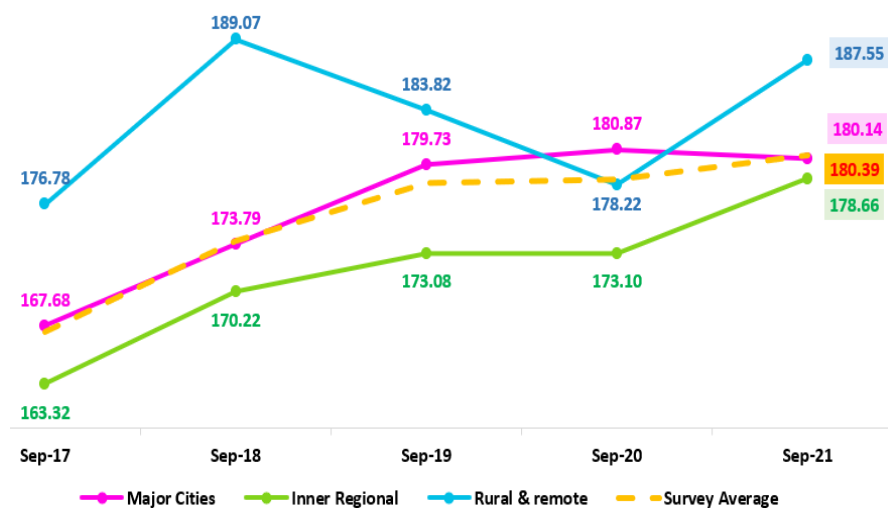
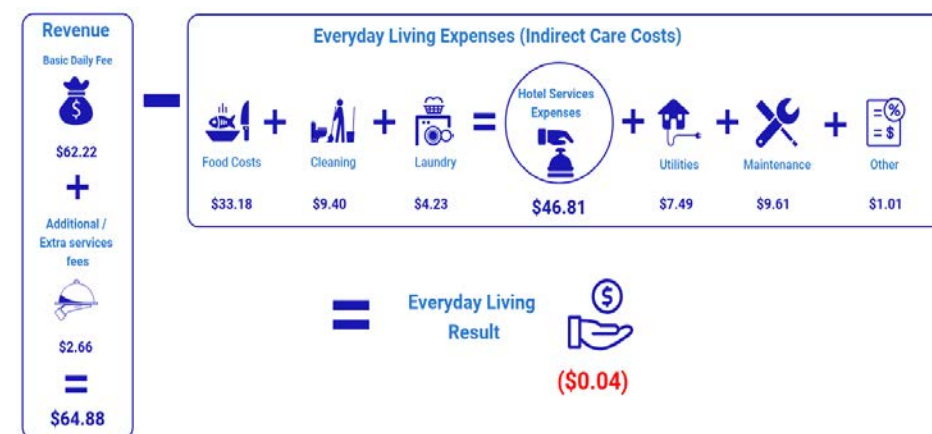


Figure 16: Direct Care Staff Minutes by Region (minutes per resident per day)



Everyday Living (Indirect Care) Analysis

Figure 18: Components of Everyday Living revenue and expenses (\$ pbd)



The continued under-recovery of everyday living 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 47.0% across all aged care homes, this will continue to be an issue for providers in addressing the introduction of additional optional services.

For the Sep-21 period the direct costs of providing everyday living services (*excluding any administration allocation*) exceeded the revenue by \$0.04 pbd (Sep-20 \$9.31 pbd). With an administration cost allocation the **deficit** for everyday living services was **\$13.39 pbd**.

The Basic Daily Fee supplement (average \$9.51 pbd) was only offset by an increase in Hotel services expenditure of \$1.88 pbd.

Table 4: Everyday Living revenue and expenses (\$ pbd)

	Sept-21 1,107 Homes	Sept-20 1,070 Homes	Movement	Jun-21 1,163 Homes
Basic daily fee supplement - government	9.51	0.00	↑	-
Basic daily fee - resident	52.71	52.15	↑	52.32
Other resident income	2.66	1.88	↑	2.47
Everyday Living revenue	\$64.88	\$54.03	↑	\$54.79
Hotel services	46.81	44.93	↑	46.51
Allocation of W/Comp to hotel services	0.66	0.62	↑	0.61
Payroll tax - everyday living	0.13	0.09	↑	0.11
Utilities	7.49	7.56	↓	6.93
Maintenance costs (regular) and motor vehicles	9.61	9.94	↓	10.20
Quality and education allocation to everyday living	0.22	0.20	↑	0.21
Everyday living expenses	\$64.92	\$63.34	↑	\$64.57
Everyday living result (before Administration)	(\$0.04)	(\$9.31)	↑	(\$9.78)
Administration	13.34	12.38	↑	12.51
Everyday Living Result	(\$13.39)	(\$21.69)	↑	(\$22.29)

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)

	Sept-21 1,107 Homes	Sept-20 1,070 Homes	YoY Movement	Jun-21 1,163 Homes
Accommodation revenue	\$32.52	\$33.17	↓	\$32.86
Accommodation expenses				
Depreciation	19.31	18.75	↑	19.59
Refurbishment	0.19	0.25	↓	0.32
Property rental	0.67	1.14	↓	0.53
Other accommodation costs	1.37	0.83	↑	1.26
Administration	11.66	10.82	↑	10.93
Accommodation expenses	33.19	31.80	↑	\$32.64
Accommodation Result	(\$0.68)	\$1.37	↓	\$0.22
Accommodation Result \$ per bed per annum	(\$227)	\$464	↓	\$74
Imputed DAP (based on RAD holdings x 65%) (\$pbpa)	\$4,580	\$4,395	↑	4,444
Accommodation Result with imputed DAP (\$pbpa)	\$4,353	\$4,859	↓	\$4,518
Depreciation charge \$ per bed per annum	\$6,483	\$6,353	↑	\$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 Sep-21 period was **deficit of \$0.68 per bed day** after an allocation of administration costs (Sep-20 surplus \$1.37 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 19: Median Accommodation Price Trend (by region)

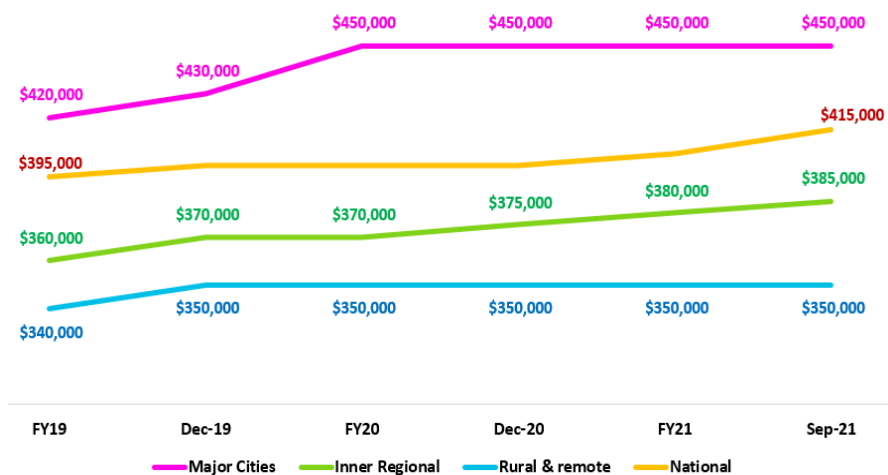
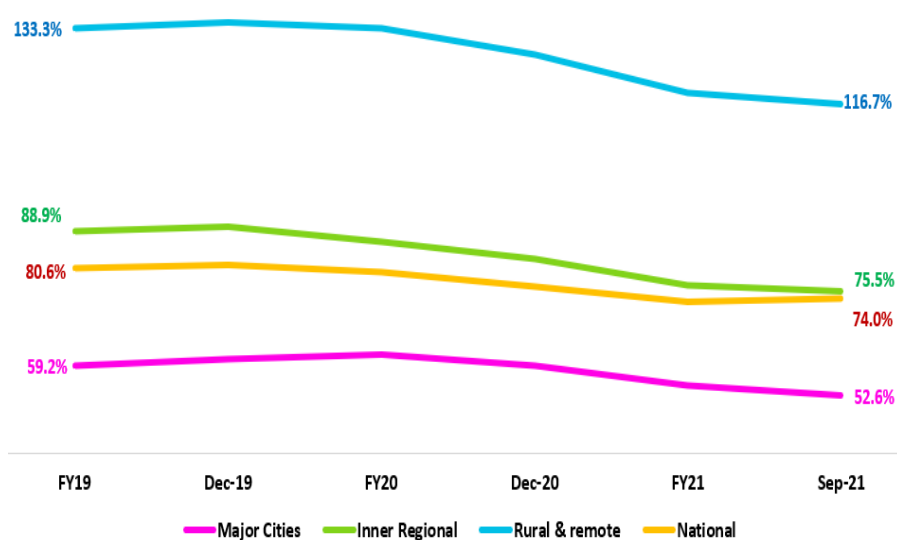


Figure 20: Median Accommodation Price as % of Medium House Price



Occupancy

Figure 21: Residential Occupancy by region (mature homes)

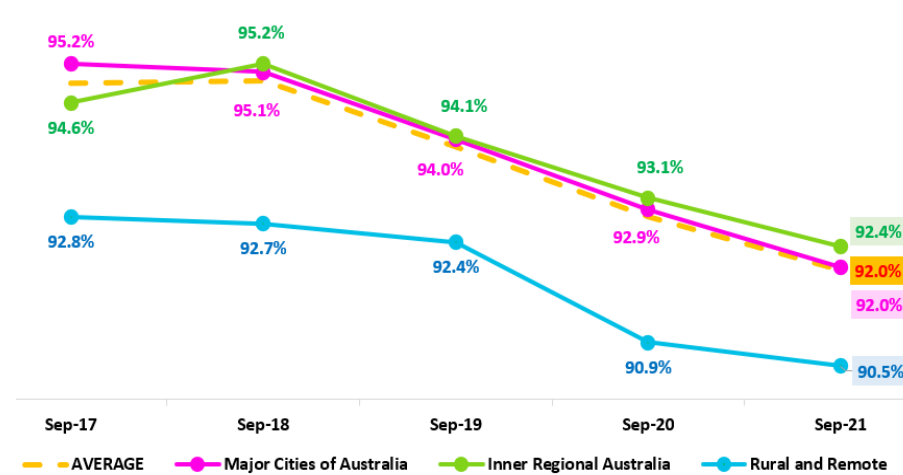


Figure 22: Residential Occupancy by facility size (number of available places)

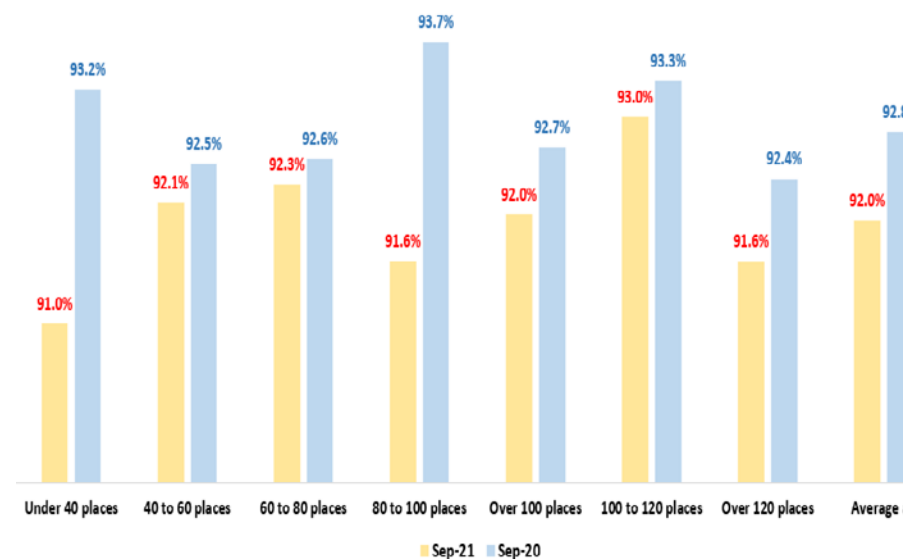


Figure 23: Residential Occupancy by State/Territory (mature homes)

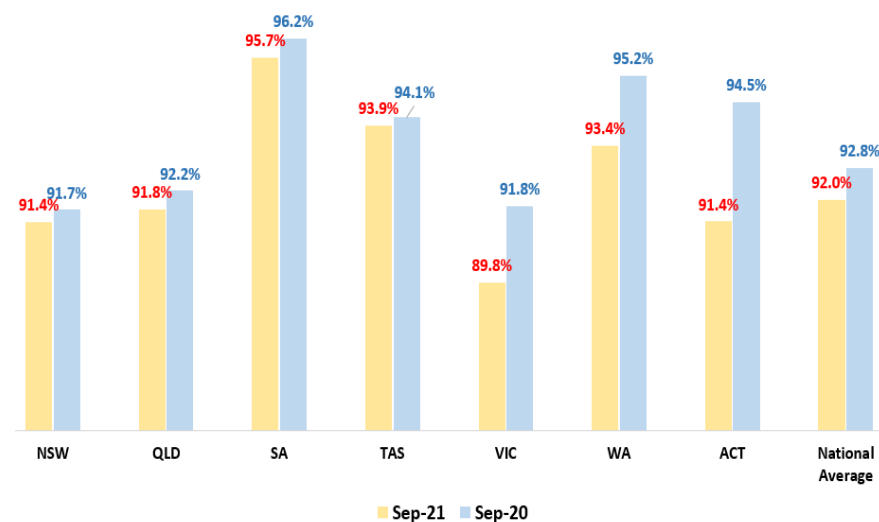
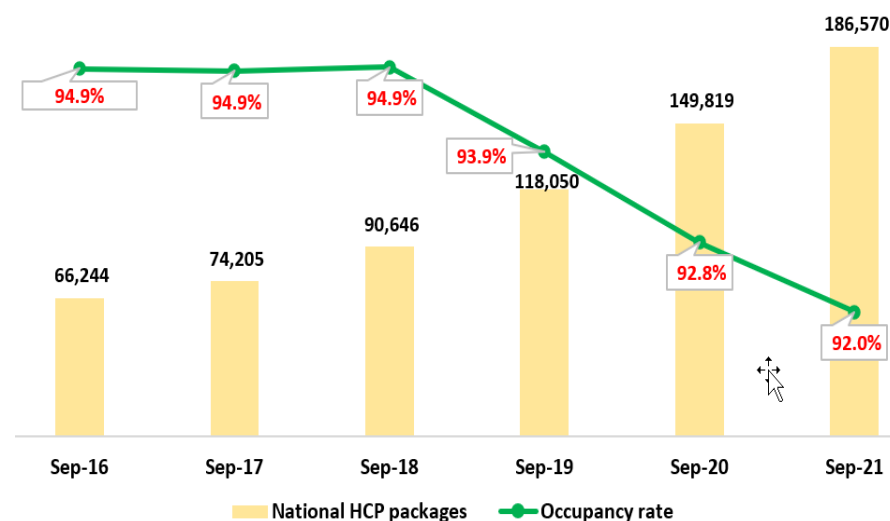


Figure 24: Residential Occupancy comparison to Increase in Home Care Packages



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 over the FY22 due to increased compliance costs associated with the Quality and Safety Standards, Serious Incident Response Scheme (SIRS), COVID-19, ACFR reporting, and greater scrutiny on direct care staffing costs and care service delivery by consumers and stakeholders.

Table 6: Administration costs (\$ pbd)

	Sep-21 1,107 Homes	Sep-20 1,070 Homes	YoY Movement
Administration (corporate) recharges	25.01	22.76	↑
Labour costs - administration (facility)	7.54	7.29	↑
Other administration costs	5.48	5.35	↑
Workers compensation	0.19	0.17	↑
Payroll tax - administration staff	0.04	0.02	↑
Fringe Benefits Tax	0.01	0.00	↑
Quality & education - labour costs	0.04	0.04	↑
Quality and education - other	0.02	0.02	↓
Insurances	1.36	1.17	↑
Total Administration Costs	\$39.68	\$36.83	↑

Allocation of Administration Costs

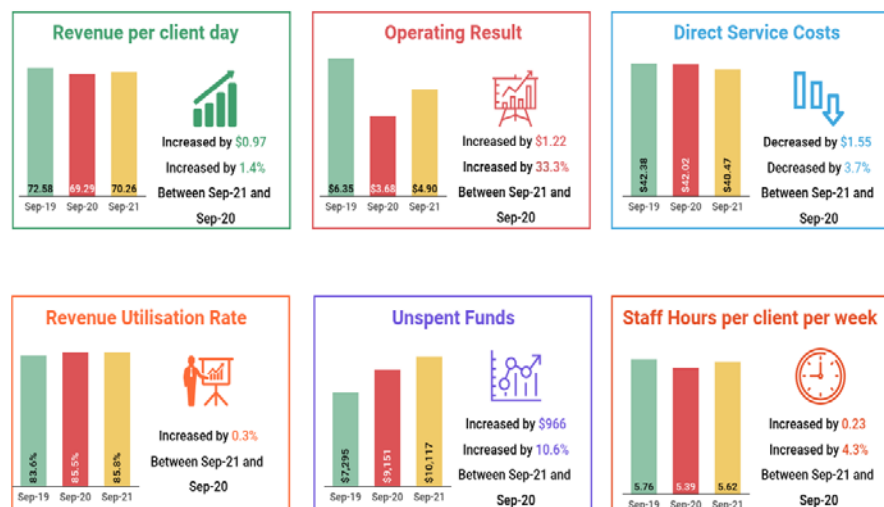
Although administration costs are unfunded specifically, each of the respective revenue streams requires a significant component. The allocation of the administration costs has been based on the average provider responses received from the annual Administration Survey.

The allocation for each revenue stream is as follows:-

- ACFI: 37% (\$14.68 per bed day)
- Everyday Living: 33.6% (\$13.34 per bed day)
- Accommodation: 29.4% (\$11.66 per bed day)

3. HOME CARE ANALYSIS

Operating Result



Overview

Compared to Sep-20, there has been an increase in home care revenue per client day, care management and advisory costs, administration and support costs, and a reduction in direct care costs. The operating result is **\$4.90 per client per day** (pcpd) an increase of \$1.22 pcpd from Sep-20 (\$3.68 pcpd for FY21).

The average unspent funds is now **\$10,117 per client** compared to Sep-20 (\$9,151 per client). In aggregate, across the sector this represents in excess of \$1.6 billion nationally.

Revenue utilisation has slightly increased from 85.5% Sep-20 to **85.8% for Sep-21** (however lower than the FY21 87.3%). Average staff hours worked per client week increased to **5.62 staff hours per client per week** (Sep-20 5.39 hours). Revenue utilisation remains the primary issue in improving the financial performance.

Table 7: Summary KPI Results Comparison

HCP Summary Results	Sep-21 49,978 Packages	Sep-20 41,295 Packages	Difference (YoY)	Jun-21 (50,567 Packages)
Total revenue \$ per client per day	\$70.26	\$69.29	↑ \$0.97	\$72.08
Operating result per client per day	\$4.90	\$3.68	↑ \$1.22	\$6.05
EBITDA per client per annum	\$1,971	\$1,546	↑ \$425	\$2,362
Average total Internal Staff hours per client per week	5.62	5.39	↑ 0.23	5.36
Median growth rate	3.12%	2.40%	↑ 0.7%	13.82%
Revenue utilisation rate for the period	85.8%	85.5%	↑ 0.3%	87.3%
Average unspent funds per client	\$10,117	\$9,151	↑ \$966	\$9,855
Cost of direct care & brokered services as % of total revenue	57.6%	60.6%	↓ (3.0%)	58.4%
Care management & coordination costs as % of total revenue	11.5%	10.4%	↑ 1.1%	10.5%
Administration & support costs as % of total revenue	23.2%	22.8%	↑ 0.4%	22.0%
Profit Margin	7.0%	5.3%	↑ 1.7%	8.4%

Figure 25: Operating Result by revenue band (\$ per client per day)

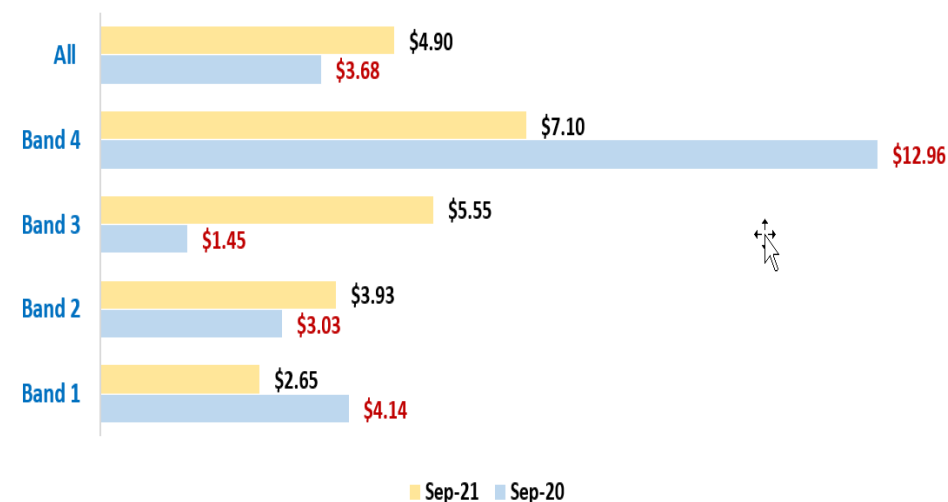


Figure 26: EBITDA Result by revenue band (\$ per client per annum)

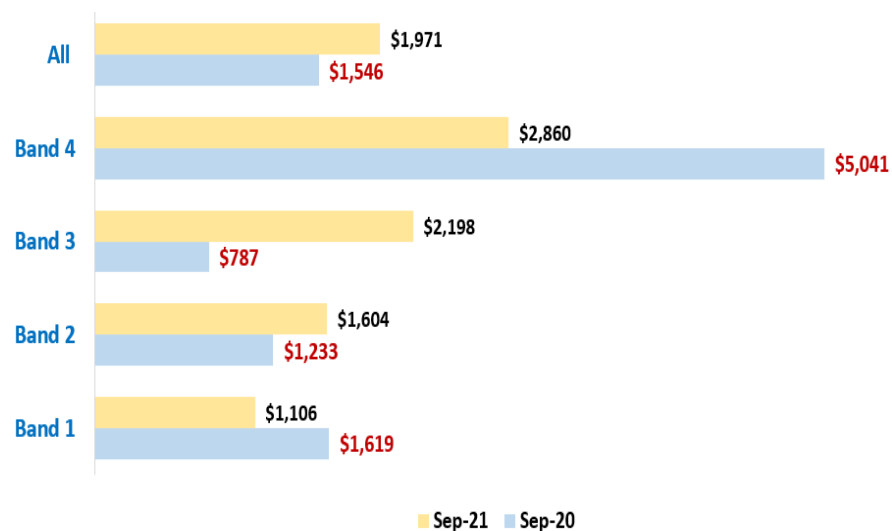


Figure 28: Revenue Utilisation percentage by revenue band

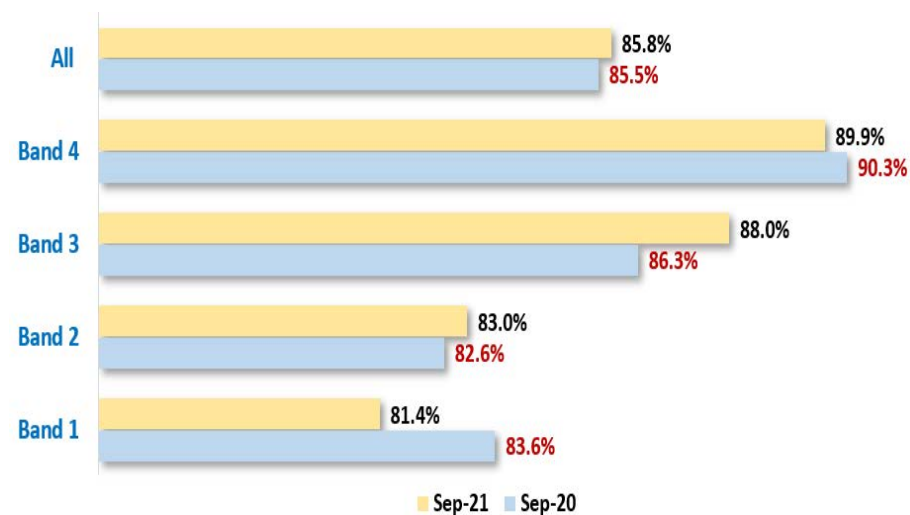


Figure 27: Operating Result by revenue split (\$ per client per day)

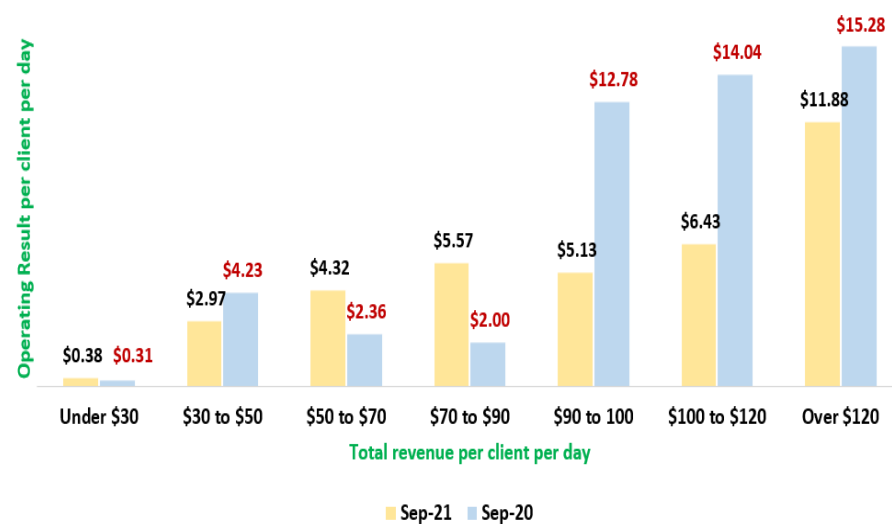
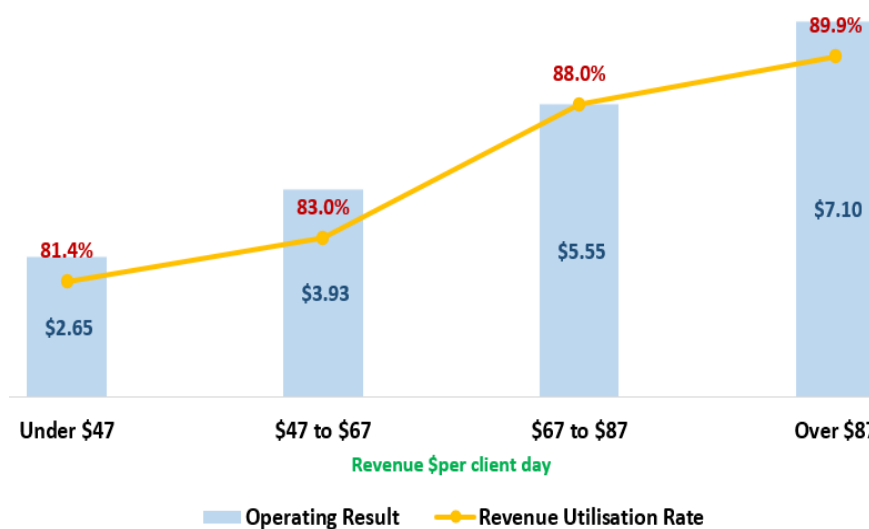


Figure 29: Operating Result and Revenue Utilisation revenue band



Unspent Funds

Figure 30: Average Unspent Funds by revenue band (\$ per client)

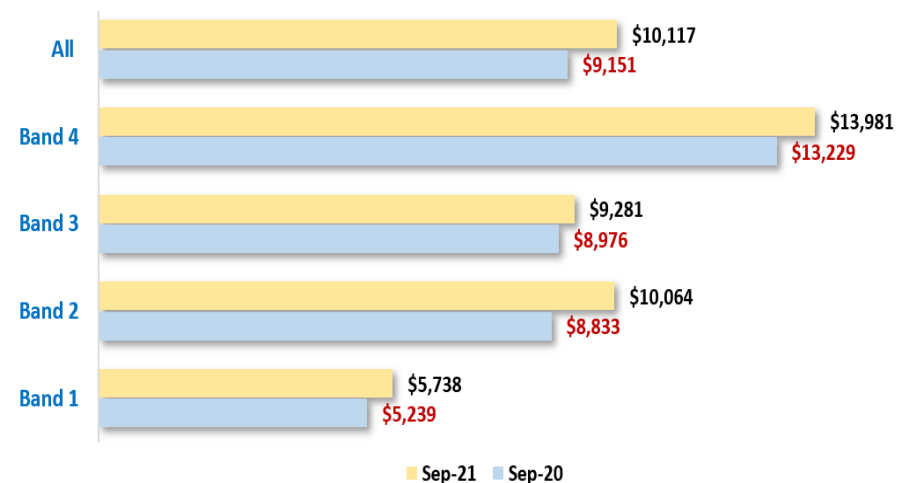
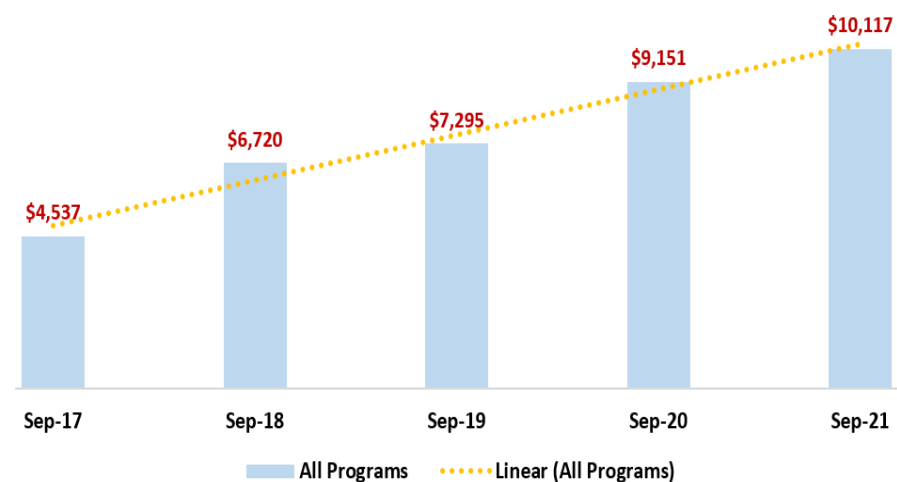


Figure 31: Unspent Funds trend analysis (\$ per client)



Staff Hours Worked per Care Recipient

Direct service hours per care recipient per week (including agency staff) has increased to 4.10 hours (on average) for Sep-21 compared to 3.91 hours for Sep-20.

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

	Sep-21	Sep-20		Difference
Direct service provision	3.96	3.76	↑	0.20
Agency	0.14	0.15	↓	(0.02)
Care management & coordination	0.98	1.00	↓	(0.01)
Administration & support services	0.54	0.47	↑	0.06
Total Staff Hours	5.62	5.39	↑	0.23

Figure 32: Staff Hours per care recipient per week trend analysis

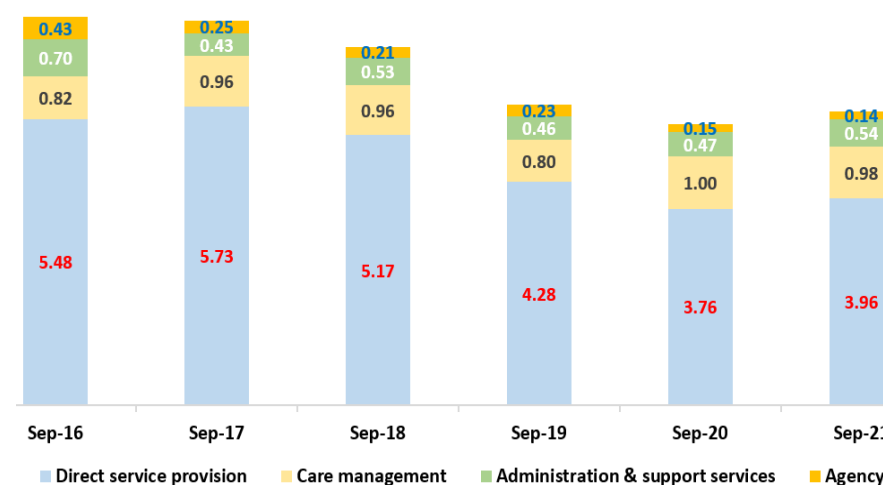


Figure 33: Staff Hours per care recipient week trend analysis (Levels 2 and 4)

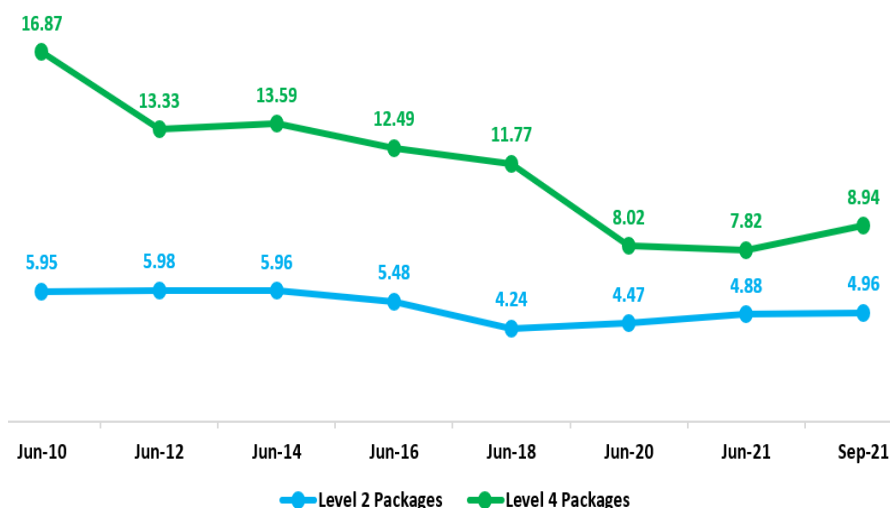


Figure 34: Internal and Brokered Services staff costs comparison

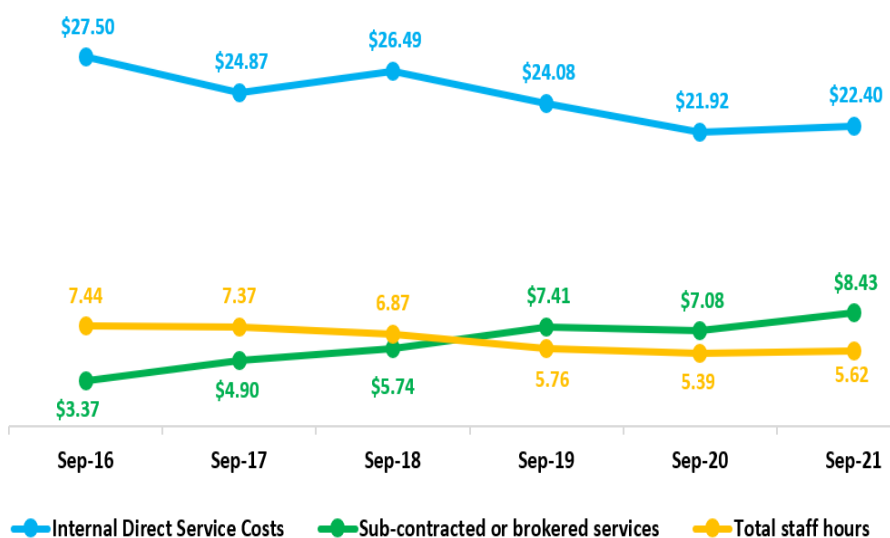
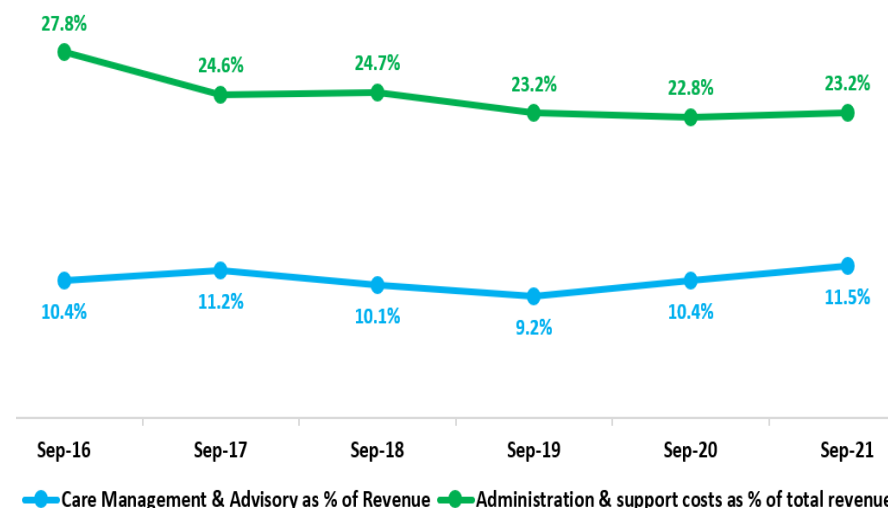


Figure 35: Case Management and Administration cost as % of revenue



Package Growth

The Government has made several announcements to increase the number of home care packages in the aged care system:

- On 8 July 2020 the Government announced that \$347.4 million over 5 years would be spent on an additional 6,105 home care packages (2,035 at level 1, 2 and 3) in 2020-21. These packages commenced being rolled out in July 2020
- 23,000 packages announced in the 2020-21 Budget are in addition to the 6,105 packages already announced in July (5,000 at level 1, 8,000 at level 2 and 4 and 2,000 at level 4). These packages commenced roll out in November 2020
- On 16 December 2020 the Government announced an additional 10,000 packages (2,500 at each level) costing a total of \$850.8 million over 4 years (to FY24). These additional home care packages will be released with roll out from January 2021 to June 2021
- On 11 May 2021, the May Budget announced **an additional 80,000 packages** to be released over the FY22 and FY23 periods at a total cost of \$6.5 billion. This investment is expected to increase the total package pool to 275,598 packages by the end of FY23

Figure 36: Number of People in a Home Care Package

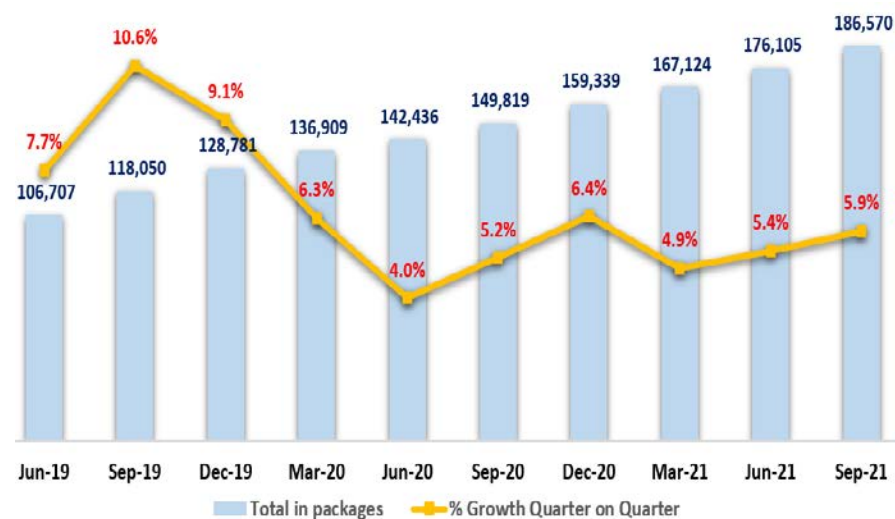


Figure 37: Demand for Home Care Packages

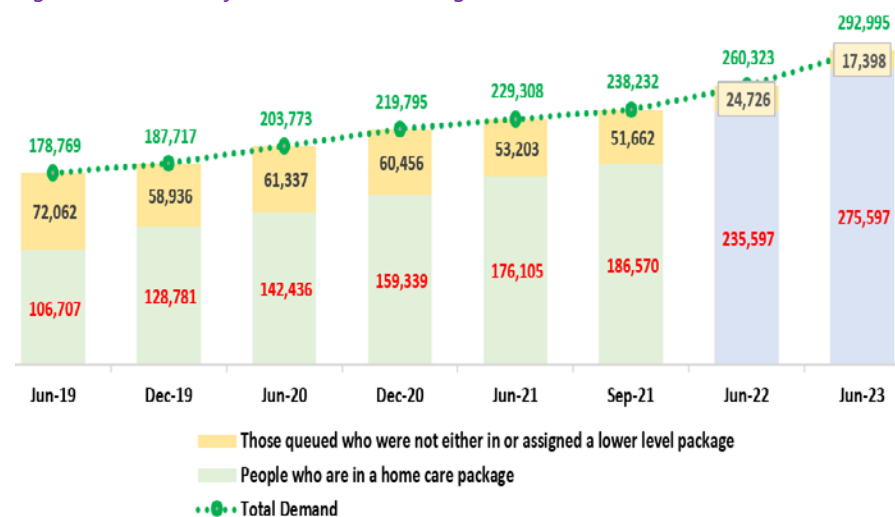
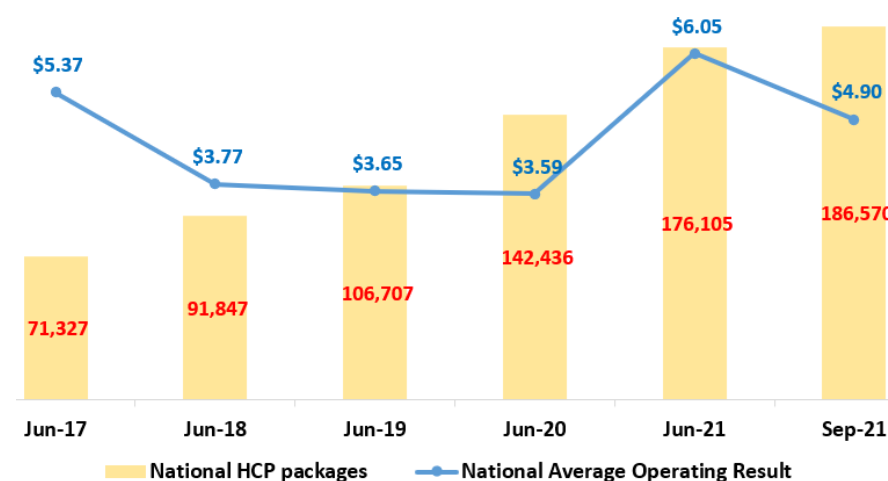


Figure 38: Number of People in a Package compared to Operating Result (\$ pcpd)



Funding Reform

The following table indicates that unspent funds represent a significant percentage of the total subsidy:

Home Care Package	Subsidy (\$) (average 1.1 years)	Unspent Funds (\$ per care recipient)	Unspent Funds % of Subsidy
Level 1	\$9,900	\$5,068	51.2%
Level 2	\$17,325	\$9,421	54.4%
Level 3	\$37,675	\$8,824	23.4%
Level 4	\$57,200	\$12,339	21.6%

* Subsidy is based on maximum subsidy per package per annum x 1.1 years

** Unspent funds represent the Government's portion (95% of average unspent funds balance by package level)

If there were (say) 8 funding package levels between the lowest and highest this may assist in better utilisation of the funding to equate to actual services required by care recipients (refer below example):

	Current Subsidy (\$ pa)	Proposed Subsidy (\$ pa)		Proposed Subsidy (\$ pa)
Level 1	\$9,000	\$9,000	Level 5	\$29,000
Level 2	\$15,750	\$13,000	Level 6	\$36,000
Level 3	\$34,250	\$17,500	Level 7	\$43,000
Level 4	\$52,000	\$22,500	Level 8	\$52,000

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. It no longer includes costs associated with recurrent repairs and maintenance and motor vehicles.

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.

ACFI Result

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 ACFI and 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 an ACFI 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 ACFI + 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 everyday living costs and administration and support costs. It is calculated as ACFI Result *plus* Everyday Living 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.

Everyday Living Result

Revenue from Basic Daily Fee plus Extra or Optional Service fees less Hotel Services (catering, cleaning, laundry), Utilities, Motor Vehicles and regular Property & Maintenance (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

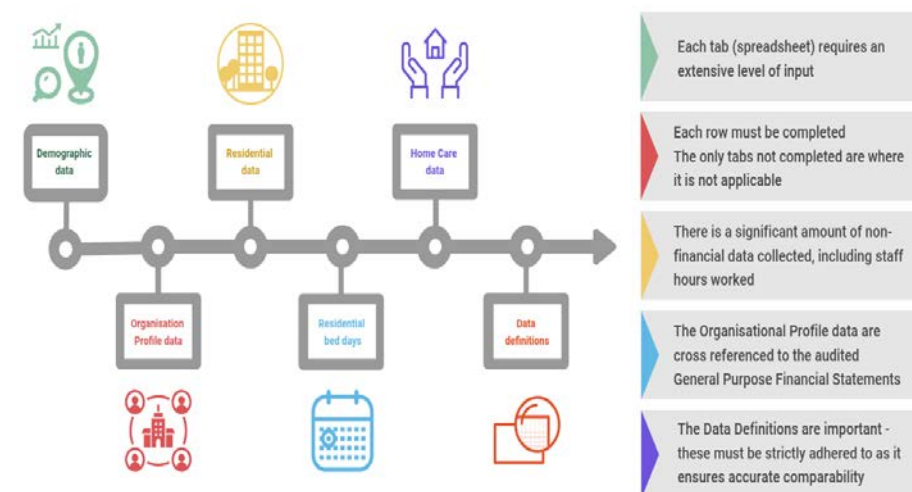
Aged care homes have been designated as being city based according to the designation by the Department of Health in their listing of aged care services. Those that were designated as being a “Major City of Australia” have been designated City.

Location - Regional

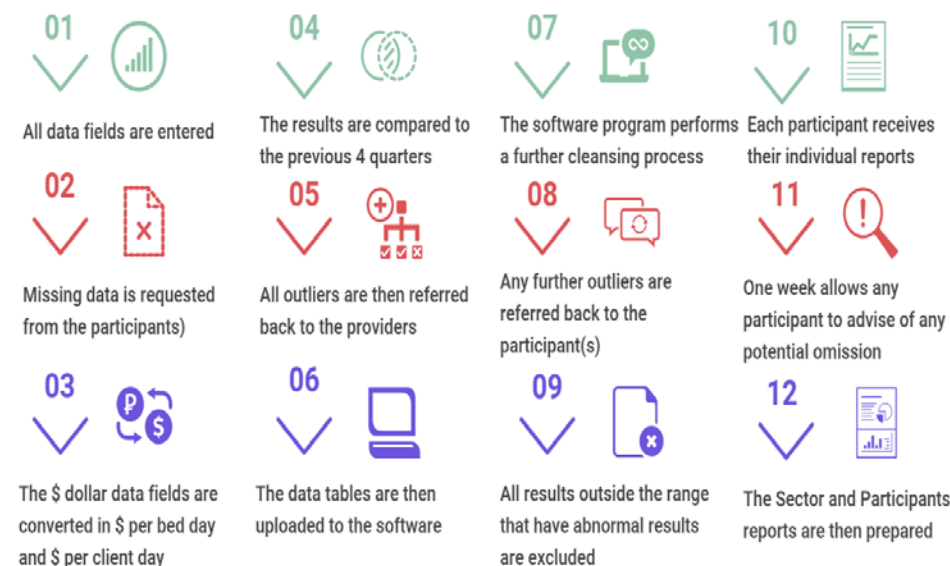
Aged care homes have been designated as being regionally based according to the designation by the Department of Health in their listing of aged care services. Those that were designated as being an “Inner Regional”, “Outer Regional” or “Remote” have been designated as Regional.

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

Data Collection Process



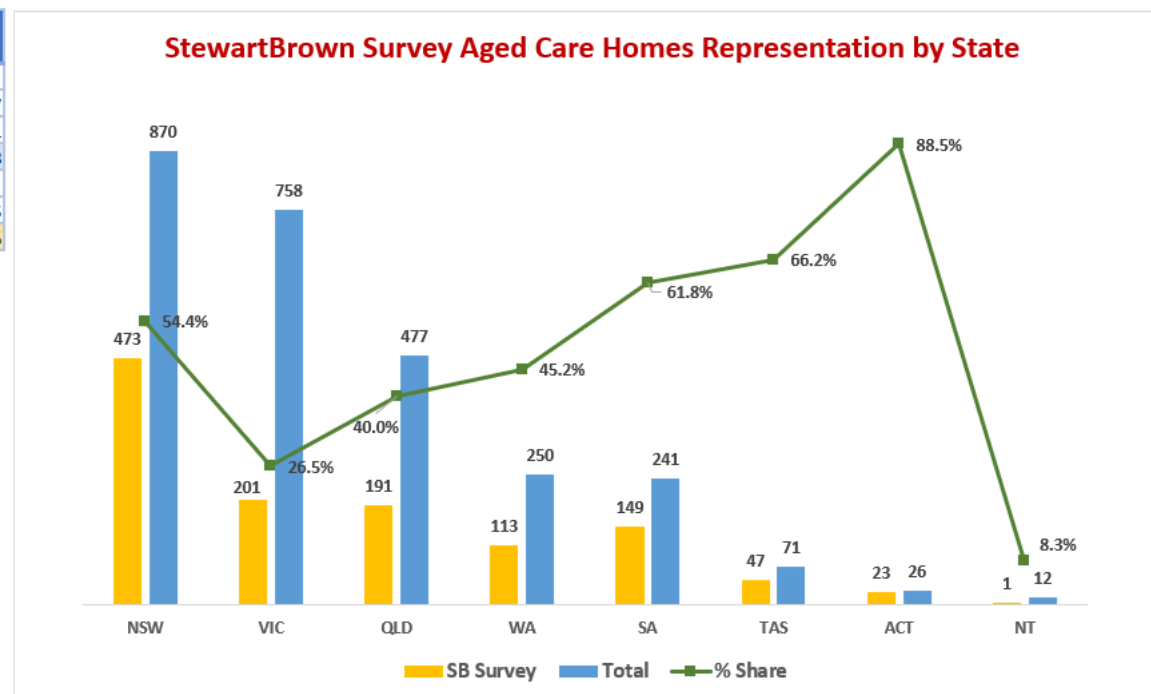
Data Cleansing Process



Survey Data and Metrics

Residential Data Set

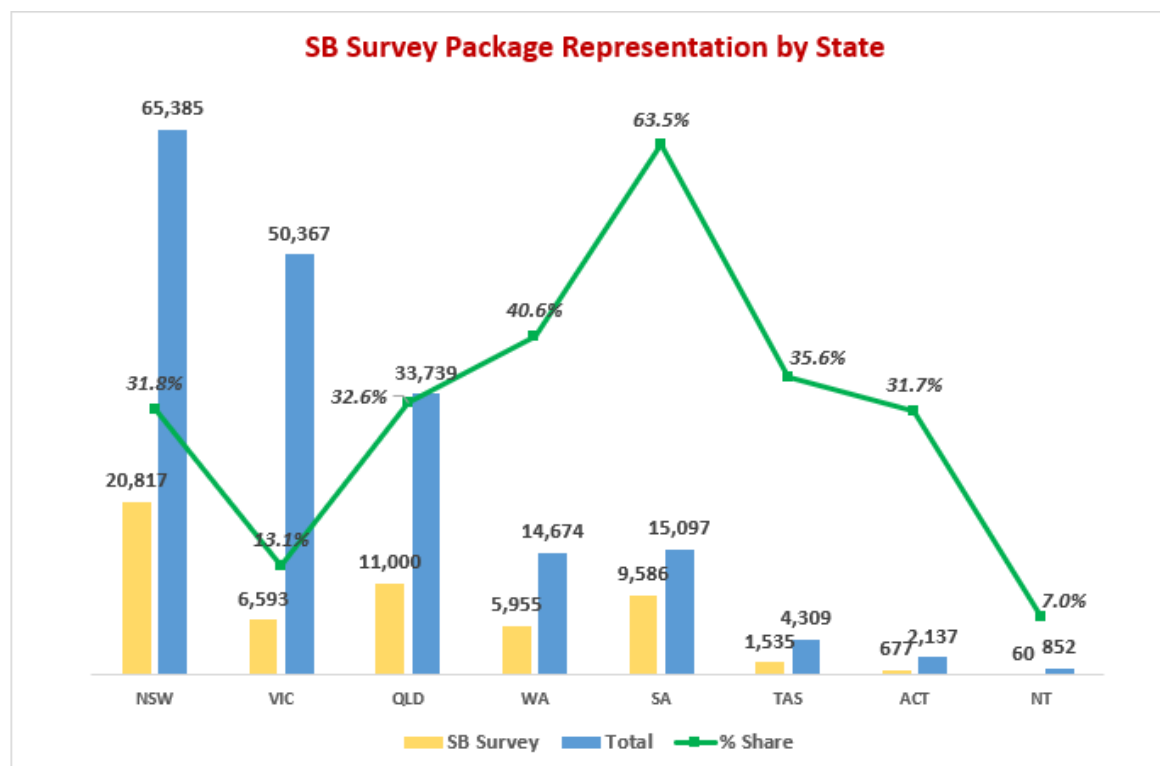
Number of Residential homes in Survey	Total
<i>StewartBrown Residential Survey</i>	
Homes included	1,107
Homes excluded	91
Survey total	1,198
<i>GEN Aged Care Data Service Listing (30 June 2021)</i>	
Total	2,705
Coverage % = (A)/(B)	44.3%



State/territory	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SB Survey	473	201	191	113	149	47	23	1	1,198
Total	870	758	477	250	241	71	26	12	2,705
% Share	54.4%	26.5%	40.0%	45.2%	61.8%	66.2%	88.5%	8.3%	44.3%

Home Care Data Set

Number of Home Care Packages in Survey	Total
<i>StewartBrown Home Care Survey</i>	
Package included	49,978
Package excluded	6,245
Survey total	56,223
<i>GEN Aged Care Data Service Listing (20 September 2021)</i>	
Total	186,570
Coverage % = (A)/(B)	30.1%



State/territory	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Unknown	Total
SB Survey	20,817	6,593	11,000	5,955	9,586	1,535	677	60	0	56,223
Total	65,385	50,367	33,739	14,674	15,097	4,309	2,137	852	10	186,570
% Share	31.8%	13.1%	32.6%	40.6%	63.5%	35.6%	31.7%	7.0%	0.0%	30.1%

StewartBrown Contact Details

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

StewartBrown Aged Care Executive Team

Grant Corderoy

Senior Partner - Consulting Division

Grant.Corderoy@stewartbrown.com.au

Stuart Hutcheon

Partner - Audit and Consulting Divisions

Stuart.Hutcheon@stewartbrown.com.au

David Sinclair

Partner - Consulting Division

David.Sinclair@stewartbrown.com.au

Steff Kearney

Director - Consulting Division

Steff.Kearney@stewartbrown.com.au

Andrew Coll

Director - Aged Care Division

Andrew.Coll@stewartbrown.com.au

Office Details.

Level 2, Tower 1
495 Victoria Avenue
Chatswood NSW 2067
T: +61 2 9412 3033
F: +61 2 9411 3242

benchmark@stewartbrown.com.au

www.stewartbrown.com.au



Analyst, IT and Administration Team

Tracy Thomas

Senior Manager

Chris Parkinson

Senior Manager

Jimmy Gurusinga

Senior Manager

Robert Krebs

Manager

Sabrina Qi

Senior Business Analyst

Shan Wu

Senior Business Analyst

Kieron Brennan

Business Analyst

Alic Zhang

Business Analyst

Cassie Yu

Business Analyst

Joyce Jiang

Business Analyst

Vicky Stimson

Survey Administrator

Steven Toner

Survey Administrator

Rachel Corderoy

Media and Marketing

Reece Halters

IT Director

Annette Greig

Systems Accountant

Rhys Terzis

Systems Analyst

Min Joo Kim

Data Analyst