



StewartBrown

Integrity + Quality + Clarity

Aged Care Financial Performance Survey Report



The StewartBrown September 2022 *Aged Care Financial Performance Survey* incorporates detailed financial and supporting data from **1,182 aged care homes (95,126 beds/places)** and **76,770 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.

3 months ended 30 September 2022

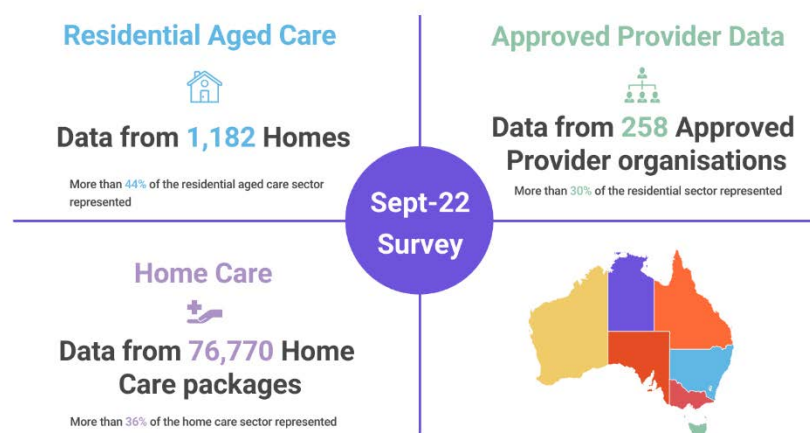
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1. EXECUTIVE SUMMARY

Abstract

The *Aged Care Financial Performance Survey* (Survey) September 2022 (Sep-22) 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 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 aged care sector, including residential aged care and home care packages, continues to have a significantly declining financial performance. Whilst much necessary focus has been directed toward important legislative and regulatory reforms, this has not transcended into improving the financial sustainability of the sector.

Staffing capacity is at a severe shortage which impacts care service delivery at all levels of aged care, and with the interim Fair Work Commission ruling promising to assist in the retention of staff this still falls well short of what is required.

The government has shown strong commitment to implementing the reforms recommended by the Royal Commission and has already demonstrated a positive and multilateral approach with all stakeholders.

However more funding reforms are urgently required which must focus on a greater level of consumer contribution for everyday living and accommodation services in particular.

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

- Funding to increase staff remuneration, on-costs and benefits
- Subsidy funding, including indexation, 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

The Survey for the 3 months ending September 2022 continues to highlight the declining financial sustainability of the sector, with residential aged care now remaining at a **critical financial sustainability position** for many providers.

The average operating results for residential aged care homes in all geographic sectors was an **operating loss of \$21.29 per bed day** (Sep-21 \$7.30 pbd loss) This represents a loss of \$7,092 per bed per annum which is extrapolated to a **residential sector loss in excess of \$345 million** for the three month period.

The alarming statistic is that 70% of aged care homes operated at a loss (56% at Sep-21) and 51% operated at a EBITDA (cash loss) (32% at Sep-21).

The introduction of the AN-ACC subsidy model from 1 October 2022 may have a transition financial benefit, due to the subsidy including funding for additional direct care staffing minutes with the mandated minutes not being obligatory until 1 October 2023. However much of this benefit is eroded due to the AN-ACC starting price being insufficient at commencement (due to the effect of increased award staff costs and higher inflation, which were not known when the funding costing was formulated at the time).

However, staffing shortages have been a major contributing factor, with much increased levels of overtime and agency staff being required to ensure that resident care needs are being properly met. Agency staffing alone represented a cost of \$13.42 per bed day, an increase of \$7.48 per bed day when compared to the Sep-21 period.

Occupancy remains a major concern and the combination of negative factors are likely to have eroded essential investment from new and existing providers.

Home Care also faces significant operating issues. As with residential aged care, staffing remains the most crucial concern, and this coupled with the current complicated regulatory environment has seen the financial performance declining with the current operating result being a surplus of \$3.56 per client per day (Sep-21 \$4.90 *pcpd*), a decline in revenue utilisation to 83.7% of available package funding and an increase in unspent funds to now average \$11,693 for every care recipient (*unspent funds are now in excess of an aggregate \$2.4 billion*).

The underlying issue is that as the reforms are being implemented, there is a lag period of some years before they will positively impact financial performance. This is where the pressure point is likely to occur and short-term remedial assistance may be required.

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

StewartBrown Survey

Survey Outline

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

The Survey is primarily for the benefit of aged care providers in reviewing their financial performance and considerations of strategic direction on an individual aged care home (facility) basis and home care package program basis. Providers compare their performance on a number of metrics with facilities (in this instance) through a range of data attributes, including resident mix and acuity, staffing levels (cost and hours/minutes), geographic region, age of building, size of building, number of places (beds), accommodation pricing and administration. Home care has a similar range of metrics.

The Survey participants utilise an interactive website with high level dashboards, business intelligence tools and the ability to drill down on all data fields as required.

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

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

Survey Results Matrix

As noted above, the primary purpose of the Survey is for participating providers to benchmark individual aged care facility and home care programs against similar de-identified comparators using a range of metrics.

To ensure accurate and relevant benchmark comparison, all outlier aged care facilities and home care programs are excluded from the Survey results. Examples of outliers include:

- Facilities/programs under sanction
- Facilities with significant infectious disease outbreaks (such as covid-19)
- Facilities undergoing major refurbishment
- Newly built facilities still in the ramping up stage
- Recently acquired facilities/programs undergoing structural operation changes

- Facilities/programs closed during the financial year (and reporting period)
- Facilities with occupancy less than 80%
- Revenue and expense lines that are out of range with supporting explanation

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

Indirect Care (Everyday Living)

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

A characteristic of these services is that the BDF (calculated at 85% of the single pension) is the same for all residents irrespective of financial means and acuity.

The costs of providing these services has been greater than the revenue where no additional service fee is levied, and currently the sector average is **\$7.49 loss per resident per day**, which is after the \$10 per resident per day additional BDF subsidy supplement provided by the Government from 1 July 2021.

Accommodation

The accommodation results represents the major component of the poor financial performance and the sector averaged a **loss of \$13.90 per resident per day** for Sep-22. Depreciation represented \$20.78 per bed day, and whilst it is a non-cash component (and excluded from EBITDA calculations) it is a critical expense that needs to be covered given the cost associated with maintaining, refurbishing and eventual rebuilding of an aged care facility.

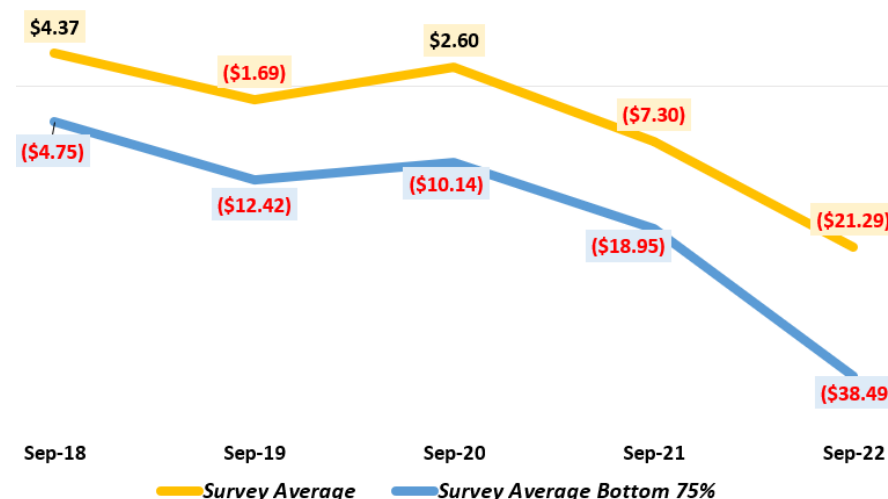
The majority of providers depreciate buildings over 40 years (2.5% pa) which may not be representative of the effective life of a facility to provide accommodation for aged care services. It is more likely to be in the 25 to 30 year range, and particularly driven by the changing nature of aged care and consumer choice as to what future accommodation settings will be required and favoured.

The building cost for a new aged care facility averages over \$310,000 per room nationally, and the average written down value (after accumulated depreciation) of existing facilities is in excess of \$180,000 and the depreciation expense needs to be covered to ensure the adequate refurbishment and ultimate replacement of the building.

Financial Performance of Bottom 75% of Facilities

Possibly the greatest concern is in respect of the financial performance of the bottom 75% of facilities. This should not be interpreted as any reflection on the standard of care delivered, but the dilemma that the sector faces. *Figure 1* highlights this gap of \$17.20 pbd from the average result.

Figure 1: Operating results comparison of Bottom 75% of homes (\$ per bed day)



Home Care Revenue Utilisation

Home Care financial performance has stagnated over the last four financial years with the average operating result for Sep-22 being \$3.56 per care recipient (client) per day. This is not an adequate return based on the investment required and business risk to provide these essential services to the elderly in a domestic home setting.

Revenue utilisation, being the actual services provided as a percentage of the funding received, continues to remain less than 90% (83.7% for Sep-22). There are a number of valid reasons for such a low utilisation, one being the current funding model, however increased utilisation is required to fully cover the fixed costs and therefore improve financial performance.

The resultant effect of the low utilisation is that unspent funds (being funding not being used by care recipients) has increased year on year to amount to an average of \$11,693 per consumer (over \$2.4 billion nationally in aggregate). It is estimated that 96% of these unspent funds are never utilised and subsequently returned to Treasury (or not consumed in the first place due to the changes in the subsidy payments arrangements with unspent funds now being held by Services Australia until such time as being required if at all).

Home Care Revenue

The actual amount charged for providing home care services has steadily decreased to average \$66.39 per client per day for Sep-22 (\$70.26 for Sep-21). This may be as a result of competition and consumer choice, however it is more likely a reflection of concerns by providers in lifting their pricing, as due to staffing constraints which has restricted the range of service delivery.

More community education is required to explain the actual costs associated with providing home care services, with the attention focused on administration and care management fees diverting this understanding.

Financial Reform Considerations

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

The Department has been very active in considering, implementing where required and supporting regulatory changes but the sector, as a whole, needs to embrace reform and provide solutions and not just focus on funding issues.

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

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

Staff Remuneration and Benefits

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

The recent Fair Work Commission minimum wage increase of 5.2% (effectively 4.6% for aged care workers) from 1 July 2022 is a start. The recent “work value case” interim ruling of 15% increase by the Fair Work Commission (for Direct Care staff only) should provide further required pay rate increases for aged care staff.

Whether these increases are sufficient on their own to attract additional staff is questionable, and other incentives and benefits may be required.

Several possible considerations could include:-

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

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

Subsidy Funding

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

AN-ACC Subsidy

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

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

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

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

Regulated Consumer Contribution for Home Care

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

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

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

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

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

Amendments to the Means-Tested Care Fee Criteria

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

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

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

In residential aged care, the means-tested care fee represents only 3.8% of the direct care subsidy. If this was lifted to (say) 9% and the means-tested care fee added to the funding envelope (rather than being deducted from the subsidy paid by the government) this would add in excess of \$1.25 billion pa in the overall direct care funding envelope based on the Sep-22 ACFI.

Deregulation of the Basic Daily Fee

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

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

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

Structural Reform of the Accommodation Pricing Model

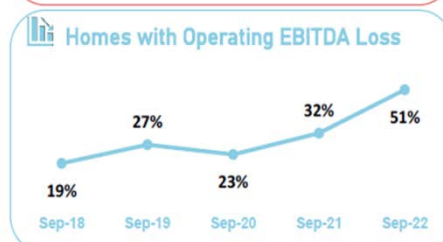
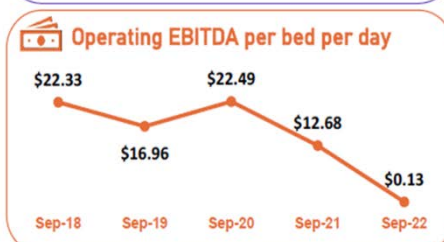
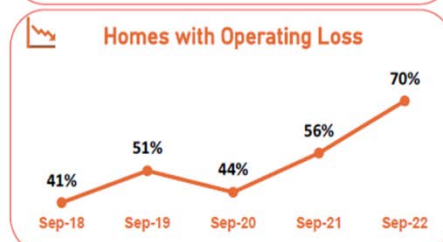
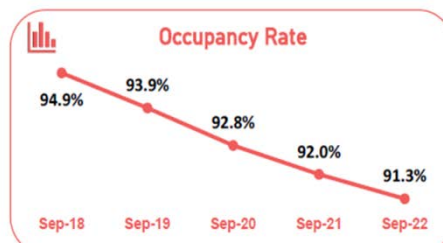
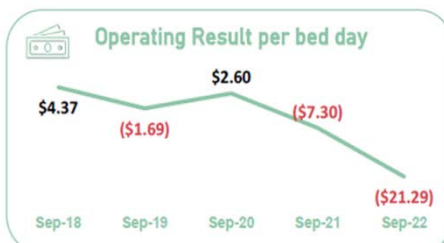
This represents possibly the least understood aspect of residential aged care funding. The current RAD/DAP model infused with a prescriptive MPIR is cumbersome and confusing. It is also inequitable for consumers and providers as paying a RAD where possible is far less cost than paying a daily fee (DAP).

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

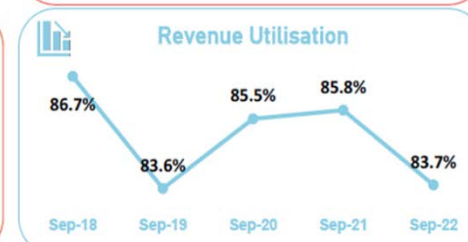
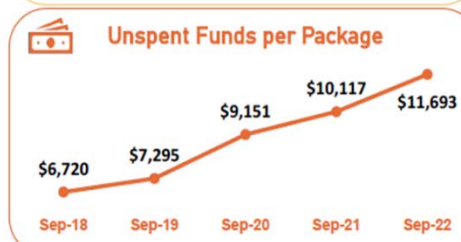
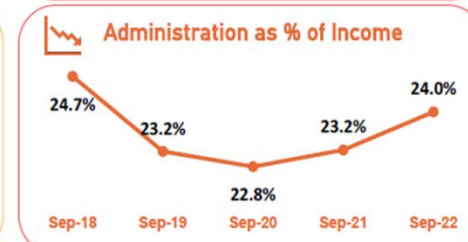
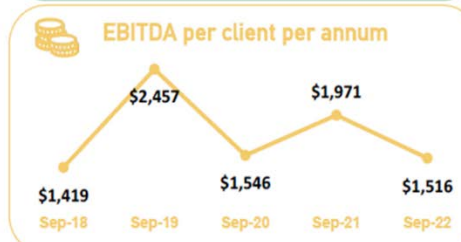
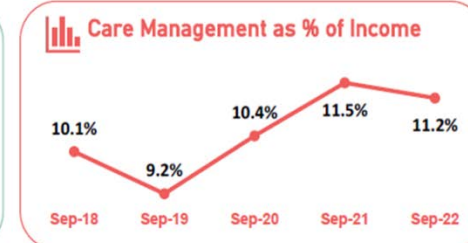
As the name suggests, a Refundable Accommodation Deposit has no rental component included, and accordingly when paying a RAD the loss of alternate revenue from the RAD (such as interest) is the only actual cost for the accommodation in an aged care home. If the RAD amount still resides in the residential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

Sep-22 (3 months) Results Snapshot

Residential Aged Care



Home Care



Sep-22 (3 months) Financial Performance Analysis

Residential Aged Care Results

Revenue	<ul style="list-style-type: none"> Average ACFI and supplements was \$196.99 pbd an increase of 2.08% from Sep-21 (\$192.99 pbd) Indirect care (everyday living) revenue <i>excluding the BDF supplement</i> was \$57.73 pbd an increase of 4.3% from Sep-21 (\$55.37 pbd) Indirect care (everyday living) revenue <i>including the BDF supplement</i> was \$67.53pbd Accommodation revenue was \$33.33 pbd a small increase from Sep-21 (\$32.52 pbd)
Expenses	<ul style="list-style-type: none"> Direct care labour costs (RN/EN/PCA) averaged \$149.24 pbd an increase of 12.1% from Sep-21 (\$133.14 pbd) Direct care agency costs averaged \$13.42 per bed day an increase of \$7.58 per bed day from Sep-21 (\$5.84 pbd) <i>highlighting the extreme permanent staffing shortages</i> Other direct care labour costs (Care Management/Allied Health/Lifestyle) averaged \$25.18 pbd a decrease of 2.9% from Sep-21 (\$25.92 pbd) Other direct care costs averaged \$6.01 pbd a decrease from Sep-21 (\$12.48 pbd) <i>(due to less covid-19 impact in the comparable quarters)</i> Indirect care (everyday living) costs was \$75.02 pbd (including administration) an increase of 9.5% (Sep-21 \$68.54 pbd) Catering expenditure averaged \$36.31 pbd an increase of 9.6% (Sep-21 \$33.15 pbd) <i>(as a result of the targeted BDF supplement)</i> Administration costs was \$44.46 pbd an increase of 12.0% (Sep-21 \$39.68 pbd) <i>(due to increase quality, reporting and compliance requirements)</i> Accommodation expenditure (including administration) averaged \$47.24 pbd (depreciation \$20.78 pbd) compared to Sep-21 \$42.92 pbd (depreciation \$19.31 pbd)
Operating Result	<ul style="list-style-type: none"> Direct care result declined by \$6.65 pbd to a surplus of \$0.11 pbd from Sep-21 (\$6.76 pbd) Indirect care result declined to record a deficit of \$7.49 pbd (including administration) (Sep-21 \$3.66 pbd deficit) Accommodation result was a deficit of \$13.90 pbd (Sep-21 \$10.40 pbd deficit) Operating result <i>(including BDF supplement of \$10 pbd)</i> was a deficit of \$21.29 pbd (Sep-21 operating deficit \$7.30 pbd) Operating EBITDA averaged \$44 pbpa (Sep-21 EBITDA \$4,257 pbpa)
Additional Trends	<ul style="list-style-type: none"> Direct care minutes (RN/EN/PCA) was 186.48 minutes per resident per day (Sep-21 180.39 minutes) Occupancy for mature homes declined to 91.3% (Sep-21 92.0%) <i>(occupancy based on actual available beds)</i> Occupancy for all homes decreased to 90.4% (Sep21 90.7%) <i>(occupancy based on approved places)</i> Supported resident ratio decreased by 1.2% to 45.0% (Sep-21 46.2%) Average full RAD received for Sep-22 period was \$466,103 (Sep-21 \$444,921) Proportion of full RADs received was 17.4%, full DAPs was 64.2% and Combinations (RAD/DAP) was 18.4%

Home Care Package (HCP) Results

Revenue	<ul style="list-style-type: none"> Revenue was \$66.39 per client per day a decrease of 5.5% from Sep-21 (\$70.26 pcpd) Care management revenue as a proportion of total revenue was 19.5% (Sep-21 18.7%) Package management revenue as a proportion of total revenue was 11.4% (Sep-21 10.1%) Revenue utilisation decreased by 2.1% to 83.7% of funding received for Sep-22 (Sep-21 85.8%)
Expenses	<ul style="list-style-type: none"> Direct service costs decreased by \$1.56 pcpd and represents 58.6% of total revenue (Sep-21 57.6% on higher revenue per client per day) Case management cost as % of revenue has decreased to 11.2% of revenue (Sep-21 11.5% of revenue) Administration and support costs represent 24.0% of revenue (Sep-21 23.2%)
Unspent Funds	<ul style="list-style-type: none"> The amount of unspent funds per client (care recipient) has continued to rise and now averages \$11,693 per client (Sep-21 \$10,117 per client) In aggregate across the sector, this represents in excess of \$2.4 billion of funds that have not been utilised.
Operating Result	<ul style="list-style-type: none"> Operating results have declined from \$4.90 per client per day for Sep-21 to \$3.56 pcpd for Sep-22 The profitability margin has declined from 7.0% for Sep-21 to 5.4% for Sep-22 Profitability decline is being driven by a \$3.87 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 4.88 hours (Sep-21 5.62 hours) The number of packages in the survey has increased 30.6% (15,297 packages) from Sep-21 to Sep-22

2. FINANCIAL RESULTS - KEY METRICS

Residential Aged Care

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

	Survey		Survey
	Sep-22 1,088 Homes	Sep-21 1,107 Homes	FY22 1,202 Homes
DIRECT CARE			
Revenue	\$196.99	\$192.99	\$194.77
Expenditure			
Direct care labour costs	149.24	133.14	139.17
Other direct care labour costs	25.18	25.92	26.43
Other direct care costs	6.01	12.48	12.16
Administration	16.45	14.68	15.16
	\$196.88	\$186.23	\$192.92
DIRECT CARE RESULT (A)	\$0.11	\$6.76	\$1.85
INDIRECT CARE			
Revenue	\$67.53	\$64.88	\$66.33
Expenditure			
Catering	36.31	33.15	34.51
Cleaning	10.20	9.37	9.88
Laundry	4.23	4.21	4.31
Other hotel services expense	0.12	0.09	0.08
Payroll tax	0.08	0.12	0.13
Overhead allocation (workcover & education)	0.88	0.79	0.80
Utilities	8.26	7.49	7.29
Administration	14.94	13.33	13.77
	\$75.02	\$68.54	\$70.78
INDIRECT CARE RESULT (B)	(\$7.49)	(\$3.66)	(\$4.45)
CARE RESULT (C) (A + B)	(\$7.38)	\$3.10	(\$2.60)
ACCOMMODATION			
Revenue			
Residents	13.87	13.16	13.03
Government	19.46	19.36	19.82
	\$33.33	\$32.52	\$32.84
Expenditure			
Depreciation	20.78	19.31	19.54
Property maintenance	11.31	10.08	11.08
Property rental	0.64	0.67	1.00
Other	1.43	1.19	1.24
Administration	13.07	11.67	12.05
	\$47.24	\$42.92	\$44.91
ACCOMMODATION RESULT (D)	(\$13.90)	(\$10.40)	(\$12.06)
OPERATING RESULT (\$ per bed day) (C + D)	(\$21.29)	(\$7.30)	(\$14.67)
OPERATING RESULT (\$ per bed per annum)	(\$7,092)	(\$2,451)	(\$4,871)
EBITDA (\$ per bed per annum)	\$44	\$4,257	\$1,949

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

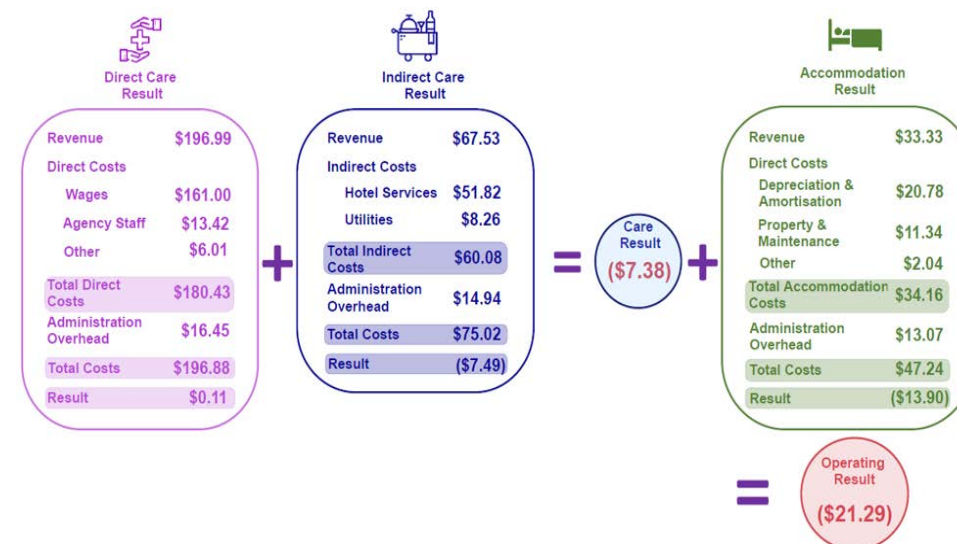


Table 2: Summary KPI Results Comparison

Summary KPI Results	Sep-22 1,088 Homes	Sep-21 1,107 Homes	Difference (YoY)	FY22 1,202 Homes
Operating Result (\$pbd)	(\$21.29)	(\$7.30)	↓ (\$13.99)	(\$14.67)
Operating Result (\$pbpa)	(\$7,092)	(\$2,451)	↓ (\$4,641)	(\$4,871)
EBITDA (\$pbpa)	\$44	\$4,257	↓ (\$4,213)	\$1,949
Average Occupancy (all homes)	90.4%	90.7%	↓ (0.3%)	89.7%
Average Occupancy (mature homes)	91.3%	92.0%	↓ (0.7%)	91.0%
Average direct care revenue (\$pbd)	\$196.99	\$192.99	↑ \$4.01	\$194.77
Total direct care minutes per resident per day	186.48	180.39	↑ 6.09	176.91
Direct care services costs as a % of direct care revenue	91.6%	88.9%	↑ 2.7%	91.3%
Supported Ratio %	45.0%	46.2%	↓ (1.2%)	45.3%
Average Full RAD/Bond held	\$428,405	\$416,676	↑ \$11,729	\$425,852
Average Full RAD taken during period	\$466,103	\$444,921	↑ \$21,182	\$455,006

Trend Analysis

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

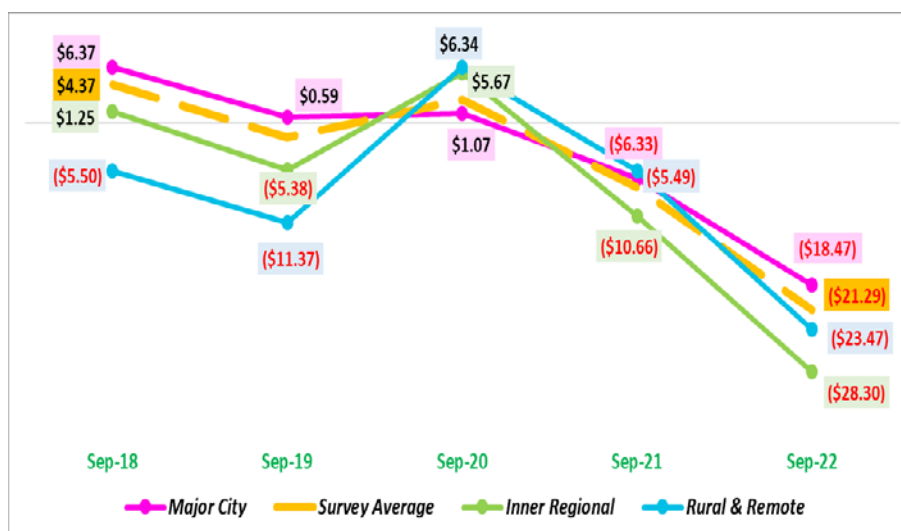


Figure 4: Residential Operating Results by Region (\$ per bed per annum)

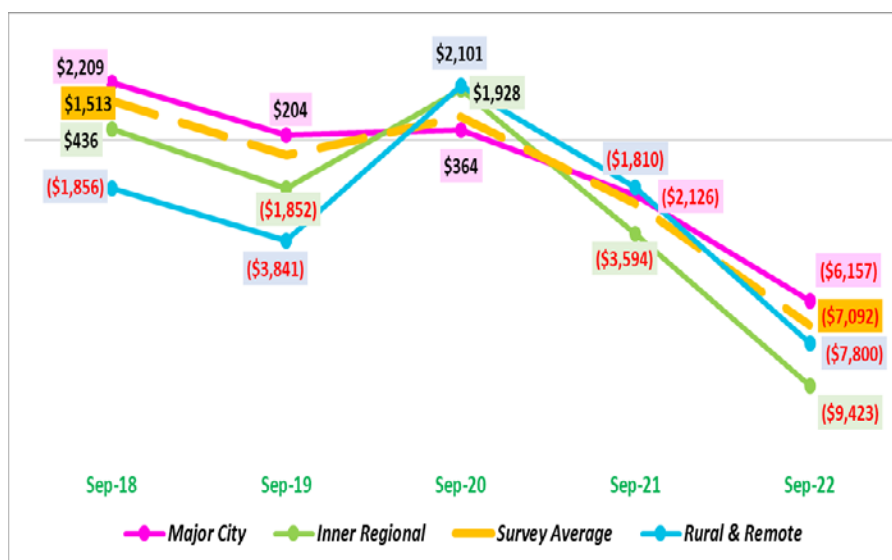
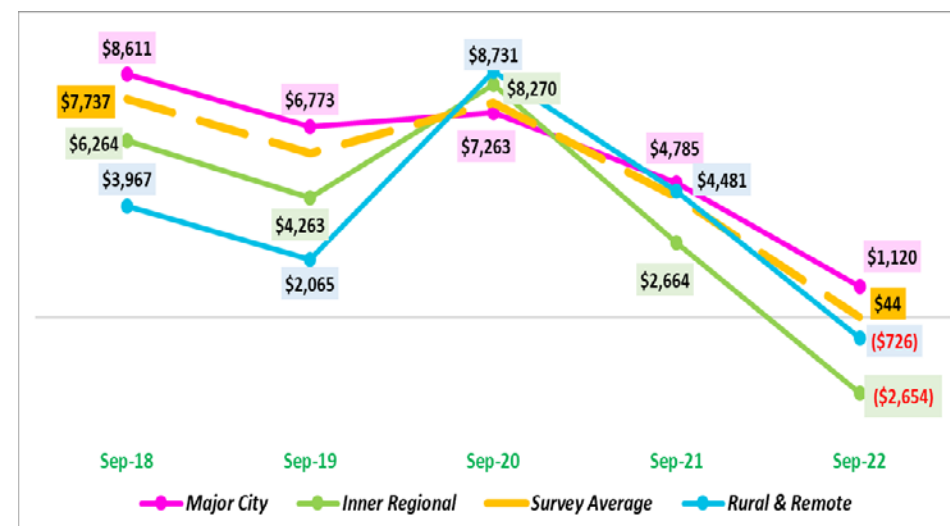
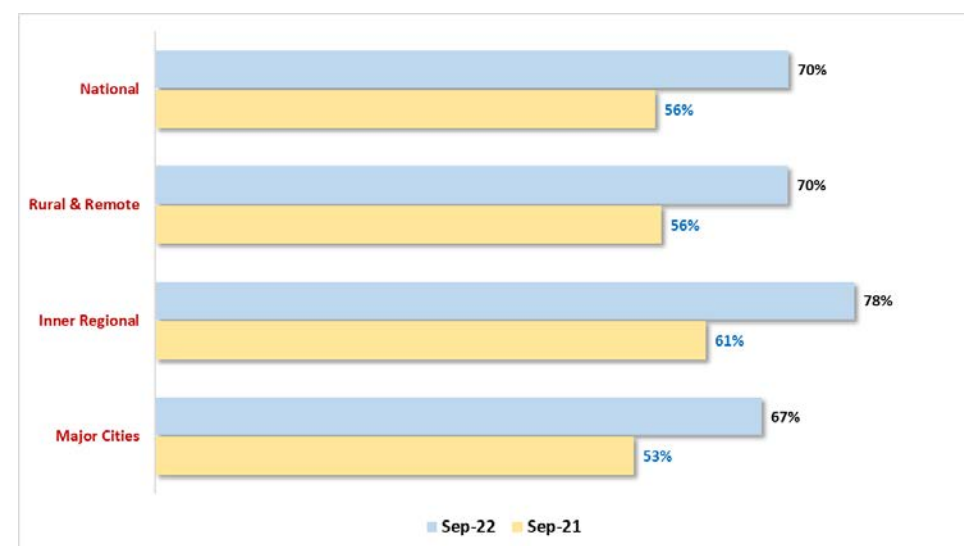


Figure 5: Residential EBITDA Results by Region (\$ per bed per annum)



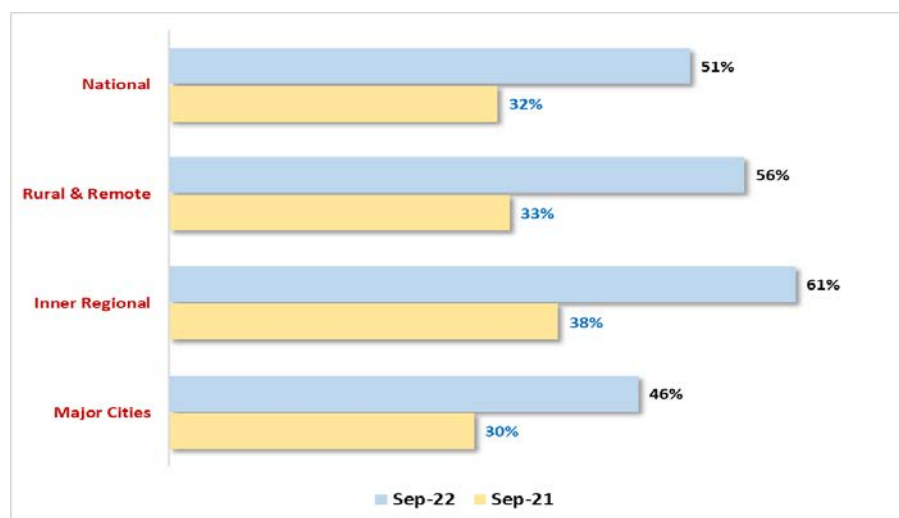
Number of Aged Care Homes making an Operating Loss

Figure 6: Aged care homes making an operating loss by remoteness



Number of Aged Care Homes making an EBITDA loss

Figure 7: Aged care homes making an EBITDA loss by remoteness



Operating Result Metrics

Figure 8: Operating Result by ACFI band and Occupancy percentage (\$ pbd)

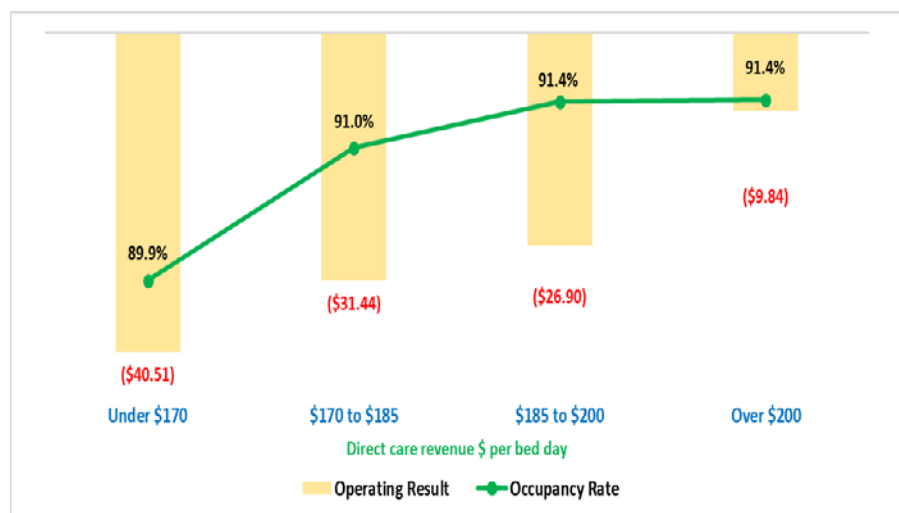


Figure 9: Operating Result comparison by State/Territory (\$ per bed day)

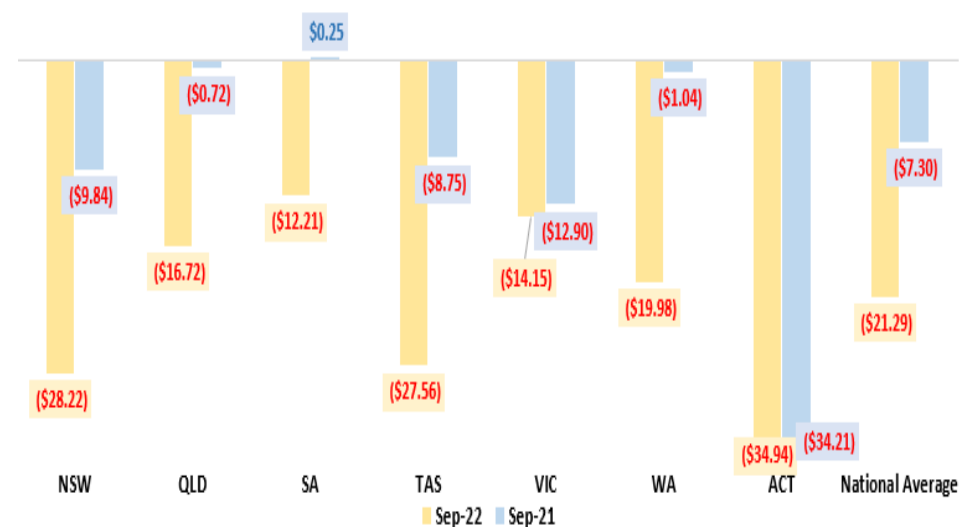
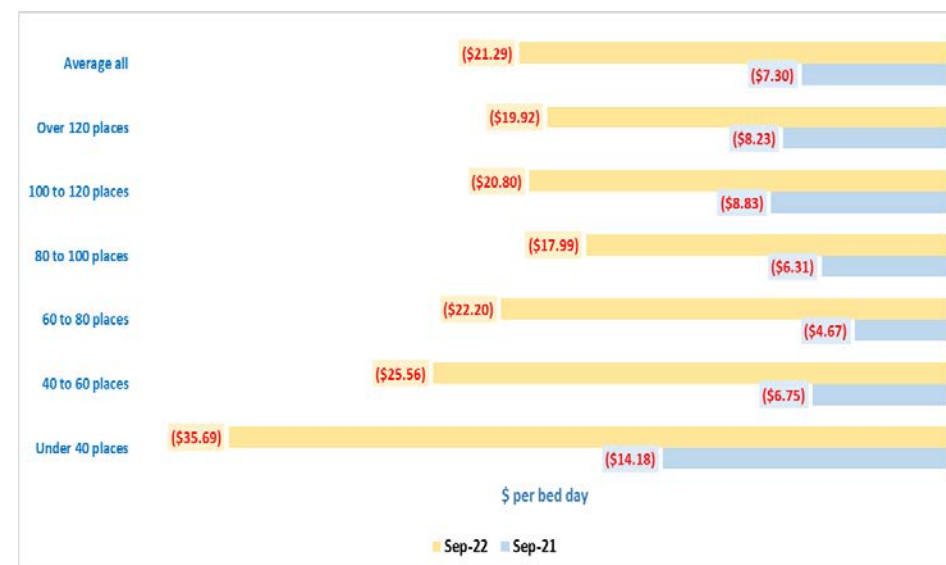


Figure 10: Operating Result comparison by size of aged care home (\$ per bed day)



Results by Geographic Location

Table 3: Summary KPI Results by geographic location

Summary Results by Region	Sep-22 Major Cities 694 Homes	Sep-22 Inner Regional 283 Homes	Sep-22 Rural & Remote 111 Homes
Operating Result (\$pbd)	(\$18.47)	(\$28.30)	(\$23.47)
Operating Result (\$pbpa)	(\$6,157)	(\$9,423)	(\$7,800)
EBITDA (\$pbpa)	\$1,120	(\$2,654)	(\$726)
Average Occupancy (mature homes)	91.3%	91.2%	91.1%
Average direct care revenue (\$pbd)	\$198.63	\$193.00	\$195.46
Direct care minutes per resident per day	187.66	184.06	184.11
Direct care services costs as a % of direct care revenue	91.0%	93.3%	91.1%
Supported ratio %	44.2%	44.8%	51.4%
Average Full RAD/Bond held	\$462,999	\$345,922	\$325,699
Average Full RAD taken during period	\$498,790	\$373,670	\$358,769

Direct Care Staffing Minutes (per resident per day)

Table 4: Direct Care staffing metrics

Staffing Category	Survey Average		Survey Average
	Sep-22	Sep-21	
Registered nurses	30.45	27.43	27.11
Enrolled & licensed nurses	12.52	17.04	13.16
Other unlicensed nurses & personal care staff	143.06	134.05	135.85
Imputed agency direct care minutes	0.45	1.88	0.79
Total Direct Care Minutes	186.48	180.39	176.91
Care management	5.50	7.58	7.52
Allied health	6.36	6.45	5.07
Diversional/Lifestyle/Activities	6.35	6.63	7.20
Imputed agency non-direct care minutes	0.20	n.a.	n.a.
Total Care Minutes	204.89	201.06	196.70

Figure 11: Direct Care staff (RN/EN/PCA) trend (minutes per resident per day)

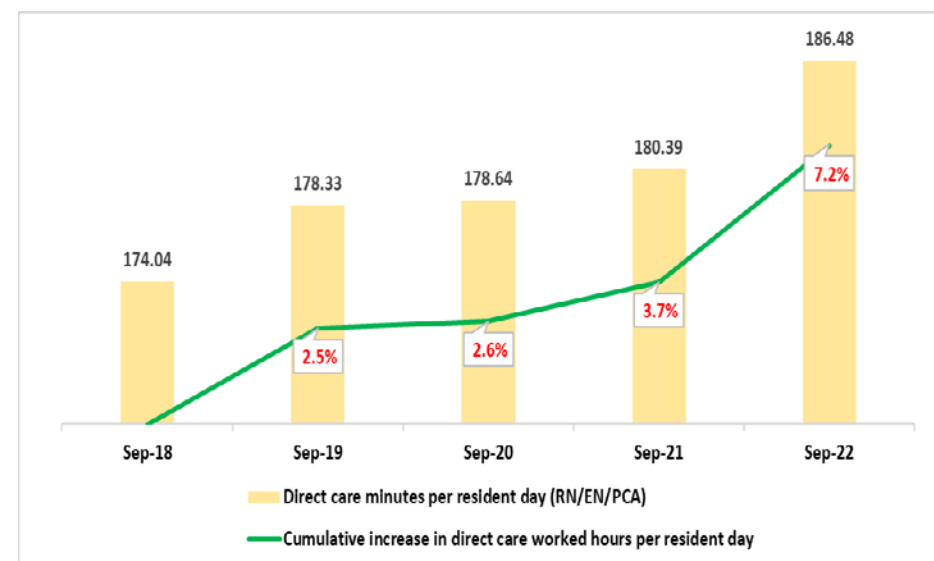


Figure 12: Direct Care Staff Minutes by Region (minutes per resident per day)

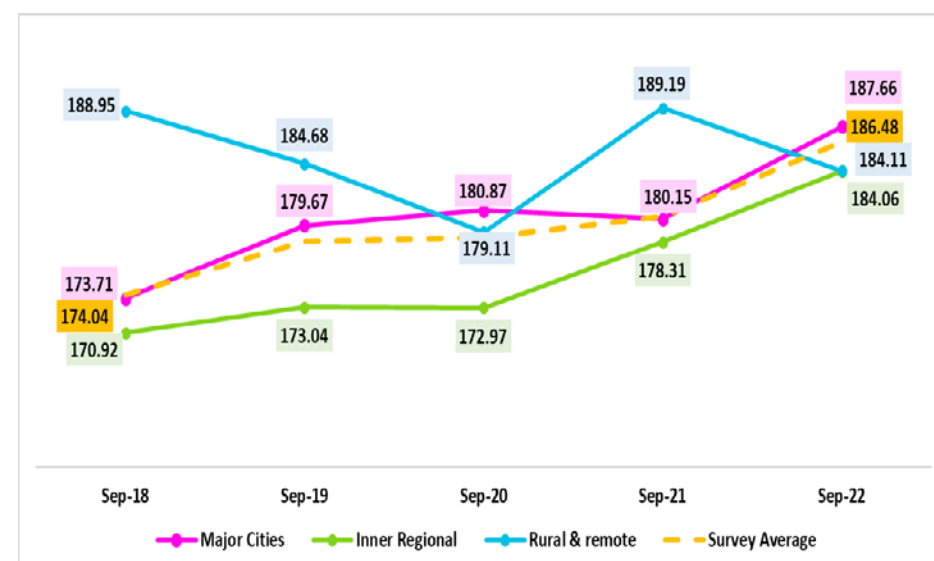
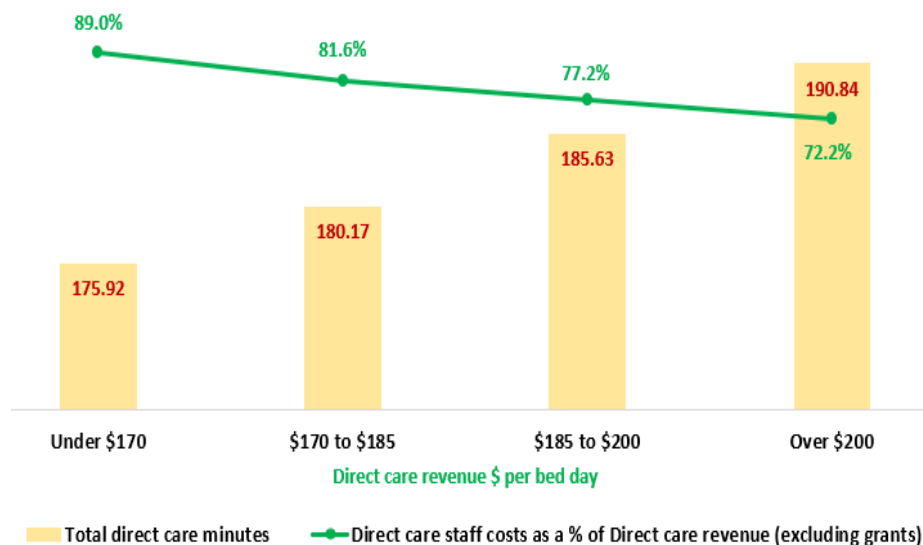


Figure 13: Direct Care Minutes by average ACFI subsidy bands



Indirect Care (Everyday Living)

Table 5: Indirect Care (everyday living) revenue and expenses (\$ pbd)

	Sep-22 1,088 Homes	Sep-21 1,107 Homes	YoY Movement	FY22 1,202 Homes
Basic daily fee supplement - government	\$9.79	\$9.51	↑	\$9.94
Basic daily fee - resident	\$54.78	\$52.71	↑	\$53.57
Other resident income	\$2.96	\$2.66	↑	\$2.81
Indirect care revenue	\$67.53	\$64.88	↑	\$66.33
Hotel services	\$51.82	\$47.72	↑	\$49.72
Utilities	\$8.26	\$7.49	↑	\$7.29
Indirect care expenses	\$60.08	\$55.21	↑	\$57.01
Indirect care result (before Administration)	\$7.45	\$9.67	↑	\$9.32
Administration	\$14.94	\$13.33	↑	\$13.77
Indirect Care Result	(\$7.49)	(\$3.66)	↓	(\$4.45)

Accommodation Analysis

Table 6: Accommodation revenue and expenses (\$ pbd)

	Sep-22 1,088 Homes	Sep-21 1,107 Homes	YoY Movement	FY22 1,202 Homes
Accommodation revenue	\$33.33	\$32.52	↑	\$32.84
Accommodation expenses				
Depreciation	\$20.78	\$19.31	↑	\$19.54
Refurbishment	\$0.28	\$0.19	↑	\$0.22
Property maintenance	\$11.31	\$10.08	↑	\$11.08
Property rental	\$0.64	\$0.67	↓	\$1.00
Other accommodation costs	\$1.15	\$1.01	↑	\$1.02
Administration	\$13.07	\$11.67	↑	\$12.05
Accommodation expenses	\$47.24	\$42.92	↑	\$44.91
Accommodation Result (\$ per bed day)	(\$13.90)	(\$10.40)	↓	(\$12.06)
Accommodation Result (\$ per bed per annum)	(\$4,632)	(\$3,491)	↓	(\$4,006)
<i>Imputed DAP (based on RAD holdings x 70%) (\$pbpa)</i>	<i>\$5,720</i>	<i>\$4,580</i>	↑	<i>\$4,641</i>
Accommodation Result with imputed DAP (\$pbpa)	\$1,087	\$1,088	↓	\$635
Depreciation charge \$ per bed per annum	\$6,923	\$6,483	↑	\$6,487

Accommodation Pricing

Figure 14: Median Accommodation Price as % of Medium House Price

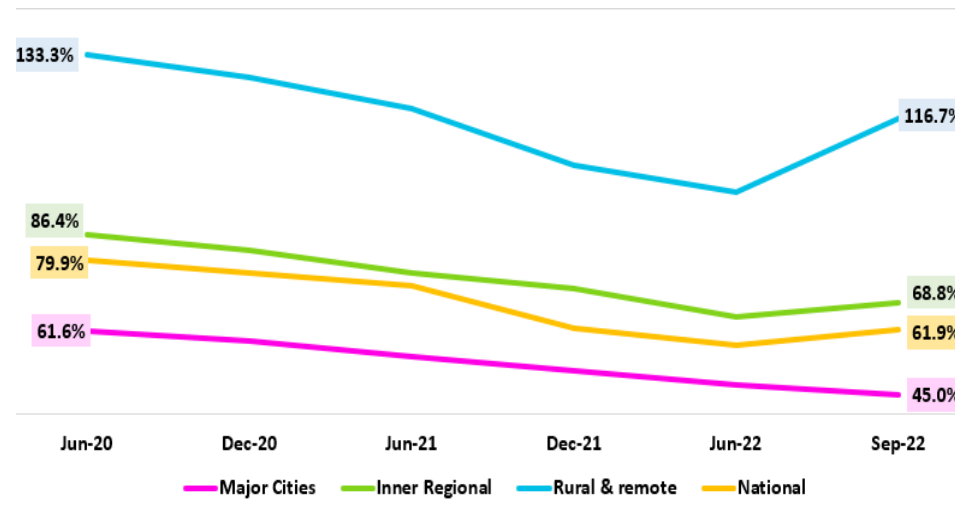


Figure 15: Average full RAD received by State/Territory



Occupancy

Figure 16: Residential Occupancy by region (mature homes)

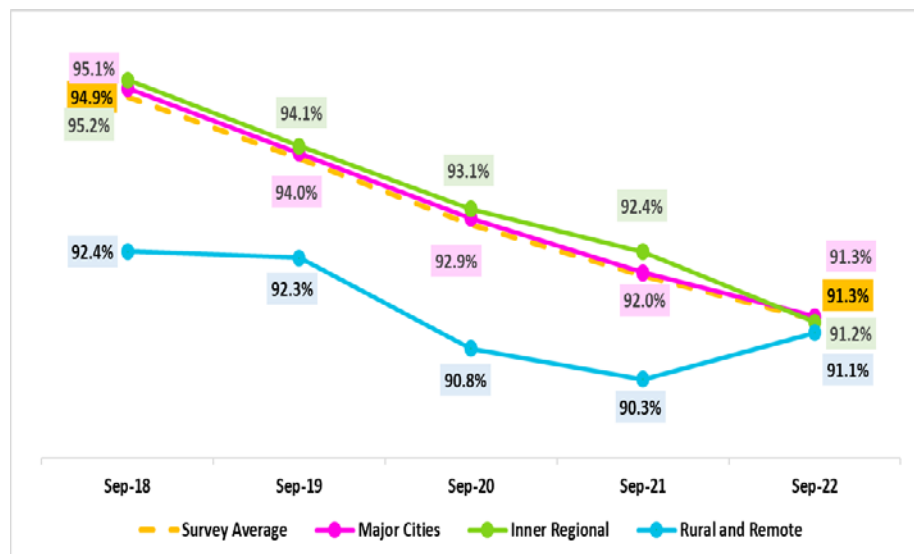
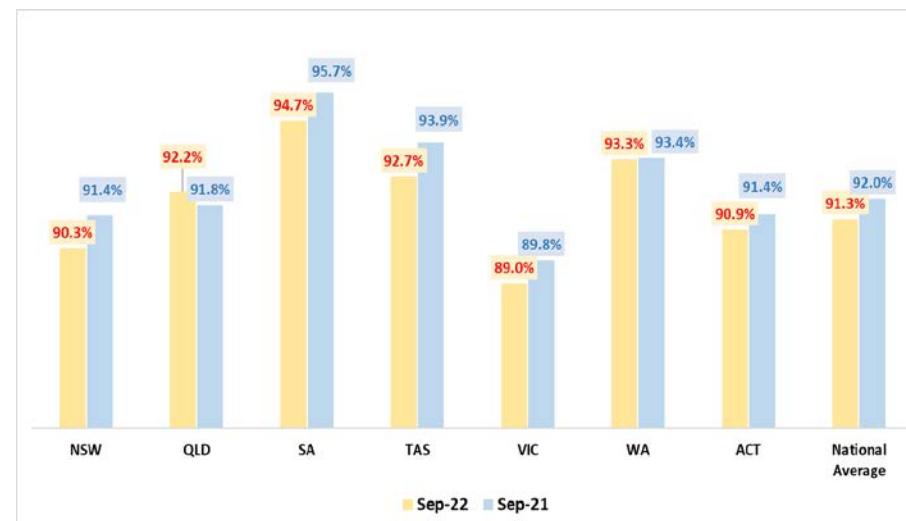


Figure 17: Residential Occupancy by State/Territory (mature homes)



Administration Costs

Table 7: Administration costs (\$ pbd)

	Sep-22 1,088 Homes	Sep-21 1,107 Homes	YoY Movement	FY22 1,202 Homes
Administration (corporate) recharges	\$27.53	\$25.01	↑	\$25.29
Labour costs - administration (facility)	\$8.98	\$7.54	↑	\$7.79
Other administration costs	\$6.11	\$5.48	↑	\$6.19
Workers compensation	\$0.21	\$0.19	↑	\$0.17
Payroll tax - administration staff	\$0.03	\$0.04	↓	\$0.04
Fringe Benefits Tax	\$0.02	\$0.01	↑	\$0.02
Quality & education - labour costs	\$0.06	\$0.04	↑	\$0.05
Quality and education - other	\$0.03	\$0.02	↑	\$0.02
Insurances	\$1.51	\$1.36	↑	\$1.41
Total Administration Costs	\$44.46	\$39.68	↑	\$40.98

Allocation of Administration Costs

- Direct Care: 37% (\$16.45 per bed day)
- Indirect Care: 33.6% (\$14.94 per bed day)
- Accommodation: 29.4% (\$13.07 per bed day)

Home Care

Figure 18: Home Care key metrics summary

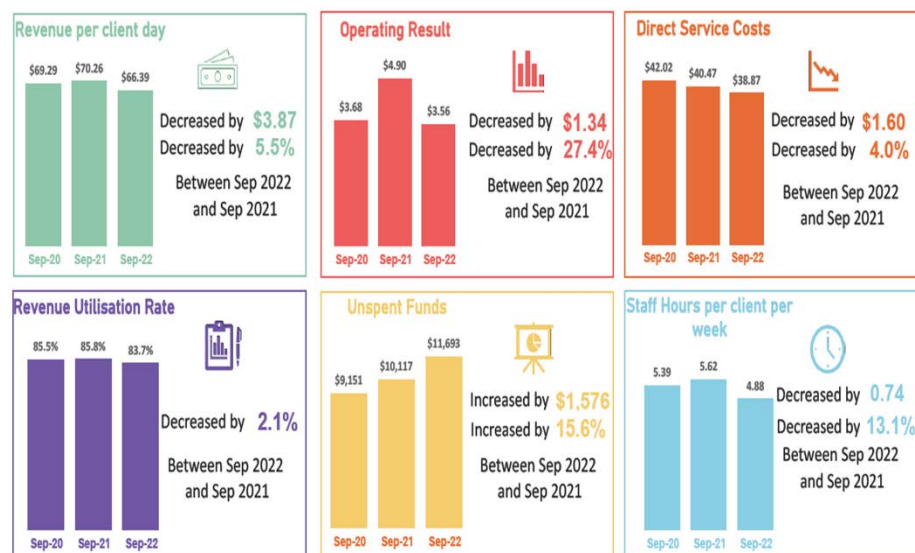


Table 8: Summary Home Care KPI Results Comparison

	Sep-22 65,275 Packages	Sep-21 49,978 Packages	Difference (YoY)	FY22 60,630 Packages
Total revenue \$ per client per day	\$66.39	\$70.26 ↓	(\$3.87)	\$68.98
Operating result per client per day	\$3.56	\$4.90 ↓	(\$1.34)	\$3.98
EBITDA per client per annum	\$1,516	\$1,971 ↓	(\$455)	\$1,632
Average total Internal Staff hours per client per week	4.88	5.62 ↓	(0.74)	5.28
Median growth rate	2.3%	3.1% ↓	(0.9%)	14.3%
Revenue utilisation rate for the period	83.7%	85.8% ↓	(2.1%)	85.0%
Average unspent funds per client	\$11,693	\$10,117 ↑	\$1,576	\$10,736
Cost of direct care & brokered services as % of total revenue	58.6%	57.6% ↑	1.0%	58.6%
Care management & coordination costs as % of total revenue	11.2%	11.5% ↓	(0.3%)	11.8%
Administration & support costs as % of total revenue	24.0%	23.2% ↑	0.8%	23.1%
Profit Margin	5.4%	7.0% ↓	(1.6%)	5.8%

Figure 19: Operating Result by revenue band (\$ per client per day)

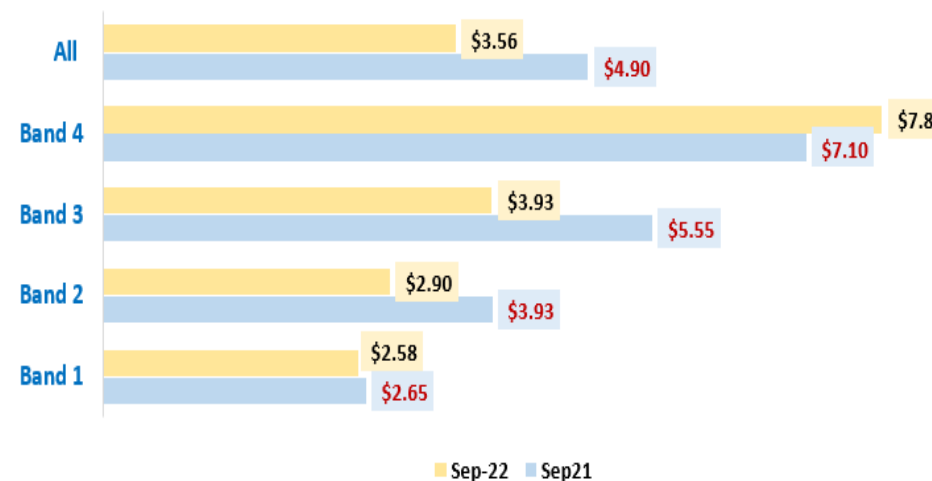


Figure 20: EBITDA Result by revenue band (\$ per client per annum)

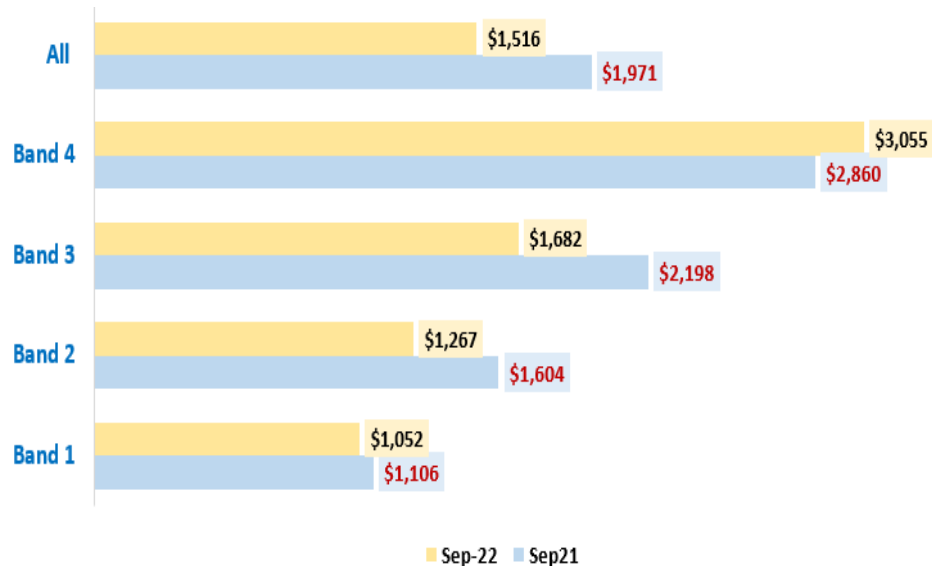


Figure 21: Operating Result by revenue split (\$ per client per day)

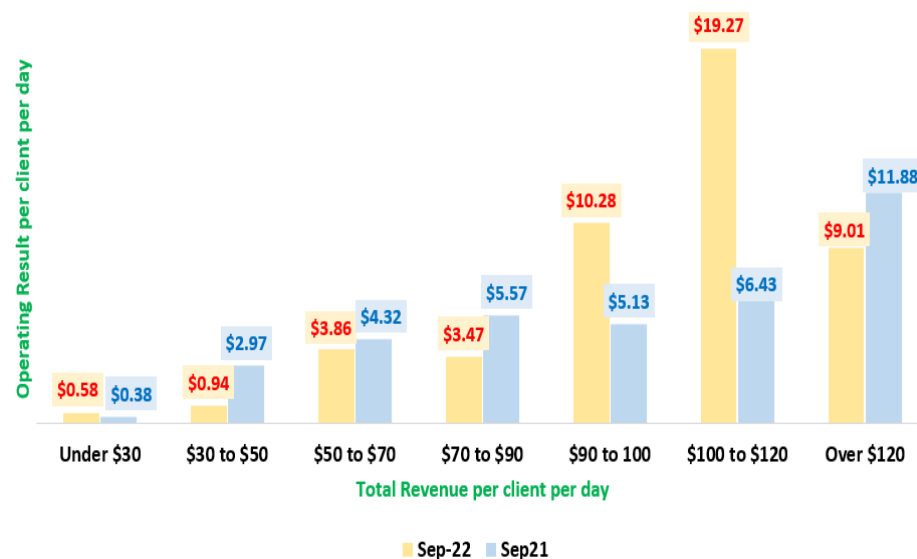


Figure 23: Operating Result and Revenue Utilisation revenue band

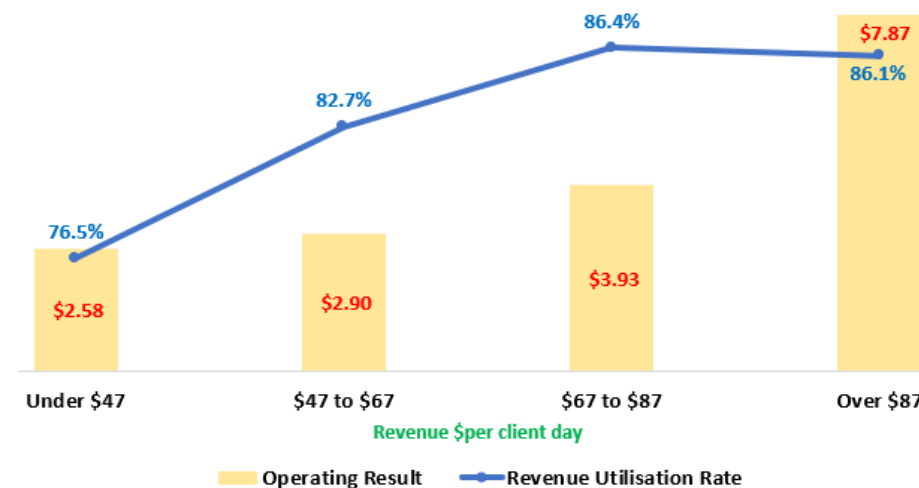
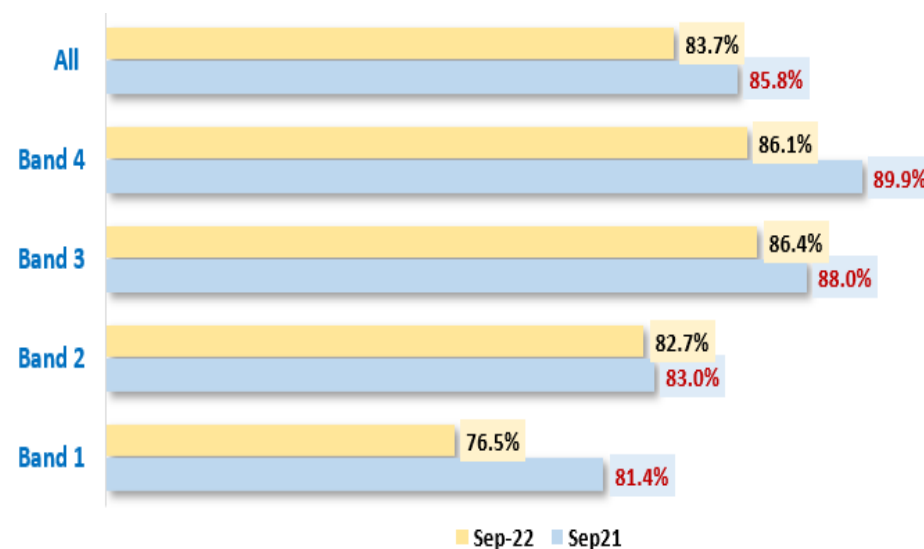


Figure 22: Revenue Utilisation percentage by revenue band



Unspent Funds

Figure 24: Unspent Funds trend analysis (\$ per client)

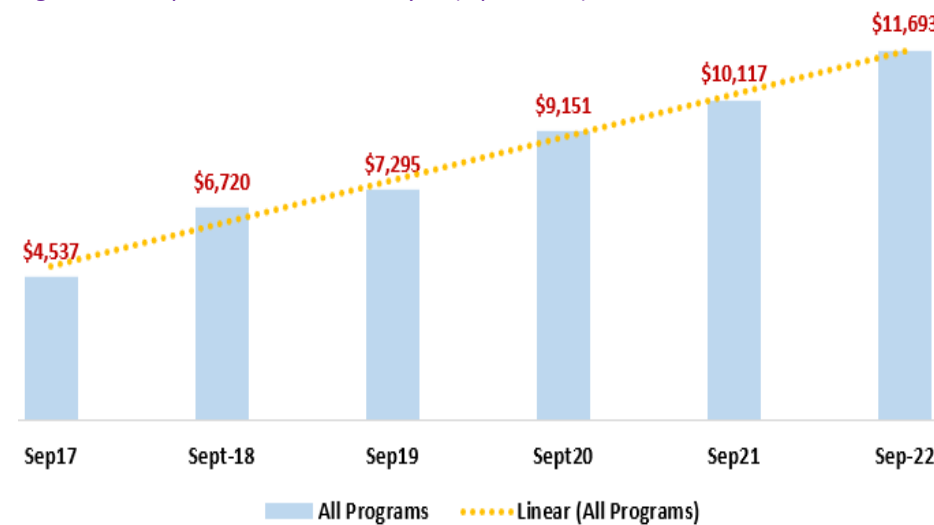
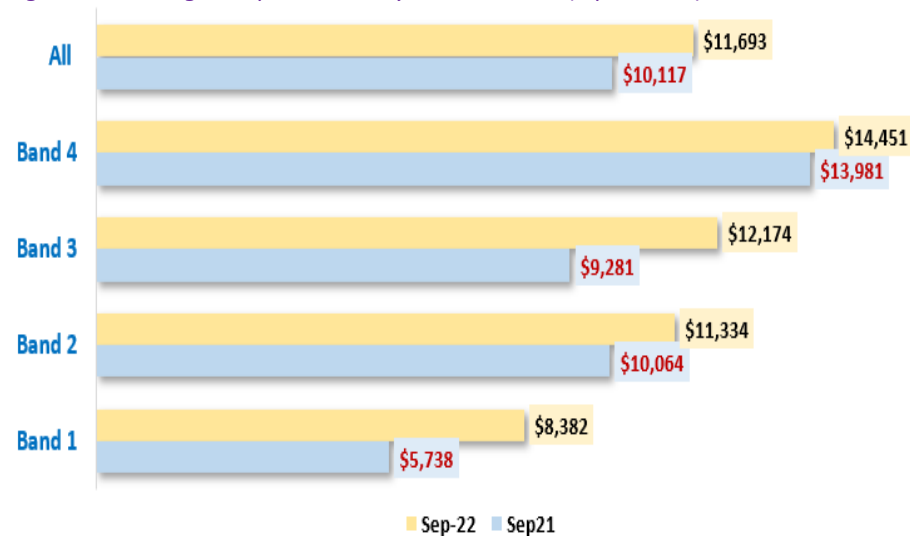


Figure 25: Average Unspent Funds by revenue band (\$ per client)



Staff Hours/Minutes Worked per Care Recipient

Table 9: Staff Hours worked per care recipient per week

Internal staff hours worked per client week	Sep-22	Sep-21		Difference
Direct service provision	3.20	3.96	↓	(0.76)
Agency	0.09	0.14	↓	(0.04)
Care management & coordination	0.96	0.98	↓	(0.02)
Administration & support services	0.62	0.54	↑	0.08
Total Staff Hours	4.88	5.62	↓	(0.74)

Table 10: Staff Minutes worked per care recipient per week

Internal staff minutes worked per client week	Sep-22	Sep-21		Difference
Direct service provision	192.1	237.6	↓	(45.6)
Agency	5.7	8.1	↓	(2.4)
Care management & coordination	57.7	59.1	↓	(1.4)
Administration & support services	37.2	32.2	↑	5.1
Total Staff Minutes	292.7	337.0	↓	(44.3)

Figure 26: Staff Hours per care recipient week trend analysis

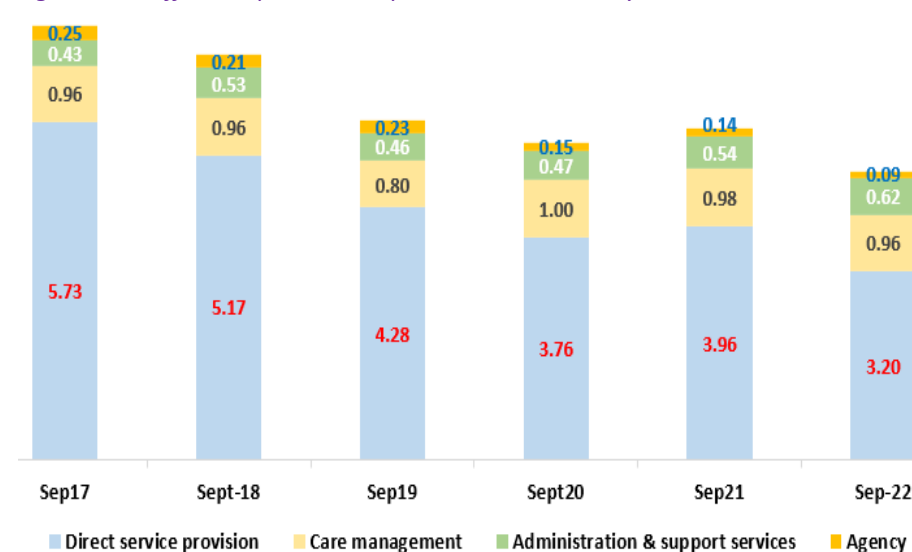


Figure 27: Internal and Brokered Services staff costs comparison

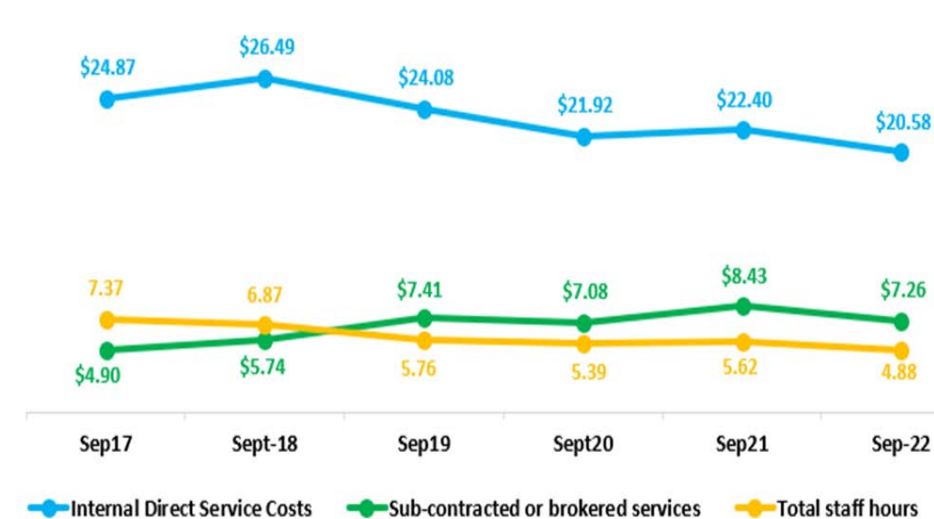
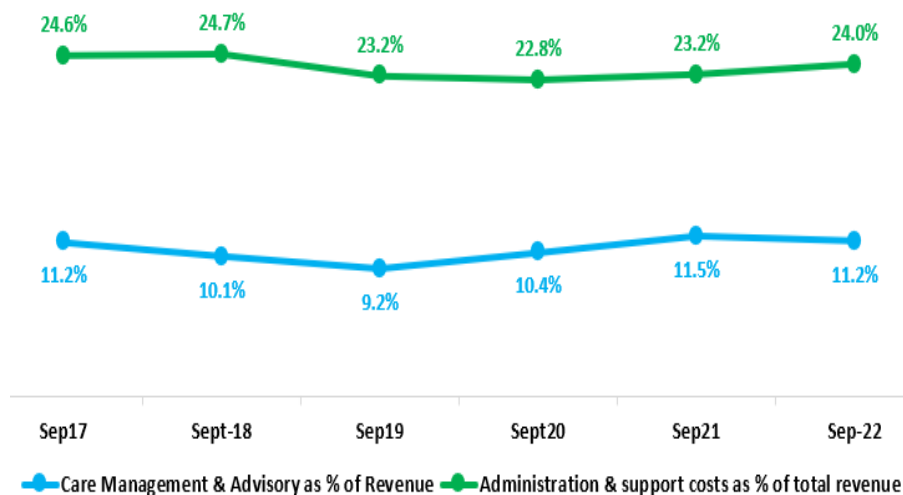


Figure 28: Case Management and Administration cost as % of revenue



Package Growth

Figure 29: Number of People in a Home Care Package

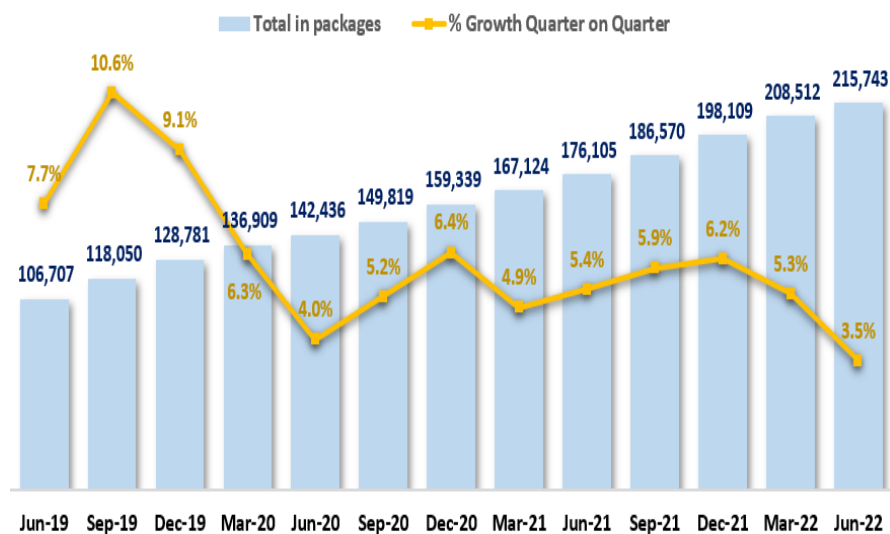


Figure 30: Demand for Home Care Packages

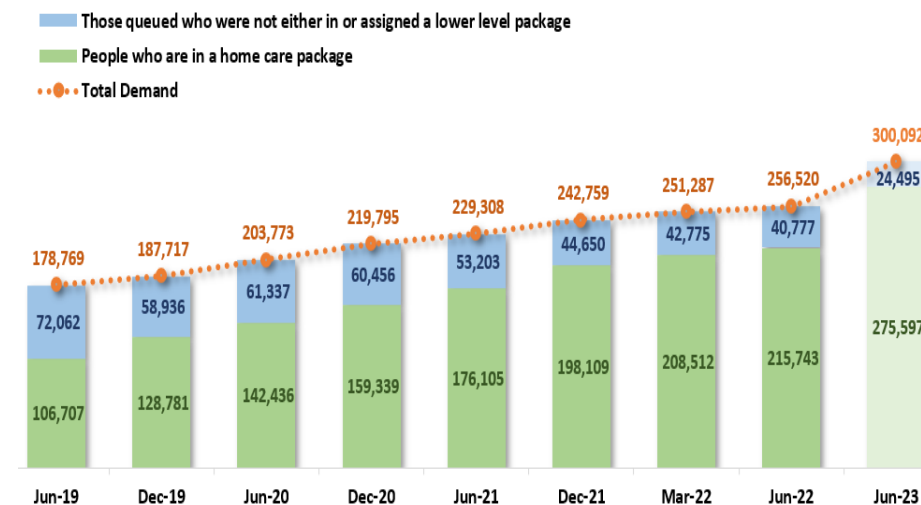
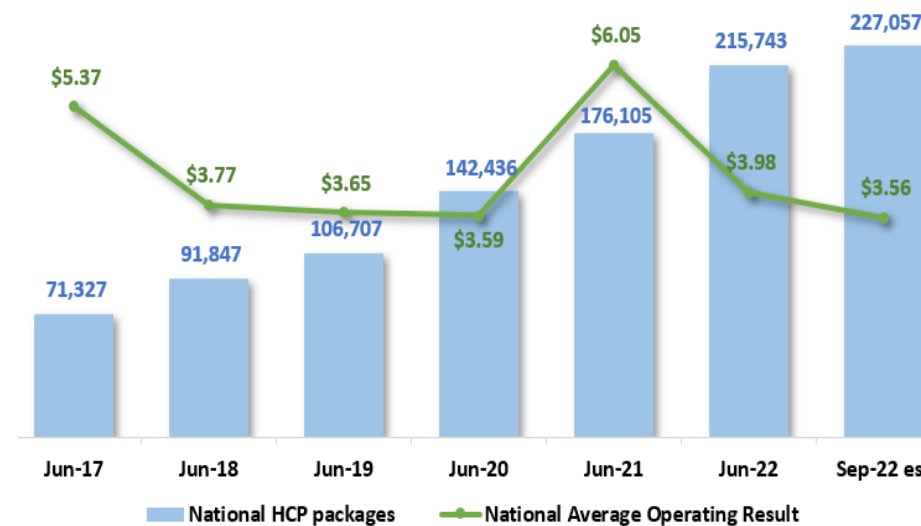


Figure 31: Number of People in a Package compared to Operating Result (\$ pcpd)



3. 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 EBITDA

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

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

Administration Costs

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

Aged Care Home

Individual discrete premises that an approved provider uses for residential aged care. “Aged Care Home” is the term approved at the Department of Health; 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 \$200

Band 2 - Between \$185 and \$200

Band 3 - Between \$170 and \$185

Band 4 - Under \$170

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.

EBITDA

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

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

EBITDA per bed per annum

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

NPBT

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

Facility

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

Indirect Care (Everyday Living) Result

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

Home Care Packages (HCP)

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

Residential Care

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

Location - City

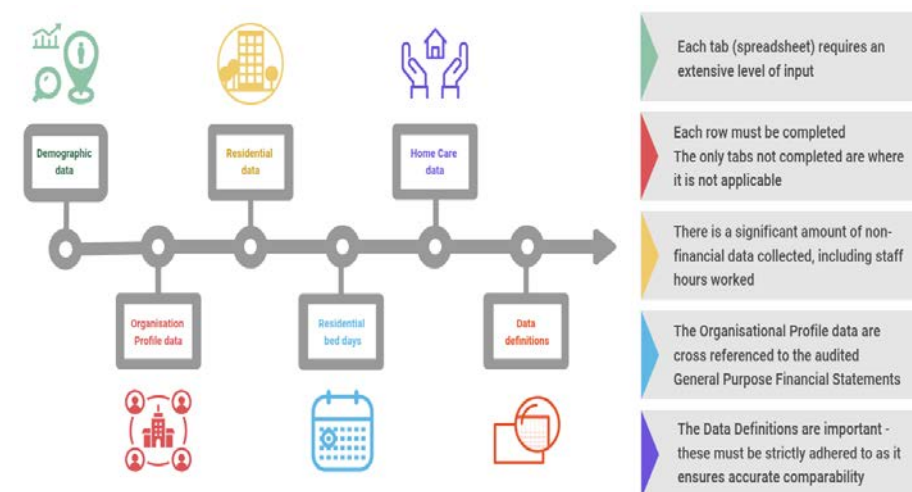
Aged care homes have been designated as being city based according to the designation by the Department of Health in their listing of aged care services. Those that were designated as being a “Major City of Australia” have been designated City.

Location - Regional

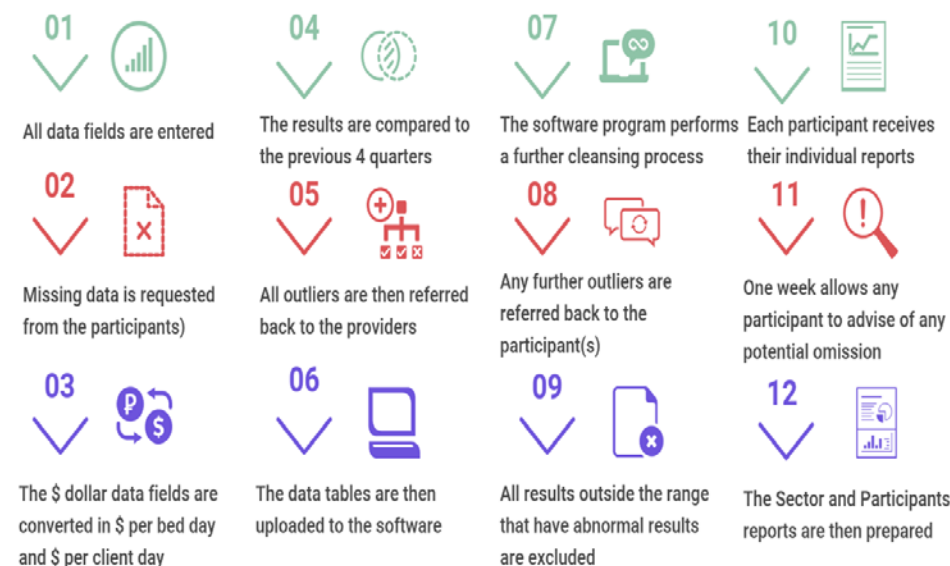
Aged care homes have been designated as being regionally based according to the designation by the Department of Health in their listing of aged care services. Those that were designated as being an “Inner Regional”, “Outer Regional” or “Remote” have been designated as Regional.

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

Data Collection Process



Data Cleansing Process



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