Aged Care
Financial Performance Survey Report

Six months ending

31 December 2024

1,168	96,627	77,750
Aged care homes	Beds/places	Home care packages

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

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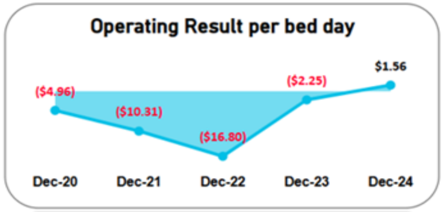
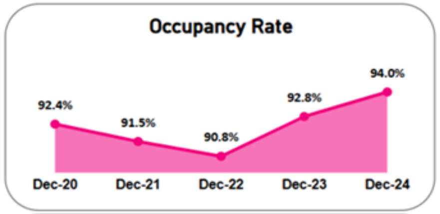
1. DEC-24 RESULTS SNAPSHOT

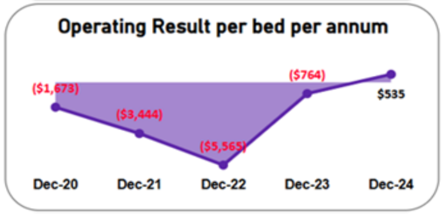
Registered Provider - Aggregate

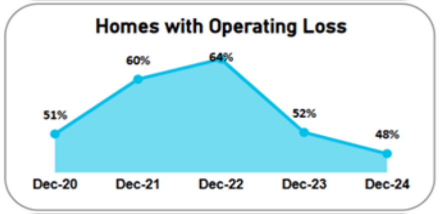
	Survey Average $'000s	1st Quartile $ '000s	Bottom Quartile $'000s	Revenue >$75M $'000s	Revenue $20M-$75M $'000s	Revenue $10M-$20M $'000s	Revenue <$10M $'000s
Operating Surplus / (Deficit)	($236)	$2,271	($3,290)	($1,139)	$328	$86	($27)
Average NPBT	$1,492	$2,529	($665)	$3,434	$946	$206	$541
Operating EBITDA	$1,379	$4,298	($2,509)	$3,591	$603	$205	$40
EBITDA	$3,107	$4,555	$116	$8,164	$1,220	$325	$608
NPBT Return on Assets	1.04%	1.98%	-0.54%	0.91%	1.59%	1.07%	5.51%
Operating Surplus Return on Assets	-0.16%	1.78%	-2.68%	-0.30%	0.55%	0.45%	-0.27%
Cash & Financial Assets % of Debt	32.30%	26.81%	32.77%	28.78%	43.53%	75.43%	79.91%

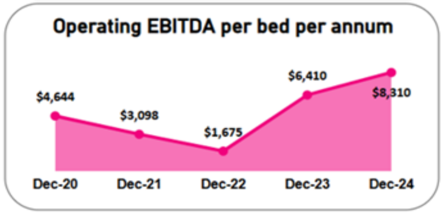
Residential Aged Care

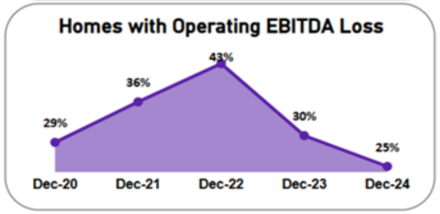




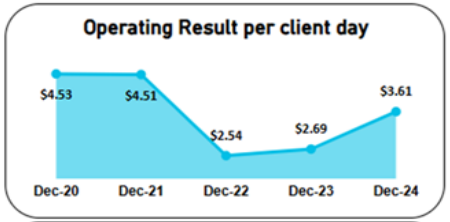


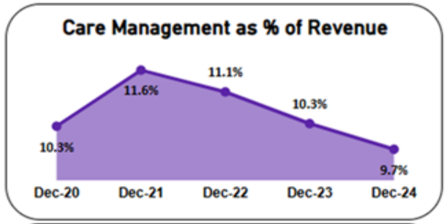


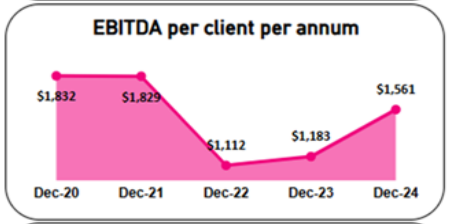


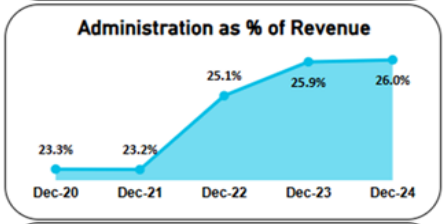


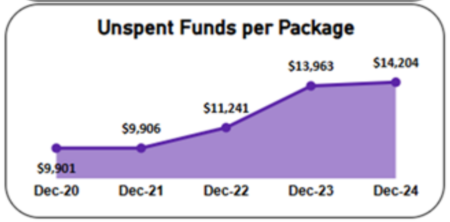
Home Care

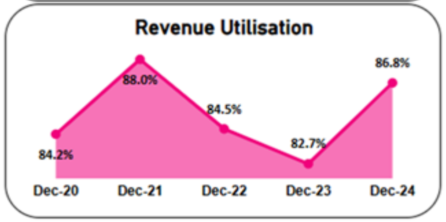












StewartBrown

Dec-24 Financial Performance Analysis

Registered Provider (Organisation) Results

Net Profit Before Tax (NPBT)	**Outcome**	The average result (NPBT) per Approved Provider for the YTD Dec-24 was a **$1.5m surplus**. This is an improvement on the YTD Dec-23 average surplus of $1.2m.
	Context	The NPBT was largely due to the net non-recurrent result being a surplus of $1.7m (YTD Dec-23 $1.0m). The recurrent operating result was an average deficit of $236k (refer below).
Operating Result	**Outcome**	The average financial performance remains at unsustainable levels for many Providers. The YTD Dec-24 results show that the average operating result per provider was a **deficit of $236k** (Dec-23 $125k deficit).
	Context	This result indicates that the operations of the Approved Provider organisations continue to have an under-recovery of the cost of the capital employed. Whilst revenue increased due to the higher AN-ACC subsidy and other supplements, a substantial portion of these gains was counterbalanced by rising staffing expenditures and costs linked to meeting regulatory requirements.
Operating EBITDA	**Outcome**	The average operating EBITDA (cash) result for the YTD Dec-24 was a **surplus of $1.4m** (YTD Dec-23 EBITDA is $2.2m surplus), which represents 2.60% on operating revenue, and is not sufficient to maintain the standard of accommodation, everyday living services and care delivery.
	Context	Due to the operating result being in deficit the depreciation and financing costs are not being recovered. The average property assets for each provider were $214 million and the small EBITDA return creates a financial environment which may affect future investment in the sector from existing providers and institutional lenders.
Staff Costs as % of Operating Revenue	**Outcome**	Aged care operators continue to manage staffing and rosters as effectively as possible in the current difficult operating climate and significant staffing shortages. Staffing costs as a percentage of operating revenue were **70.66%.**
	Context	This ratio is higher than the 70.52% for Dec-23 possibly related to the transition period of Sep-24 quarter, when providers are working towards increased direct care minutes target but not funded for the additional costs associated with it.
Depreciation Rate	**Outcome**	Average depreciation rate of **2.33%** (43 years effective life) has reduced from Dec-23 (2.75%).
	Context	StewartBrown continues to consider that the depreciation rate is low and should be at least 4% p.a. for buildings and 10% or higher for furniture and equipment.
Gearing Ratio	**Outcome**	Liquid cash assets (cash and cash equivalents + financial assets) as a percentage of debt (resident refundable loans + government debts + external debt) had increased to **32.30%** at Dec-24 from 30.49% at Dec-23 as a result of the surplus accumulated during the period.
	Context	With the residential prudential requirements, a significant proportion of the liquid cash assets is effectively quarantined under the prudential rules for permitted uses of RADs meaning gearing ratios and financing lines of credit are impacted.

Residential Aged Care Results

Revenue	**Direct care**	Average direct care revenue (AN-ACC, supplements and other recurrent direct care income) was $291.77 pbd, **an increase of 10.8%** from YTD Dec-23 ($263.26). (Due to increase in AN-ACC 1 December 2023 and 1 October 2024 respectively to fund 5.75% National Wage Case pay increases and FWC stage 3 decisions).
	Everyday living	Everyday living revenue including hotelling supplement was $79.62 pbd **an increase of 5.8%** from Dec-23 ($75.26 pbd).
	Accommodation	Accommodation revenue was $43.27 pbd, **an increase of 6.42%** from Dec-23 ($40.66 pbd), this is due to increase in average MPIR, and increase in accommodation supplement.
Expenses	**Direct care**	Direct care labour costs (RN/EN/PCA) averaged $218.73 pbd, which is **an increase of 10.4%** from Dec-23 ($198.12 pbd). Other direct care labour costs (Care Management/Allied Health/Lifestyle costs excluding workers compensation premium) averaged $18.46 pbd, **an increase of 1.9%** from Dec-23 ($18.11 pbd). Other direct care costs (excluding workers compensation premium) averaged $9.45 pbd, **a decrease from Dec-23** ($9.53 pbd).
	Everyday living	Everyday living costs was $85.95 pbd, **an increase of 6.6%** from Dec-23 ($80.65 pbd).
	Catering	Catering expenditure averaged $42.03 pbd, **an increase of 6.3%** from Dec-23 ($39.54 pbd).
	Administration	Administration costs averaged $52.91 pbd, **an increase of 5.7%** from Dec-23 ($50.08 pbd) due to increases in corporate recharges and staff costs likely due to increases in quality, reporting and compliance requirements.
	Accommodation	Accommodation expenditure **averaged $54.46 pbd** (depreciation $22.66 pbd) compared to Dec-23 ($50.77 pbd).
Operating Result	**Direct care margin**	Direct care margin for Dec-24 **increased** with the increase in AN-ACC care funding by $5.83 pbd to a surplus of $19.08 pbd (including administration) from Dec-23 $13.26 pbd surplus.
	Everyday living margin	Everyday living margin further **deteriorated to a deficit of $6.33 pbd** (including administration) (Dec-23 deficit $5.40 pbd). The increase in revenue is not sufficient to fund increase in labour costs and indexation on non-labour expenses.
	Accommodation margin	Accommodation margin (including administration) was a **deficit of $11.19 pbd** (Dec-23 deficit $10.11 pbd).
	Overall result	Operating result was a **marginal surplus of $1.56 pbd** (Dec-23 operating deficit $2.25 pbd).
	Operating EBITDA	Operating EBITDA **averaged $8,310 pbpa** (Dec-23 EBITDA $6,410 pbpa), which is significantly lower than an operating EBITDA of $20,000 pbpa to allow ongoing investment to the sector.
Additional Trends	**Direct care minutes**	Direct care minutes (RN/EN/PCA) was **212.08 minutes per resident per day** (Dec-23 199.52 minutes). Direct care minutes for Dec-24 quarter reached **214.10 minutes including 41.80 RN minutes and 10.53 EN minutes pbd** after providers' efforts in recruitment.
	Occupancy	Occupancy for mature homes **increased to 94.0%** (Dec-23 92.8%) *(occupancy based on actual available beds).*
	Supported ratio	Supported resident ratio **remained constant at 45.9%** (Dec-23 45.9%).
	RADs	Average full RAD received for Dec-24 was $505,242 (Dec-23 $496,934) Proportion of full RADs received for non-supported residents was 33.3%, full DAPs was 43.0% and Combinations (RAD/DAP) was 23.7%. DAPs payer proportion was 52.2% for Dec-23. It is important to note residents who are yet to decide the payment methods will be reported as DAP payer.

Home Care Package (HCP) Results

Revenue	**Overall result**	Revenue was $83.47 per client per day, **an 9.71% increase** from Dec-23 ($76.08 pcpd).
	Care management	Care management revenue as a proportion of total revenue was 18.8% (Dec-23 18.7%). 94.6% programs/packages have care management at over 10% of total available fund (total operating revenue divided by revenue utilisation rate).
	Package management	Package management revenue as a proportion of total revenue was 13.0% (Dec-23 12.9%).
	Utilisation	Revenue utilisation **increased by 4.1%** to 86.8% of funding received (Dec-23 82.7%).
Expenses	**Direct service**	Direct service costs **increased by $4.14** pcpd to be 59.2% of total revenue (Dec-23 59.5%).
	Care management	Care management cost as % of revenue **has decreased to 9.7%** of revenue (Dec-23 10.3% of revenue).
	Administration	Administration and support costs represent 26.0% of revenue (Dec-23 25.9%).
Unspent Funds	**Overall result**	The amount of unspent funds per client (care recipient) has continued to rise and now averages **$14,204 per client** (Dec-23 $13,963 per client). In aggregate across the sector, this represents **in excess of $4.2 billion** of funds that have not been utilised.
Operating Result	**Overall result**	Operating results have **increased by $0.91** per client per day to $3.61 pcpd (Dec-23 $2.69 pcpd).
	Profit margin	The profitability margin has increased from 3.5% in Dec-23 to 4.3% for Dec-24.
Other Trends	**Staff hours**	Average staff hours per week was **5.53 hours** (Dec-23 5.37 hours).
	Survey packages	The number of packages in the survey has increased to represent 76,477 packages for Dec-24 (Dec-23 71,500 packages).

2. EXECUTIVE SUMMARY

Abstract

The *Aged Care Financial Performance Survey* (Survey) Sector Report for the December 2024 six-month period (Dec-24) provides an overview of the financial performance of the aged care sector in Australia.

Survey Overview

The Survey is derived from detailed financial and non-financial granular data submitted each quarter by aged care sector providers. A specialist survey team collect and analyse the data to benchmark key performance indicators (KPIs) from:

1. All participating residential care facilities against comparable facilities
2. All participating home care program providers against comparable providers

Information and insights from the Survey are utilised by participating providers to identify business improvement measures to support their financial sustainability, ensuring quality aged care services remain both accessible and affordable.

Since the Survey was first established in 1995 it has become the most relied upon financial performance benchmark for the Australian aged care sector. Refer to overview in *Figure 1*.

Survey Metrics

The December 2024 Survey uses data and information from:

- ✓ 1,168 residential aged care homes (representing 45% of the sector)
- ✓ 77,750 home care packages (representing 27% of the sector)

Data Management

A secure and rigorous multi-stage process underpins the collection and cleansing of all data from providers to ensure integrity for results produced for individual provider reports and reports for the sector. Refer to overview in *Figure 2*.

Refer also to the *Glossary*, which provides a further breakdown of the processes and explanations for key terms and metrics used throughout this report

Figure 1: Overview of Aged Care Sector Financial Performance Survey

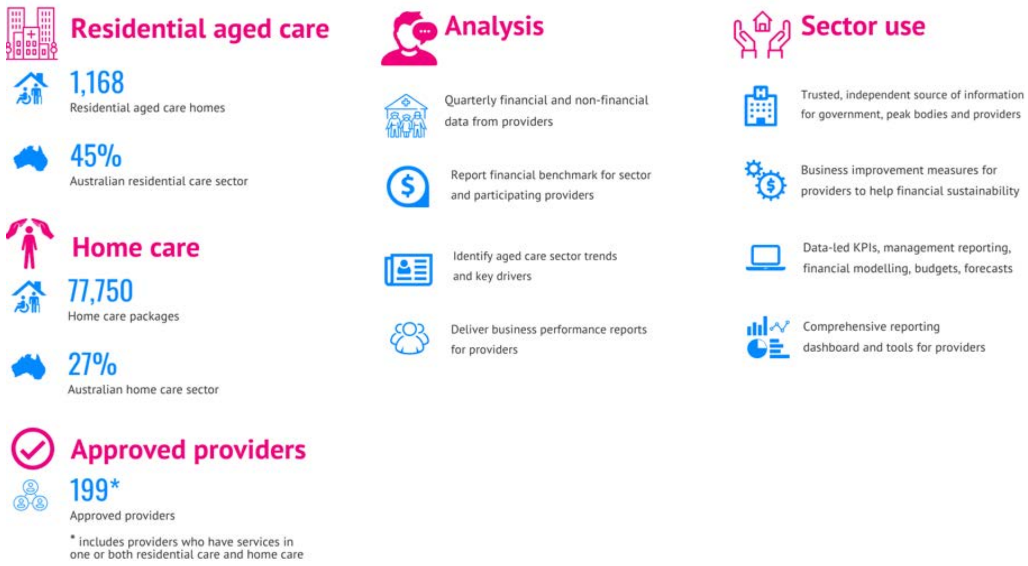
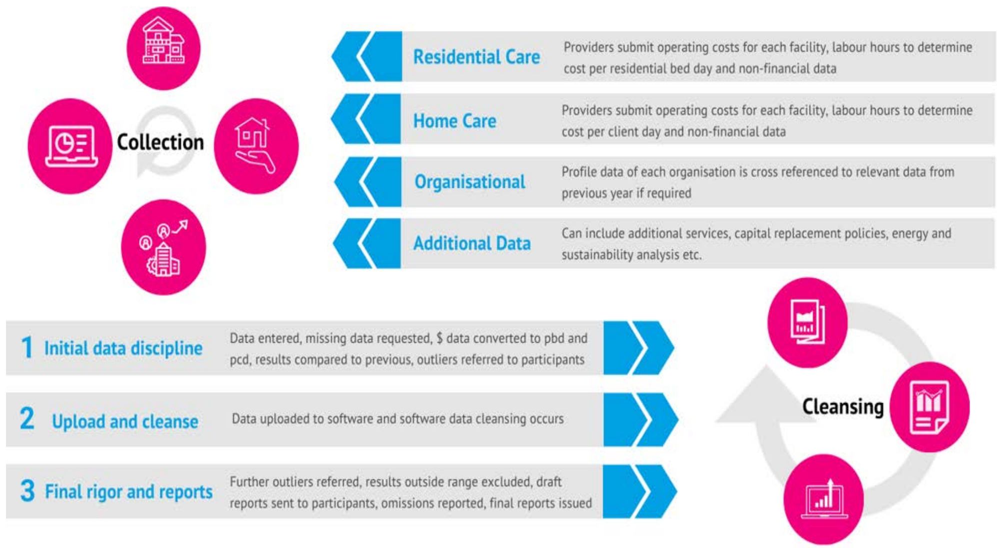


Figure 2: Overview of data collection and cleansing process



Commentary

The Australian Government presented the *Aged Care Bill 2024* to Parliament on September 12, 2024. Following parliamentary approval on November 25, 2024, the legislation is set to take effect as the *Aged Care Act 2024* starting 1 July 2025. The proposed *Act* incorporates funding reforms outlined in the Aged Care Taskforce Report, along with additional measures not originally considered by the Taskforce.

The consultation process for the *Act* is still ongoing, and there are uncertainties that need to be clarified in the final version of the *Act*.

Chapter 4 of *Aged Care Bill 2024* (Chapter 9 of the new *Act*) introduces new revenue streams for residential aged care providers, paired with enhanced quality standards.

New Financial and Prudential Standards were published for consultation, which will be discussed in detail in the Survey report.

In response to Recommendation 17 of the Aged Care Taskforce Final Report, DoHAC is conducting a review of the Modified Monash Model (MMM) categories to ensure funding arrangements align with the cost base due to location in the aged care sector.

The AN-ACC starting price increased to $280.01 per day from 1 October 2024 to fund direct care minutes increase and Fair Work Commission (FWC) stage 3.

The StewartBrown Survey shows a significant improvement in direct care outcomes for the December 2024 quarter compared to September 2024. However, results are projected to decline in FY25 Q3 and Q4 as providers align with target direct care staffing levels (Dec-24 Quarter recorded average direct care minute at 214.10 compared to target average at 215), coupled with the commencement of Phase 1 wage increases under the FWC Stage 3 award rates effective 1 January 2025.

AN-ACC starting price has further increased to $282.44 from 1 March 2025 to fund the FWC decision to increase nurses wages.

The FWC's 6 December 2024 decision under the *Aged Care Work Value Case* includes increasing nurses award wages in three phases from the first full pay period on or after 1 March 2025, 1 October 2025 and 1 August 2026.

The remaining increase for other aged care workers as a result of FWC stage 3 decisions will commence 1 October 2025 as well, together with AN-ACC starting price increase to be advised by IHAPCA for FY26.

The hotelling supplement increased to $13.46 pbd from 20 March 2025. DoHAC advised $0.86 pbd of the increase aims to fund FWC decision on higher award wages for indirect care workers, and $0.05 pbd for standard indexation. The indexation is equivalent to a 0.4% increase compared to 20 September 2024 rate, which is consistent with the increase for maximum accommodation supplement (pension increase rate).

The hotelling supplement will be increased to $15.60 pbd from 1 July 2025, which increases $0.25 pbd to fund the remainder of the FWC stage 3 decision, and $1.89 pbd to fund higher costs of providing everyday living services. StewartBrown Dec-24 survey recorded $6.33 pbd deficit on average, and $11.59 pbd deficit for those who do not charge additional/ extra services fee.

This indicates that the hotelling supplement is still insufficient to meet the Taskforce recommendation that it should equate to the actual costs of providing everyday living services.

IHACPA identified in the Residential Aged Care Pricing Advice 2024-25 that everyday living services costs to be funded under hotelling supplement increased by $1.09 pbd due to indexation and FWC stage 3 decisions across the full FY25. While DoHAC funded the $1.09 pbd increase from 20 September 2024, which is equivalent to $0.84 pbd across FY25, leaving the remainder $0.24 pbd to be funded from 1 July 2025 with indexation.

IHACPA also stated that the subsequent gap between hotels services revenue and expenses is estimated to be $4.30 per day for the 2024-25 financial year.

From 1 July 25, providers will be able to keep a small portion of each new RADs at an annualised rate of 2% capped at 5 years. And providers will be able to index new Daily Accommodation Payments (DAP) in accordance with the CPI rate twice a year.

While reforms deliver clear benefits, they also create undeniable increases in administrative and reporting burdens which might trigger additional costs.

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

Legislative changes that removed the package management fee and reduced the care management fee cap have prompted service providers to adjust their pricing models.

To ensure sustainability, providers need to build as least part of the previous package management fee and care management fee cap into the direct services price, leading to a systematic price increase across the whole sector. Comprehensive cost analyses and market research are critical to validating new pricing models, and many providers are still undertaking the study to date without having their new service price finalised.

DoHAC conducted a Support at Home Service Pricing survey in February 2025. Using data from respondents, the Department published indicative price ranges by service category to guide sector participants. However, uncertainties persist regarding whether final prices post-detailed cost studies and market research will align with the survey-reported figures.

Financial Results Overview

Summary

The Survey for the six months ending December 2024 (Dec-24) shows improvement in operating results for residential aged care facilities and a further marginal improvement in home care services result.

The YTD Dec-24 average operating result for **residential aged care homes** across all geographic sectors was a marginal **operating surplus of $1.56 per bed day** (pbd), after the $8.45 pbd loss for Sep-24 quarter ($2.25 pbd deficit for Dec-23). This represents an **operating surplus of $535 per bed per annum (pbpa)**, compared to Sep-24 operating deficit of $2,895 pbpa and Dec-23 operating deficit of $764 pbpa. The result is for mature homes, which exclude outliers.

The improvement in operating result is primarily due to increase in AN-ACC funding. Providers were funded during FY25 Q2 (December quarter) for the increase in direct care minutes to an average 215 which providers are still working towards, as well as the wage increase for impacted aged care workers which only commence from 1 January 2025. The margins derived from the timing discrepancies are expected to diminish in FY25 Q3 and FY25 Q4.

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

Direct care staffing levels delivered to residents continued to increase. On average, Survey participants recorded RN minutes of 41.80 per bed per day and total direct care minutes of 214.10 pbd (including 10.53 EN minutes) for the standalone Dec-24 quarter, compared to the 44 RN and 215 total direct care minutes average sector targets respectively. This is an increase from the Sep-24 quarter average of 41.22 for RN minutes and 210.54 for total direct care minutes.

Agency usage remained similar level compared to Sep-24 Survey, with RN agency usage of 8.4% and total direct care agency usage of 4.8% for YTD Dec-24 compared to 8.7% and 4.8% respectively for Sep-24. The usage of overtime staff remains similar level at 2.1% of total direct care minutes (Sep-24 2.0%)

Occupancy improved to 94.0% of available beds for mature homes from Sep-24 (93.8%), this is slightly higher than the pre-COVID19 Sep-20 occupancy level at 93.9%. A steady increase in occupancy level has been observed since Sep-23.

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

For the six-month period ended Dec-24, 48% of aged care homes operated at a loss (52% for Dec-23) and 25% operated at an EBITDA (cash loss) compared to 30% for Dec-23.

Despite improvement in everyday living margin from increase in hotelling supplement to fund staff costs from 1 January 2025, **the sector continues to make significant losses through the delivery of everyday living and accommodation services.** The new *Act* included additional funding streams for these services. Impacts on the funding streams are forecast in subsequent sections of this report.

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

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

DoHAC issued guidance for setting Support at Home Prices, and it is suggested that the prices should be based on costs in service delivery. The cost-based pricing model is a reasonable method. However, due to system restraints and differences between the Home Care Program and Support at Home Program, providers might not have the full data set necessary to work out the costs of service delivery.

Clients behaviour in reaction to the pricing change as result of the legislation change also poses challenges to the sector.

The current home care operating result has improved marginally to a **surplus of $3.61 per client per day** (pcpd), compared to Dec-23 $2.69 pcpd. Revenue utilisation **increased to 86.8% of available package funding compared to 85.2% for Sep-24** and unspent funds have decreased to an average of $14,204 for every care recipient.

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

Average total staffing hours in providing home care services has increased slightly to be 5.53 hours per client per week, compared to 5.37 hours in Dec-23.

It is significantly below the average nine hours per client per week provided prior to the implementation of the Consumer Directed Care model in July 2015. This is also a function of a greater level of service and consumables provided by third parties.

Consumer contributions to home care remains low and represent less than 2.4% of the overall funding envelope.

Residential Aged Care

Direct Care Result

Direct care subsidy & supplements for the six months ended Dec-24 averaged $290.22 pbd, which is an increase from Sep-24 average of $274.88 pbd. The AN-ACC starting price increased to $280.01 from 1 October 2025 compared to $253.82 during Sep-24, with a weighted average of $266.92 during the six-month-period ended Dec-24.

The direct care subsidies & supplements includes the registered nurses supplement for eligible homes estimated to be $1.68 pbd for the six-month period, with reduced rate from 1 Oct 2024.

The increased AN-ACC price includes funding for higher direct care minutes target from 1 Oct 24 and higher staff costs due to FWC stage 3 decision from 1 Jan 25. During the Dec-24 quarter, providers are in the process of recruiting to meet increased direct care minutes, and the award increase has not become effective. The timing discrepancy led to significant direct care margin during the Dec-24 quarter, which will decrease in the following quarters in the financial year.

When compared to Sep-24 quarter, direct care costs (labour, other and administration) increased by $13.35 pbd, while direct care revenue increased by $29.98 pbd in the Dec-24 quarter. A detailed breakdown of the movement and general reasons for the increase in direct care margin is shown in the following table.

The result of the higher subsidy as compared to direct care costs was that the direct care margin had a margin of $26.95 pbd ($10.32 pbd Sep-24 quarter).

Table 1: Dec-24 quarter direct care margin movement compared to Sep-24 quarter

Sector Average ($ per bed day)	QTD Sep-24	QTD Dec-24	Movement
Direct care revenue	**$276.20**	**$306.18**	**$29.98**
Total direct care labour costs	**$212.20**	**$225.38**	**$13.19**
*Direct care labour costs increase due to minutes increase**			*$3.66*
Direct care labour costs increase due to increase in hourly costs			*$9.53*
Other direct care expenditure	**$33.90**	**$34.56**	**$0.65**
Administration - direct care overhead allocation	$19.78	$19.29	($0.49)
Direct care margin	**$10.32**	**$26.95**	**$16.63**

Note: Included facilities in both Sep-24 and Dec-24 Surveys

Sep-24 quarter reported higher than target average RN minutes and total direct care minutes to prepare for the increase in target from 1 October 2024, while Dec-24 quarter average minutes are lower than target of 215 total direct care minutes.

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

	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Registered nurses (RN)	$53.08	$55.97	$60.07	$58.53	$61.70
Enrolled nurses (EN)	$11.53	$12.28	$10.98	$11.10	$11.55
Personal care staff	$140.38	$141.46	$145.51	$142.57	$152.14
Total direct care labour costs	**$204.99**	**$209.71**	**$216.56**	**$212.20**	**$225.38**
Registered nurses minutes	37.23	38.59	40.52	41.22	41.80
Enrolled nurses minutes	11.37	11.02	10.35	10.54	10.53
Personal care staff minutes	154.15	153.12	159.80	158.78	161.76
Total direct care minutes	**202.74**	**202.73**	**210.67**	**210.54**	**214.10**
Agency RN costs	$7.85	$8.58	$8.69	$7.44	$7.52
Agency EN costs	$0.78	$0.98	$0.62	$0.70	$0.77
Agency personal care staff costs	$8.89	$9.07	$9.32	$7.47	$7.81
Total agency costs	**$17.52**	**$18.62**	**$18.62**	**$15.61**	**$16.10**
Agency RN minutes	3.78	4.01	4.06	3.57	3.51
Agency EN minutes	0.55	0.54	0.48	0.53	0.62
Other agency direct care minutes	7.18	7.22	7.44	6.08	6.30
Total agency minutes	**11.51**	**11.77**	**11.98**	**10.18**	**10.43**
Agency RN minutes as % of total RN minutes	*10.2%*	*10.4%*	*10.0%*	*8.7%*	*8.4%*
Agency direct care staff minutes as % of total direct care labour minutes	*5.7%*	*5.8%*	*5.7%*	*4.8%*	*4.9%*
Internal RN hourly rate	$81.15	$82.21	$84.56	$81.42	**$84.90**
Agency RN hourly rate	$124.44	$128.52	$128.28	$124.99	**$128.30**

For Dec-24 facilities included in this analysis, the usage of agency for RNs dropped slightly to 8.4% of total RN usage after extensive recruitment activity over the past year. The average agency RN hourly rate remains high at $128.30 per hour for the quarter, which is a financial burden to providers who have to rely on agency.

Providers need to maintain their recruitment efforts to meet their direct care minutes target, and one goal is to replace most agency staff with permanent employees.

While direct care margin for Dec-24 quarter is $26.95 pbd, it is forecasted that direct care margin for FY25 will be $17.59 pbd as providers continue moving towards the direct care minutes target and FWC wage increase from 1 Jan 2025. The margin represents 5.9% of the forecasted direct care revenue for FY25.

This level of margin is probably inadequate for providers to attain an above-average Star Rating for staffing minutes. Such a rating would necessitate a significant increase in staff minutes beyond the current target.

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

Direct Care Minutes versus Target Direct Care Minutes

Table 3 shows the results of an analysis completed comparing direct care minutes for the Dec-24 quarter versus the actual target direct care minutes for 1,116 of the 1,123 facilities in the Survey. EN minutes are included in this analysis to account for up to 10% of RN minutes target.

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

	Actual RN minutes as % of target	Actual total direct care minutes as % of target	% of facilities actual RN minutes higher than target	% of facilities actual total direct care minutes higher than target
Under 40 places	137%	104%	91%	64%
40 to 60 places	111%	98%	76%	41%
60 to 80 places	103%	99%	65%	41%
80 to 100 places	101%	98%	53%	40%
100 to 120 places	101%	99%	58%	37%
Over 120 places	99%	99%	51%	34%

Facilities with under 40 places on average recorded higher direct care minutes compared to target, which might be largely related to additional RN minutes to meet 24/7 RN requirements with 91% of facilities recording higher than target RN minutes for Sep-24. In contrast, facilities with more places recorded lower direct care minutes compared to target. Only 51% of facilities with over 120 places recorded higher than target RN minutes for the quarter, and 34% recorded higher than target total direct care minutes.

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

	Actual RN minutes as % of target	Actual total direct care minutes as % of target	% of facilities actual RN minutes higher than target	% of facilities actual total direct care minutes higher than target
For Profit	103%	98%	57%	31%
Not For Profit	103%	99%	64%	42%

On average, more facilities by percentage operated by not-for-profit providers meet their RN minutes and total direct care minutes target compared to those operated by for-profit providers. However, the average of actual RN minutes and total direct care minutes as a percent of target are quite similar in the two groups.

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

Provider Size	Actual RN minutes as % of target	Actual total direct care minutes as % of target	% of facilities actual RN minutes higher than target	% of facilities actual total direct care minutes higher than target
1 Home	98%	100%	55%	56%
2 to 6 Homes	103%	100%	63%	44%
7 to 20 Homes	104%	100%	67%	49%
Over 20 Homes	103%	98%	63%	31%

Facilities from providers with 7-20 homes have the highest percentage in meeting RN minutes at 67%, with only 55% for those single home providers. While in terms of total direct care minutes, single home providers recorded the highest proportion for meeting target at 56%, large providers with over 20 homes have the lowest proportion of 31%.

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

	Actual RN minutes as % of target	Actual total direct care minutes as % of target	% of facilities actual RN minutes higher than target	% of facilities actual total direct care minutes higher than target
MMM1	104%	99%	66%	40%
MMM2	102%	99%	64%	40%
MMM3	97%	97%	50%	42%
MMM4	103%	97%	62%	37%
MMM5	108%	100%	64%	54%

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

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

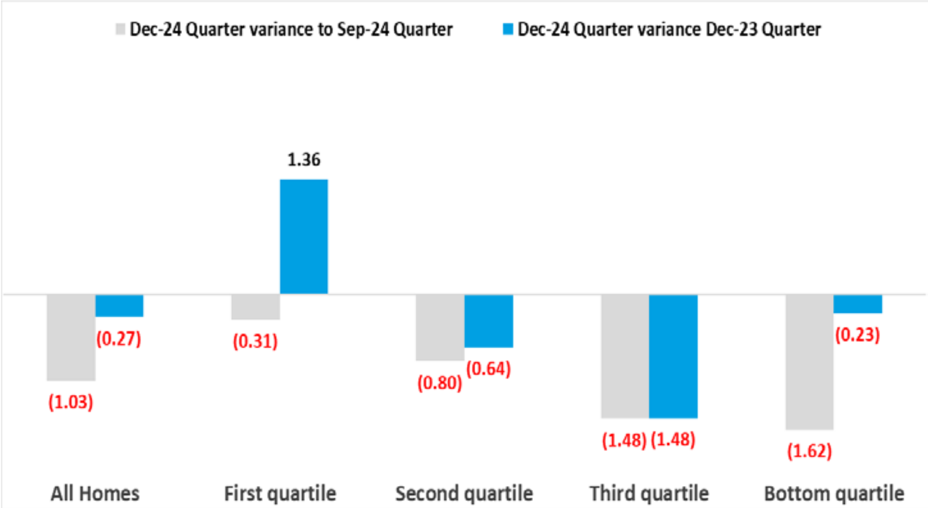
Care Staff Costs and Minutes Movement

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

It is observed that other care labour (including care management, allied health and lifestyle) minutes across all homes decreased in Dec-24 quarter compared to the Sep-24 quarter and Dec-23 quarter.

Allied health, lifestyle officers and enrolled nurses will be added as new staffing quality indicators from April 2025.

Figure 3: Other direct care labour minutes variance between periods



The decrease in minutes observed in care management staff is possibly due to the reallocation of some of these minutes to the direct care category. Providers had improved the tracking of split in service types provided by their care management staff since the introduction of QFR.

Figure 4: Care management labour minutes variance between periods

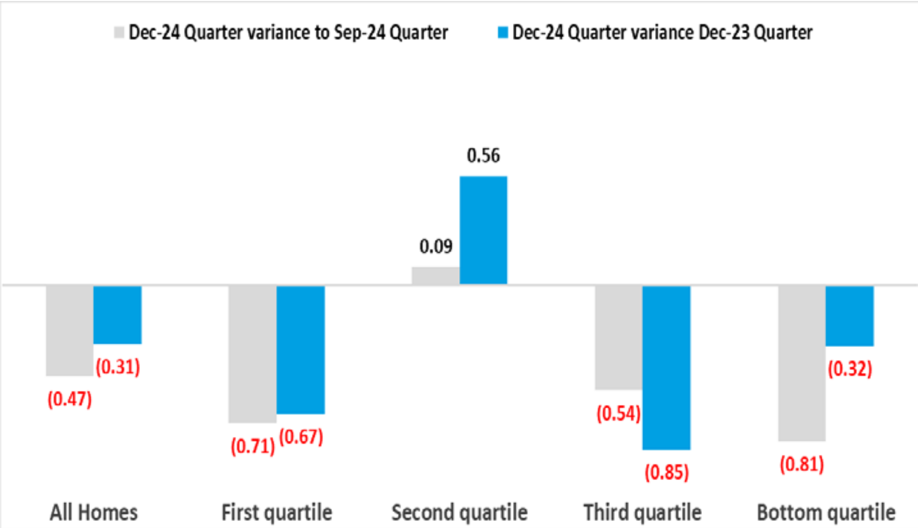


Figure 5: Allied health minutes variance between periods

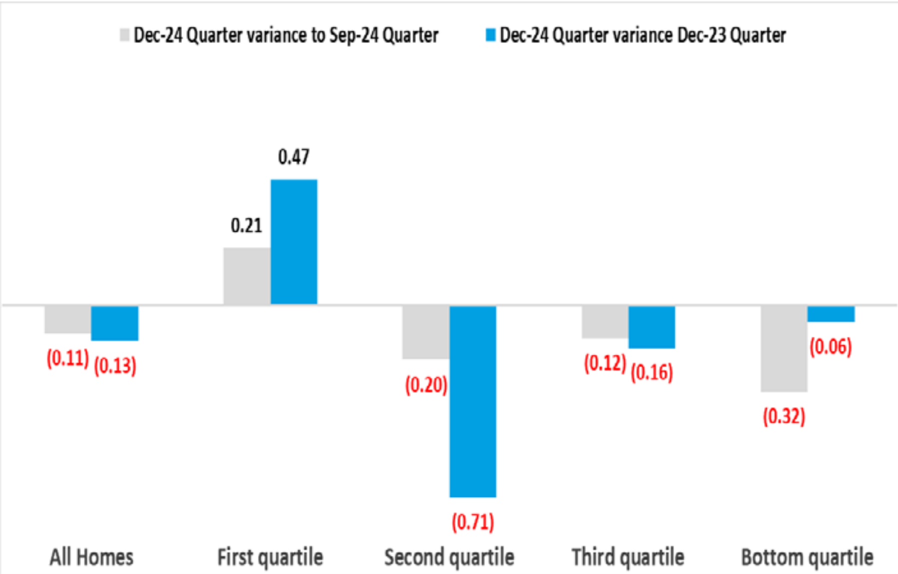
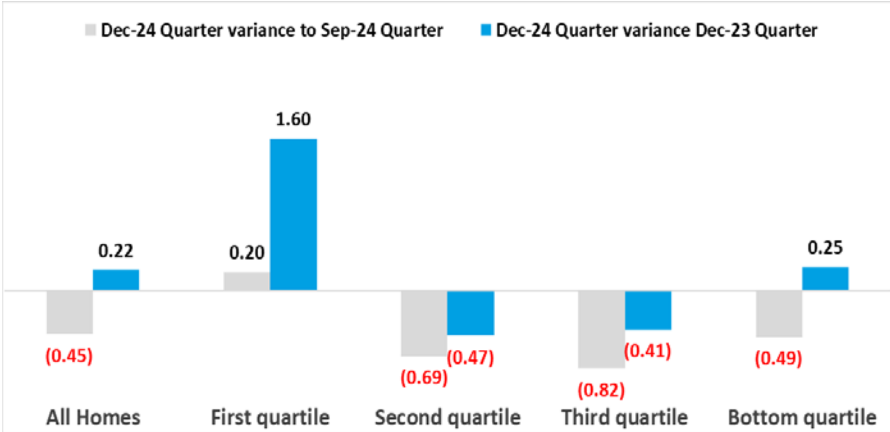
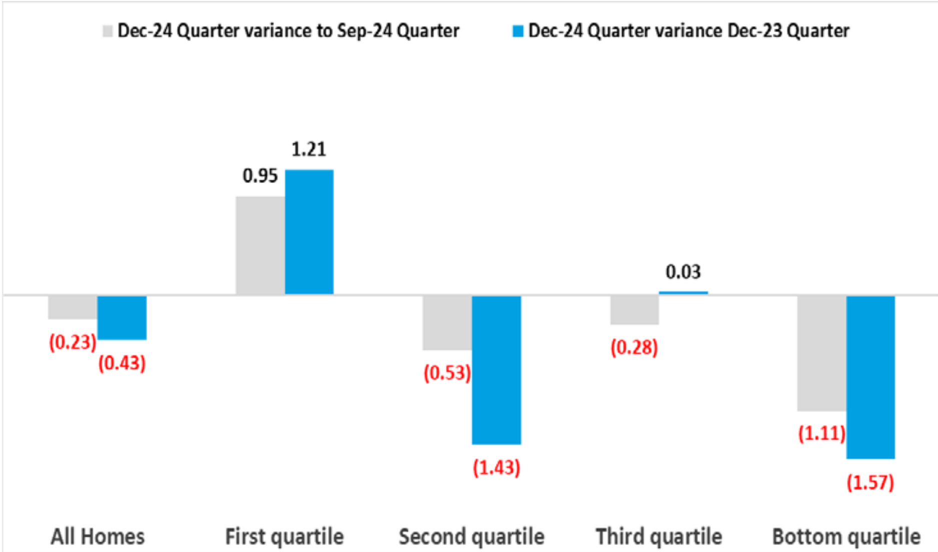


Figure 6: Lifestyle minutes variance between periods



Minutes for lifestyle/recreation officer staff increased compared to Dec-23 quarter data, while decreased compared to Sep-24 data.

Figure 7: Enrolled nurses minutes variance between periods



Enrolled nurses minutes decreased from both Sep-24 and Dec-23 quarter although it can be used to meet up to 10% of RN minutes target from 1 October 2024.

Allied Health Analysis

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

Allied health data is collected in different categories and is calculated by the percentage of facilities with certain allied health category usage submission. All facilities included in the Survey reported allied health costs. The majority of facilities used physiotherapists, speech pathologists, podiatrists and dieticians.

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

Facility with allied health usage %	ALL	MMM1	MMM2-3	MMM4-7
Physiotherapist	96%	96%	97%	93%
Occupational Therapist	28%	31%	21%	24%
Speech Pathologist	84%	86%	82%	79%
Podiatrist	86%	87%	87%	85%
Dietician	83%	85%	80%	82%
Other allied health	47%	48%	44%	44%
Allied Health Assistants	16%	19%	15%	10%

Figure 8: Allied health costs by category

Allied Health Costs

[$ per resident per day]	Internal staff employed	+	External contractors	=	All
Physiotherapy	$1.23	+	$2.52	=	$3.75
Occupational therapy	$0.22	+	$0.16	=	$0.39
Speech pathology	$0.03	+	$0.20	=	$0.23
Podiatry	$0.03	+	$0.42	=	$0.45
Dietician / Dietetics	$0.07	+	$0.23	=	$0.31
Allied health assistants	$0.30	+	$0.21	=	$0.51
Other allied health professionals	$0.44	+	$0.01	=	$0.45
Total	$2.32	+	$3.76	=	$6.09

Figure 9: Allied health minutes by category

Allied Health Minutes

[Minutes per resident per day]	Internal staff employed	+	External contractors	=	All
Physiotherapy	0.81	+	1.80	=	2.61
Occupational therapy	0.19	+	0.12	=	0.32
Speech pathology	0.02	+	0.10	=	0.12
Podiatry	0.02	+	0.30	=	0.31
Dietician / Dietetics	0.05	+	0.11	=	0.17
Allied health assistants	0.16	+	0.11	=	0.27
Other allied health professionals	0.53	+	0.01	=	0.55
Total	1.78	+	2.56	=	4.34

Operating Result by MMM

Operating result varies largely for facilities located in different Modified Monash Model (MMM) categories. Weighting (NWAU) for AN-ACC funding had been adjusted from 1 Oct 2024 in reaction to the significant operating losses for facilities located outside metropolitan areas, especially in MMM4 areas.

Facilities located in MMM4 areas used to be the lowest operating result before Dec-24 quarter. They recorded a deficit of $19.19 pbd compared to the Survey average of $1.58 pbd deficit for FY24, and a deficit of $28.16 pbd compared to the Survey average deficit of $8.45 pbd for Sep-24.

As a result of the NWAU adjustments, the difference in operating result between MMM4 compared to other facilities reduced for Dec-24 quarter (standalone). MMM4 recorded $8.55 pbd operating surplus compared to MMM1 facilities surplus at $11.60 pbd. However, average direct care minutes is 210.08 pbd for MMM4 compared to 215.09 for MMM1 facilities, additional costs might be triggered to increase direct care minutes to target.

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

	MMM1 Homes	MMM2 Homes	MMM3 Homes	MMM4 Homes	MMM5 Homes
	QTD Dec-24	QTD Dec-24	QTD Dec-24	QTD Dec-24	QTD Dec-24
Direct care revenue	**$301.14**	**$310.92**	**$314.94**	**$318.14**	**$321.64**
Total direct care labour costs	$223.97	$228.05	$226.24	$225.84	$235.15
Other care labour costs	$24.47	$23.95	$24.70	$27.07	$27.38
Other direct care expenditure	$9.81	$8.62	$10.42	$9.24	$11.08
Administration - direct care overhead allocation	$19.04	$18.14	$20.12	$20.35	$21.15
Direct care expenditure	**$277.28**	**$278.76**	**$281.49**	**$282.50**	**$294.76**
DIRECT CARE MARGIN	**$23.86**	**$32.16**	**$33.45**	**$35.64**	**$26.88**
Everyday living revenue	$82.41	$78.74	$78.89	$78.28	$77.59
Everyday living expenditure	$83.69	$86.62	$88.27	$91.50	$94.69
EVERYDAY LIVING MARGIN	**($1.27)**	**($7.88)**	**($9.38)**	**($13.22)**	**($17.10)**
Accommodation revenue	**$43.72**	**$42.45**	**$42.96**	**$43.61**	**$43.12**
Accommodation expenditure	$54.70	$51.44	$54.14	$57.49	$53.26
ACCOMMODATION MARGIN	**($10.98)**	**($8.99)**	**($11.18)**	**($13.88)**	**($10.14)**
Operating result	**$11.60**	**$15.29**	**$12.89**	**$8.55**	**($0.36)**
Operating EBITDA per bed per annum	**$12,027**	**$12,290**	**$11,788**	**$11,082**	**$6,174**
Occupancy	94.8%	93.4%	93.0%	93.6%	92.5%
Total direct care minutes per resident day	**215.09**	**212.60**	**210.31**	**210.08**	**215.53**
High level estimation on additional costs to meet minutes target	**0.00**	**2.40**	**4.69**	**4.92**	**0.00**
Adjusted operating result	**$11.60**	**$12.89**	**$8.20**	**$3.62**	**($0.36)**

Operating Result by Quartile

Quartile analysis is based on the ranking of operating result ($ pbd) for each aged care home and then banding them into the respective quartiles. Average direct care minutes vary significantly by quartile, with first quartile homes averaging 205.39 direct care minutes per resident per day while bottom (fourth) quartile homes averaged 223.70 minutes per resident per day for the Dec-24 quarter.

The difference in average direct care minutes between first quartile average and bottom quartile average of 18.30 minutes has decreased compared to Dec-23 Survey at 21.65 minutes. The gap decreases as providers move towards their target minutes through active recruitment.

Additional analysis was conducted to estimate what the operating result for each quartile would be with target average minutes being achieved (refer to *Table 9*). It is assumed that the staffing structure remains the same for this analysis. And the impact of Enrolled Nurses minutes counting towards RN minutes are not included for the purpose of the analysis.

Based on the analysis, homes in the first quartile will require an additional $8.97 pbd direct care labour costs on average to meet the average mandated minute targets.

While the fourth quartile might be able to save up to $8.65 pbd from restructuring staffing to bring their minutes down to the target level of 215 minutes including 44 RN minutes. Taking this into account, the difference in operating result between first quartile and fourth quartile would decrease from $100.62 pbd to $81.26 pbd.

And the variance between direct care margin will be decreased from $57.57 pbd to $38.20 pbd. The variance from other services is $43.05 pbd.

Table 9: Operating result and adjusted operating result for target minutes

	All Homes	First Quartile	Second Quartile	Third Quartile	Fourth Quartile
Staff Minutes					
Registered nurses	41.80	39.93	41.00	42.18	44.37
Enrolled and licensed nurses	10.53	9.47	10.51	11.10	11.05
Other unlicensed nurses/personal care staff	161.76	155.99	160.79	162.62	168.27
Imputed agency direct care minutes implied					
Total direct care minutes per resident day	**214.10**	**205.39**	**212.31**	**215.90**	**223.70**
Gap from target minutes (EN impact excluded for analysis purpose)					
Registered nurses	2.20	4.07	3.00	1.82	(0.37)
Other direct care labour	(1.29)	5.54	(0.31)	(2.71)	(8.32)
Additional costs					
Registered nurses	$3.24	$5.68	$4.34	$2.71	($0.59)
Other direct care labour	($1.22)	$5.03	($0.29)	($2.59)	($8.07)
Additional costs - without restructuring	**$3.24**	**$10.71**	**$4.34**	**$2.71**	**$0.00**
Potential costs saving from restructuring	**$1.22**	**$0.00**	**$0.29**	**$2.59**	**$8.65**
Total additional costs after costs saving	**$2.03**	**$10.71**	**$4.05**	**$0.12**	**($8.65)**
Direct care margin	**$26.95**	**$56.28**	**$30.55**	**$19.27**	**($1.28)**
Direct care margin after additional costs	**$23.71**	**$45.58**	**$26.22**	**$16.57**	**($1.28)**
Direct care margin after additional costs	**$24.92**	**$45.58**	**$26.50**	**$19.16**	**$7.37**
Operating result	**$11.51**	**$59.28**	**$22.59**	**($0.45)**	**($41.34)**
Operating result after additional costs	**$8.27**	**$48.57**	**$18.25**	**($3.16)**	**($41.34)**
Operating result after costs saving	**$9.49**	**$48.57**	**$18.54**	**($0.57)**	**($32.69)**

24/7 Registered Nurse Requirement

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

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

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

If RN hours for each shift is 8 hours or more, we would flag the facility to meet the 24/7 RN requirements.

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

Based on the analysis for facilities that provided valid shift hours information (1,056 out of 1,140) the following outcomes arise.

Table 10: 24/7 RN requirement analysis Dec-24

24/7 Registered Nurses	Number of facilities	Proportion	Average hours - morning shift	Average hours - afternoon shift	Average hours - overnight shift
Potential eligible exemption	31	3%	9.31	5.63	3.86
Meet	744	70%	29.89	16.97	10.88
Below	283	27%	6.59	3.30	2.21
All facilities	**1,058**	**100%**	**26.75**	**16.50**	**10.67**

Table 11: 24/7 RN requirement analysis - FY24

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

Table 12: 24/7 RN requirement analysis - FY23

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

Improvement in 24/7 nursing had been observed from this analysis - facilities not meeting 24/7 nursing as defined in this section purely based on hours reported to StewartBrown decreased from 48% in FY23 to 27% in Dec-24.

Providers have the most agency RN usage for the overnight shift. Analysis shows that 28% agency RN minutes were used to cover the overnight shift for Dec-24 compared to Jun-23 quarter at 24%. This comes at a great cost to providers.

Profiling the facilities defined as not meeting the 24/7 RN requirements in this analysis shows that:

- 38% of MMM3 facilities failed to meet 24/7 requirements, making up the highest proportion
- MMM2 has the lowest proportion of 21% not meeting the 24/7 RN requirement
- WA homes have the highest proportion of not meeting 24/7 RN requirements at 38%, while VIC has the lowest proportion at 17%
- Homes with more places have lower proportion of not meeting requirements. For homes with over 100 beds, only 11% did not meet the requirements, while for those with under 40 places, 73% did not meet the requirements or are exempted from the requirement.

It should be noted that the shift data used for this analysis is for RNs only. It is understood that for the purpose of the test, having an RN onsite and on duty can also include RNs that may play another role in the home such as a facility manager or clinical manager and they may not be included in the minutes data provided for our Survey.

This means the analysis is the least preferred scenario and the true picture is likely to be slightly better than the preceding figures. Although other positions may not be used to supplement shifts overnight or on weekends, we do acknowledge that it may affect the overall outcome.

Everyday Living

Everyday living includes hotel services (catering/cleaning/laundry), utilities and an administration cost allocation. The major revenue components comprise the Basic Daily Fee (BDF), hotelling supplement and additional/extra services charged in some homes. 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 are greater than the revenue earned and currently the sector average everyday living margin is a **$6.33 pbd deficit**.

The deficit is inclusive of the average $12.02 per bed per day hotelling supplement paid by the government. This includes the upfront increase in the hotelling supplement from 20 September 2024 to $12.55 pbd before labour costs increase from FWC stage 3 from 1 January 2025.

It is worth noting that facilities which provide additional or extra services (i.e. revenue for additional services being over $3 pbd for this analysis) increased from 18.3% in FY22, 25.7% in FY23, 33.8% in FY24 to 39.7% in the Dec-24 Survey, which means more facilities are now adopting additional services to help alleviate the losses being incurred in this area.

Table 13 provides a summary of the margin for facilities that do not provide addition/extra services as compared to the facilities that provide these services.

Table 13: Everyday living margin comparison

	Facilities with additional/extra services	Facilities without additional/extra services	Difference
Basic daily fee - resident	$62.85	$62.93	($0.08)
Hotelling supplement - government	$12.03	$12.00	$0.03
Fees for additional/extra services	$8.83	$0.00	$8.83
Everyday living revenue	**$83.70**	**$74.93**	**$8.77**
Hotel services expenditure	$58.66	$60.48	($1.82)
Utilities	$8.54	$8.79	($0.25)
Administration allocation	$18.26	$17.24	$1.02
Everyday living expenditure	**$85.46**	**$86.51**	**($1.06)**
Everyday living margin	**($1.75)**	**($11.59)**	**$9.83**
Other resident services and consumables	$2.32	$1.68	$0.64

Facilities without additional/extra services recorded an average everyday living margin deficit of $11.59 pbd, while facilities with additional/extra services recorded a deficit of $1.75 pbd.

Under the current funding arrangements additional/extra services on their own are not sufficient to reduce the everyday living margin deficit unless they are at a higher fee level (greater than $20 per day).

Additionally, this source of income is likely to have more uncertainty when Higher Everyday Living Fee (HELF) replaces additional/ extra services fee from 1 July 2025.

IHACPA identified a $4.30 gap in everyday living revenue and expenditure in their 2024-2025 pricing advice across the sector, which includes those currently charging additional/extra services fees. The IHACPA methodology was to include all facilities whether or not they provided additional/extra services.

The Survey analysis as included in *Table 13* differentiates these facilities to provide a more accurate view. *Recommendation 10* of the Taskforce Report stated "Funding for daily living needs to cover the full cost of providing these services. It is recommended this be composed of the Basic Daily Fee and a supplement." This was noted and agreed in the Government response.

The hotelling supplement is to be increased to $15.60 pbd from 1 July 2025 (from $13.46 pbd from March 2025). The new amount includes $1.89 pbd to fund the higher costs of providing everyday living services.

The calculation for the hotelling supplement should be based on the revenue and expenses for the provision of the stipulated everyday living services and exclude the impact of the additional services.

The Survey analysis concludes that for the hotelling supplement to equate to meet the full cost of everyday living services, the announced hotelling supplement effective from 1 July 2025 of $15.60 pbd is insufficient to meet this criteria by $8.00 pbd.

Catering

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

Table 14: Catering costs comparison Survey average vs in-house ($ pbd)

Catering (all homes)	Dec-22	Dec-23	Dec-24
Labour costs	$18.77	$20.82	$21.87
Consumables - food	$10.42	$12.71	$13.83
Consumables - other	$0.50	$0.55	$0.72
Contract catering	$7.24	$5.75	$5.87
Income from sale of meals *	($0.24)	($0.29)	($0.25)
Total catering cost	**$36.69**	**$39.54**	**$42.03**
Catering (in-house)	**Dec-22**	**Dec-23**	**Dec-24**
Labour costs	$23.18	$24.64	$25.68
Consumables - food	$13.14	$14.86	$16.10
Consumables - other	$0.58	$0.57	$0.66
Contract catering	$0.01	($0.01)	$0.04
Income from sale of meals *	($0.29)	($0.33)	($0.28)
Total catering (in house)	**$36.61**	**$39.73**	**$42.19**
% of facilities using in-house catering only	*65%*	*73%*	*74%*

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

Accommodation

Accommodation continues to be the biggest loss-making service for an aged care facility. The YTD Dec-24 Survey recorded an average margin deficit of $11.19 pbd compared to a deficit of $10.11 pbd for Dec-23.

Higher average Maximum Permissible Interest Rate (MPIR) for incoming residents contributed to the improvement. MPIR for Dec-24 quarter is 8.38%. Accommodation revenue from residents, which is mostly DAP, increased from $14.44 pbd for Dec-22 and $16.67 pbd for Dec-23 to $17.53 pbd for Dec-24.

The MPIR experienced the first drop since June 2022 for the Jun-25 quarter. It dropped from 8.42% for Mar-25 quarter to 8.17% for the Jun-25 quarter.

StewartBrown recommends that the methodology for setting the MPIR be reviewed, as was also noted in the Taskforce Report. Quarterly MPIR changes based on the underlying interest rates is not comparable to the actual cost of capital. The basis for setting the DAP needs to be more appropriate and less volatile to ensure greater revenue certainty for providers.

Depreciation expense represented $22.66 pbd. Whilst depreciation is a non-cash component (and excluded from EBITDA calculations), it is a crucial expense that must be recovered to fund the ongoing maintenance, refurbishment, and eventual replacement of aged care facilities.

Setting aside funds to match accumulated depreciation is particularly important because new residents typically prefer a more modern and up-to-date aged care facility when given a choice. As a result, older or less appealing facilities may struggle with lower occupancy rates, especially in highly competitive areas.

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

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

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

The accommodation supplement for those with lower means remains an issue. The supplement is $69.79 pbd as a maximum at Mar-25 rate. At an MPIR of 8%, this is equivalent to accommodation (RAD) price of $318,417, compared to the current maximum accommodation price without approval being at $750,000.

A DAP based on an accommodation price of $650,000 (MPIR 8%) is $142.46 pbd compared to the supplement of $69.79 pbd. This might put providers with higher supported ratio into a disadvantaged financial position.

The intended review of the Accommodation Supplement to support Taskforce Recommendation 14 needs to progress as a priority.

Financial Impact of RADs

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

How much of an ingoing RAD is used for Investment Purposes

This differs between For-Profit (FP) and Not-For-Profit (NFP) Registered Providers (excluding Government). Refer to below *Table 15*, and the relevant ratios to be considered are: -

- Cash and financial assets (liquid cash assets) as a % of refundable loans (range 29.07% - 34.71% in periods included in the table)
- Cash and financial assets (liquid cash assets) as % of debt (total borrowings) (range 26.59% - 32.30% in periods included in the table)

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

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

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

The amount of liquid cash assets held needs to be sufficient to ensure compliance with the permitted uses of RADs regulatory requirement.

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

The above averages are for the whole sector, but for FP providers retain less due to having to pay company tax and shareholder distributions from the liquid cash assets (not directly from RADs).

Accordingly, they run their liquid cash assets at much more leaner levels, so their % is in the 10% - 15% range at best, and often , in the 5% - 10% range, whereas NFPs (being the majority) are in the 22.5% - 27.5% range (at best).

In summary, it can be considered that (say) only 20% - 25% of an incoming RAD is actually invested to provide investment revenue.

Interest Rate for RAD Investment Earnings

Once again, this differs for FP and NFP providers. Table 10 includes investment return ratios (highlighted in blue).

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

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

NFP providers have the advantage of receiving the imputation credit benefit on equity investments and managed funds investments (due their status, like super funds) so their current net percentage return would be in the order of 5.50% pa - 6.0% pa, whilst FPs would be in the 4.0% - 4.5% return (on less investment amounts as noted above).

Summary

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

- On average, the amount of incoming RADs that can be directly invested average in the range of 20% - 25% of the RAD amount over the time period of the RAD holding
- The average current investment return on the net RAD amount that is invested (being 20% - 25% of the incoming RAD) is currently between 4.25% pa to 5.0% pa

Table 15: RAD analysis

	Average FY23 12 months	Average Dec-23 6 months	Average FY24 12 months	Average Dec-24 6 months
Balance Sheet Extract ($'000)				
Assets				
Cash and cash equivalents	16,651	25,227	21,776	29,057
Financial assets	21,781	25,542	26,090	29,950
Liquid cash assets (A)	*38,432*	*50,769*	*47,866*	*59,007*
Property assets	171,257	195,799	180,196	213,671
Liabilities				
Residential Refundable loans	76,473	83,639	86,314	96,936
Retirement Living Refundable loans	55,726	65,216	60,316	73,052
Resident refundable loans (B)	*132,199*	*148,855*	*146,630*	*169,989*
Borrowings	10,339	15,176	8,228	11,565
Unspent Home Care Package Funds	1,387	969	1,038	694
Unspent CHSP Grants	583	1,487	384	419
Total Borrowings (C)	*144,509*	*166,487*	*156,280*	*182,666*
Ratios				
Cash + financial assets % refundable loans (A / B)	*29.07%*	*34.11%*	*32.64%*	*34.71%*
Cash + financial assets % debt (A / C)	*26.59%*	*30.49%*	*30.63%*	*32.30%*
Investment Income and Finance Costs ($'000)				
Interest and investment revenue received (D)	1,484	954	2,517	1,265
Fair value gain on financial assets	441	170	546	219
Fair value loss on financial assets	(18)	(2)	(3)	(1)
Investment revenue (net) (E)	*1,907*	*1,122*	*3,060*	*1,482*
Finance costs	(1,222)	(423)	(1,413)	(478)
Net financing return (F)	*684*	*700*	*1,647*	*1,004*
Ratios				
Investment revenue received percentage (D / A)	*3.9%*	*3.8%*	*5.3%*	*4.3%*
Net investment revenue percentage (E / A)	*5.0%*	*4.4%*	*6.4%*	*5.0%*
Net financing return percentage (F / A)	*1.8%*	*2.8%*	*3.4%*	*3.4%*

From an Approved Provider perspective, there is a large differential from receiving a DAP (MPIR is 8.17% from 1 Apr 25) and based on 100% of the RAD equivalent, and the investment return from a RAD, being (say) 22.5% of the RAD amount and a return (MPIR equivalent) of 4.75% pa on average.

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

Annualised amount - DAP ($750,000 x 8.17%)	**$61,275**
Annualised amount - RAD (A + B)	**$23,016**
RAD - 2% retention (A)	*$15,000*
Investment return (B) ($750,000 x 22.5% x 4.75%)	*$8,016*

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

Economy of Scale

A common discussion point has been whether there is economy of scale in residential aged care sector and the following is an analysis of the QTD Dec-24 results based on the number of aged care homes of the provider (refer *Table 11*).

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

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

Providers with 2-6 facilities recorded the highest average RN minutes at 42.66 pbd and total direct care minutes at 217.74 pbd for the quarter. Single facility providers recorded the lowest RN minutes at 38.85 pbd.

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

Based on the Dec-24 Survey, large providers have the lowest everyday living margin compared to smaller providers due to higher efficiency delivering such services. Providers with over 20 facilities on average recorded $11.78 pbd lower everyday living costs compared to single facility providers.

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

Table 16: Operating result and adjusted operating result for target minutes by provider size

QTD Dec-24 Survey	Single Facility	2-6 Facilities	7-20 Facilities	21+ Facilities
Direct care revenue	***$304.37***	***$303.97***	***$306.26***	***$307.26***
Direct care labour costs	$222.39	$219.67	$227.79	$226.31
Other care labour costs	$31.65	$29.95	$25.49	$21.08
Other direct care costs	$27.30	$30.70	$30.40	$27.76
Direct care expenditure	*$281.34*	*$280.32*	*$283.68*	*$275.16*
Direct care margin (A)	**$23.03**	**$23.65**	**$22.58**	**$32.10**
Everyday living margin	**($14.30)**	**($7.07)**	**($7.13)**	**$0.09**
Accommodation margin	**($12.70)**	**($12.94)**	**($10.28)**	**($10.57)**
Operating result (B)	**($3.96)**	**$3.64**	**$5.17**	**$21.62**
Expenditure - administration (included above)	*$46.16*	*$55.77*	*$57.66*	*$47.62*
Staff Minutes				
Registered nurses	38.85	42.66	41.83	41.90
Enrolled and licensed nurses	15.18	11.28	13.22	7.64
Other unlicensed nurses/personal care staff	159.89	163.80	160.35	162.27
Total direct care minutes per resident day	**213.92**	**217.74**	**215.39**	**211.81**
Gap from target minutes (EN impact excluded for analysis purpose)				
Registered nurses	6.15	2.34	3.17	3.10
Other direct care labour	(5.06)	(5.08)	(3.57)	0.09
Additional costs				
Registered nurses	$8.97	$3.28	$4.80	$4.59
Other direct care labour	($4.72)	($4.59)	($3.35)	$0.09
Additional costs - without restructuring (C)	**$8.97**	**$3.28**	**$4.80**	**$4.68**
Operating result after additional costs (B - C)	**($12.94)**	**$0.36**	**$0.37**	**$16.94**
Potential costs saving from restructuring (D)	**$4.72**	**$4.59**	**$3.35**	**$0.00**
Total net additional costs (E = C - D)	**$4.25**	**($1.31)**	**$1.45**	**$4.68**
Operating result after costs saving (B - E)	**($8.21)**	**$4.95**	**$3.72**	**$16.94**
Direct Care Margin after costs saving (A - E)	**$18.78**	**$24.96**	**$21.13**	**$27.42**

Comparison of Survey Result to the Quarterly Financial Snapshot

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

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

Operating Result

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

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

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

Data Sources

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

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

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

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

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

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

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

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

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

Comparison (September 2024 three months)

	DoHAC	StewartBrown
	$ pbd	**$ pbd**
Revenue	$ 417.41	$ 410.98
Costs	$ 407.46	$ 409.19
NPBT (DoHAC)	$ 9.95	$ 1.79
add/less		
Non-recurrent *	$ (10.25)	$ (10.25)
Operating result	**$ (0.30)**	**$ (8.45)**

**Estimate based SB Survey for non-recurrent result*

The Quarterly Financial Snapshot reported a surplus of $9.95 pbd in NPBT for the Sep-24 quarter.

It is observed that DoHAC total revenue and total costs in per bed day amount decreased for Sep-24 quarter compared to FY24 level. For Sep-24, total revenue is $417.41 pbd compared to FY24 level of $422.58 pbd, and cost is $407.46 pbd compared to FY25 level of $414.36 pbd, which also suggests the inconsistency for including non-recurrent revenue and expenditure into the financials.

Comment

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

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

Home Care Program

Home Care Summary Results

Table 17: Home Care summary and key KPIs

	Survey Dec-24	Survey Dec-23	Survey FY24
REVENUE			
Direct services	43.09	40.01	42.01
Sub-contracted and brokered services	13.86	12.08	12.14
Care management	15.65	14.21	14.60
Package management	10.87	9.78	9.69
Total recurrent revenue	**$83.47**	**$76.08**	**$78.44**
EXPENDITURE			
Direct service costs			
Internal	31.19	28.81	30.45
External	18.19	16.44	17.09
Direct service costs	*49.38*	*45.25*	*47.54*
Care management and advisory	8.11	7.87	7.94
Administration and support	21.69	19.74	19.66
Depreciation	0.68	0.53	0.54
Total recurrent expenditure	**$79.86**	**$73.39**	**$75.68**
OPERATING RESULT ($ per client day)	**$ 3.61**	$ 2.69	$2.76
EBITDA ($ per client per annum)	**$ 1,561**	$ 1,183	$1,213
KPI's			
Direct services revenue as % total revenue	*51.6%*	*52.6%*	*53.6%*
Sub-contracted/brokered services revenue % total revenue	*16.6%*	*15.9%*	*15.5%*
Care management revenue as % total revenue	*18.7%*	*18.7%*	*18.6%*
Package management revenu as % total revenue	*13.0%*	*12.9%*	*12.4%*
Direct services costs (% total revenue)	*59.2%*	*59.5%*	*60.6%*
Operating result margin (% of total revenue)	*4.3%*	*3.5%*	*3.5%*

Care Management and Package Management Fees in Home Care

The Support at Home policy guidelines have changed in relation to the treatment of care management and package management fees.

The care management funding pool will be set at a maximum of 10% of all quarterly client budgets, whereas majority of providers are currently charging 15% - 20% of the total package for the care management fee.

Table 17 above shows that based on Dec-24 Survey, care management revenue makes up 18.7% of the total revenue, while package management makes up 13.0%.

When the 10% cap is implemented, home care providers are estimated to lose $6.03 per client per day care management revenue ($15.65 pcd moving to $9.62 pcd), and the removal of package management fee means providers will need to build the $10.87 pcd into service pricing.

Therefore, the increased pricing for each home care service that will be required is driven by the new funding model, and not through providers merely seeking to increase their operating margins. This is an important narrative.

The direct margin on service delivery (both internal and sub-contracted) will need to increase to 33% from the current 13% to maintain the present operating surplus. *Please note that whilst related it is separate to the required service price increases.*

Table 18: Financial impact of Support at Home Reform

(Dollars per package per day unless otherwise stated)	Current Position *Dec-24 Survey Average (Actual)*	Scenario 1 *Dec-24 Adjusted for Reforms*	Scenario 2 *Adjusted for Reforms + Increased Return*	Scenario 3 *Adjusted for Reforms + Increased Return*
Revenue				
Direct and brokered services	56.95	73.83	76.72	78.63
Care management	15.65	9.62	9.62	9.62
Package management	10.87	-	-	-
Total revenue	**83.47**	**83.45**	**86.34**	**88.24**
Costs				
Direct and brokered services	49.38	49.38	49.38	49.38
Care management	8.11	8.11	8.11	8.11
Administration and support services	22.37	22.37	22.37	22.37
Total costs	**79.86**	**79.86**	**79.86**	**79.86**
Operating result (per package per day)	**$ 3.61**	**$ 3.59**	**$ 6.48**	**$ 8.38**
Operating EBITDA (per package per annum)	**$ 1,520**	**$ 1,512**	**$ 2,566**	**$ 3,262**
KPIs				
Operating result return on revenue	*4.3%*	*4.3%*	*7.5%*	*9.5%*
Gross margin on direct and brokered services (dollars)	$ 7.57	$ 24.45	$ 27.34	$ 29.25
Gross margin on direct and brokered services (%)	*13.3%*	*33.1%*	*35.6%*	*37.2%*
Gross margin on care management (dollars)	$ 7.54	$ 1.51	$ 1.51	$ 1.51
Gross margin on care management (%)	*48.2%*	*15.7%*	*15.7%*	*15.7%*
Revenue utilisation	*86.8%*	*86.8%*	*89.8%*	*91.8%*
Available package revenue (per client per day)	$ 96.16	$ 96.16	$ 96.16	$ 96.16
Available package revenue (per annum)	$ 35,100	$ 35,100	$ 35,100	$ 35,100
Care management as % of available package revenue	*16.3%*	*10.0%*	*10.0%*	*10.0%*
Package management as % of available package revenue	*11.3%*	*0.0%*	*0.0%*	*0.0%*

On average, direct services revenue including sub-contracted services revenue will need to increase to $73.83 pcd compared to current $56.95 pcd to fully recover the loss of revenue from package management and care management for the current level of margin at 4.3%.

To reach a 7.5% margin, the average revenue needs to be further increased to $86.36 pcd, and $88.24 pcd for a 9.5% margin.

Prudential and Liquidity requirements

The Royal Commission into Aged Care Quality and Safety issued the Final Report "Care, Dignity and Respect" on 26 February 2021. Chapter 19 "Prudential Regulation and Financial Oversight" included the following Recommendations:-

- Recommendation 130: Responsibility for prudential regulation
- Recommendation 131: Establishment of prudential standards
- Recommendation 132: Liquidity and capital adequacy requirements

The Aged Care Quality and Safety Commission (Quality Commission) has been charged with the financial and prudential monitoring responsibility as included in the above Recommendations. The Quality Commission released the Exposure Draft of the "Aged Care Financial and Prudential Standards 2025" instrument and have provided explanatory guidance on the following link New Financial and Prudential Standards | Aged Care Quality and Safety Commission.

The Quality Commission has stated that new Standards aim to strengthen the financial governance and sustainability of aged care providers, so they can deliver high-quality care and services and maintain continuity of care for older people.

The Liquidity Standard only applies to residential aged care providers.

Minimum Liquidity Amount

The enforceable minimum liquidity amount aims to manage two risks:-

1. the risk that a residential provider won't be able to refund refundable deposits when they're due
2. the risk that a residential provider isn't able to manage periods of financial stress resulting from a shortfall in their expected cash inflows, or an unexpected increase in their cash outflows. These can cause providers to make spending decisions that affect the quality and safety of care

Part 3 "Liquidity" Section 11 "Registered provider must determine minimum liquidity amount on a quarterly basis" of the draft instrument defines the liquidity calculation (clause 3) as being:-

(i) the amount equal to 35% of the provider's cash expenses for the previous quarter
(ii) the amount equal to 10% of the deposited amount balances held by the provider at the end of the previous quarter
(iii) the amount equal to 10% of refundable independent living payment amounts (if any) held by the provider at the end of the previous quarter
(iv) the amount equal to 10% of refundable retirement village payment amounts (if any) held by the provider at the end of the previous quarter

The liquidity calculation does not include the following:-

- Loans receivable (related entity and non-related entities)
- Capital work in progress
- External borrowings (related entity and non-related entity)
- Loans payable (related entity and non-related entities)
- Government subsidy acquittals owing (HCP unspent funds and CHSP grants)
- Lines of credit (unused)
- Capital expenditure pipelines

Net inflow of RADs

Minimum liquidity aims to manage the risk that a residential provider won't be able to refund refundable deposits when they're due. *Table 19* shows the movements of resident refundable deposits for FY24 and FY23 based on the Statement of Cash Flows as included in the audited general purpose financial statements.

Table 19: RAD movements for FY24 and FY23

	2024			
	Liability $'000	Received $'000	Refunded $'000	Net $'000
Resident Liability Balance Above $800M	897,531	169,703	117,779	79,980
Resident Liability Balance Between $250M and $800M	334,005	92,283	66,439	25,844
Resident Liability Balance Between $100M and $250M	137,072	40,448	26,967	13,481
Resident Liability Balance Below $100M	769,575	202,318	135,694	66,623

	2023			
	Liability $'000	Received $'000	Refunded $'000	Net $'000
Resident Liability Balance Above $800M	803,487	149,151	107,973	51,597
Resident Liability Balance Between $250M and $800M	290,927	74,154	57,872	16,281
Resident Liability Balance Between $100M and $250M	127,110	36,651	28,719	7,932
Resident Liability Balance Below $100M	660,658	164,106	118,443	45,663

This highlights that the movement of refundable loans has been cash positive for each cohort of providers.

As a further analysis, the Survey collects data for each aged care home of the average of new RADs received for the current period and the average of all RADs held at the end of each period (past and new RADs).

Table 20 shows that for each year and the six month period to Dec-24 the new incoming RADs received is higher than the average of all RADs held. This is on the basis of no material fluctuation in the percentage of supported residents and the mix of RAD/DAP/Combination for non-supported residents.

Average incoming RADs had been higher than average RADs held since FY19.

Table 20: Average new RADs compared to average RADs held

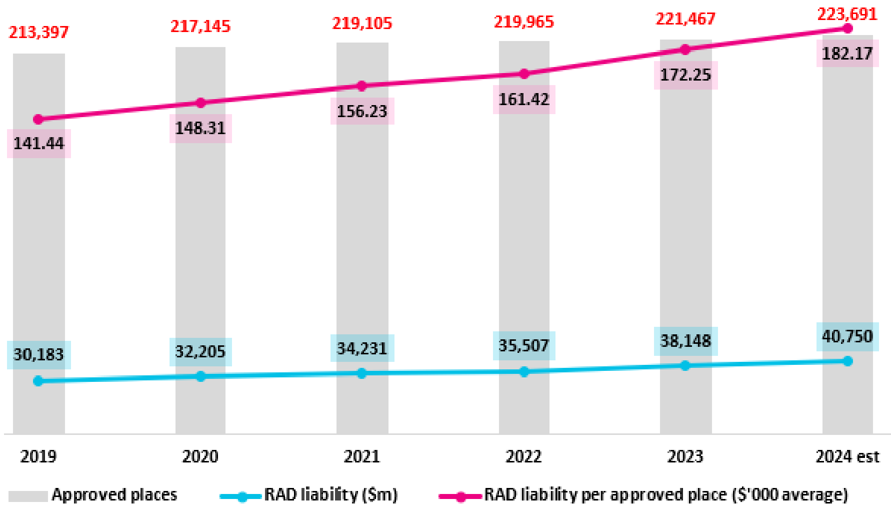
Survey	2019	2020	2021	2022	2023	2024	Dec-24
Average RAD held	$362,312	$386,631	$408,359	$432,385	$451,422	$467,569	$470,897
Average RAD received	$402,384	$433,252	$448,532	$476,549	$472,803	$494,106	$505,242
New RADs as % average RAD	*111.1%*	*112.1%*	*109.8%*	*110.2%*	*104.7%*	*105.7%*	*107.3%*

With additional beds added to the sector, occupancy recovering to pre-COVID level, switch of resident payment preference from DAP paying to RAD paying in recent years, it's not very likely that incoming RADs cannot replace existing RADs when it becomes payable.

At sector level, RAD liabilities had been increasing averaged across all approved beds.

A further analysis is included in *Figure 10* which considers the aggregate RAD liability (source: Department of Health and Aged Care Annual Report and estimate for 2024) and using the approved places (as per the Service listing) calculating the average RAD per approved place. This allows the assessment to consider new places (and therefore increased RADs).

Figure 10: Average RAD per approved bed trend



This analysis provides a similar conclusion that the new refundable loan cash inflows (in this case RADs) is greater than the cash outflows which will place less strain on the overall provider liquidity position.

Equity Position of Providers

The past five financial years have incurred substantial operating losses, and whilst this has affected the equity position, the lack of investment in building and infrastructure has created a situation of excess liquidity in the sector.

Table 21: Average equity and liquid cash assets per provider at Dec-24

	All $'000	Small $'000	Small/ Medium $'000	Medium $'000	Medium/ Large $'000	Large $'000
Assets	494,948	75,055	189,369	489,782	715,815	2,216,982
Liabilities	394,212	50,542	146,380	371,296	499,515	1,877,219
Net assets	100,736	24,513	42,989	118,486	216,300	339,763
Liquid assets	77,342	22,360	45,025	77,099	144,813	267,710
Property assets	309,528	43,874	112,388	332,111	535,221	1,311,542
Refundable loans	299,091	41,832	124,796	271,072	416,088	1,383,946
Liquid assets % refundable loans	26%	53%	36%	28%	35%	19%
Refundable loans % assets	60%	56%	66%	55%	58%	62%

3. FUNDING REFORM - FORECAST RESULTS

Residential Funding Reforms Announced

Contributions to Clinical Care

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

Contributions to Non-Clinical Care

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

AN-ACC Subsidy

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

Contributions to Everyday Living costs

- All residents will continue to pay a Basic Daily Fee (BDF) equal to 85% of single aged pension
- Additional/extra services will be replaced with a new Higher Everyday Living Fee (HELF) which will have specific requirements attached, including agreement after entering care, cooling off period and regular review
- From 20 March 2025 the hotelling supplement increased to $13.46 per day, including $0.86 pbd to fund FWC and $0.05 pbd for indexation
- From July 2025 people with sufficient means will pay up to the current value of the hotelling supplement
- The hotelling supplement will not contribute to the Lifetime Cap
- The hotelling supplement will continue to be indexed each six months (March/September)
- A further $1.89 per day increase will come into effect on 1 July 2025 "to help providers meet the cost of hotelling (including critical nutrition and hygiene) services", together with $0.25 pbd increase to fund remaining FWC stage 3 decision. This will increase the hotelling supplement to be $15.60 per day
- IHACPA has been tasked with providing advice on the appropriate level for the hotelling supplement, to ensure providers can fully meet the actual cost to supply high quality everyday living services for older people from the BDF and hotelling supplement. *StewartBrown estimates a further $8 per resident bed day for the hotelling supplement may be required to meet this requirement. IHACPA released the "Residential Aged Care Pricing Advice 2024-25" in September which noted that their estimate of the everyday living funding gap is $4.30 per resident per day for the current 2025 financial year*

Contributions to Accommodation

- The Price Cap on RADs (accommodation price) is to be increased to $750,000 indexed annually by CPI (effective from 1 January 2025)
- A 2% retention on RADs for up to 5 years will come into effect (on a $550,000 RAD this equates to additional revenue for providers of $11,000 per annum; on a $750,000 RAD equates to $15,000 additional revenue per annum)
- The DAP payments will be indexed twice yearly by CPI
- The accommodation supplement for supported residents to be independently reviewed (possibly by IHACPA)

  StewartBrown recommends the MPIR methodology be changed to represent the Weighted Average Cost of Capital (WACC) and have a floor cap of 8% per annum
- Accommodation funding reform increases revenue to providers

Accommodation Supplement

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

Currently, the maximum accommodation supplement payable to providers with a supported resident ratio in excess of 40% is $69.79 per day which, if it was a DAP would equate to an accommodation price of $318,417 at MPIR rate of 8%. The average agreed accommodation price, based on average full RAD taken, is now slightly above $500K and the equivalent DAP would be $109.59 per day, significantly higher than the maximum accommodation supplement. This difference will further increase should the accommodation price cap to $750,000 leads to increased accommodation prices

- The Government has accepted Taskforce Recommendation #14 to conduct an independent pricing review on the amount of the accommodation supplement to ensure equity for all residents

Funding Reform Financial Modelling

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

Scenario 1: Operating Result based on reforms as announced

- Hotelling supplement to be $15.60 per day from July 2025 and indexed based on this amount (FY26 weighted average $15.86pbd)
- RAD retention of 2% pa to be phased in for new residents
- RAD pricing (accommodation price) to be increased by CPI each year
- DAP pricing to be based on 8% pa floor (MPIR)

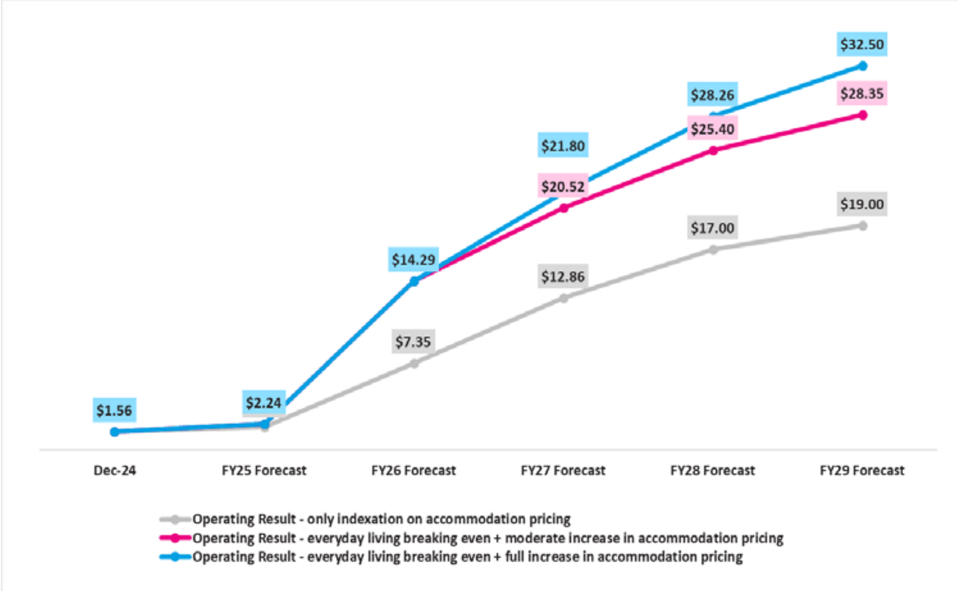
Scenario 2: Operating Result based on additional Hotelling Supplement with moderate accommodation price increase

- Hotelling supplement to be $21.74 per day from July 2025 based on meeting the actual cost of providing everyday living services and indexed based on this amount (FY26 weighted average $22.10 pbd)
- RAD retention of 2% pa to be phased in for new residents
- RAD pricing (accommodation price) for MMM1 facilities to be progressively increased each year to move toward an average of $680,000 in FY29. Facilities located in other areas follow the same movement in percentage.
- DAP pricing to be based on 8% pa floor (MPIR)

Scenario 3: Operating Result based on additional Hotelling Supplement with full accommodation price increase

- Hotelling supplement to be $21.74 per day from July 2025 based on meeting the actual cost of providing everyday living services and indexed based on this amount (FY26 weighted average $22.10 pbd)
- RAD retention of 2% pa to be phased in for new residents
- RAD pricing (accommodation price) in MMM1 areas to be progressively increased each year to move toward an average of $750,000 by FY29. Facilities located in other areas follow the same movement in percentage.
- DAP pricing to be based on 8% pa floor (MPIR)

Figure 11: Projected Operating Results FY24 to FY29 based on three scenarios ($ pbd)



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

Projections for FY29 indicate varying levels of financial performance across different scenarios. *Scenario 1* forecasts a moderate improvement, with the sector expected to achieve an operating surplus of $19.00 per bed day.

Scenario 2 is the mid-point with a steady increase in accommodation pricing and the hotelling supplement meeting the actual cost of providing everyday living services. The forecast result for FY29 is $28.35 per bed day.

Scenario 3 presents the more optimistic outlook, projecting a substantially higher operating surplus of $32.50 per bed day.

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

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

Figure 12: EBITDA forecast FY24 to FY29 based on three scenarios ($ pbpa)

Operating EBITDA is forecasted to range from $15,405 to $20,038 per bed per annum based on various scenarios. All scenarios exclude any increase other than CPI in the accommodation supplement.

With a high capital requirement to meet increasing demand, and a lower effective life of buildings than commercials, residential and retirement villages, a sustainable EBITDA of between $18,000 to $22,000 per bed per annum would be considered a minimum level of return.

When considering the forecast EBITDA by MMM location it highlights that additional funding will be required for MMM3 to MMM5 in particular as their results will still not be sufficient to attract additional capital investment (refer Figure 13 below).

Figure 13: EBITDA forecast by MMM location for FY29 (three scenarios) ($ pbpa)

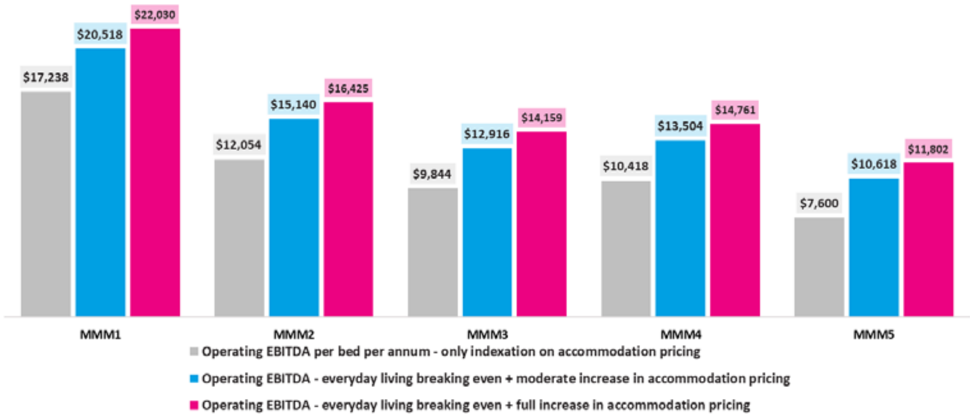
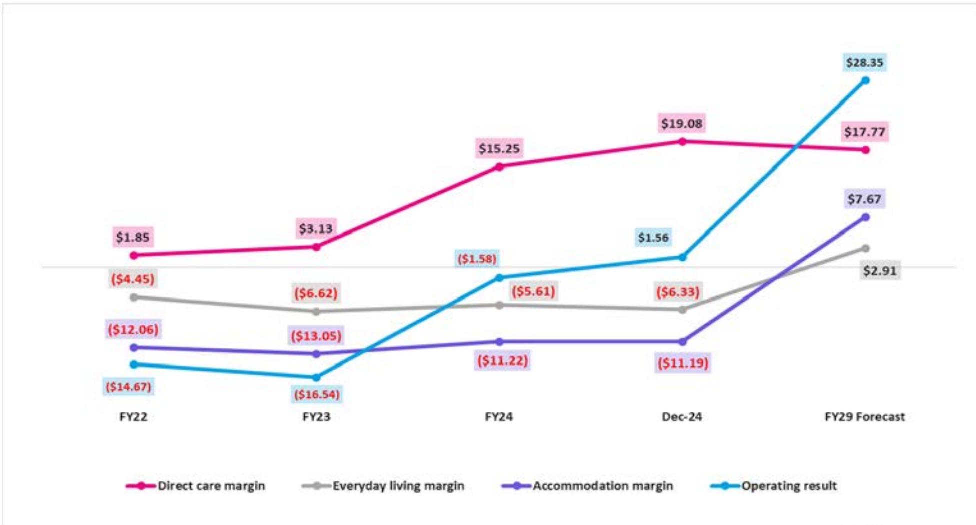


Figure 14: Forecast margin by cost centre for FY29 (Scenario 2)



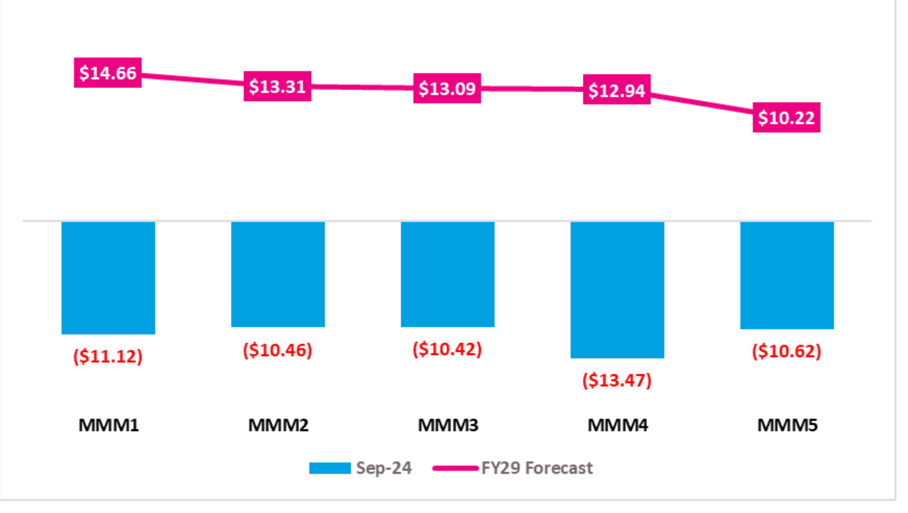
Accommodation Margin Forecast

48% facilities recorded over $10 pbd deficit in accommodation services in Dec-24 survey.

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

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

Figure 15: Accommodation margin comparison - FY24 and FY29 Forecast



4. FINANCIAL RESULTS - KEY METRICS

Organisation (Approved Provider)

Trend Graph (average by provider)

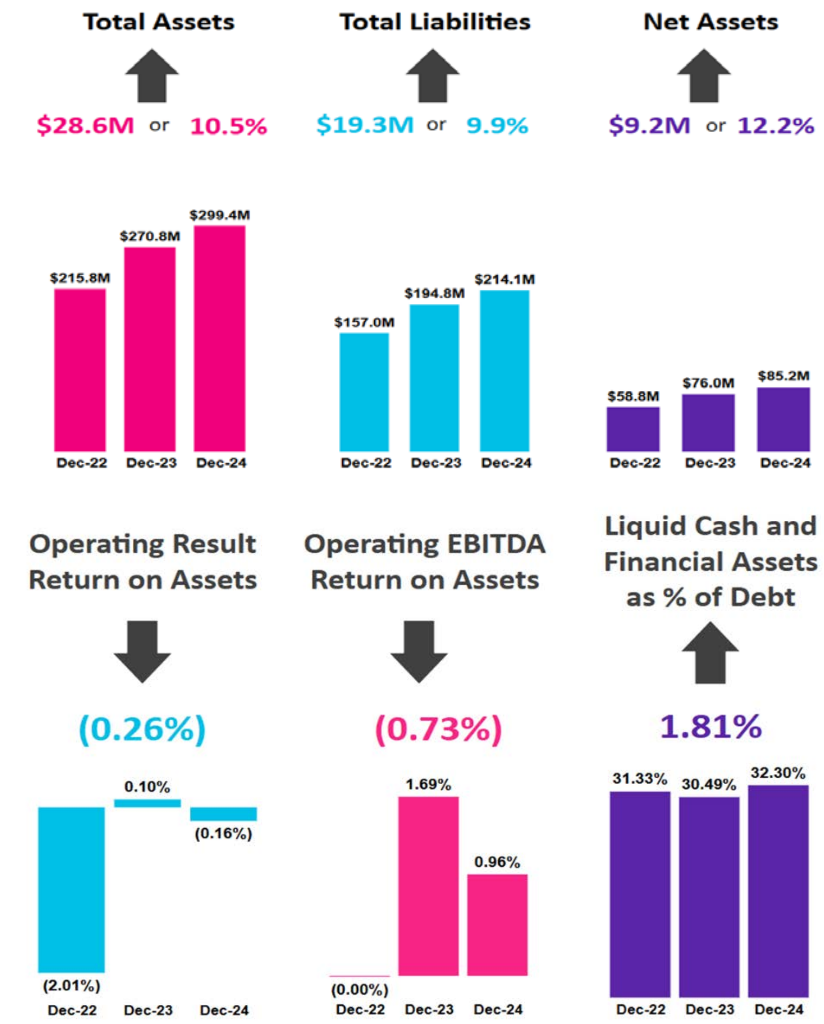


Table 22: Income & Expenditure Comparison (average by Approved Provider)

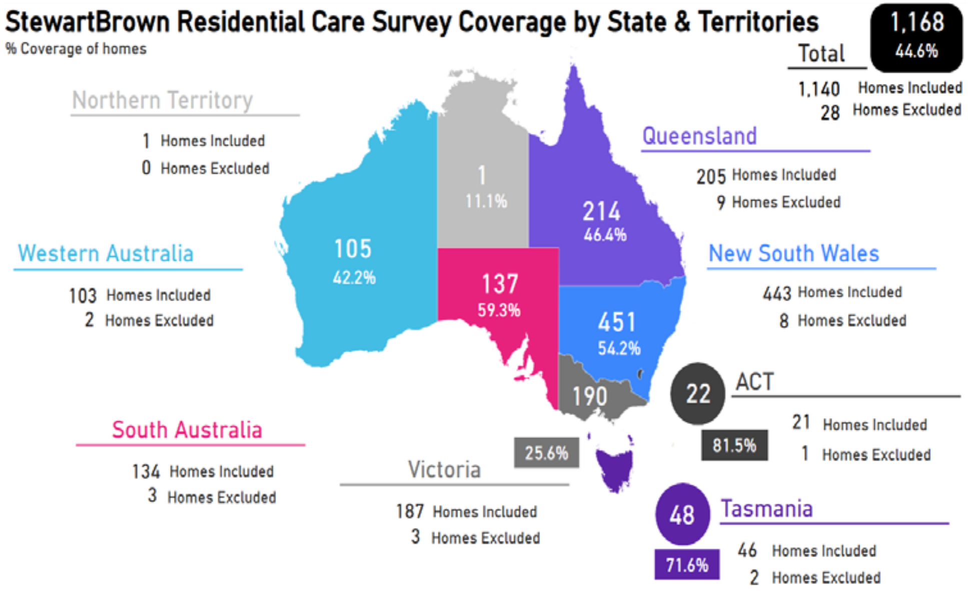
	Survey Dec-24 181 Providers *(6 months)* *(Average)*	Survey Dec-23 181 Providers *(6 months)* *(Average)*
Income & Expenditure	**$'000**	**$'000**
Operating Result		
Revenue		
Service revenue	51,688	46,204
Investment revenue	1,265	954
Total operating revenue	**52,953**	**47,158**
Expenses		
Employee expenses	37,416	33,258
Depreciation and amortisation	2,401	2,612
Depreciation on Right of Use Assets	212	184
Interest Expenses on Lease Liabilities	61	91
Finance costs	478	423
Other expenses	12,610	10,956
COVID-19 net impact	10	(491)
Total operating expenses	**53,189**	**47,033**
Operating surplus (deficit)	**(236)**	**125**
Non-recurrent income and expenses	1,728	1,035
Total surplus (deficit) (NPBT)	**1,492**	**1,160**
Operating EBITDA	**1,379**	**2,205**
EBITDA	**3,107**	**3,240**
Ratios		
NPBT return on assets (ROA)	*1.0%*	*0.9%*
Operating surplus return on assets (ROA)	*(0.2%)*	*0.1%*
Operating EBITDA return on assets	*1.0%*	*1.7%*
Operating surplus % of operating revenue	*(0.4%)*	*0.3%*
Employee expenses % of operating revenue	*70.7%*	*70.5%*
Depreciation as % of property assets	*2.3%*	*2.8%*

** EBITDA calculations exclude AASB 16 Leases accounting entries*

Table 23: Summary Equity (Balance Sheet) comparison

	Survey Dec-24 181 Providers *(Average)*	Survey Dec-23 181 Providers *(Average)*
Balance Sheet	**$'000**	**$'000**
Assets		
Cash and financial assets	59,007	50,769
Operating assets	14,298	14,310
Property assets	213,671	195,799
Right of use assets	3,168	2,673
Intangibles - other	9,176	6,782
Intangibles - bed licences	48	474
Total assets	**299,367**	**270,808**
Liabilities		
Refundable loans - residential	96,936	83,639
Refundable loans - retirement living	73,052	65,216
HCP unspent funds liability	694	969
Borrowings	11,565	15,176
Other liabilities	31,884	29,808
Total liabilities	**214,131**	**194,808**
Net assets	**85,236**	**75,999**
Net tangible assets	**76,012**	**68,743**
Ratios		
Net assets proportion % total assets	*28.5%*	*28.1%*
Property assets proportion % total assets	*71.4%*	*72.3%*
Cash + financial assets % refundable loans	*34.7%*	*34.1%*
Cash + financial assets % debt	*32.3%*	*30.5%*

Residential Aged Care



Dec-24 Results Snapshot

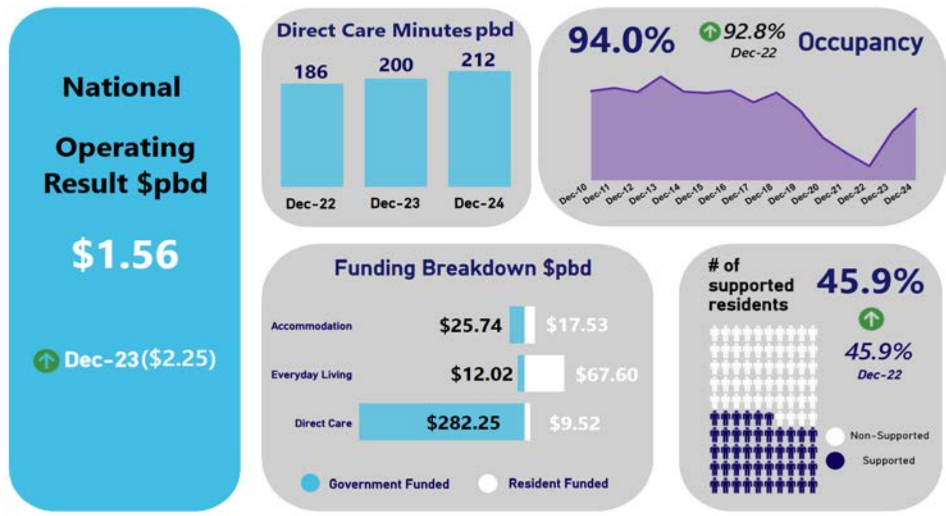


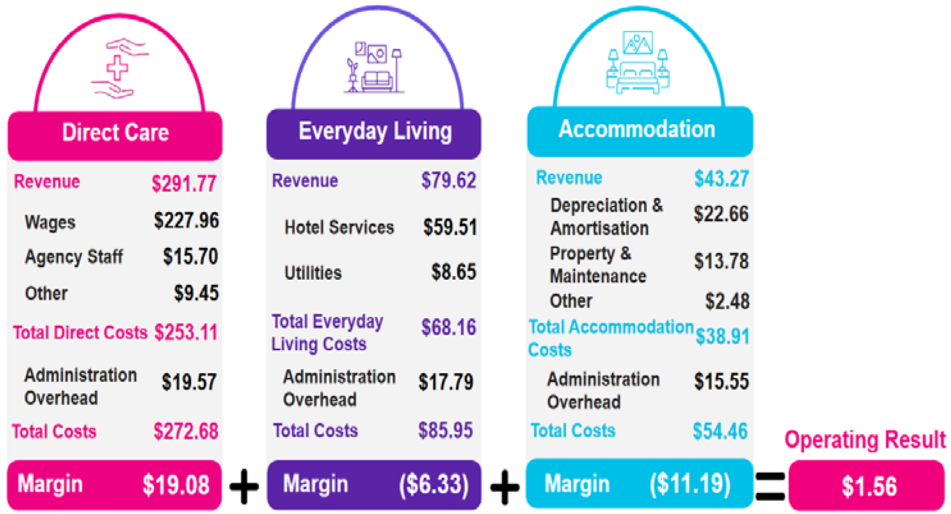
Table 24: Summary income and expenditure comparison ($ per bed day)

	Survey Dec-24 1,140 Homes	Survey Dec-23 1,187 Homes	Survey FY24 1,194 Homes
DIRECT CARE			
Revenue	$291.77	$263.26	$271.60
Expenditure			
Direct care labour costs	218.73	198.12	205.05
Other direct care labour costs	24.94	23.82	23.72
Other direct care costs	9.45	9.53	8.95
Administration	19.57	18.52	18.64
	$272.68	*$250.00*	*$256.35*
DIRECT CARE MARGIN (A)	**$19.08**	**$13.26**	**$15.25**
	6.5%	*5.0%*	*5.6%*
EVERYDAY LIVING			
Revenue	$79.62	$75.26	$76.31
Expenditure			
Catering	42.03	39.54	40.19
Cleaning	11.37	10.55	10.66
Laundry	4.88	4.67	4.79
Other hotel services expenses	0.11	0.08	0.08
Payroll tax	0.05	0.10	0.11
Overhead allocation (workcover & education)	1.06	0.95	0.93
Utilities	8.65	7.93	8.22
Administration	17.79	16.84	16.94
	$85.95	*$80.65*	*$81.92*
EVERYDAY LIVING MARGIN (B)	**($6.33)**	**($5.40)**	**($5.61)**
ACCOMMODATION			
Revenue			
Residents	17.53	16.67	16.73
Government	25.74	23.99	24.92
	$43.27	*$40.66*	*$41.65*
Expenditure			
Depreciation	22.66	21.12	22.36
Property maintenance	13.78	12.50	13.52
Property rental	0.90	1.05	0.77
Other	1.58	1.37	1.42
Administration	15.55	14.72	14.81
	$54.46	*$50.77*	*$52.88*
ACCOMMODATION MARGIN (C)	**($11.19)**	**($10.11)**	**($11.22)**
OPERATING RESULT ($ per bed day) *(A + B + C)*	**$1.56**	**($2.25)**	**($1.58)**
OPERATING RESULT ($ per bed per annum)	**$535**	**($764)**	**($536)**
EBITDA ($ per bed per annum)	**$8,310**	**$6,410**	**$7,039**

Table 25: Summary KPI results comparison

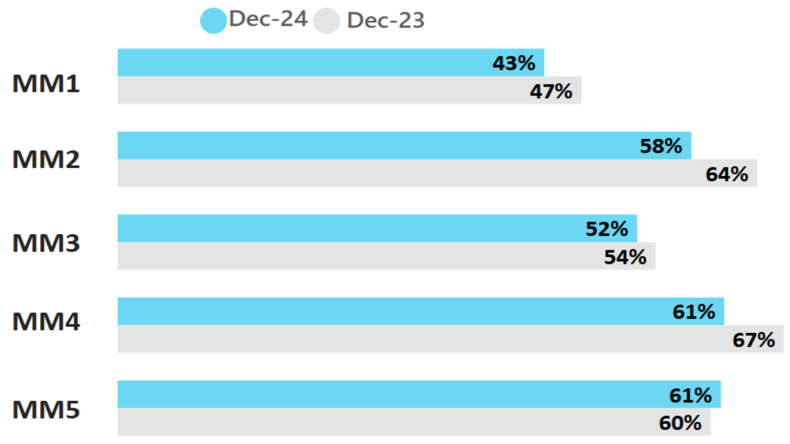
Summary KPI Results	Dec-24 *1,140 Homes*	Dec-23 *1,187 Homes*	Difference *(YoY)*	FY24 *1,194 Homes*
Operating Result ($pbd)	$1.56	($2.25)	$3.81	($1.58)
Operating Result ($pbpa)	$535	($764)	$1,299	($536)
EBITDA ($pbpa)	$8,310	$6,410	$1,900	$7,039
Average Occupancy *(all homes)*	*93.5%*	*92.4%*	1.1%	92.0%
Average Occupancy *(mature homes)*	*94.0%*	*92.8%*	1.2%	92.6%
Average direct care revenue ($pbd)	$291.77	$263.26	$28.51	$271.60
Total direct care minutes per resident per day	212.08	199.52	12.57	202.42
Direct care expenditure % of direct care revenue	*93.5%*	*95.0%*	(1.5%)	94.4%
Supported Ratio %	*45.9%*	*45.9%*	0.0%	46.1%
Average Full RAD/Bond held	$470,897	$462,116	$8,782	$467,569
Average Full RAD taken during period	$505,242	$496,934	$8,308	$494,106

Figure 16: Residential operating result snapshot ($ per bed day)



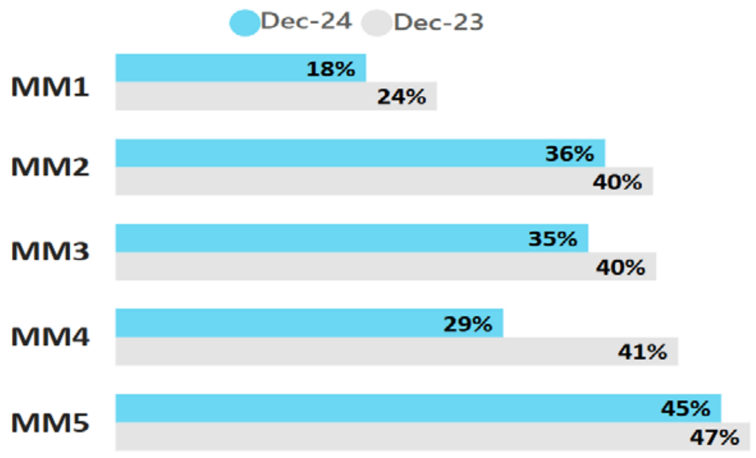
Number of Aged Care Homes making an Operating Loss

Figure 17: Aged care homes making an operating loss by MMM category



Number of Aged Care Homes making an EBITDA loss

Figure 18: Aged care homes making an EBITDA (cash) loss by MMM category



Modified Monash Model (MMM) Analysis

Table 26: Summary KPI results by MMM category

	MMM 1 715 Aged Care Homes	MMM 2 97 Aged Care Homes	MMM 3 132 Aged Care Homes	MMM 4 77 Aged Care Homes	MMM 5 112 Aged Care Homes
Operating Result $ per bed per annum	$1,491	($1,277)	($834)	($2,433)	($3,950)
Operating EBITDA per bed per annum	$9,513	$5,942	$6,351	$5,732	$2,294
Average Direct Care Revenue per bed day	$288.38	$292.64	$295.19	$296.89	$307.10
Direct care expenditure as % of direct care revenue	93.5%	93.9%	93.7%	93.0%	94.7%
Catering costs as % of indirect care revenue	50.9%	55.5% Catering costs as % of everyday living revenue	55.5%	58.5%	60.3%
	854	855	856	857	876

	MMM 1 715 Aged Care Homes	MMM 2 97 Aged Care Homes	MMM 3 132 Aged Care Homes	MMM 4 77 Aged Care Homes	MMM 5 112 Aged Care Homes
Direct care minutes per resident per day	213.27	212.46	206.27	207.08	213.27
Supported resident ratio	46.1%	45.3%	45.7%	45.5%	45.3%
Average occupancy	94.7%	92.5%	92.9%	93.2%	92.2%
Average full accommodation deposit held	$508,698	$398,251	$380,741	$382,997	$361,752
Average full RAD taken during the period	$548,489	$433,940	$423,619	$410,946	$381,293
	854	855	856	857	876

Figure 19: Operating result by MMM classification ($ per bed day)

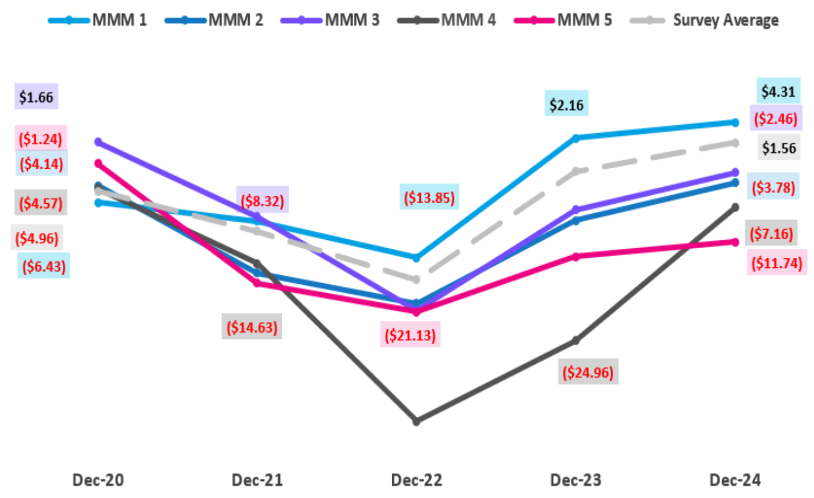


Figure 20: Operating EBITDA result by MMM classification ($ per bed per annum)

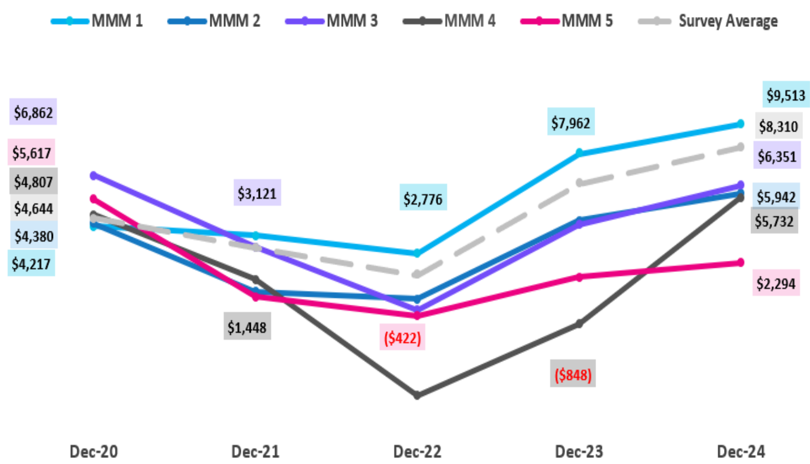


Figure 21: Everyday living margin by MMM classification($ per bed day)

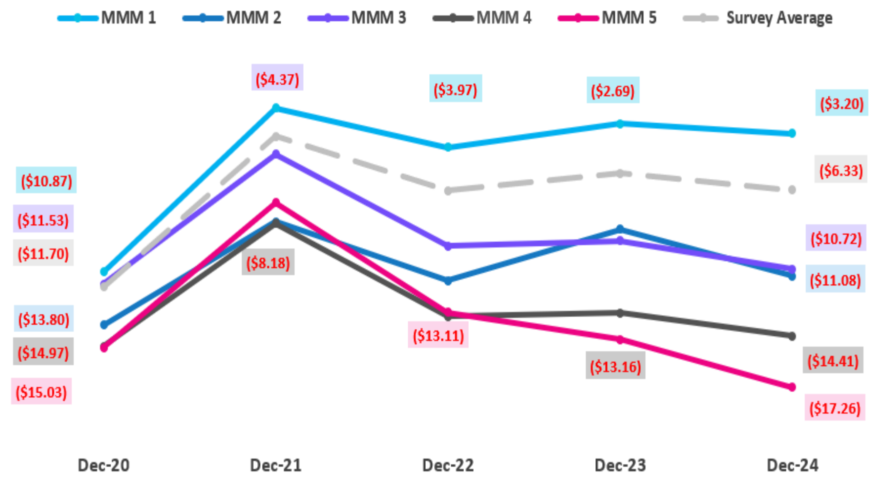
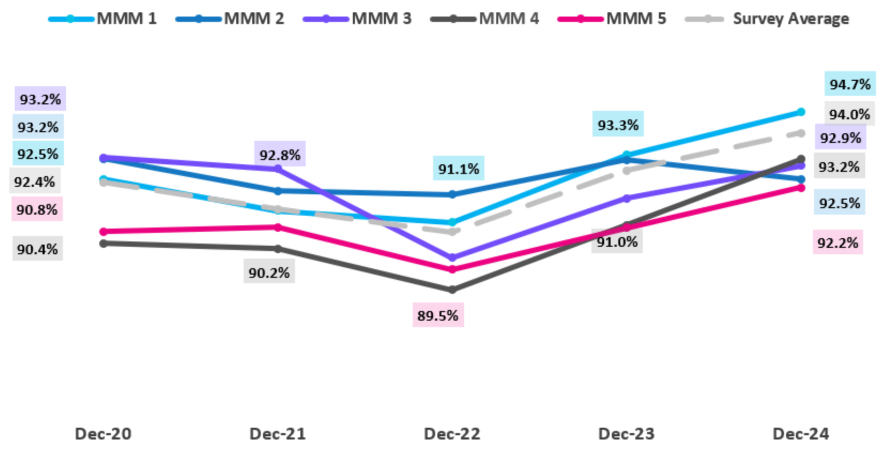


Figure 22: Occupancy percentage by MMM classification



Direct Care Staffing Minutes (per resident per day)

Table 27: Direct care staffing metrics

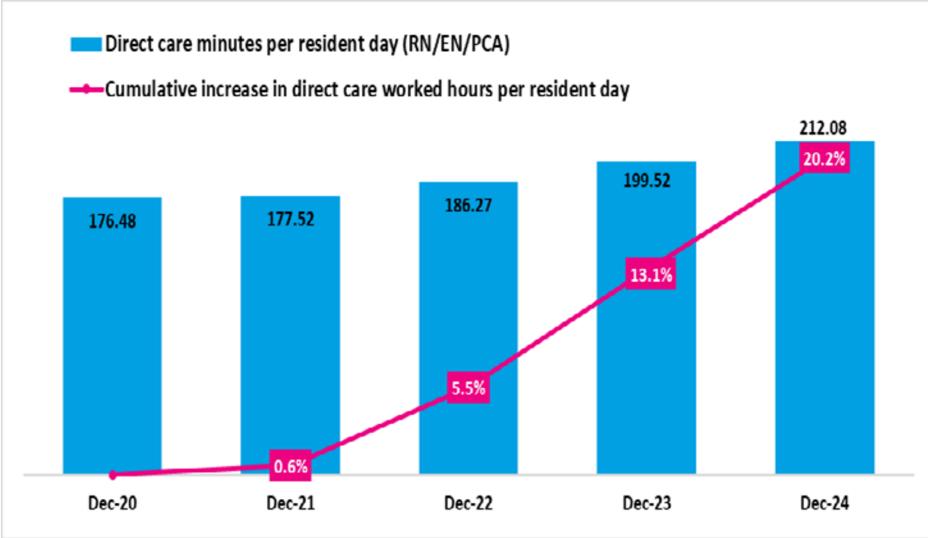
Staffing Category	Survey Average Dec-24	Survey Average Dec-23		Survey Average FY24
Registered nurses	41.23	36.64	↑	38.02
Enrolled & licensed nurses	10.81	11.52	↓	10.88
Other unlicensed nurses & personal care staff	160.04	151.32	↑	153.52
Imputed agency direct care minutes implied		0.04		0.00
Total Direct Care Minutes	**212.08**	**199.52**	↑	**202.42**
Care management	3.92	4.06	↓	3.97
Allied health	4.35	4.64	↓	4.46
Diversional/Lifestyle/Activities	7.04	6.83	↑	6.67
Imputed agency other care minutes implied		0.04		
Total Care Minutes	**227.39**	**215.10**	↑	**217.52**

Table 28: Agency direct care staffing metrics

Staffing Category	Survey Average Dec-24	Survey Average Dec-23		Survey Average FY24
Agency - Registered nurses	3.46	3.65	↓	3.85
Agency - Enrolled & licensed nurses	0.58	0.59	↓	0.58
Agency - Other unlicensed nurses & personal care staff	6.15	7.44	↓	7.48
Imputed agency direct care minutes implied		0.04		0.00
Total Direct Care Agency Minutes	**10.19**	**11.72**	↓	**11.90**

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

Figure 23: Direct care staff (RN/EN/PCA) trend (minutes per resident per day)



Everyday living

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

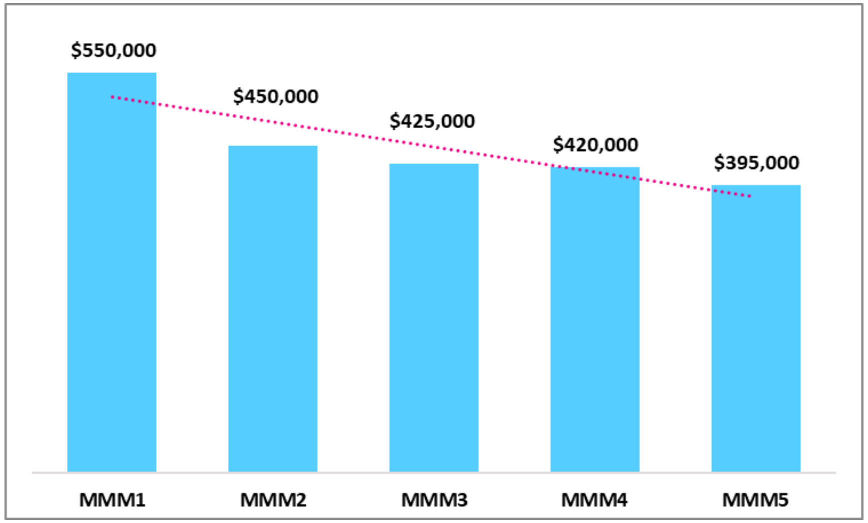
	Dec-24 1,140 Homes	Dec-23 1,187 Homes	YoY Movement	FY24 1,194 Homes
Hotelling supplement - government	$12.02	$10.94	↑	$11.09
Basic daily fee - resident	$62.83	$60.33	↑	$61.08
Other resident income	$4.77	$3.98	↑	$4.15
Everyday Living revenue	**$79.62**	**$75.26**	↑	**$76.31**
Hotel services	$59.51	$55.89	↑	$56.77
Utilities	$8.65	$7.93	↑	$8.22
Everyday Living expenses	**$68.16**	**$63.82**	↑	**$64.98**
Administration overhead	$17.79	$16.84	↑	$16.94
Everyday Living margin	**($6.33)**	**($5.40)**	↓	**($5.61)**

Accommodation Analysis

Table 30: Accommodation revenue and expenses ($ pbd)

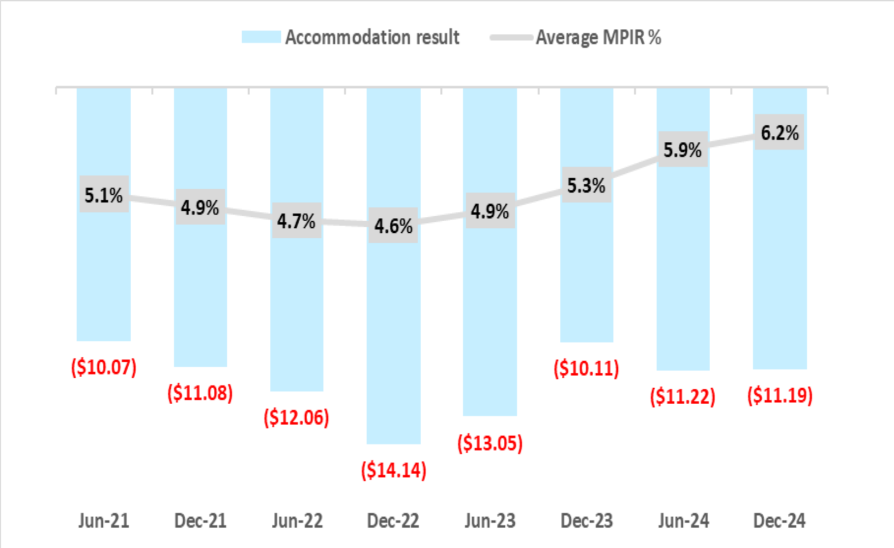
	Dec-24 1,140 Homes	Dec-23 1,187 Homes	YoY Movement	FY24 1,194 Homes
Accommodation revenue	**$43.27**	**$40.66**	↑	**$41.65**
Accommodation expenses				
Depreciation	$22.66	$21.12	↑	$22.36
Refurbishment	$0.28	$0.23	↑	$0.31
Property maintenance	$13.75	$12.47	↑	$13.50
Property rental	$0.90	$1.05	↓	$0.77
Other accommodation costs	$1.33	$1.16	↑	$1.14
Administration overhead	$15.55	$14.72	↑	$14.81
Accommodation expenses	**$54.46**	**$50.77**	↑	**$52.87**
Accommodation Margin ($ per bed day)	**($11.19)**	**($10.11)**	↓	**($11.22)**
Accommodation Margin ($ per bed pa)	**($3,841)**	**($3,432)**	↓	**($3,802)**
Depreciation charge ($ per bed pa)	**$7,775**	**$7,173**	↑	**$7,575**

Figure 25: Median accommodation Price by MMM



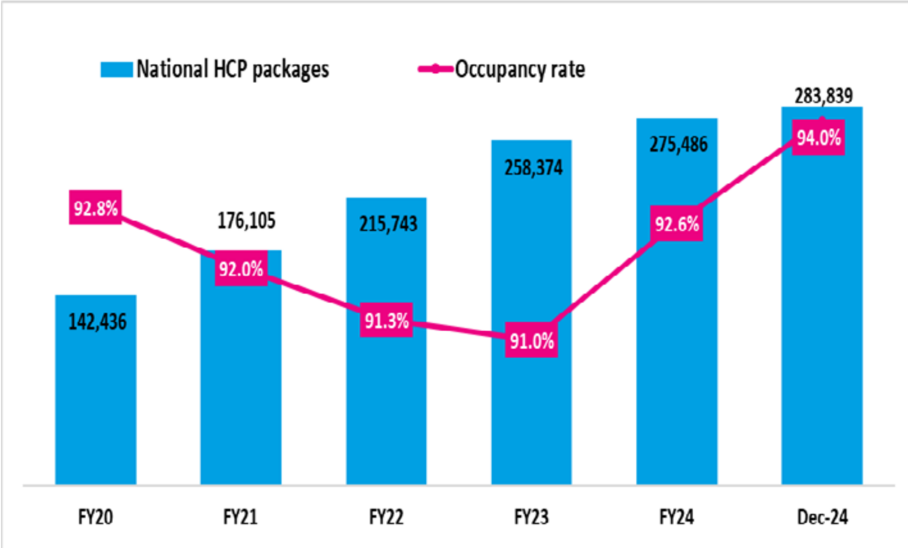
Accommodation Pricing

Figure 24: Effect of MPIR % on accommodation margin ($ per bed day)



Occupancy

Figure 26: Residential occupancy comparison to home care packages



Administration Costs

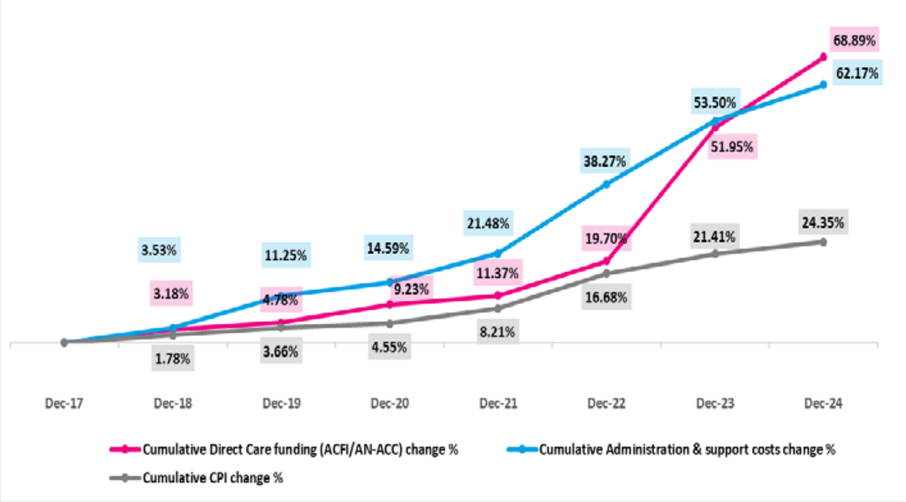
Table 31: Administration costs ($ pbd)

	Dec-24 1,140 Homes	Dec-23 1,187 Homes	*YoY Movement*	FY24 1,194 Homes
Administration (corporate) recharges	$34.44	$31.81	↑	$32.22
Labour costs - administration (facility)	$8.92	$9.03	↓	$8.71
Other administration costs	$7.33	$7.14	↑	$7.30
Workers compensation	$0.23	$0.21	↑	$0.20
Payroll tax - administration staff	$0.01	$0.03	↓	$0.03
Fringe Benefits Tax	$0.00	$0.00	↓	$0.01
Quality & education - labour costs	$0.05	$0.06	↓	$0.05
Quality and education - other	$0.03	$0.03	↑	$0.02
Insurances	$1.90	$1.77	↑	$1.84
Total Administration Costs	**$52.91**	**$50.08**	↑	**$50.38**

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

	Provider Size: 1 Home	Provider Size: 2 to 6 Homes	Provider Size: 7 to 20 Homes	*Provider Size: Over 20 Homes*
Administration (corporate) recharges	$6.76	$30.52	$41.55	$35.39
Labour costs - administration (facility)	$21.12	$11.35	$7.40	$7.03
Other administration costs	$14.31	$11.05	$7.20	$4.74
Workers compensation	$0.71	$0.30	$0.19	$0.17
Payroll tax - administration staff	$0.04	$0.06	$0.01	$0.00
Fringe Benefits Tax	$0.01	$0.00	$0.00	$0.00
Quality & education - labour costs	$0.17	$0.07	$0.06	$0.01
Quality and education - other	$0.10	$0.04	$0.02	$0.02
Insurances	$3.31	$2.18	$1.53	$1.83
Total Administration Costs	**$46.54**	**$55.58**	**$57.95**	**$49.20**

Figure 27: Administration costs increase % compared to CPI and ACFI/AN-ACC increase %



Agency Analysis

Figure 28: Agency direct care staff costs ($ per bed day)

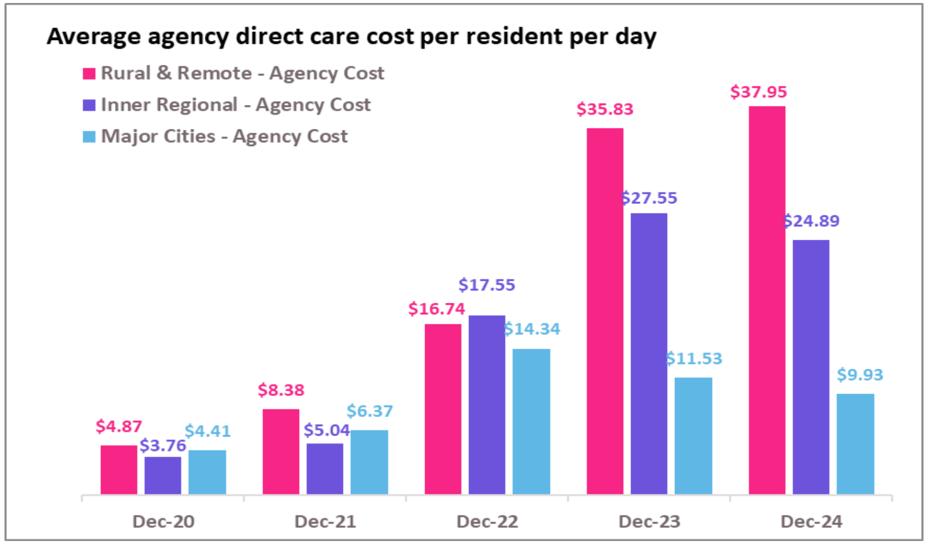
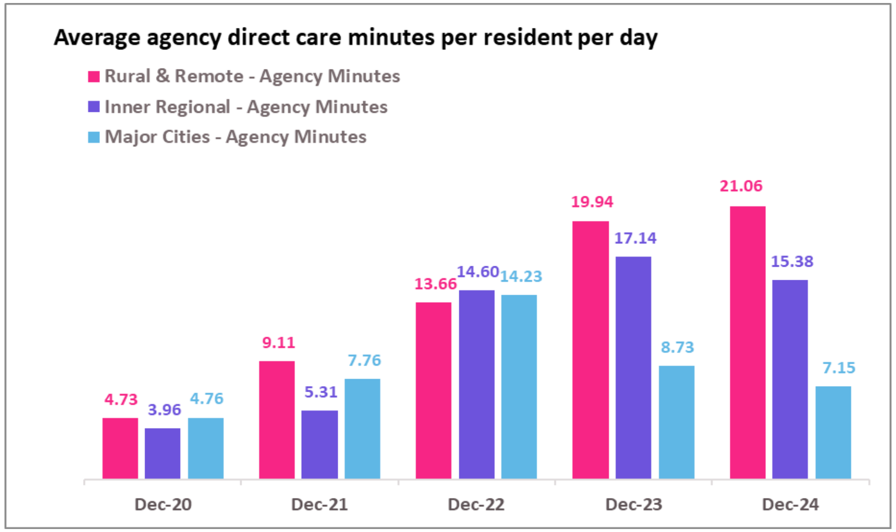


Figure 29: Agency direct care staff minutes (per resident per day)



First 25% Trends

Figure 30: First 25% EBITDA result trend ($ per bed per annum)

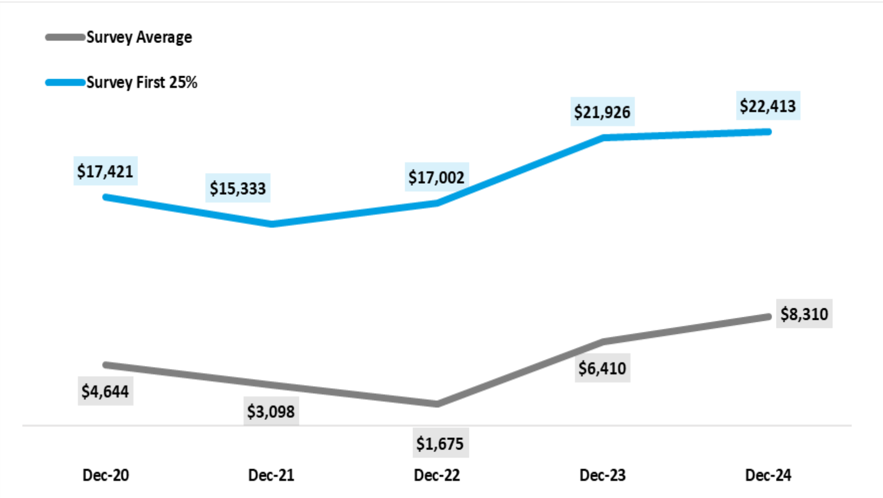


Figure 31: First 25% Direct Care result ($ pbd) and direct care minutes trend

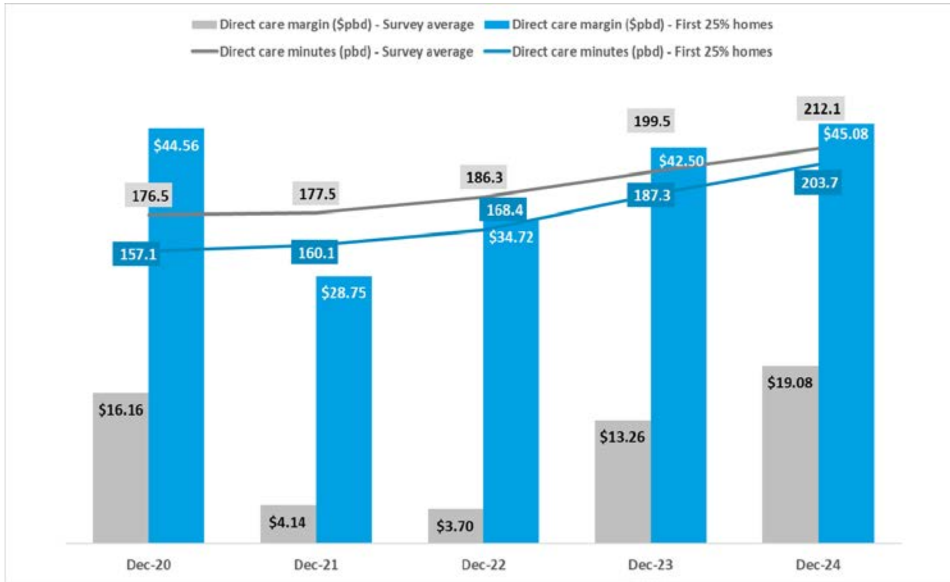


Table 33: First 25% direct care staffing metrics

	Survey First 25%		Survey First 25%
Staffing Category	**Dec-24**	**Dec-23**	**FY24**
Registered nurses	39.74	33.97	36.02
Enrolled & licensed nurses	9.41	8.00	8.13
Other unlicensed nurses & personal care staff	154.56	145.31	147.97
Imputed agency direct care minutes implied		0.05	
Total Direct Care Minutes	**203.70**	**187.32**	**192.12**
Care management	3.86	4.00	4.15
Allied health	3.42	3.43	3.32
Diversional/Lifestyle/Activities	5.51	4.70	4.67
Imputed agency other care minutes implied		0.04	
Total Care Minutes	**216.50**	**199.49**	**204.27**

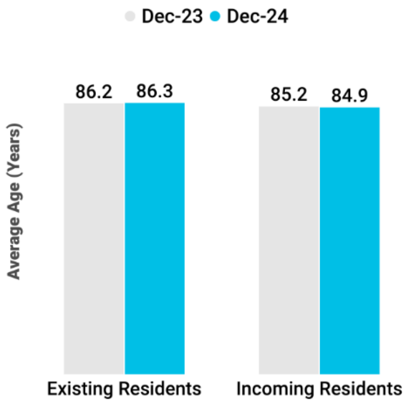
Table 34: First 25% Agency direct care staffing metrics

Staffing Category	Survey First 25% Dec-24	Survey First 25% Dec-23		Survey First 25% FY24
Agency - Registered nurses	2.33	1.94	↑	2.26
Agency - Enrolled & licensed nurses	0.52	0.26	↑	0.37
Agency - Other unlicensed nurses & personal care staff	3.47	4.47	↓	4.65
Imputed agency direct care minutes implied		0.05		
Total Direct Care Agency Minutes	**6.32**	**6.73**	↓	**7.29**

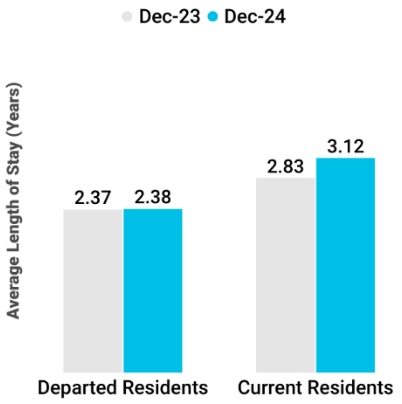
**StewartBrown does not calculate imputed hours from FY24 Survey due to improvement in agency hours reporting*

Residential Demographic

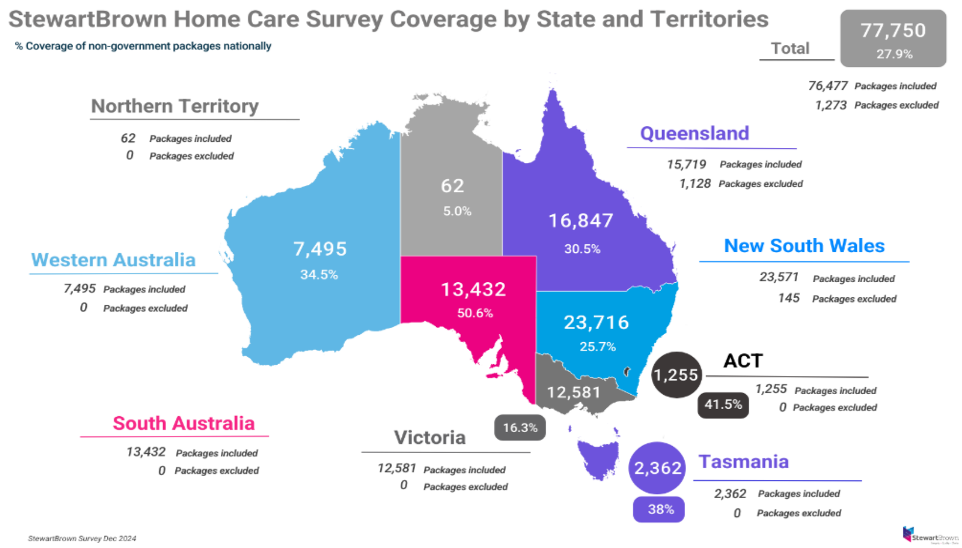
Average Age of Residents in Care



Average Length of Stay in Care



Home Care



Dec-24 Results Snapshot

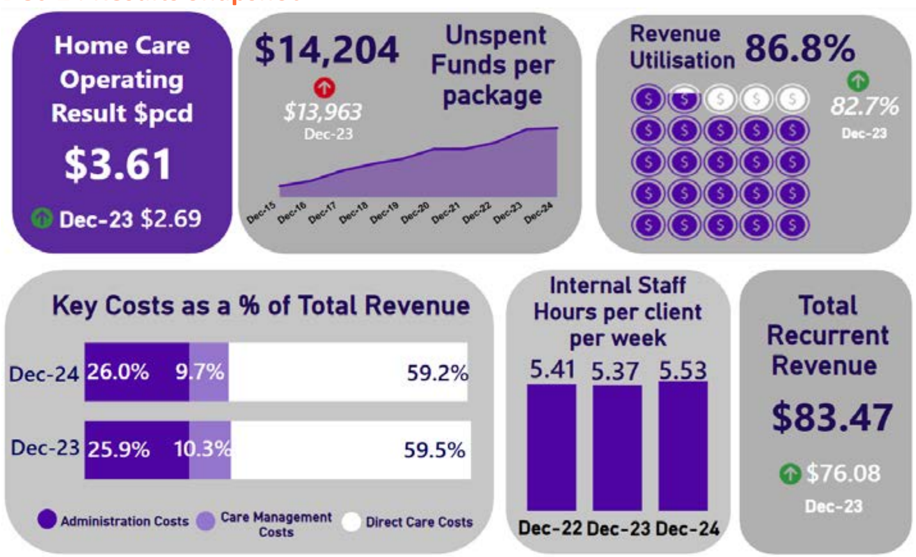


Figure 32: Home care key metrics summary

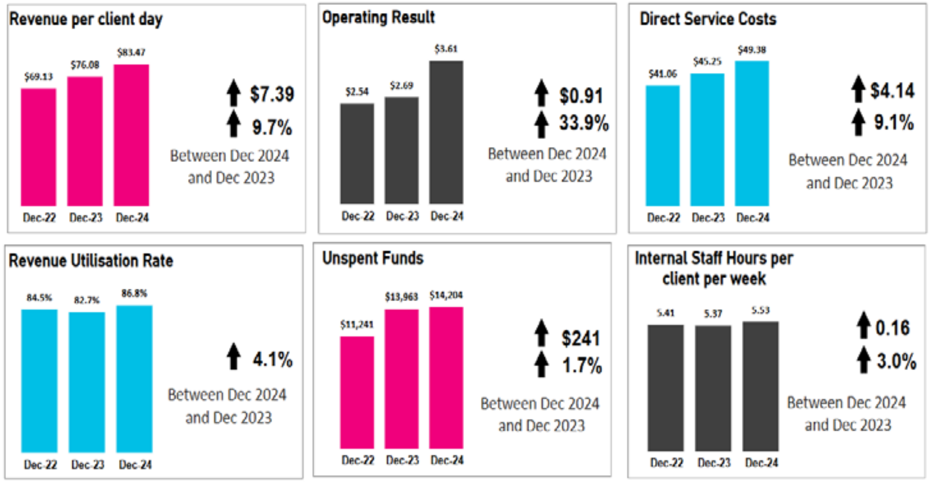


Figure 33: Operating result by revenue band ($ per client per day)

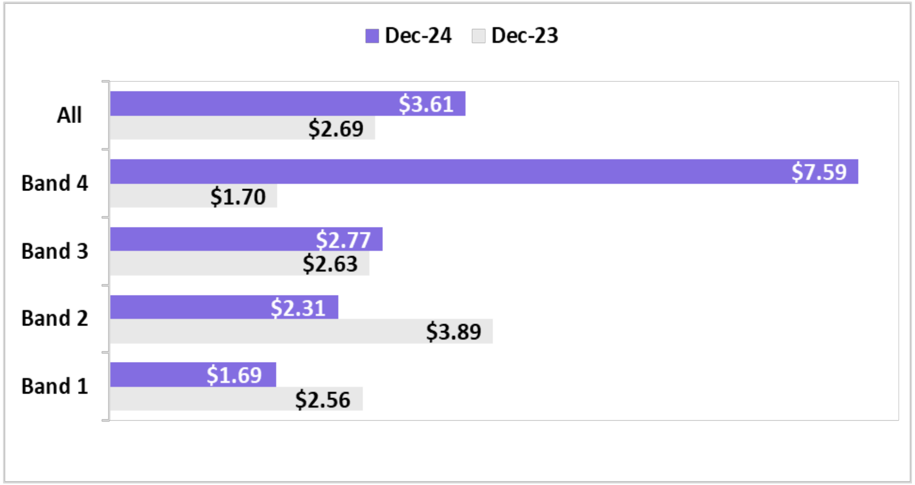


Table 35: Summary home care KPI results comparison

	Dec-24 76,477 Packages	Dec-23 71,500 Packages	Difference (YoY)	FY24 71,003 Packages
Total revenue $ per client per day	$83.47	$76.08	$7.39	$78.44
Operating result per client per day	$3.61	$2.69	$0.91	$2.76
EBITDA per client per annum	$1,561	$1,183	$378	$1,213
Average total Internal Staff hours per client per week	5.53	5.37	0.16	5.22
Median growth rate	*0.0%*	*1.4%*	*(1.4%)*	*2.9%*
Revenue utilisation rate for the period	*86.8%*	*82.7%*	*4.1%*	*86.3%*
Average unspent funds per client	$14,204	$13,963	$241	$14,517
Cost of direct care & brokered services as % of total revenue	*59.2%*	*59.5%*	*(0.3%)*	*60.6%*
Care management & coordination costs as % of total revenue	*9.7%*	*10.3%*	*(0.6%)*	*10.1%*
Administration & support costs as % of total revenue	*26.0%*	*25.9%*	*0.1%*	*25.1%*
Profit margin	*4.3%*	*3.5%*	*0.8%*	*3.5%*

Figure 34: Operating EBITDA result by revenue band ($ per client per annum)

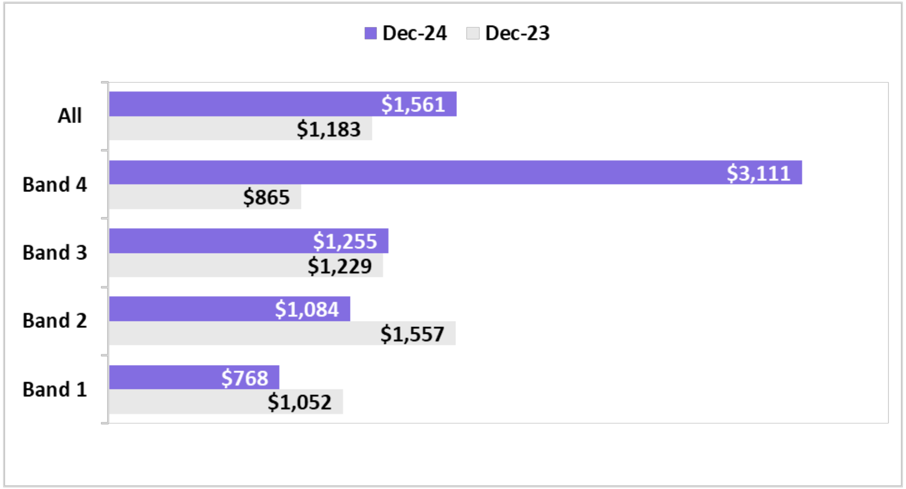


Figure 35: Revenue utilisation percentage by revenue band

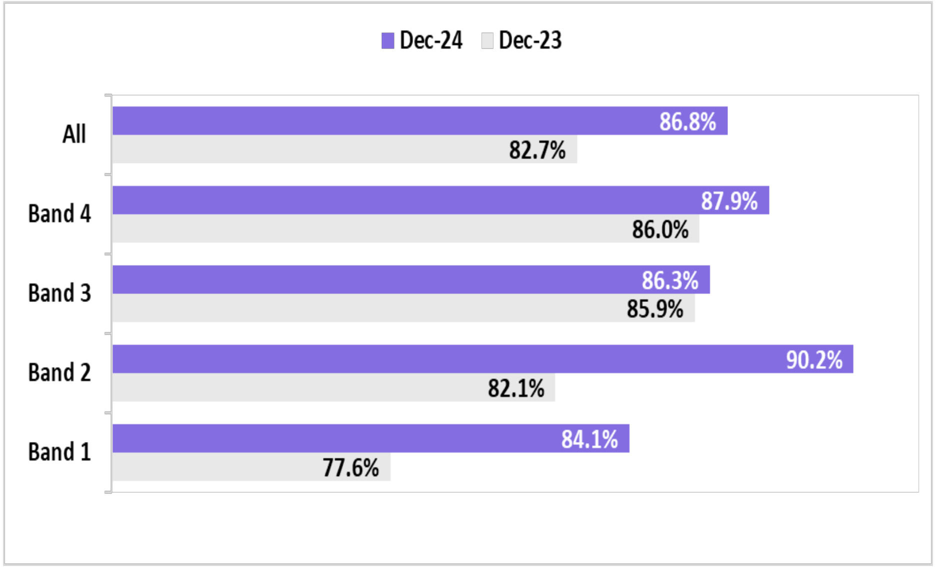


Figure 36: Operating result and revenue utilisation revenue band

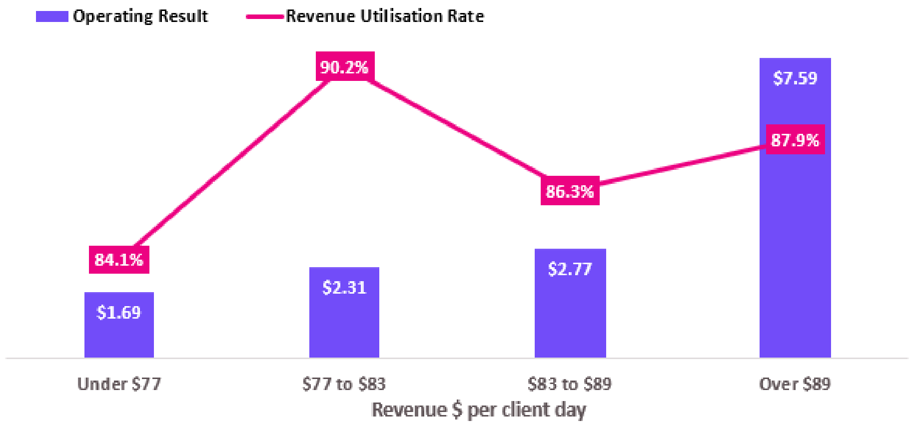


Figure 37: Operating result projections based on higher revenue utilisation ($ pcd)

Modelling assumes costs are 60% variable and 40% fixed

Unspent Funds

Figure 38: Unspent funds trend analysis ($ per client)

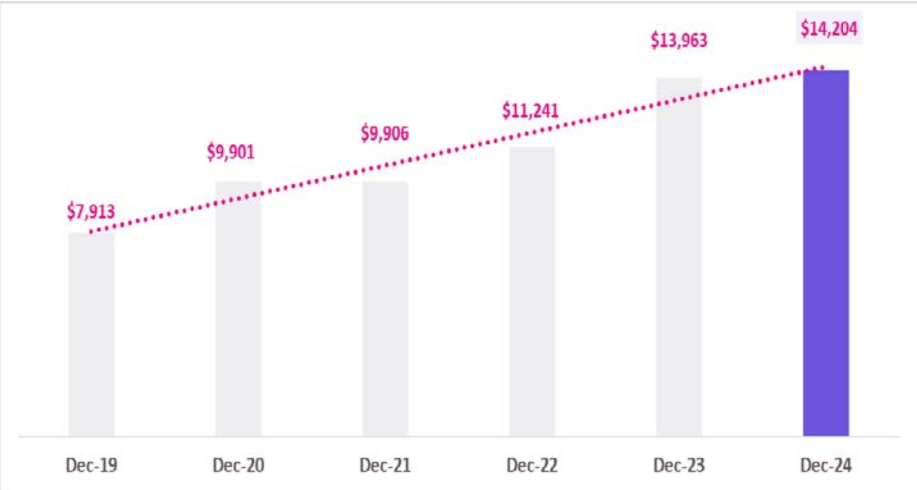
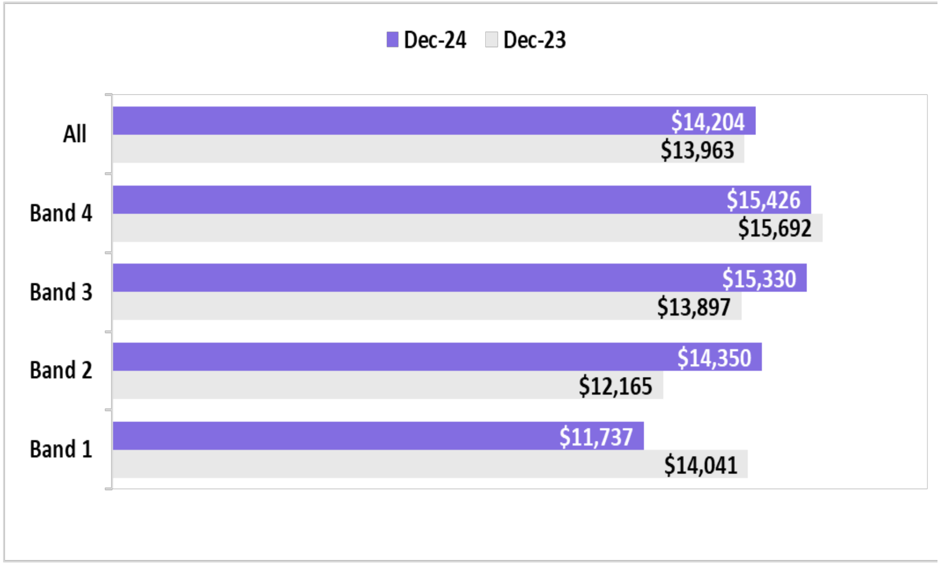


Figure 39: Unspent funds by revenue band ($ per client)



Staff Hours Worked per Care Recipient

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

Internal staff hours worked per client week	Dec-24	Dec-23	Difference
Direct service provision	3.46	3.38	0.09
Agency	0.13	0.11	0.02
Care management & coordination	0.99	0.95	0.04
Administration & support services	0.95	0.93	0.02
Total Staff Hours	**5.53**	**5.37**	**0.16**

Internal staff minutes worked per client week	Dec-24	Dec-23	Difference
Direct service provision	207.8	202.5	5.2
Agency	7.5	6.5	1.0
Care management & coordination	59.3	57.0	2.3
Administration & support services	57.0	55.9	1.1
Total Staff Minutes	**331.6**	**322.0**	**9.6**

Figure 40: Staff hours per care recipient week trend analysis

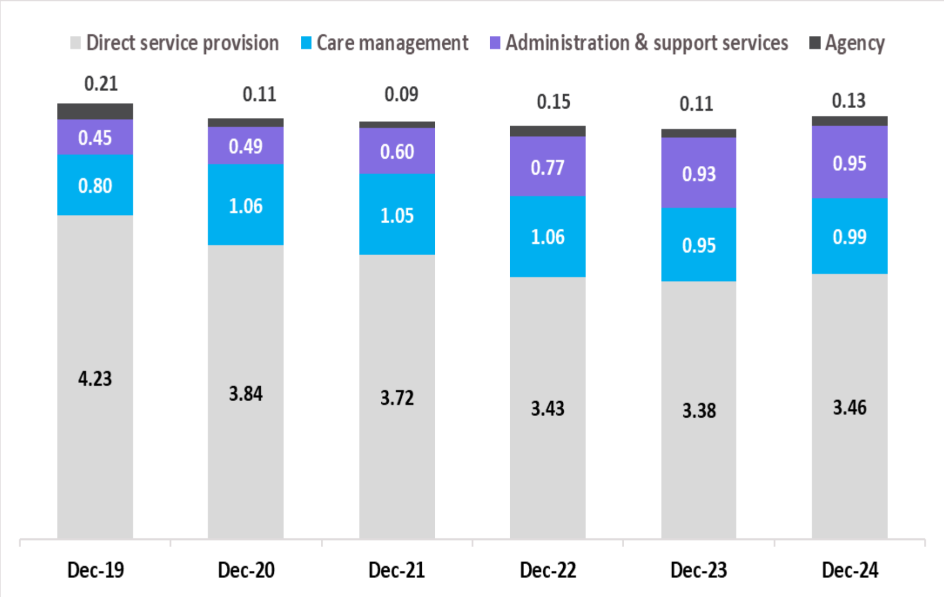


Figure 41: Internal and brokered services staff costs comparison

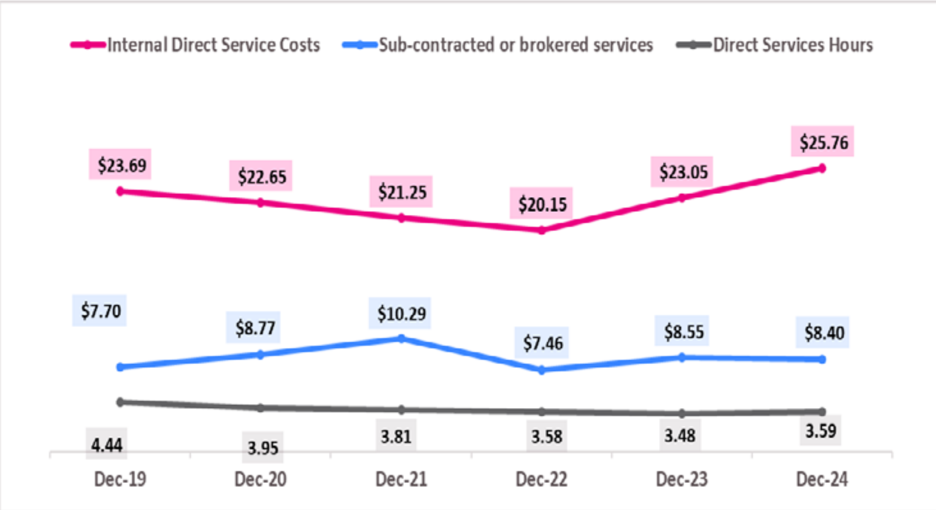


Figure 42: Care management and administration cost as % of revenue

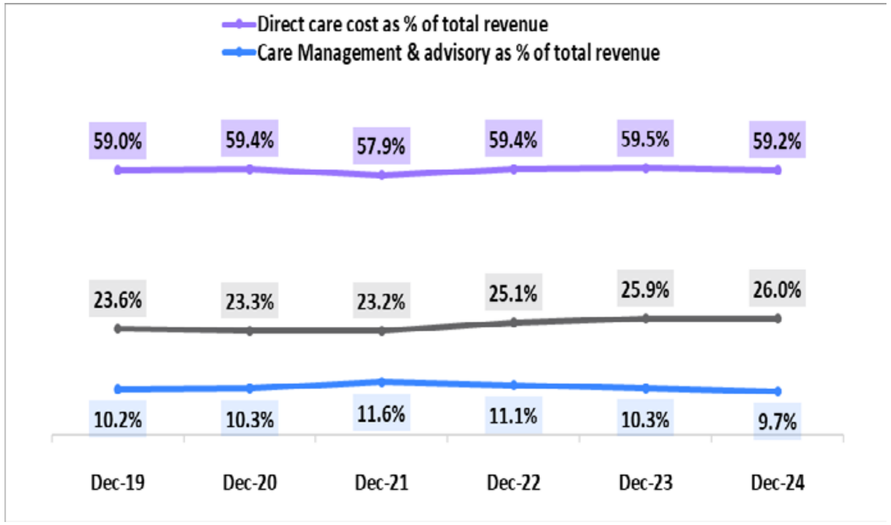
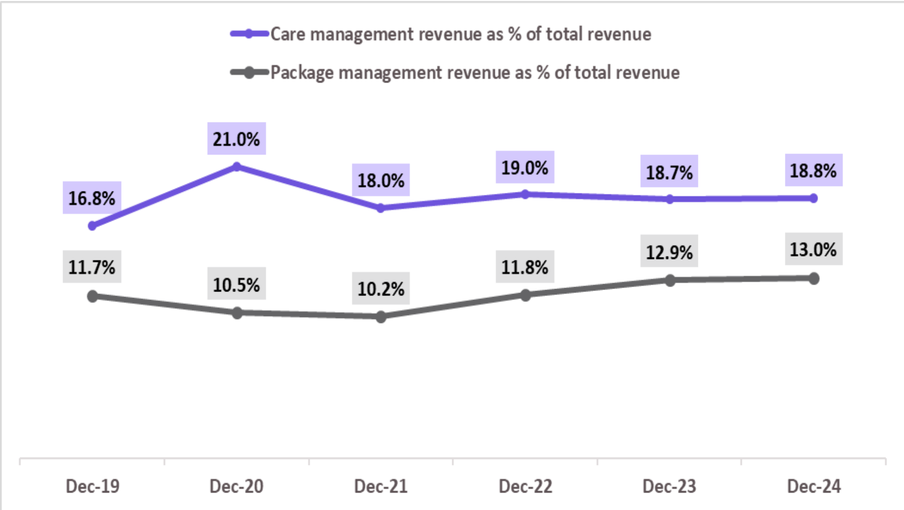


Figure 43: Care management and package management revenue as % of revenue



First 25% Trends

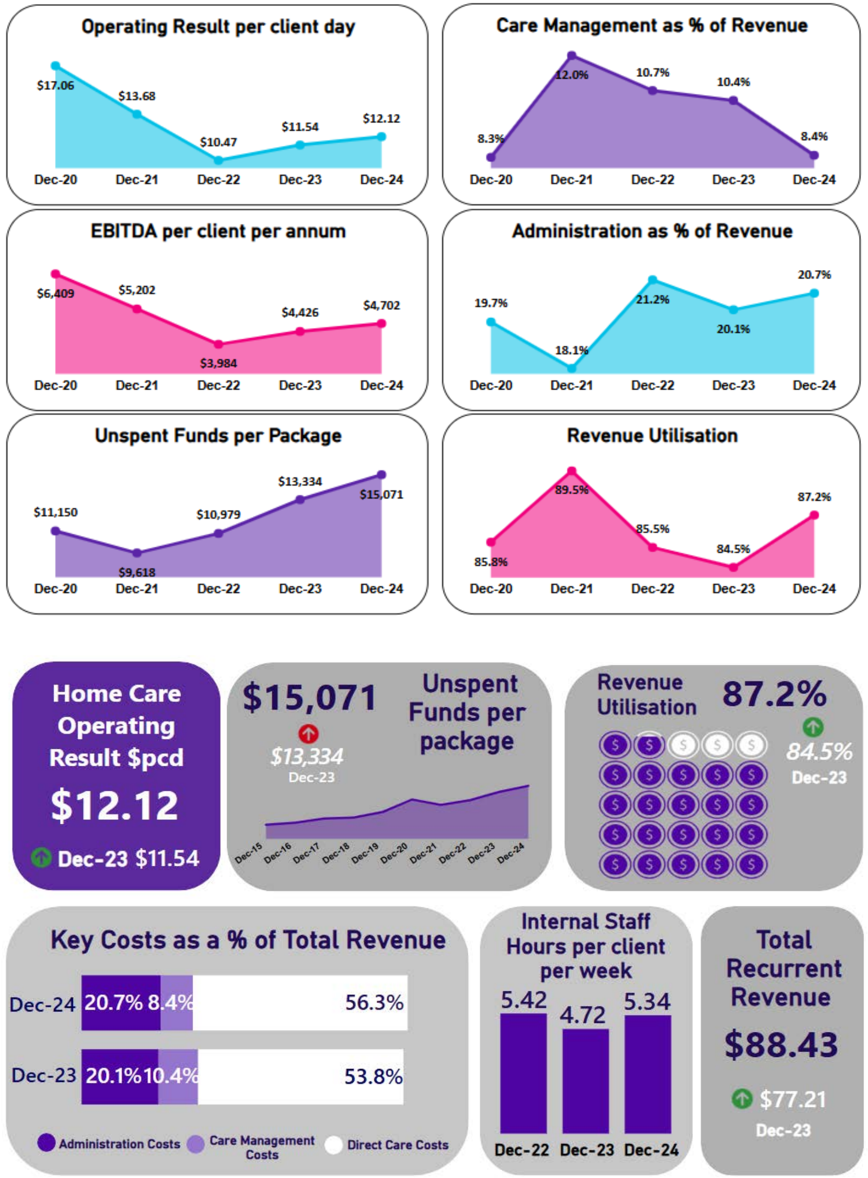


Figure 44: EBITDA ($ per client pr annum) comparison First 25% and Average

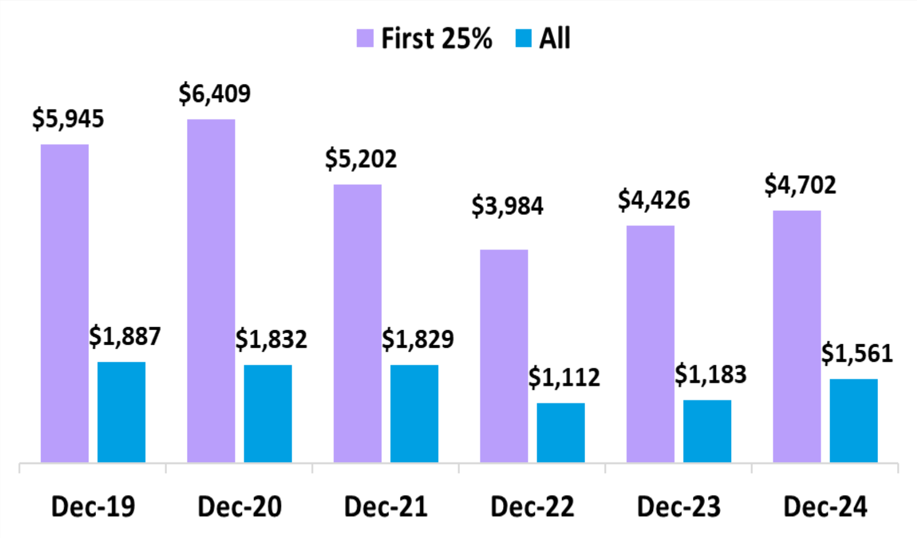


Table 37: Summary home care First 25% KPI results comparison

	Dec-24 22,164 Packages	Dec-23 21,059 Packages	Difference (YoY)	FY24 20,793 Packages
Total revenue $ per client per day	$88.43	$77.21	$11.22	$77.80
Operating result per client per day	$12.12	$11.54	$0.58	$10.68
EBITDA per client per annum	$4,702	$4,426	$276	$4,163
Average total Internal Staff hours per client per week	5.34	4.72	0.62	4.73
Median growth rate	*2.3%*	*0.0%*	*2.3%*	*6.2%*
Revenue utilisation rate for the period	*87.2%*	*84.5%*	*2.7%*	*86.6%*
Average unspent funds per client	$15,071	$13,334	$1,737	$14,381
Cost of direct care & brokered services as % of total revenue	*56.3%*	*53.8%*	*2.5%*	*55.5%*
Care management & coordination costs as % of total revenue	*8.4%*	*10.4%*	*(1.9%)*	*9.0%*
Administration & support costs as % of total revenue	*20.7%*	*20.1%*	*0.6%*	*20.9%*
Profit margin	*13.7%*	*14.9%*	*(1.2%)*	*13.7%*

Home Care Package Demographics

Figure 45: HCP client exits

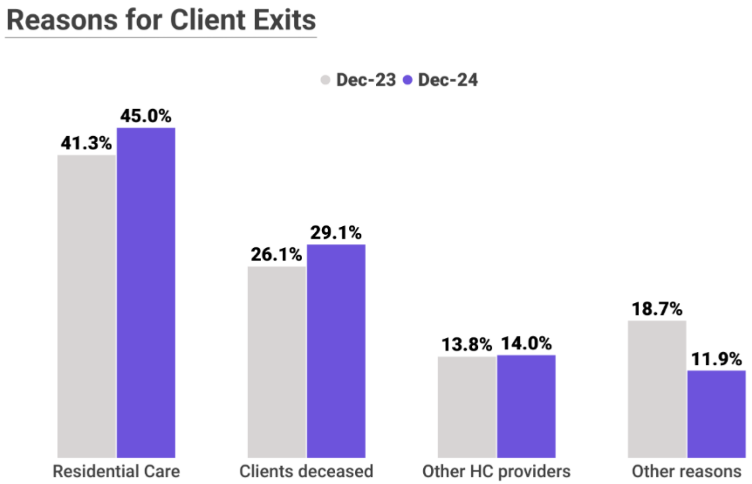
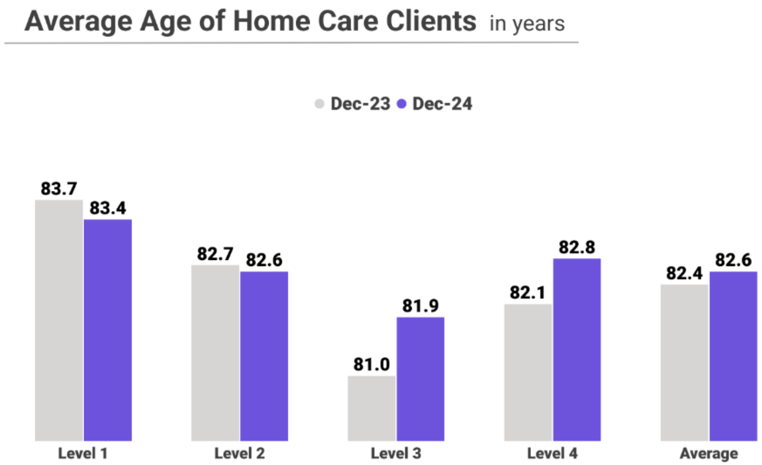


Figure 46: HCP average age of clients (participants)



Package Growth

Figure 47: Number of people in a home care package

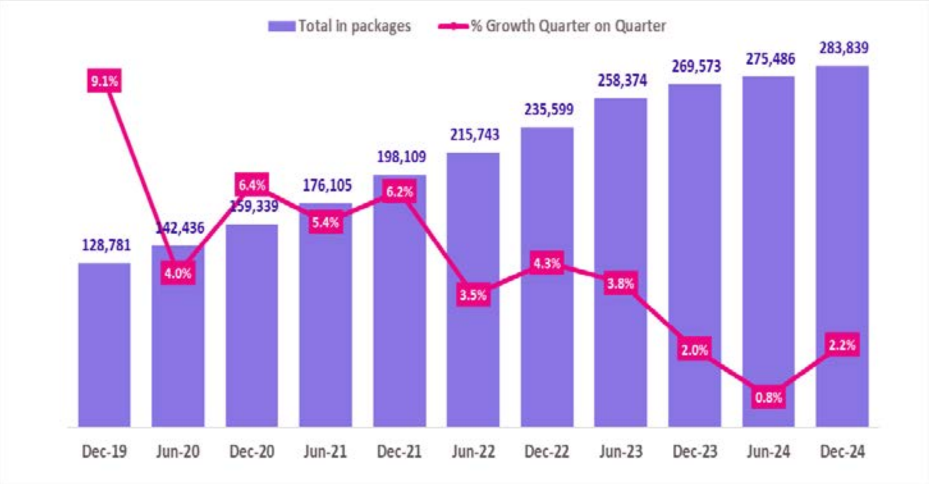
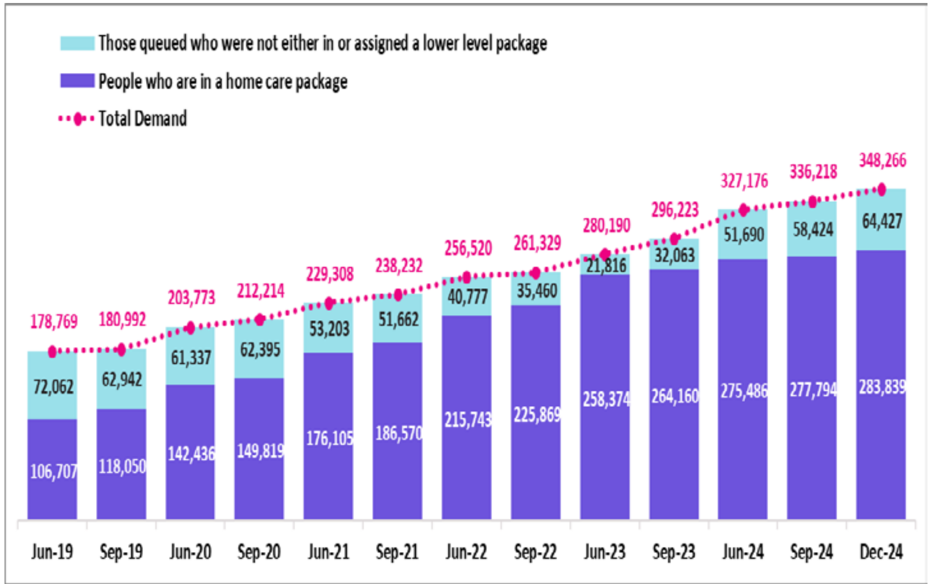


Figure 48: Demand for home care packages



5. APPENDIX

StewartBrown Survey

Survey Outline

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

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

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

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

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

To join the Survey please email benchmark@stewartbrown.com.au

StewartBrown has now commenced a Retirement Village Benchmark incorporating the same granular analysis as the aged care Survey.

Survey Results Matrix

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

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

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

Financial Reform Considerations

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

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

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

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

Staff Remuneration and Benefits

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

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

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

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

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

Accommodation

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

As noted previously, currently the maximum accommodation supplement payable to providers with a supported resident ratio in excess of 40% is $69.79 per day which equates to an accommodation price of $318,417 at MPIR at 8%.

The average agreed accommodation price, based on average full RAD taken, is now almost $500,000 and the equivalent DAP would be $109.59 per day which is significantly higher than the maximum accommodation supplement. This difference will further increase with higher accommodation prices.

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

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

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

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

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

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

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

Interactive dashboard (provider aggregate and individual facility level):

Facility Name/Benchmark	Report Link	Operating Result Rank	Operating Result	Operating EBITDA $pbpa	Direct Care Result	Everyday Living Result	Accommodation Result	Administration Expenditure	Occupancy Rate
All Homes			(1.58)	7,038.60	15.25	(5.61)	(11.22)	50.38	92.6%
Deidentified Provider A Aggregate	Report	A /1194	1.72	6,320.26	9.13	(0.33)	(7.08)	44.36	93.4%
Facility A	Report	X /1194	35.82	17,045.45	24.09	2.40	9.33	44.06	96.4%
Facility B	Report	Y /1194	34.71	20,107.20	34.98	3.73	(3.99)	43.58	96.9%
Facility C	Report	Z /1194	21.90	11,455.23	25.99	(5.73)	1.65	43.49	83.6%

Overview Dashboard

Deidentified Provider A

Selected Comparisons	Year/Quarter
Provider Aggregate	2024Q4
First quartile all Homes	2024Q4
First 50% all Homes	2024Q4
ALL HOMES	2024Q4

Average Rank of Provider Facilities

597

1194

	Provider Aggregate	ALL HOMES
Number of Homes	A	1194
Average Number of Places	B	83
Supported Ratio	C	46.1%

	Provider Aggregate	First quartile all Homes	First 50% all Homes	ALL HOMES
Operating Result $pbd	1.72	42.64	25.89	(1.58)
Operating EBITDA $pbpa	6,320	21,118	15,710	7,039
Direct Care Margin $pbd	9.13	41.06	30.78	15.25
Everyday Living Margin $pbd	(0.33)	3.54	0.12	(5.61)
Accommodation Margin $pbd	(7.08)	(1.96)	(5.01)	(11.22)
Administration Expenditure $pbd	44.36	45.14	46.78	50.38
Occupancy Rate	93.4%	94.6%	94.5%	92.6%
Average RAD Held	552,070	477,194	462,460	467,569
Average New Full RAD	585,496	493,476	488,128	494,106

Operating Result $pbd

Provider Aggregate	First quartile all	First 50% all Homes	ALL HOMES
1.72	42.64	25.89	(1.58)

Operating EBITDA $ per bed per annum

Provider Aggregate	First quartile all	First 50% all Homes	ALL HOMES
6,320	21,118	15,710	7,039

Occupancy Rate

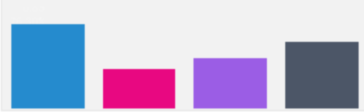
Provider Aggregate	First quartile all	First 50% all Homes	ALL HOMES
93.4%	94.6%	94.5%	92.6%

Direct Care Revenue $pbd

Provider Aggregate	First quartile all	First 50% all Homes	ALL HOMES
275.26	275.81	273.18	271.60

Direct Care Labour Costs as a % of Direct Care Revenue

Provider Aggregate	First quartile all	First 50% all Homes	ALL HOMES
89.1%	76.3%	79.4%	84.2%



Total Direct Care Minutes pbd

Provider Aggregate	First quartile all	First 50% all Homes	ALL HOMES
0.00	192.12	196.43	202.42

SUMMARY RESULTS

	Deidentified Provider (13 Homes) YTD Dec 2024 $pbd	All Homes (1,140 Homes) YTD Dec 2024 $pbd	First quartile all Homes (285 Homes) YTD Dec 2024 $pbd	Second quartile all Homes (285 Homes) YTD Dec 2024 $pbd	NSW Homes (443 Homes) YTD Dec 2024 $pbd
RESULTS SUMMARY					
DIRECT CARE					
Direct care revenue	289.05	291.77	295.40	288.64	293.82
Expenditure - direct care services	(255.80)	(253.11)	(233.60)	(247.38)	(253.01)
Administration - direct care overhead allocation	(17.25)	(19.57)	(16.71)	(18.81)	(20.54)
DIRECT CARE MARGIN	**$ 16.00**	**$ 19.08**	**$ 45.08**	**$ 22.45**	**$ 20.27**
EVERYDAY LIVING					
Everyday living revenue	81.43	79.62	79.73	79.57	81.04
Expenditure - hotel services	(60.02)	(59.51)	(55.14)	(56.59)	(59.11)
Expenditure - utilities	(7.48)	(8.65)	(8.35)	(8.30)	(8.48)
Administration - everyday living overhead allocation	(15.68)	(17.79)	(15.19)	(17.10)	(18.67)
EVERYDAY LIVING MARGIN	**$ (1.75)**	**$ (6.33)**	**$ 1.06**	**$ (2.42)**	**$ (5.22)**
CARE RESULT	**$ 14.25**	**$ 12.75**	**$ 46.14**	**$ 20.03**	**$ 15.05**
ACCOMMODATION					
Accommodation revenue	29.96	43.27	46.52	44.03	44.00
Expenditure - accommodation services	(31.66)	(38.91)	(32.95)	(36.92)	(39.11)
Administration - accommodation overhead allocation	(13.71)	(15.55)	(13.28)	(14.95)	(16.32)
ACCOMMODATION MARGIN	**$ (15.41)**	**$ (11.19)**	**$ 0.29**	**$ (7.83)**	**$ (11.43)**
OPERATING RESULT	***$ (1.15)***	***$ 1.56***	***$ 46.43***	***$ 12.20***	***$ 3.62***
Operating Result per bed per annum	***$ (395)***	***$ 535***	***$ 16,111***	***$ 4,253***	***$ 1,245***
Operating EBITDA	***$ 2.84***	***$ 24.22***	***$ 64.59***	***$ 33.62***	***$ 26.64***
Operating EBITDA per bed per annum	***$ 976***	***$ 8,310***	***$ 22,413***	***$ 11,722***	***$ 9,170***
PROFILE					
Number of places	936	95,168	23,155	25,617	36,522
Average number of places	72	83	81	90	82
Number of occupied days	172,224	16,462,375	4,050,011	4,502,181	6,337,059
Occupancy rate	92.43%	94.01%	95.06%	95.52%	94.30%
Supported ratio	35.0%	45.9%	49.9%	46.6%	45.5%

	Deidentified Provider (13 Homes) YTD Dec 2024 $pbd	All Homes (1,140 Homes) YTD Dec 2024 $pbd	First quartile all Homes (285 Homes) YTD Dec 2024 $pbd	Second quartile all Homes (285 Homes) YTD Dec 2024 $pbd	NSW Homes (443 Homes) YTD Dec 2024 $pbd
KPI's					
Direct care revenue	289.05	291.77	295.40	288.64	293.82
Total operating revenue	400.44	414.65	421.65	412.24	418.86
Operating results as % of total operating revenue	-0.3%	0.4%	11.0%	3.0%	0.9%
Direct care costs as % of direct care revenue	94.5%	93.5%	84.7%	92.2%	93.1%
Total direct care minutes per resident per day	202.33	212.08	203.70	210.83	211.35
Agency minutes as % of total direct care minutes	9.3%	6.3%	4.4%	5.3%	5.7%
Agency costs as % of direct care labour costs	12.8%	7.2%	4.9%	5.9%	6.6%
Overtime minutes as % of total direct care minutes	3.0%	2.1%	2.0%	2.2%	2.7%
Average full RAD taken	483,667	505,242	509,356	484,211	536,617
Average full RAD held	413,895	470,897	474,925	452,253	492,205
Expenses as % of total revenue					
Direct care (excl administration allocation)	63.9%	61.0%	55.4%	60.0%	60.4%
Hotel services (excl administration allocation)	15.0%	14.4%	13.1%	13.7%	14.1%
Utilities	1.9%	2.1%	2.0%	2.0%	2.0%
Accommodation (excl administration allocation)	7.9%	9.4%	7.8%	9.0%	9.3%
Administration services	11.6%	12.8%	10.7%	12.3%	13.3%
Total expenses as % of total revenue	**100.3%**	**99.6%**	**89.0%**	**97.0%**	**99.1%**
Staff costs as % of total revenue					
Direct care	62.0%	58.8%	53.4%	57.8%	57.9%
Everyday Living	10.9%	7.8%	7.2%	7.3%	6.6%
Accommodation	1.5%	0.8%	0.8%	0.8%	0.9%
Administration services	2.6%	2.2%	1.7%	2.0%	2.0%
Total staff costs as % of total revenue	**77.0%**	**69.6%**	**63.0%**	**67.9%**	**67.4%**
Staff costs					
Labour costs	301.92	281.00	258.77	273.33	273.82
Workers' compensation premium	6.36	7.22	5.97	6.32	7.73
Payroll tax	-	0.45	1.02	0.29	0.58
Fringe benefits tax	-	0.00	0.00	0.00	0.00
Total staff costs	***$ 308.28***	***$ 288.68***	***$ 265.76***	***$ 279.94***	***$ 282.13***
Quality, education and compliance	***$ 2.01***	***$ 2.26***	***$ 1.59***	***$ 2.19***	***$ 2.21***
Workers compensation expense as % of staff costs	***2.1%***	***2.5%***	***2.2%***	***2.3%***	***2.7%***

	Deidentified Provider (13 Homes) YTD Dec 2024 $pbd	All Homes (1,140 Homes) YTD Dec 2024 $pbd	First quartile all Homes (285 Homes) YTD Dec 2024 $pbd	Second quartile all Homes (285 Homes) YTD Dec 2024 $pbd	NSW Homes (443 Homes) YTD Dec 2024 $pbd
DETAILED RESULTS					
DIRECT CARE					
DIRECT CARE REVENUE					
Government subsidies - care	273.07	280.70	284.77	278.37	281.65
Means-tested care fee	15.80	9.52	8.36	9.17	10.28
Direct care subsidy & supplements	***288.87***	***290.22***	***293.13***	***287.54***	***291.93***
Recurrent grants and other care	0.18	1.55	2.27	1.09	1.89
Non-recurrent operating care grants	-	-	-	-	-
Direct care revenue (A)	***289.05***	***291.77***	***295.40***	***288.64***	***293.82***
DIRECT CARE EXPENDITURE					
Care Labour costs					
Registered nurses	61.96	59.90	54.84	58.13	59.97
Enrolled and licensed nurses *(registered with the NMBA)*	5.74	11.64	10.01	11.40	3.10
Other unlicensed nurses/personal care staff	146.21	147.19	138.45	145.09	153.93
FWC 15% leave entitlement increase	-	-	-	-	-
Total direct care labour costs	***213.90***	***218.73***	***203.30***	***214.62***	***217.01***
Care management	9.69	6.47	5.88	6.15	7.00
Allied health	7.05	6.04	5.24	6.12	6.01
Lifestyle/ Recreation/ Activities Officer /Diversional Therapy	12.45	5.94	4.84	5.61	5.49
Workers' compensation - care services	5.12	6.10	5.06	5.38	6.64
Payroll tax - care services	-	0.38	0.87	0.24	0.50
Total care labour costs	**248.21**	**243.67**	**225.19**	**238.13**	**242.65**
Medical, incontinence supplies & nutritional supplements	5.01	6.29	5.89	6.24	6.33
Chaplaincy / Pastoral care	0.72	0.78	0.73	0.87	1.09
Quality and education allocation to care services	1.62	1.91	1.35	1.87	1.90
Other resident services and consumables	3.04	2.02	1.73	1.83	2.41
Infection prevention and Covid-19	(2.81)	(1.54)	(1.29)	(1.55)	(1.37)
Expenditure - direct care services	***255.80***	**253.11**	**233.60**	**247.38**	**253.01**
Administration - direct care overhead allocation	*17.25*	19.57	16.71	18.81	20.54
Direct care expenditure (B)	***273.05***	**272.68**	**250.31**	**266.19**	**273.55**
DIRECT CARE MARGIN (C) (A - B)	**$ 16.00**	**$ 19.08**	**$ 45.08**	**$ 22.45**	**$ 20.27**
Total care labour costs as a % of direct care revenue	***85.9%***	***83.5%***	***76.2%***	***82.5%***	***82.6%***
Direct care expenditure as a % of direct care revenue	***94.5%***	***93.5%***	***84.7%***	***92.2%***	***93.1%***

	Deidentified Provider (13 Homes) YTD Dec 2024 $pbd	All Homes (1,140 Homes) YTD Dec 2024 $pbd	First quartile all Homes (285 Homes) YTD Dec 2024 $pbd	Second quartile all Homes (285 Homes) YTD Dec 2024 $pbd	NSW Homes (443 Homes) YTD Dec 2024 $pbd
EVERYDAY LIVING					
EVERYDAY LIVING REVENUE					
Basic daily fee - resident	62.91	62.83	62.77	62.85	62.78
Hotelling supplement – government	11.97	12.02	12.03	12.02	12.07
Fees for additional services and extra or optional service fees	6.55	4.77	4.93	4.69	6.19
Everyday living revenue (D)	***81.43***	***79.62***	***79.73***	***79.57***	***81.04***
EVERYDAY LIVING EXPENDITURE					
HOTEL SERVICES					
CATERING					
Labour costs	31.97	21.87	20.43	20.22	19.24
Consumables - food	13.39	13.83	14.51	13.56	13.76
Consumables - other	0.66	0.72	0.64	0.66	0.79
Contract catering	-	5.87	3.21	6.02	8.12
Income from sale of meals (usually a credit amount)	(1.28)	(0.25)	(0.17)	(0.26)	(0.16)
Total catering	***44.74***	***42.03***	***38.62***	***40.20***	***41.76***
CLEANING					
Labour costs	7.09	6.82	6.33	6.47	4.93
Consumables	2.33	1.76	1.70	1.66	1.64
Contract cleaning	0.33	2.78	2.81	2.48	4.99
Total cleaning	***9.75***	***11.37***	***10.84***	***10.61***	***11.56***
LAUNDRY					
Labour costs	3.73	2.82	2.75	2.70	2.52
Consumables	0.61	0.51	0.59	0.54	0.63
Contract laundry	-	1.55	1.22	1.49	1.51
Total laundry	***4.34***	***4.88***	***4.56***	***4.73***	***4.66***
Workers' compensation - everyday living	0.90	0.81	0.68	0.68	0.75
Payroll tax - everyday living	-	0.05	0.12	0.03	0.06
Expenditure - quality and education (allocation to everyday living)	0.28	0.25	0.18	0.24	0.22
Other hotel services expenses	-	0.11	0.14	0.11	0.11
Total other hotel services	**1.19**	**1.22**	**1.12**	**1.06**	**1.13**
Expenditure - hotel services	***60.02***	***59.51***	***55.14***	***56.59***	***59.11***

	Deidentified Provider (13 Homes) YTD Dec 2024 $pbd	All Homes (1,140 Homes) YTD Dec 2024 $pbd	First quartile all Homes (285 Homes) YTD Dec 2024 $pbd	Second quartile all Homes (285 Homes) YTD Dec 2024 $pbd	NSW Homes (443 Homes) YTD Dec 2024 $pbd
UTILITIES					
Electricity	3.96	4.01	3.61	3.94	4.32
Gas	1.95	1.34	1.36	1.17	1.17
Rates	0.60	1.66	1.75	1.57	1.20
Rubbish removal	0.97	1.65	1.63	1.61	1.78
Expenditure - utilities	***7.48***	***8.65***	***8.35***	***8.30***	***8.48***
Expenditure - everyday living services	67.50	68.16	63.48	64.89	67.59
Administration - everyday living overhead allocation	15.68	17.79	15.19	17.10	18.67
Everyday living expenditure (E)	83.18	85.95	78.67	81.99	86.26
EVERYDAY LIVING MARGIN (F) (D - E)	**$ (1.75)**	**$ (6.33)**	**$ 1.06**	**$ (2.42)**	**$ (5.22)**
CARE RESULT (G) (C - F)	**$ 14.25**	**$ 12.75**	**$ 46.14**	**$ 20.03**	**$ 15.05**
Care Result - return on total care revenue (G / A + D)	***3.8%***	***3.4%***	***12.3%***	***5.4%***	***4.0%***
ACCOMMODATION					
ACCOMMODATION REVENUE					
Accommodation revenue - residents	15.94	17.53	17.06	16.97	17.99
Subsidy - Accommodation supplement	9.79	23.45	27.12	24.93	23.86
Subsidy - Respite supplement	4.23	2.29	2.34	2.13	2.16
Accommodation revenue (H)	29.96	43.27	46.52	44.03	44.00
ACCOMMODATION EXPENDITURE					
Labour costs - maintenance	6.02	3.39	3.12	3.23	3.58
Workers compensation - accommodation staff	0.13	0.09	0.07	0.07	0.10
Payroll tax - accommodation staff	-	0.01	0.01	0.00	0.01
Routine repairs & maintenance	4.55	10.00	9.35	9.48	9.98
Motor vehicle expenses	0.21	0.27	0.24	0.25	0.25
Quality, compliance and training external costs	0.04	0.03	0.02	0.03	0.03
Depreciation - building	-	13.37	10.50	12.46	14.39
Depreciation & amortisation - non building	4.00	7.64	6.85	6.90	8.41
Right of use assets - depreciation and finance cost	-	1.65	0.81	2.06	0.22
Rent - buildings (not captured by AASB 16)	15.32	0.90	0.62	0.98	0.29
Refurbishment	0.02	0.28	0.23	0.31	0.36
Bond/RAD interest expense	1.37	1.31	1.12	1.14	1.48
Expenditure - accommodation services	**31.66**	**38.91**	**32.95**	**36.92**	**39.11**
Administration - accommodation overhead allocation	*13.71*	*15.55*	*13.28*	*14.95*	*16.32*
Accommodation expenditure (I)	***45.37***	***54.46***	***46.23***	***51.87***	***55.43***
ACCOMMODATION MARGIN (J) (H - I)	**$ (15.41)**	**$ (11.19)**	**$ 0.29**	**$ (7.83)**	**$ (11.43)**

	Deidentified Provider (13 Homes) YTD Dec 2024 $pbd	All Homes (1,140 Homes) YTD Dec 2024 $pbd	First quartile all Homes (285 Homes) YTD Dec 2024 $pbd	Second quartile all Homes (285 Homes) YTD Dec 2024 $pbd	NSW Homes (443 Homes) YTD Dec 2024 $pbd
ADMINISTRATION EXPENDITURE					
Administration recharges	28.66	34.44	30.79	34.19	38.61
Labour costs - administration	10.02	8.92	6.88	8.21	8.05
Other administration costs	4.17	7.33	5.76	6.45	6.81
Workers' compensation - other	0.21	0.23	0.16	0.19	0.23
Payroll tax - administration staff	-	0.01	0.03	0.01	0.02
Fringe Benefits Tax	-	0.00	0.00	0.00	0.00
Quality & education - labour costs	0.06	0.05	0.02	0.04	0.05
Quality & education - other	0.01	0.03	0.02	0.02	0.02
Insurances	3.50	1.90	1.53	1.74	1.76
Expenditure - administration	**46.64**	**52.91**	**45.18**	**50.85**	**55.53**
Direct care overhead allocation	(17.25)	(19.57)	(16.71)	(18.81)	(20.54)
Everyday living overhead allocation	(15.68)	(17.79)	(15.19)	(17.10)	(18.67)
Accommodation overhead allocation	(13.71)	(15.55)	(13.28)	(14.95)	(16.32)
NET ADMINISTRATION after allocation (K)	-	**(0.00)**	-	-	-
Administration Costs % of Total Revenue	***11.6%***	***12.8%***	***10.7%***	***12.3%***	***13.3%***
OPERATING RESULT (L) (G + J + K)	**$ (1.15)**	**$ 1.56**	**$ 46.43**	**$ 12.20**	**$ 3.62**
Operating result per bed per annum	***$ (395)***	***$ 535***	***$ 16,111***	***$ 4,253***	***$ 1,245***
Operating EBITDA	***$ 2.84***	***$ 24.22***	***$ 64.59***	***$ 33.62***	***$ 26.64***
Operating EBITDA per bed per annum	***$ 976***	***$ 8,310***	***$ 22,413***	***$ 11,722***	***$ 9,170***

DETAILED STAFF ANALYSIS

	Deidentified Provider (13 Homes) YTD Dec 2024 $pbd	All Homes (1,140 Homes) YTD Dec 2024 $pbd	First quartile all Homes (285 Homes) YTD Dec 2024 $pbd	Second quartile all Homes (285 Homes) YTD Dec 2024 $pbd	NSW Homes (443 Homes) YTD Dec 2024 $pbd
Staff Minutes Analysis (Normal + Overtime + Agency + Contract)					
Registered nurses	39.02	41.23	39.74	40.68	40.94
Enrolled and licensed nurses	4.88	10.81	9.41	10.76	2.84
Other unlicensed nurses/personal care staff	158.43	160.04	154.56	159.39	167.57
Total direct care minutes per resident day	***202.33***	***212.08***	***203.70***	***210.83***	***211.35***
Care management	5.74	3.92	3.86	3.80	4.18
Allied health	5.71	4.35	3.42	4.41	3.88
Lifestyle	14.19	7.04	5.51	6.80	6.60
Total care minutes per resident per day	**227.97**	**227.39**	**216.50**	**225.84**	**226.00**
Hotel services - Catering	40.20	26.62	26.22	24.50	24.88
Hotel services - Cleaning	9.74	10.09	10.47	9.64	8.37
Hotel services - Laundry	5.27	4.10	4.34	3.60	3.80
Total Hotel services	**55.20**	**40.81**	**41.02**	**37.74**	**37.06**
Routine maintenance and accommodation	6.69	4.08	3.84	3.86	3.80
Administration	10.24	8.40	7.59	7.67	8.67
Quality and education	2.30	0.81	0.56	0.87	1.05
Total other staff minutes per resident per day	***74.43***	***54.10***	***53.01***	***50.13***	***50.58***
Total staff minutes	***302.40***	***281.50***	***269.51***	***275.98***	***276.58***
Total agency minutes (including imputed agency)	*18.84*	*13.38*	*9.00*	*11.18*	*12.06*
Agency & overtime analysis					
Agency costs - Registered nurses	9.29	7.37	4.80	5.85	6.59
Agency costs - Enrolled and licensed nurses	0.56	0.75	0.70	0.73	0.10
Agency costs - Other unlicensed nurses/personal care staff	17.53	7.58	4.38	6.14	7.60
Total agency direct care labour costs	**27.39**	**15.70**	**9.88**	**12.72**	**14.29**
Agency direct care staff costs as % of total direct care labour costs	12.8%	7.2%	4.9%	5.9%	6.6%
Agency minutes - Registered nurses	3.92	3.46	2.33	2.79	3.10
Agency minutes - Enrolled and licensed nurses	0.35	0.58	0.52	0.71	0.10
Agency minutes - Other unlicensed nurses/personal care staff	14.20	6.15	3.47	4.95	5.75
Total agency direct care minutes	**18.46**	**10.19**	**6.32**	**8.46**	**8.95**
Agency direct care staff minutes as % of total direct care labour minutes	9.1%	4.8%	3.1%	4.0%	4.2%
Overtime minutes - Registered nurses	0.85	0.85	0.75	0.84	1.08
Overtime minutes - Enrolled and licensed nurses	0.00	0.31	0.23	0.46	0.11
Overtime minutes - Other unlicensed nurses/personal care staff	5.14	3.34	3.10	3.41	4.57
Total overtime direct care minutes	**6.00**	**4.50**	**4.07**	**4.72**	**5.76**
Overtime direct care staff minutes as % of total direct care labour minutes	3.0%	2.1%	2.0%	2.2%	2.7%

	Deidentified Provider (13 Homes) YTD Dec 2024 $pbd	All Homes (1,140 Homes) YTD Dec 2024 $pbd	First quartile all Homes (285 Homes) YTD Dec 2024 $pbd	Second quartile all Homes (285 Homes) YTD Dec 2024 $pbd	NSW Homes (443 Homes) YTD Dec 2024 $pbd
ACCOMMODATION ANALYTICS					
Accommodation Revenue					
Accommodation revenue	***29.96***	***43.27***	***46.52***	***44.03***	***44.00***
Imputed DAP (based on RAD holdings)	58.46	49.36	45.05	45.95	51.17
Benchmark accommodation revenue	***88.42***	***92.63***	***91.58***	***89.98***	***95.17***
Accommodation Expenditure					
Depreciation/amortisation/rent	19.32	23.56	18.79	22.40	23.31
Other accommodation expenditure	12.34	15.36	14.17	14.52	15.80
Administration - accommodation overhead allocation	13.71	15.55	13.28	14.95	16.32
Accommodation expenditure	***45.37***	***54.46***	***46.23***	***51.87***	***55.43***
Benchmark accommodation result	**$ 43.06**	**$ 38.16**	**$ 45.35**	**$ 38.12**	**$ 39.74**
ACCOMMODATION PAYMENT ANALYSIS					
Incoming residents accommodation payment split					
Full RAD	27.3%	33.3%	33.8%	33.7%	32.3%
Full DAP	18.2%	43.0%	43.6%	41.5%	45.4%
Combination - Part RAD, Part DAP	54.5%	23.7%	22.6%	24.8%	22.3%
Total number of incoming RADs, DAPs and Combos	22	10,167	2,272	2,658	3,872
Average incoming RAD (current financial year)					
Average of new FULL RADs / RACs	483,667	505,242	509,356	484,211	536,617
Average of new PART RADs / RACs	147,291	243,231	246,368	233,657	256,564
Average RAD/Bond held (as at reporting date)					
Average of FULL RADs/RACs/Bonds held at reporting date	413,895	470,897	474,925	452,253	492,205
Average of PART RADs/RACs/Bonds held at reporting date	204,022	258,501	262,480	256,270	265,718

Note: Accommodation pricing is as published on the My Aged Care website as at the end of current survey period

Market Data listed supplied by CoreLogic RP Data as at the end of the current survey period

Default Column Definitions	
Column 1 - Provider Result	**the result for Provider’s consolidated residential segment**
Column 2 - All Homes	**the sector average for all homes**
Column 3 - Results of 1st Quartile	**the average of the First 25% of Sector**
Column 4 - Results of 2nd Quartile	**the average of the 2nd quartile of Sector**
Column 5 - State Average	**the average across all homes in this State**

6. GLOSSARY

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

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

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

Facility (Aged Care Home) Result
This refers to the Operating Result may also be referred to as the net result or the NPBT Result.

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

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

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

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

The allocation for each revenue stream is as follows:-

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

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

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

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

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

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

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

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

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

Band 1 - Over $302
Band 2 - Between $292 and $302
Band 3 - Between $282 and $292
Band 4 - Under $282

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

Band 1 - Under $77
Band 2 - Between $77 and $83
Band 3 - Between $83 and $89
Band 4 - Over $89

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

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

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

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

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

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

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

Home Care Packages (HCP)

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

Residential Care

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

Location - City

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

Location - Regional

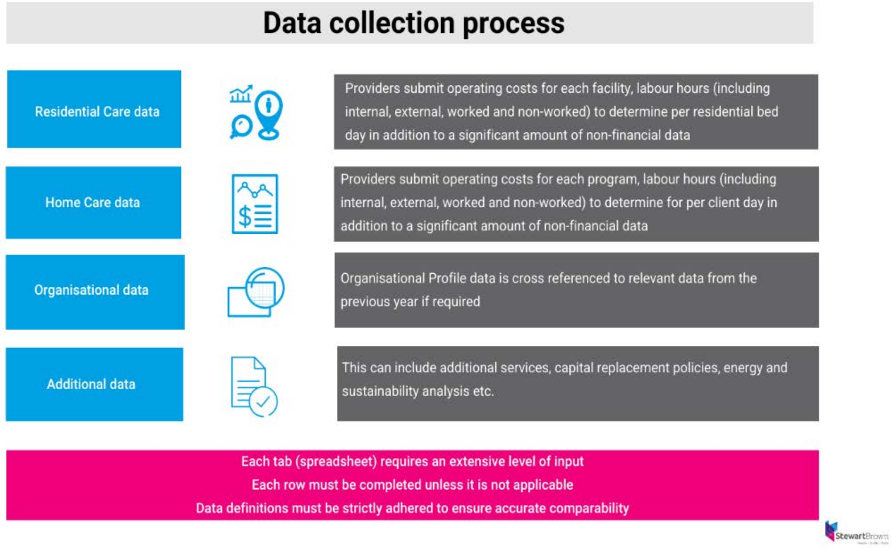
Aged care homes have been designated as being regionally based according to the designation by the Department of Health and Aged Care in their listing of aged care services. Those that were designated as being an "Inner Regional", "Outer Regional" or "Remote" have been designated as Regional.

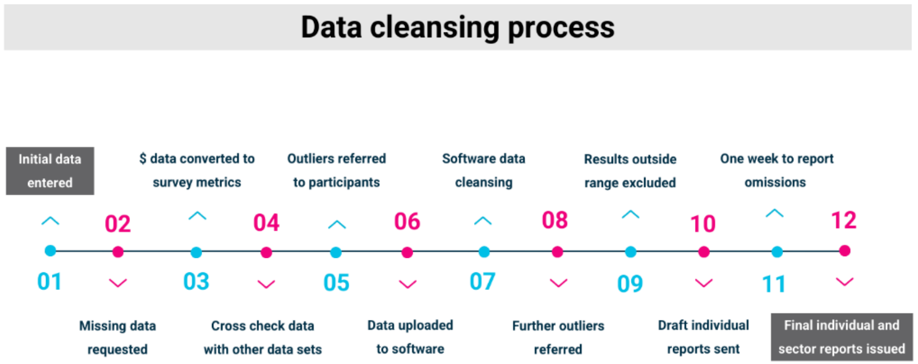
Modified Monash Model (MMM)

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

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

Data Collection Process





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