



# Aged Care Financial Performance Survey

## Sector Report



Celebrating  
**80** YEARS  
1939 to 2019

The StewartBrown September 2019 *Aged Care Financial Performance Survey* incorporates detailed financial and supporting data from 1,043 aged care homes and 34,702 home care packages across Australia. The Survey, which is performed quarterly, is the largest benchmark in the aged care sector and provides invaluable insight into the trends and drivers of financial performance at the sector level and at the aged care home or programme level.

Quarter ended 30 September 2019

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# 1. HIGHLIGHTS FROM SEPTEMBER 2019 SURVEY

## Residential Aged Care



**\$1.69**

ACH Result per bed day for Survey Average  
(Sep-18: \$4.37)



**\$33.41**

ACH Result per bed day for First 25%  
(Sep-18: \$33.61)



**\$5,829**

EBITDAR per bed per annum for Survey Average  
(Sep-18: \$7,737)



**\$17,816**

EBITDAR per bed per annum for First 25%  
(Sep-18: \$17,810)



**26.9%**

Proportion of facilities with negative EBITDAR  
(Sep-18: 18.9%)



**50.5%**

Proportion of facilities with negative ACH Result  
(Sep-18: 41.4%)

## Home Care



**\$6.35**

NPBT per client day for Survey Average  
(Sep-18: \$3.49)



**\$21.38**

NPBT per client day for First 25%  
(Sep-18: \$17.53)



**\$2,457**

EBITDA per client per annum for Survey Average  
(Sep-18: \$1,419)



**\$7,951**

EBITDA per client per annum for First 25%  
(Sep-18: \$6,511)



**\$7,295**

Survey Average for unspent funds  
(Sep-18: \$6,720)



**85.9%**

Weighted Average revenue utilisation  
(Sep-18: 89.2%)



**9.2%**

Case management costs as % of income  
(Sep-18: 10.1%)



**23.2%**

Administration costs as % of income  
(Sep-18: 24.7%)

## Survey Analytics

Respondents to the *Aged Care Financial Performance Survey* (Survey) include some of the largest providers nationally, independent stand-alone providers, faith-based and community providers, and culturally specific providers. In addition, subscribers to the survey reports include government bodies including the Department of Health (DOH) and Aged Care Financing Authority (ACFA), aged services sector peak bodies and other service providers to the sector.

The Survey takes in residential care and home care packages. This Sector Report includes StewartBrown's analysis of the operating income and expenses of participants. The Survey included the detailed responses of:-

- ◆ 189 approved provider organisations
- ◆ 984 residential facilities (*59 additional facilities were excluded due to their operational circumstances*)
- ◆ 34,702 home care packages (*501 programs of which 63 were excluded*)

In respect of residential care, participants to the Survey represent approximately 40% of facilities within Australia. The profile of the residential care participants, based on the geographical spread, is:-

*Table 1: Residential Care Survey Metrics*

Number of aged care homes / ABS Remoteness	Major City	Inner Regional	Rural & Remote	Total
<i>StewartBrown Residential Care Survey</i>				
<b>Total Survey aged care homes</b>	<b>662</b>	<b>269</b>	<b>112</b>	<b>1,043</b>
Aged care homes included	640	249	95	984
Aged care homes excluded	22	20	17	59
State/local government	0	7	15	22
<b>Survey less state/local government (A)</b>	<b>662</b>	<b>262</b>	<b>97</b>	<b>1,021</b>
<i>GEN Aged Care Data Service Listing (30 June 2019)</i>				
<b>Total</b>	<b>1,697</b>	<b>656</b>	<b>365</b>	<b>2,718</b>
State/local government	34	114	90	238
<b>Service Listing less state/local government (B)</b>	<b>1,663</b>	<b>542</b>	<b>275</b>	<b>2,480</b>
<b>Coverage % = (A)/(B)</b>	<b>39.8%</b>	<b>48.3%</b>	<b>35.3%</b>	<b>41.2%</b>

*Please note - to be consistent with the Department of Health's preferred terminology, we are transitioning from the term "residential facilities" to "residential aged care homes" for the 2019/20 Survey year. In the interim we will use both terms where appropriate and they can be considered to be interchangeable.*

## StewartBrown Aged Care Reports

StewartBrown issues various detailed financial reports and analysis involving the aged care sector, including the following:-

- Residential and Home Care Sector Participants Reports (quarterly)
- Aged Care Sector Report (quarterly)
- Provider Organisation Report (bi-annual)
- Listed Provider Analysis Report (bi-annual)
- Corporate Administration Report (annual)
- Managing Prudential Risk in Residential Aged Care (submission to DOH)

For copies of these reports, please go to <http://www.stewartbrown.com.au/>

## 2. EXECUTIVE SUMMARY

### Abstract

This Sector Report gives an overview of the financial performance of the aged care sector in Australia. It is based on the results of the StewartBrown *Aged Care Financial Performance Survey* (Survey) for the quarter ended 30 September 2019.

In addition to this report, every participant in the Survey also receives supplementary reports on their respective Residential and Home Care results - these contain finer granularity of analysis from a benchmarking viewpoint. Individual participant organisations also receive specific comparative data relevant to their location, size and the specific aged care homes within their organisation. They also have access to StewartBrown's interactive analysis website.

The Survey data undergoes an intensive cleansing and quality checking procedure, with each individual aged care home (residential) and program (home care) being cross checked to previous results by each revenue and expense line item, and to all similar sized and regionally located comparators, and then all material variances are subjected to explanatory confirmation from the respective participant before acceptance.

The trend analyses contained in this Sector Report are a subset of the data received from participants. It needs to be noted that the primary purpose of the Survey is for participant organisations to obtain a granular comparison for each residential aged care home or home care program for their internal analysis using a range of Key Performance Indicators. StewartBrown advocates that the most effective uses of the benchmark comparisons are target setting into the future, forecasting and strategic decision-making.

The Royal Commission into Aged Care Quality and Safety, which issued its Interim Report on 31 October 2019, has already identified a number of critical issues that require resolution, including appropriate staffing hours, staff training and conditions which would have a direct link to quality of care.

The staffing hours as included in this Survey and all previous Surveys are not in any way reflective of what hours may be required from a clinical or care perspective. The hours are exactly as reported by providers, and we can confirm that there is not a material statistical variance between respective providers in this respect.

*StewartBrown, through this Survey and other related publications or presentations is not an advocate for any stakeholder in the sector and we have professional relationships with the Department, Aged Care Financing Authority, peak bodies, provider organisations, aged care staff and aged care residents and clients.*

*Our primary agenda is that all financial policy and related public commentary should be factually based and objective and be supported by good data.*

## Sept-19 Survey Results Summary

Following is a summary of the key financial performance results and indicators by segment from participants in the Sept-19 *Aged Care Financial Performance Survey*. Comparisons are generally year-on-year (from Sept-18) with some analysis against the FY19 results.

### Residential Care

- 51% of aged care homes recorded an operating loss for the September quarter
- 27% of aged care homes recorded an EBITDAR loss (operating cash loss) for the September quarter
- Average ACFI per bed day (pbd) for Survey participants increased by \$4.20 pbd to \$180.99 pbd
- Occupancy levels for survey participants decreased to 93.9% average occupancy (94.9% Sep-18)
- Total care hours per resident per day increased by 0.09 hours to 3.26 hours (Sep-18: 3.17 hours)
- ACFI direct care services costs increased by 6.9% to \$152.21 pbd (year-on-year)
- Costs for providing everyday living services exceeded revenue by \$8.25 pbd
- Average Net Profit Before Tax (NPBT) for aged care homes (the overall ACH Result) reduced by \$2,095 per bed per annum (pbpa) to a loss of \$582 pbpa (year-on-year)
- Average EBITDAR for aged care homes reduced by \$1,908 pbpa to \$5,829 pbpa
- Supported ratio increased to 47.2% (45.8% Sep-18)
- Average full RADs taken in the September quarter increased to \$406,763 (nationally) an increase of \$24,354 in the year from Sep-18

### Home Care Packages

#### Survey Average (all) (Year-on-Year)

- Revenue per client per day (pcpd) average for Survey participants increased by 0.6% (being \$0.43 pcpd)
- The average NPBT per client day increased by \$2.86 pcpd to \$6.35 pcpd (\$3.49 Sep-18; \$3.65 FY19)
- Direct service costs increased by \$2.35 pcpd (58.4% of total revenue)
- Revenue utilisation has declined by 3.1% to 83.6%
- The average unspent funds per client has increased by \$205 per client (to average \$6,924 per client)
- Staff hours per client per week reduced by 1.12 hours (average 5.84 hours per week)

#### Survey First 25% (Year-on-Year)

- Revenue per client per day (pcpd) average for Survey participants increased by 5.4% (being \$4.78 pcpd)
- The average NPBT per client day increased by \$3.84 pcpd to \$21.38 pcpd (\$17.53 Sep-18; \$18.28 FY19)
- Direct service costs increased by \$3.20 pcpd (50.9% of total revenue)
- Revenue utilisation has declined by 1.8% to 85.7%
- The average unspent funds per client has increased by \$583 per client (to average \$7,113 per client)
- Staff hours per client per week reduced by 0.69 hours (average 7.21 hours per week)

## Commentary

**The September Survey highlights that the financial sustainability of the residential aged care sector continues to deteriorate in all geographic regions, and unless additional specific targeted funding is implemented it may lead to closure of residential aged care homes and will risk further necessary investment into the sector.**

*It should also be noted that the September quarter is historically the best performing quarter from an operating results perspective, with each corresponding quarter have a declining result. This is primarily due to the COPE (indexation) increase on subsidies being effective from 1 July, however the expense CPI increases occur progressively throughout the year (refer 2019 Consumer Price Index which was an annualised 1.6%, however each quarter ranged from 0% to 0.6%).*

Residential Care continues to be a significant concern in relation to ongoing financial viability. The September quarter also saw the first significant decrease in occupancy levels for at least five years. Occupancy and financial result are significantly inter-related, and accordingly any decline in occupancy directly affects the operating performance.

The COPE increase of 1.4% does not match the average staff rate increase of most awards and Employee Agreements. Reference to FY19, using the Wage Price Index as a comparator, the Health care and social assistance index was an increase of 3.3% whereas the COPE increase was only 1.14%. A similar trend will continue for FY20.

Staff costs represented 75.3% of all residential care revenue for the Sep-19 quarter, and accordingly the disparity between the subsidy COPE increase and staff cost increases continues to erode financial performance.

The single biggest issue in relation to residential care is the unsustainable financial losses attributed to the provision of care. Care revenue is derived from government subsidies (predominantly ACFI) and consumer contribution (predominantly the Basic Daily Fee which is a regulated fee). This revenue should cover the costs of providing care - direct care costs (predominantly care staff costs and medical supplies); everyday living expenses (being catering, cleaning, laundry, utilities and routine maintenance); and administration and support services (which include quality and training, compliance, human resources and corporate and local administration staffing and support services).

The care result has declined to be an **average deficit of \$13.96 per resident per day** (average deficit of \$28.31 per day in rural and remote locations). Accordingly, the surplus derived from the accommodation result - being the revenue specifically relating to the accommodation (as distinct from resident acuity) less the costs of maintaining the accommodation and future refurbishment - is required to support the resident care financial loss. This will greatly inhibit building upgrades and erode investment into new aged care homes.

Whilst the rural and remote locations are clearly the worst affected in terms of financial performance and future viability, all regions now have a significant number of aged care homes operating at a deficit. This confirms that the funding model for residential care is insufficient and requires an urgent remedy.

In-home care has experienced an improved operating performance for the Sep-19 quarter, with an overall increase of \$2.86 per client per day in comparison to the Sep-18 quarter. Of note, however, is that the improved performance was not as a result of increased revenue, but due to reduced costs, and particularly staff costs (and resultant staffing hours). Whether this is sustainable is open to conjecture.

The biggest single issue in relation to Home Care Packages in our opinion remain in relation to the level of Unspent Funds. This level has kept rising each quarter, and now averages \$7,295 per client (care recipient). In aggregate, this represents close to \$800 million of funding residing in the bank accounts (as a liability) of approved providers.

We view with concern the prospect of continued growth in Unspent Funds, and many probable instances of their use for capital-related expenditure for care recipients (probably for a short-term benefit in many instances). We are aware that the Government is considering amended funding arrangements designed to improve the unspent funds issue, and we would feel that such reform is essential.

In conclusion: the overall funding arrangements for aged care continues to require considerable realignment. Residential aged care is under-funded, both from a government and consumer perspective. The financial concerns in relation to residential care cannot be overstated.

In-home care requires a redistribution of unused funds which are not being fully utilised in addition to the ongoing issue of more funding packages to meet consumer need.

### 3. RESIDENTIAL CARE ANALYSIS

#### Aged Care Home (Facility) Result

The residential care sector has experienced a further significant decline in Aged Care Home (Facility) Result (NPBT) mainly due to care expenses increasing at a much higher rate (5.6%) than care revenue (2.6%). The Facility Result as shown below has decreased from a surplus of \$4.37 per bed day (pbd) in the Sep-18 quarter to a deficit of \$1.65 pbd in the Sep-19 quarter.

The majority of the comparisons and trend analysis in this sector report are year-on-year (YoY) as it reflects a better perspective on the movements in financial performance for a similar period (ie 3 months).

Table 2: Summary Profit & Loss Results for Sep-19 and Sep-18 periods

	Survey Average		Survey First 25%	
	Sep-19 984 Facilities	Sep-18 946 Facilities	Sep-19 246 Facilities	Sep-18 237 Facilities
<b>ACFI</b>				
<b>Revenue</b>	\$180.99	\$176.80	\$188.24	\$181.15
<b>Expenditure</b>				
Labour costs	\$143.72	\$134.58	\$129.47	\$119.28
Other direct costs	\$8.50	\$7.81	\$6.82	\$6.65
	\$152.21	\$142.39	\$136.30	\$125.94
<b>ACFI RESULT</b>	<b>\$28.78</b>	<b>\$34.41</b>	<b>\$51.94</b>	<b>\$55.21</b>
<b>EVERYDAY LIVING</b>				
<b>Revenue</b>	\$52.86	\$51.67	\$54.09	\$52.72
<b>Expenditure</b>				
Catering	\$30.34	\$28.55	\$29.16	\$27.40
Cleaning	\$8.32	\$8.18	\$7.56	\$7.46
Laundry	\$4.04	\$3.85	\$3.56	\$3.49
Overhead allocation (W/comp & Education)	\$0.68	\$0.67	\$0.50	\$0.52
Utilities	\$7.34	\$7.39	\$6.74	\$6.83
Property & maintenance & motor vehicle	\$10.38	\$9.97	\$8.83	\$9.03
	\$61.11	\$58.61	\$56.36	\$54.72
<b>EVERYDAY LIVING RESULT</b>	<b>(\$8.25)</b>	<b>(\$6.93)</b>	<b>(\$2.27)</b>	<b>(\$2.00)</b>
<b>ADMINISTRATION RESULT</b>	<b>(\$34.50)</b>	<b>(\$34.26)</b>	<b>(\$29.45)</b>	<b>(\$29.35)</b>
<b>CARE RESULT</b>	<b>(\$13.96)</b>	<b>(\$6.79)</b>	<b>\$20.22</b>	<b>\$23.86</b>
<b>ACCOMMODATION</b>				
<b>Revenue</b>				
Residents	\$13.39	\$13.30	\$13.16	\$12.95
Government	\$18.83	\$17.36	\$18.71	\$15.11
	\$32.21	\$30.66	\$31.86	\$28.06
<b>Expenditure</b>				
Depreciation	-	-	-	-
Property rental	\$0.81	\$1.25	\$0.74	\$1.13
Other	-	-	-	-
	\$0.81	\$1.25	\$0.74	\$1.13
<b>ACCOMMODATION RESULT</b>	<b>\$12.27</b>	<b>\$11.15</b>	<b>\$13.19</b>	<b>\$9.76</b>
<b>ACH RESULT (\$pbd)</b>	<b>(\$1.69)</b>	<b>\$4.37</b>	<b>\$33.41</b>	<b>\$33.61</b>
<b>ACH RESULT (\$pbpa)</b>	<b>(\$582)</b>	<b>\$1,513</b>	<b>\$11,693</b>	<b>\$11,845</b>
<b>ACH EBITDAR (\$pbpa)</b>	<b>\$5,829</b>	<b>\$7,737</b>	<b>\$17,816</b>	<b>\$17,810</b>



## Summary of Results

### Revenue

- Increase in ACFI and supplements revenue by \$6.06 pbd. There has been a continued movement in the proportion of facilities from “low-care” bands to higher care bands - average ACFI subsidy per bed day increased from \$176.80 to \$180.99 partly as a result of the COPE (inflation) subsidy rate increases
- Increase in Every Day Living revenue by \$1.19 pbd with only a marginal increase in additional services revenue (average \$0.20 pbd)
- Increase in Accommodation revenue by \$1.55 pbd

### Expenses

- Increase in total direct care costs of \$9.82 pbd and increase of approximately 5.4 minutes per resident per day in total care hours (total direct care hours - 3.26 per resident per day)
- Increase in hotel services \$2.11 pbd (5.1%)
- Decrease in utilities of \$0.05 pbd (likely due to greater use of solar energy)
- Increase in administration of \$0.24 pbd (although a decrease in corporate costs of \$0.85 pbd)
- Increase in accommodation expenditure by \$0.44 pbd (2.3%)

### Operating Results

- Care result declined by \$7.17 pbd (to an overall average deficit of \$13.96 pbd)
- Accommodation result improved by \$1.12 pbd to an average of \$12.27 pbd
- Facility (ACH) result was a deficit of \$1.69 pbd (Sep-18 surplus \$4.37 pbd)
- Facility (ACH) EBITDAR decreased by \$1,908 per bed per annum to \$5,829 pbpa

### Additional Trends

- Occupancy - significant decrease from 94.92% to 93.91%
- Increase in supported resident ratio from 45.8% to 47.2%
- Increase in average Refundable Accommodation Deposit held and received during the year

Table 3: Summary KPI Results for Sep-19 Survey (All Facilities)

All Aged Care Homes (Average)	Jun-19 1045 Homes	Sep-19 984 Homes	Sep-18 946 Homes		Difference (YoY)
ACH RESULT (\$pbd)	(\$2.62)	(\$1.69)	\$4.37	↓	(\$6.06)
ACH RESULT (\$pbpa)	(\$904)	(\$582)	\$1,513	↓	(\$2,095)
ACH EBITDAR (\$pbpa)	\$5,531	\$5,829	\$7,737	↓	(\$1,908)
Average Occupancy	94.4%	93.9%	94.9%	↓	(1.0%)
Average ACFI (\$pbd)	\$177.79	\$180.99	\$176.80	↑	\$4.20
Direct care hours per resident per day	3.13	3.26	3.17	↑	0.09
ACFI services costs as a % of ACFI	83.8%	84.1%	80.5%	↑	3.6%
Supported ratio	47.6%	47.2%	45.8%	↑	1.4%
Average Full bond/RAD held	\$362,312	\$367,417	\$342,416	↑	\$25,001
Average Full RAD taken during period	\$402,384	\$406,763	\$382,409	↑	\$24,354

### Trend Analysis

The following graphs highlight the trends from Sep-12 quarter to the Sep-19 quarter respectively for both the Survey Average (all facilities) and the Survey First 25% (being the average of the first quartile of facilities).

The major concern is in relation to the facilities not in the first quartile of operating performance, as these will be under significant stress to remain financially viable.

The trends further indicate the increasing gap between the facilities in the first quartile (First 25%) and the overall average of all facilities. A further brief explanation is included below.

Figure 1: Facility Result (NPBT) for Survey Average (All) and Survey First 25% (expressed as \$ per resident bed day)

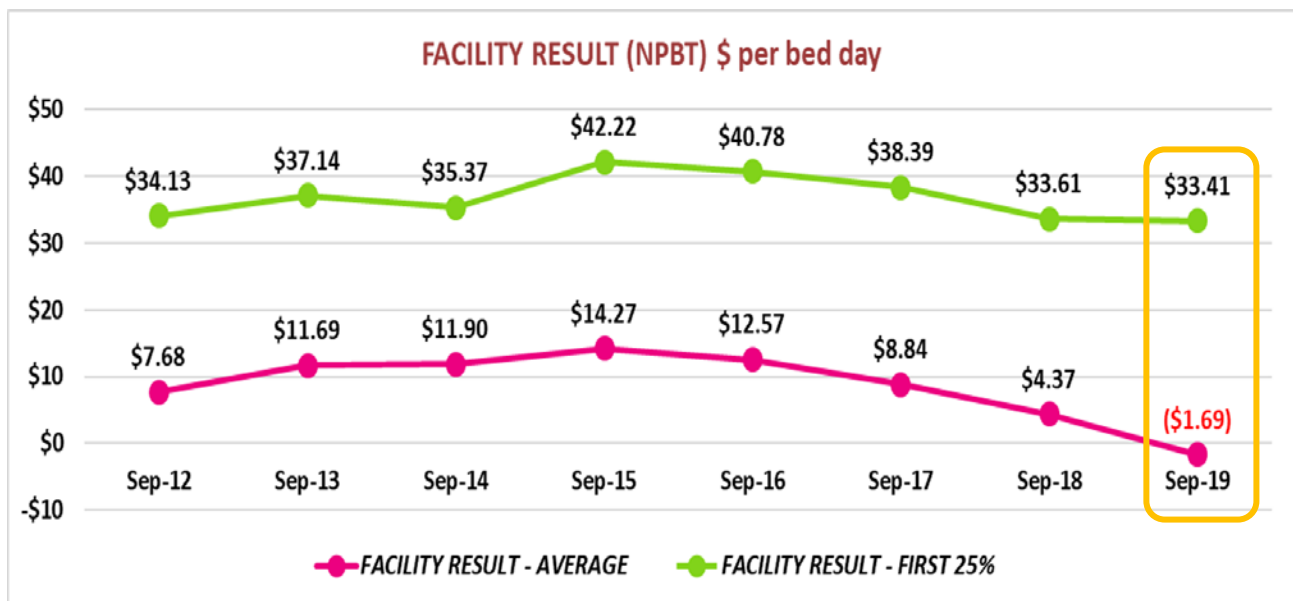
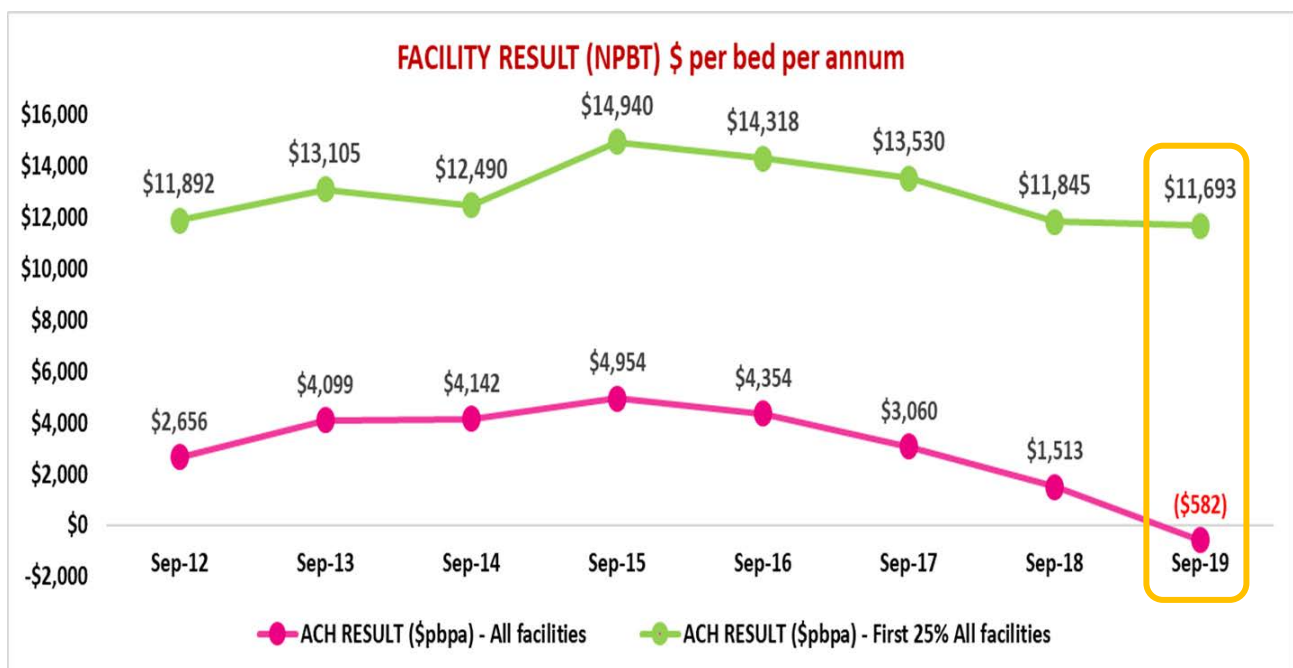


Figure 2: Facility Result (NPBT) for Survey Average (All) and Survey First 25% (expressed as \$ per bed per annum)



## Survey First 25% by Financial Performance

The analysis of the *First 25%* allows an understanding of how these facilities perform. By way of clarification, the Survey *Average* includes all residential homes, and the Survey *First 25%* is the average of the first quartile based on the Care Result.

It is also important to note that the *First 25%* is at facility (aged care home) level (not organisation level) and most large providers have individual facilities in each of the quartiles, due to the differing circumstances, including geographic/demographic, of each facility.

We analyse the *First 25%* of aged care homes (this categorisation is based on financial performance and not an indicator of quality of care) and find in most of them three characteristics:-

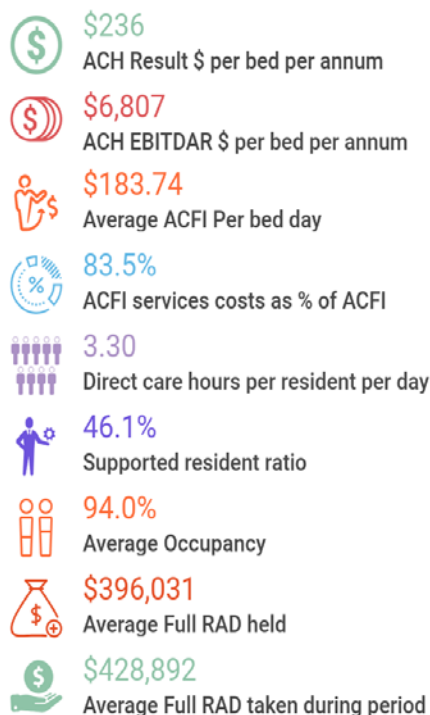
- ✓ **Stronger operational management at facility level**
- ✓ **Newer builds or major refurbishments that have amended the building design to be more efficient in resident and staff movements**
- ✓ **Increased use of technology as an aide for delivering care**

Table 4: Summary KPI Results for Sep-19 Survey (First 25%)

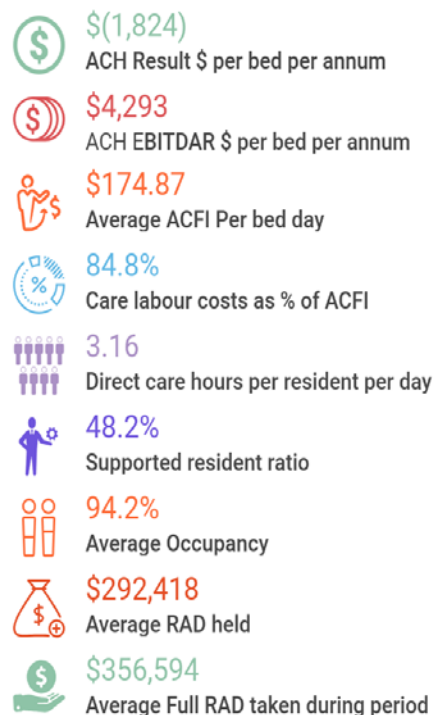
Survey First 25% Aged Care Homes	Jun-19 261 Homes	Sep-19 246 Homes	Sep-18 237 Homes		Difference (YoY)
ACH RESULT (\$pbd)	\$25.72	\$33.41	\$33.61	↓	(\$0.20)
ACH RESULT (\$pbpa)	\$9,045	\$11,693	\$11,845	↓	(\$152)
ACH EBITDAR (\$pbpa)	\$15,269	\$17,816	\$17,810	↑	\$6
Average Occupancy	96.4%	95.6%	96.5%	↓	(0.9%)
Average ACFI (\$pbd)	\$182.13	\$188.24	\$181.15	↑	\$7.09
Direct care hours per resident per day	2.85	3.05	2.91	↑	0.14
ACFI services costs as a % of ACFI	72.8%	72.4%	69.5%	↑	2.9%
Supported ratio	45.8%	44.6%	40.9%	↑	3.7%
Average Full bond/RAD held	\$368,474	\$375,097	\$348,574	↑	\$26,523
Average Full RAD taken during period	\$421,201	\$435,126	\$406,349	↑	\$28,776

## Snapshot: Sep-19 Aged Care Home (Facility) Results By ABS Region

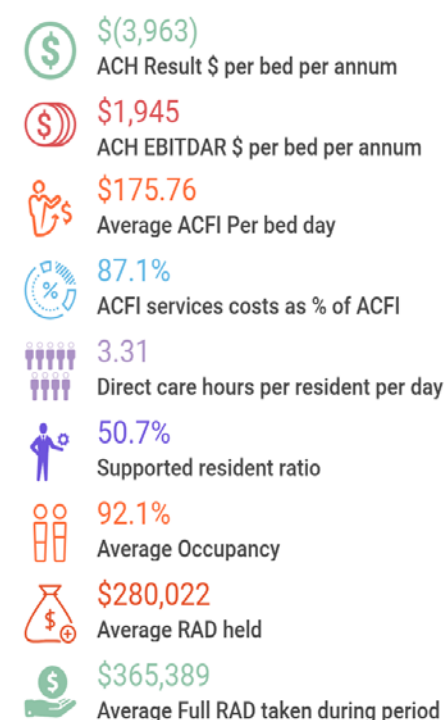
### Major Cities



### Inner Regional



### Rural and Remote

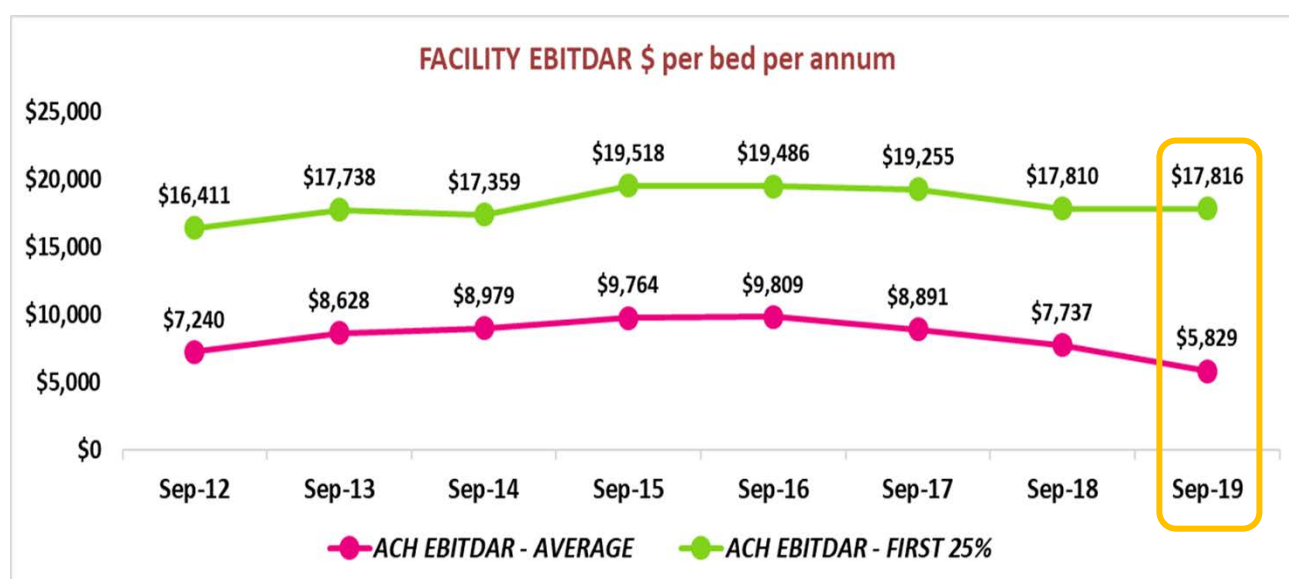


## Aged Care Home (Facility) EBITDAR Trend

The below graph shows the Facility EBITDAR (Earnings Before Interest, Taxation, Depreciation, Amortisation and Rent) trend year-on-year since 2012 for the September Survey period. Rent is included with normal EBITDA for this purpose as some homes have a rental expense (rather than depreciation) due to the home being in another entity.

At the Survey Average (All) facility level it is becoming increasingly difficult to remain financially sustainable. A return of \$5,829 per bed per annum is unlikely to be sufficient to refurbish or replace infrastructure or to attract the necessary capital to encourage investment within the residential aged care sector.

Figure 3: Facility EBITDAR trend (Sep-12 to Sep-19 Survey periods)



At a regional level these results deteriorate further - the average EBITDAR for a facility in outer regional, remote or very remote areas was \$1,945 for the Sep-19 quarter. It will be of interest to analyse the financial effects of the increase in the viability supplements for those facilities that qualify for it.

## Impact of Sep-19 Performance: Number of Facilities with Negative Facility Result (NPBT)

Please note the earlier comment that the following analysis is based on the financial operating performance at residential aged care home (facility) level - not at the organisation level.

The total percentage of aged care homes making an NPBT loss has risen from 41% to 51% year-on-year. The results have historically declined for the remaining three quarters, so we would anticipate the percentage to increase further from a recurrent-trend perspective.

The total percentage of facilities making an EBITDAR (cash) loss is over 27% of the 984 facilities participating in the Survey. (A further 59 facilities were excluded from the Survey due to being outside the acceptable range due to having sanctions, undergoing a major rebuild or refurbishment or data not complete or accurate).

Figure 4: Analysis of Facilities making NPBT losses (by remoteness) in total Survey

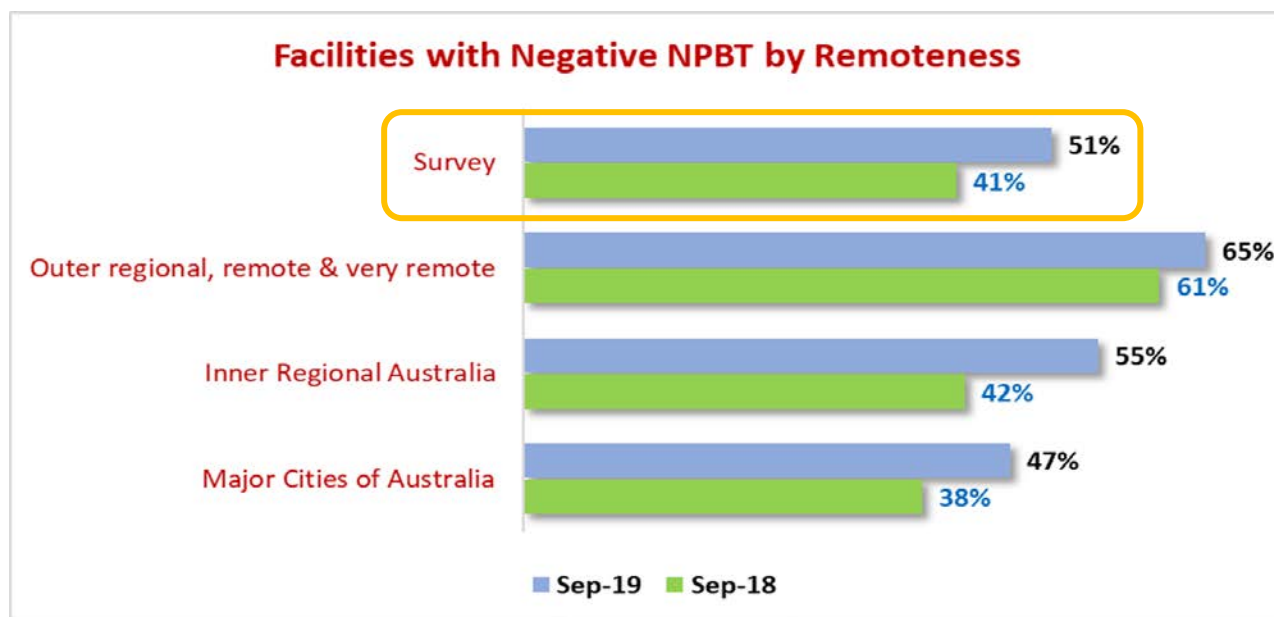
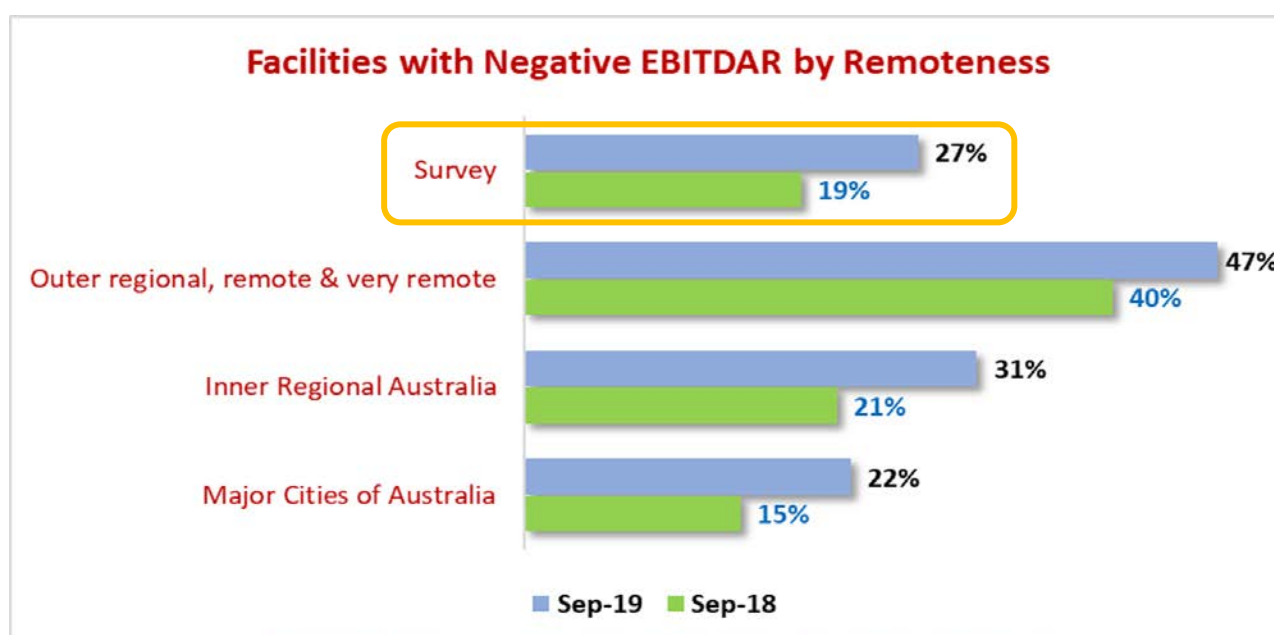


Figure 5: Analysis of Facilities making EBITDAR (cash) losses (by remoteness) in total Survey



**Brief commentary**

Figures 4 and 5 (above) graph the number of aged care homes making an NPBT (operating) and EBITDAR loss as a percentage of total number of aged care homes in their respective geographic location (i.e. with the same degree of remoteness). For each location the number of aged care homes reporting a loss for the Sep-19 is significant, as follows:-

- ◆ Outer regional/remote/very remote facilities - 65% of facilities in this geographic area made an NPBT loss and 47% made an EBITDAR (cash) loss
- ◆ Inner regional facilities - 55% made an NPBT loss and 31% made an EBITDAR loss
- ◆ Similarly, of the facilities located in major cities, some 47% made an NPBT loss and 22% made an EBITDAR loss

## Direct Care Staffing Hours

Direct Care staffing metrics include care staff costs and care staff hours. Improvement in the financial performance of an aged care home is directly related to appropriately aligning staffing hours and levels to the funding, and to ensuring that the design of the facility is operationally efficient.

The table below summarises the direct care staff hours by category per resident per day for the Survey Average and Survey First 25%.

Table 5: Direct Care staffing metrics for Survey Average and Survey First 25%

	Survey Average			Survey First 25%		
	Sep-19	Sep-18		Sep-19	Sep-18	
<b>Hours by Staff Category - hours worked per resident per day</b>						
Care management	0.11	0.11	↑	0.10	0.10	↓
Registered nurses	0.41	0.39	↑	0.39	0.33	↑
Enrolled & licensed nurses	0.33	0.36	↓	0.22	0.29	↓
Other unlicensed nurses & personal care staff	2.20	2.13	↑	2.11	2.01	↑
Allied health & lifestyle	0.18	0.16	↑	0.19	0.16	↑
Imputed agency care hours implied	0.02	0.02	↑	0.04	0.02	↑
<b>Total Care Hours</b>	<b>3.26</b>	<b>3.17</b>	<b>↑</b>	<b>3.05</b>	<b>2.91</b>	<b>↑</b>

### Brief commentary

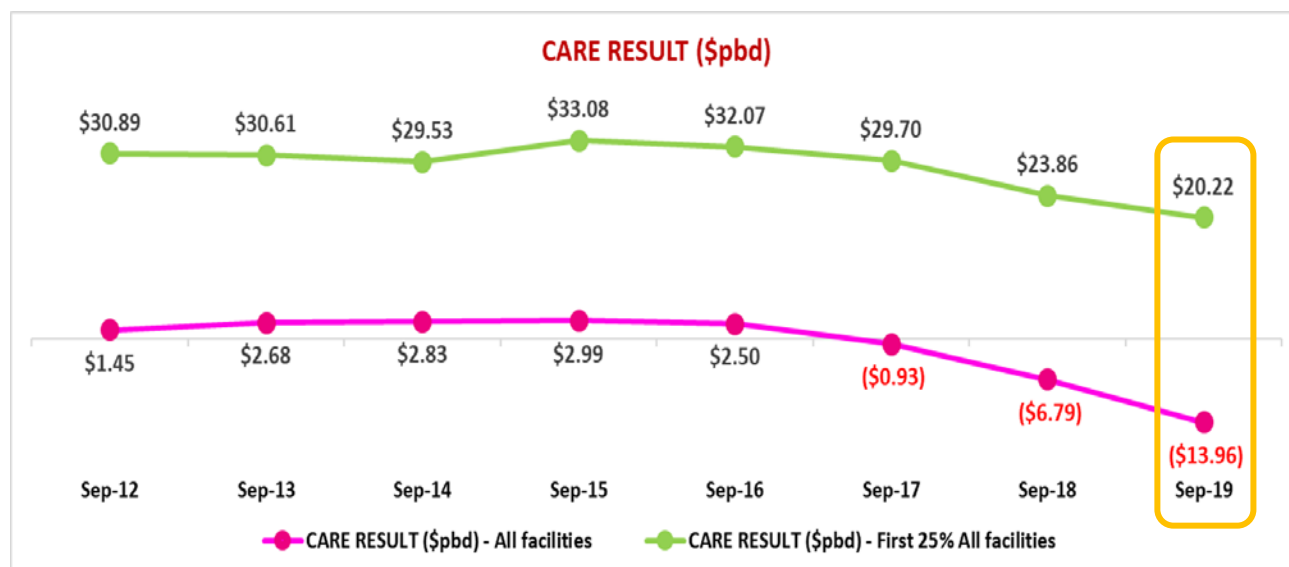
- ◆ The category allocations are consistent with that used by the Nurses and Midwifery Board of Australia, and accordingly AIN and TAFE qualified staff come under the “Other unlicensed nurses & personal care staff” classification
- ◆ Total labour costs have increased for both the Survey Average and First 25% since Sep-18 by 6.9% and 6.3% respectively
- ◆ Total care hours have increased for both the Survey Average and for the First 25% by 2.8% and 4.8% respectively, and are now at 3.17 hours and 3.05 hours worked per resident per day respectively
- ◆ The financial impact (cost) of increasing staffing hours and rates of pay will be a defining issue that needs to be addressed. Higher staffing costs will require significant additional funding (government and consumer)

### Care Result

The Care Result (ACFI + Everyday Living + Administration) trend is shown in the below graph. The Sep-19 Facility Care result is a deficit of \$13.96 per bed day (Sep-18 \$6.79 pbd deficit). This continued decline represents an unsustainable operating performance unless additional care related revenue is achieved.

Significantly, the Care result for the Survey First 25% has also deteriorated by \$3.64 per bed day, and this is a further indication that the funding model needs a complete review to ensure that necessary targeted funding increases are implemented.

Figure 6: Care Result Trend for Survey Average and Survey First 25% (expressed as \$ per resident bed day)



### Care Result by Region

The below table shows the Care result is further eroded at regional level and is currently at a very critical impasse. As noted previously, the Accommodation result is required to support the Care deficits. This is not a long term strategy, as it will impact the ability of providers to maintain and upgrade the standard of accommodation, which will place an additional strain on the delivery of care and occupancy levels.

Table 6: Care result by region (expressed as \$ per resident bed day)

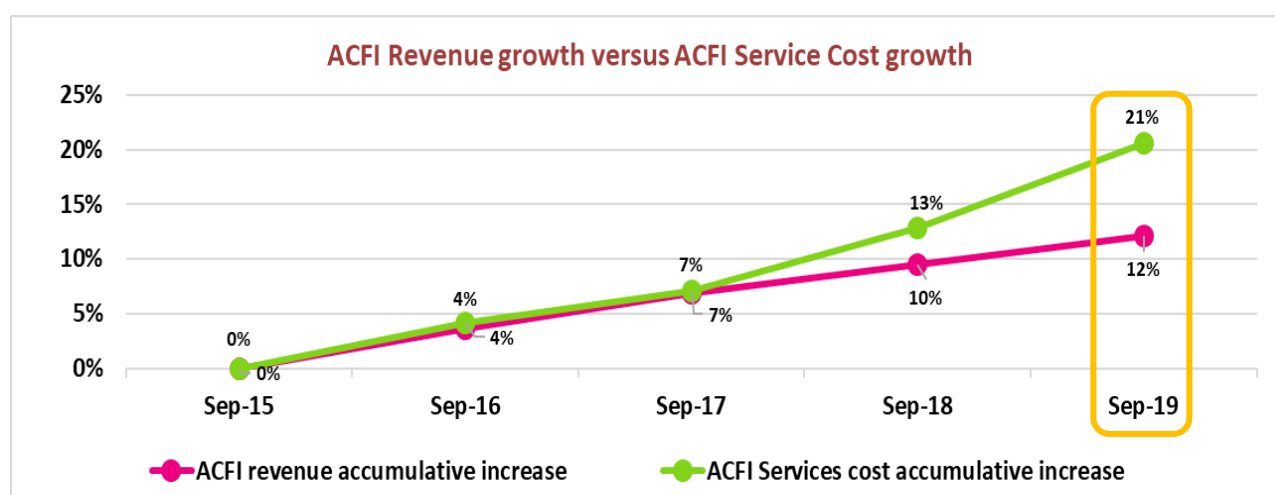
Summary Results (Sep-19 quarter)	Major Cities 640 Homes	Inner Regional 249 Homes	Rural & Remote 95 Homes
ACFI result	\$30.26	\$26.51	\$22.70
Everyday living result	(\$6.90)	(\$9.96)	(\$15.02)
Administration result	(\$34.25)	(\$34.73)	(\$35.99)
=			
Care Result	(\$10.89)	(\$18.18)	(\$28.31)
+			
Accommodation Result	\$11.58	\$12.89	\$16.55
=			
ACH RESULT (\$pbd)	\$0.68	(\$5.29)	(\$11.76)
ACH RESULT (\$pbpa)	\$236	(\$1,824)	(\$3,963)
ACH EBTDAR (\$pbpa)	\$6,807	\$4,293	\$1,945



## ACFI Revenue and Direct Care Costs Trend

The relationship between ACFI subsidy received (based on resident assessed acuity) and direct care costs remains a key driver for maintaining a sustainable operating financial model. The graph below indicates that the direct care costs are now rising at a greater rate than the corresponding ACFI subsidy, and this gap is likely to increase as staff cost increases (average of 3.0% annually) are greater than ACFI COPE (inflation) increases (1.4% for FY20).

Figure 7: Cumulative increases in ACFI subsidy and Direct Care costs as compared to CPI



## Everyday Living Result

The recoupment of everyday living costs continues to be a financial concern for approved providers. Whilst opportunities exist to charge additional optional services to residents, several challenges exist in this regard. A major issue is in relation to supported residents who, by majority, do not have the financial means to pay for additional services, or indeed pay a higher Basic Daily Fee (85% of the single pension).

With a supported resident ratio averaging in excess of 47.6% across all aged care facilities, this will continue to be an issue for providers in addressing the introduction of additional services.

For the Sep-19 quarter the costs of providing everyday living services exceeded the revenue by \$8.25 pbd (Sep-18 \$6.93 pbd). The table below provides a summary of Everyday living revenue and expenses.

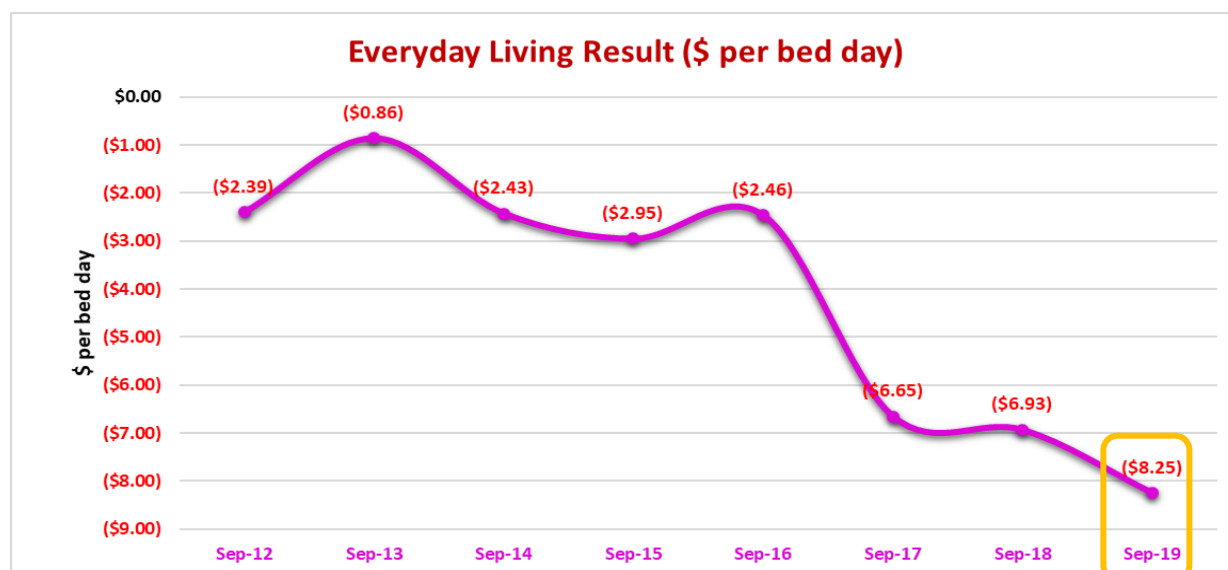
Table 7: Everyday living revenue and expense summary (expressed as \$ per resident bed day)

All Aged Care Homes (Average)	Jun-19 1045 Homes	Sep-19 984 Homes	Sep-18 946 Homes	YoY Movement
Basic daily fee	\$50.67	\$51.14	\$50.15	↑
Other resident income	\$1.65	\$1.72	\$1.52	↑
<b>Everyday Living revenue</b>	<b>\$52.32</b>	<b>\$52.86</b>	<b>\$51.67</b>	↑
Hotel services	\$42.40	\$42.70	\$40.58	↑
Allocation of W/Comp to hotel services	\$0.45	\$0.48	\$0.49	↓
Utilities	\$7.06	\$7.34	\$7.39	↓
Maintenance costs (regular) and motor vehicles	\$10.67	\$10.38	\$9.97	↑
Quality and education allocation to everyday living	\$0.19	\$0.20	\$0.18	↑
<b>Everyday living expenses</b>	<b>\$60.77</b>	<b>\$61.11</b>	<b>\$58.61</b>	↑
<b>Everyday Living Result</b>	<b>(\$8.45)</b>	<b>(\$8.25)</b>	<b>(\$6.93)</b>	↓

## Everyday Living Result Trend Analysis

The below graph shows the trend of Everyday living results (revenue less expenditure).

Figure 8: Everyday Living Result trend graph

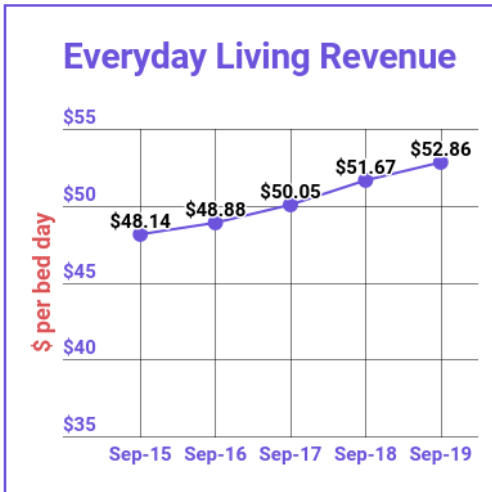


The Everyday Living Result has declined over the past 7 years by an average of **\$5.86** per bed day and by **\$9.11** per bed day from the peak result (Sep-13). In the past 12 months, the Everyday Living Result has declined by an average of **\$1.32** per bed day.

It is clear that the increase in the Basic Daily Fee has not kept pace with cost increases, particularly in catering, cleaning and laundry costs. As noted above, providers have had difficulty in introducing an effective strategy for additional services to overcome this shortfall so that these costs are being subsidised by other income streams.

Whilst an indirect care cost, everyday living services are essential to resident care, and deficits in this area can only be funded by care subsidies (ACFI) which could therefore have a resultant effect on direct care staffing hours to absorb some of these everyday living costs.

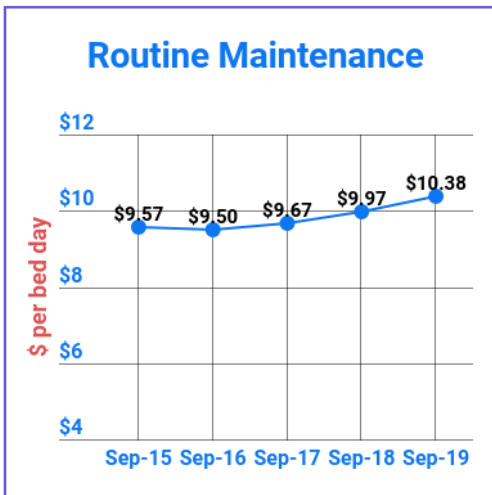
*StewartBrown continues to recommend that consideration be given to increasing the Basic Daily Fee base amount by up to \$10 per bed day. Supported residents should be funded by additional subsidy to ensure equity. Such an increase in the base amount will improve the financial sustainability of residential aged care significantly.*



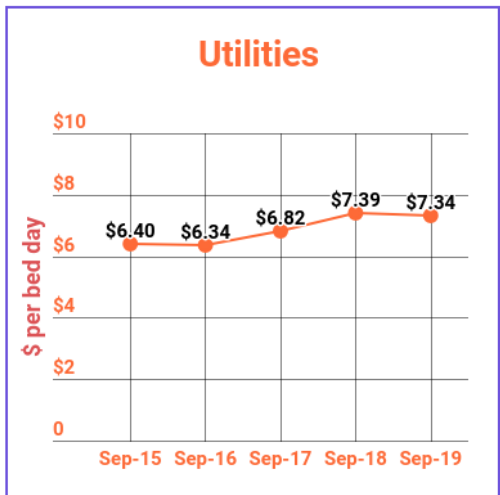
Since Sep-15 Everyday Living Revenue increased by an average of **\$4.72** per bed day or **9.8%**



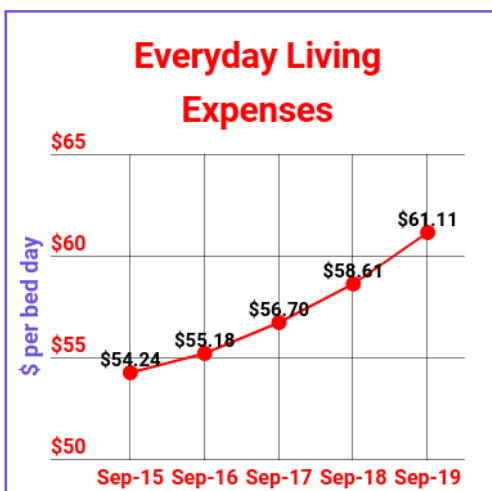
Hotel services costs increased by an average of **\$5.13** per bed day or **13.5%**



Routine Maintenance costs increased by an average of **\$0.81** per bed day or **8.5%**



Utility costs increased by an average of **\$0.95** per bed day or **14.8%**



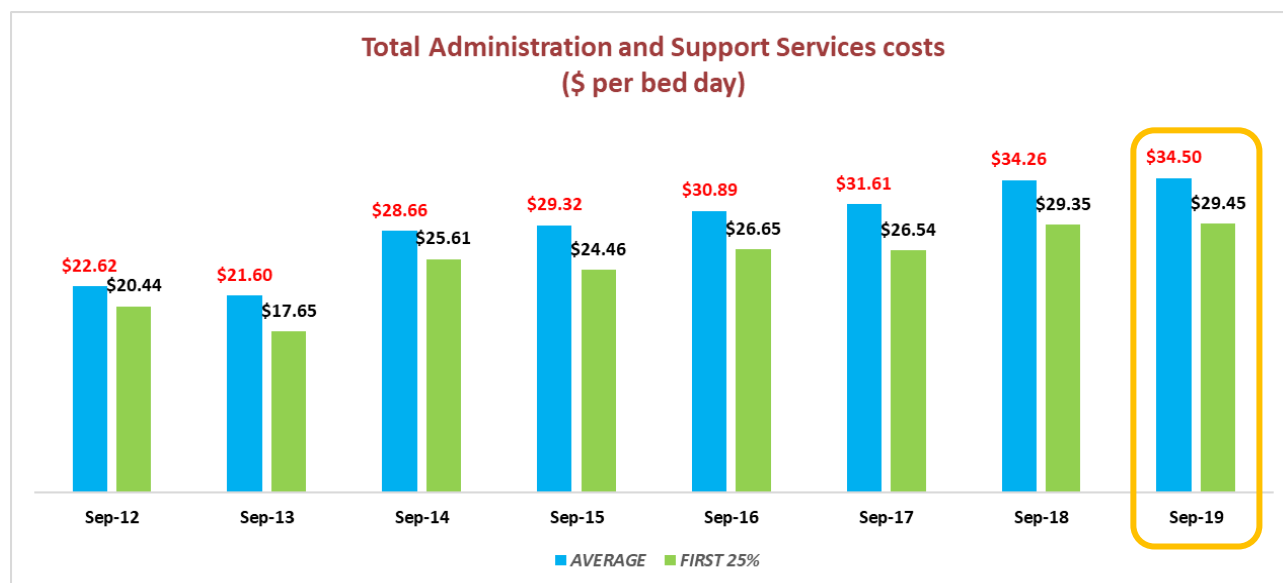
Total Everyday Living Expenses have increased by an average of **\$6.87** per bed day or **12.7%** during the same period that revenue increased by only **\$4.72** per bed day

## Administration Costs

Administration costs have increased at a lower rate than CPI for the Sep-19 quarter, with a significant reduction in corporate costs being observed.

It is likely that administration costs will increase for the remainder of this financial year due to increased compliance costs associated in relation to the new quality standards and greater scrutiny on direct care staffing costs and care service delivery by consumers and stakeholders.

Figure 9: Administration Costs Trend (\$ per bed day)



## Accommodation Result

StewartBrown advise on the importance for aged care homes in achieving a surplus from the Accommodation Result, due to this result being essential for the continued upkeep of the building and surroundings in line with consumer expectations. Discussions with providers, coupled with data collected from participants, indicate that a policy of a major internal refurbishment every 8 - 10 years may be required, even for new builds.

The Accommodation Surplus for Sep-19 quarter was \$12.27 per bed day (Sep-18 \$11.15 pbd) which represents \$4,216 per room per annum. The increase in the percentage of new residents paying a Daily Accommodation Payment (DAP) rather than a RAD has been a contributing factor. This result is achieved after an average depreciation expense of \$6,115 pa.

As noted previously, the concern is that currently the surplus from the Accommodation Result is being used to offset the loss from the Care Result. In the Sep-19 the Care Result was a deficit of \$13.96 per bed day which, if funded from the Accommodation Result, impacts on the ability of organisations to fund future refurbishment of a facility.

The Survey makes a clear delineation between the Care revenue and expenses (which are based on resident acuity and needs) and the Accommodation revenue and expenses which relate to the standard and quality of accommodation.

Table 8: Residential Care Accommodation Result for Survey Average and First 25% for Sep-19 and Sep-18

	Survey Average			Survey First 25%		
	Sep-19	Sep-18		Sep-19	Sep-18	
	\$ pbd	\$ pbd		\$ pbd	\$ pbd	
<b>Accommodation Revenue</b>	<b>32.21</b>	<b>30.66</b>	<b>↑</b>	<b>31.86</b>	<b>28.06</b>	<b>↑</b>
Depreciation	17.84	16.72	↑	16.75	15.80	↑
Refurbishment	0.23	0.24	↓	0.22	0.24	↓
Other accommodation costs	1.87	2.55	↓	1.71	2.26	↓
<b>Accommodation Expenses</b>	<b>19.94</b>	<b>19.50</b>	<b>↑</b>	<b>18.68</b>	<b>18.30</b>	<b>↑</b>
<b>Accommodation Result</b>	<b>\$12.27</b>	<b>\$11.15</b>	<b>↑</b>	<b>\$13.19</b>	<b>\$9.76</b>	<b>↑</b>
<b>Accommodation Result \$pbpa</b>	<b>\$4,216</b>	<b>\$3,864</b>	<b>↑</b>	<b>\$4,615</b>	<b>\$3,437</b>	<b>↑</b>
<b>Depreciation charge \$pbpa</b>	<b>\$6,115</b>	<b>\$5,792</b>	<b>↑</b>	<b>\$5,845</b>	<b>\$5,565</b>	<b>↑</b>
<b>Depreciation charge \$pbpa for WDV of \$200,000 per bed at 4%</b>						<b>\$8,000</b>
<b>Depreciation charge \$pbpa for new build of \$325,000 per bed at 4%</b>						<b>\$13,000</b>

### Accommodation Result Trend

The below graph indicates that there has been a steady improvement in the Accommodation result, albeit not being of a sufficient amount to ensure future sustainability.

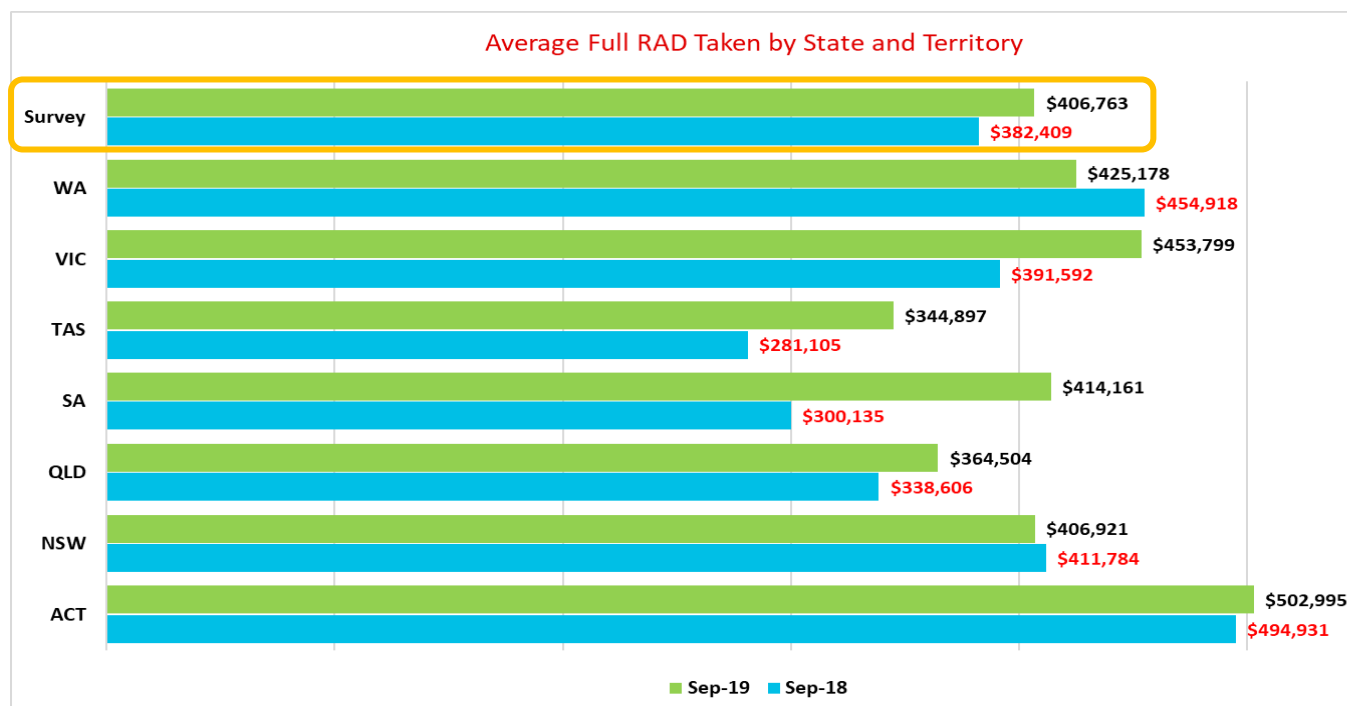
Figure 10: Residential Care Accommodation Result Trend (expresses as \$ per bed per annum)



### Accommodation Pricing

We have observed a rise in the average published accommodation prices during the yes-on-year period to Sep-19. This has resulted in the average amount of Refundable Accommodation Deposits (RADs) received during the period increasing in most States. Accommodation pricing is an important component for the sustainability of a residential care home. It is a revenue benefit (DAP) or a capital benefit (RAD) depending upon the equity position of the organisation.

Figure 11: Average Refundable Accommodation Deposits Received for Sep-19 and Sep-18



Continuing feedback from both providers and consumers indicates that there is still some community lack of understanding about the pricing of residential aged care accommodation. This has had an effect with some providers not having an effective strategy for accommodation pricing.

The acuity (care needs) of a resident is directly related to the ACFI funding and expenditure. Everyday living expenses are offset against the Basic Daily Fee and additional services (if charged).

Accommodation pricing is not assessed on care needs but on the standard of accommodation and the financial ability of an incoming resident to meet the price through either a RAD, DAP or a combination of both. The consumer expectation that the standard of accommodation, and accordingly the pricing, is relative to direct care provided is somewhat misconstrued.

A higher accommodation price should not directly correlate to a higher standard of direct care.

Accommodation pricing strategies need be more targeted to the appropriate return on the asset (building plus land value) and cognisant with local house or unit prices in the respective geographic area. The accommodation pricing strategy should also consider other factors such as:

- Amenity and general standard of accommodation offered
- Target market including linking standard of accommodation to prospective residents who are likely to pay for additional services
- Common areas and other facilities available to residents and their families
- Cost to build in the construction of the aged care home, and the quality of accommodation
- Level of competition in target catchment area

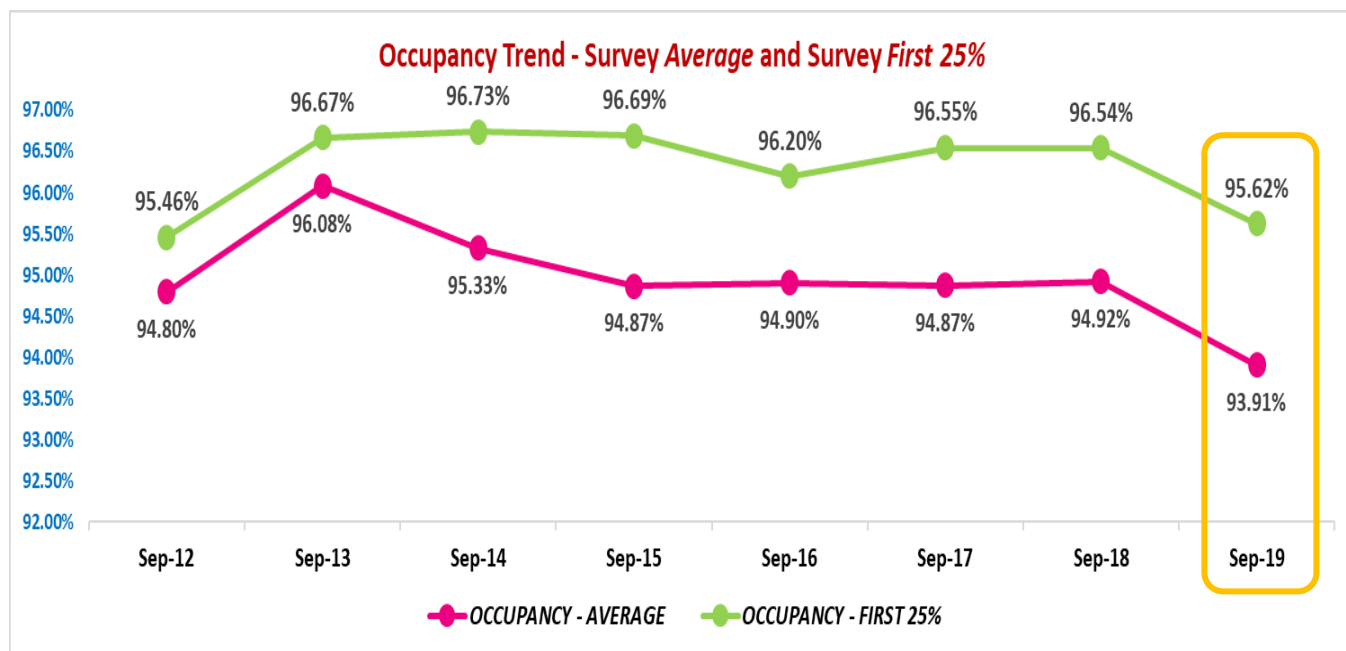
## Occupancy

The occupancy percentage has suffered a significant decline to be 93.91% nationally (94.92% at Sep-18) with the *First 25%* of providers (based on Care Result) having an average occupancy of 95.62% (96.54% at Sep-18).

*Please note that the DOH calculates occupancy on approved places (and unfilled places as advised by providers) whereas StewartBrown calculates the occupancy based on number of operational (available) places for mature homes, which excludes off-line places due to refurbishment or other strategic reasons.*

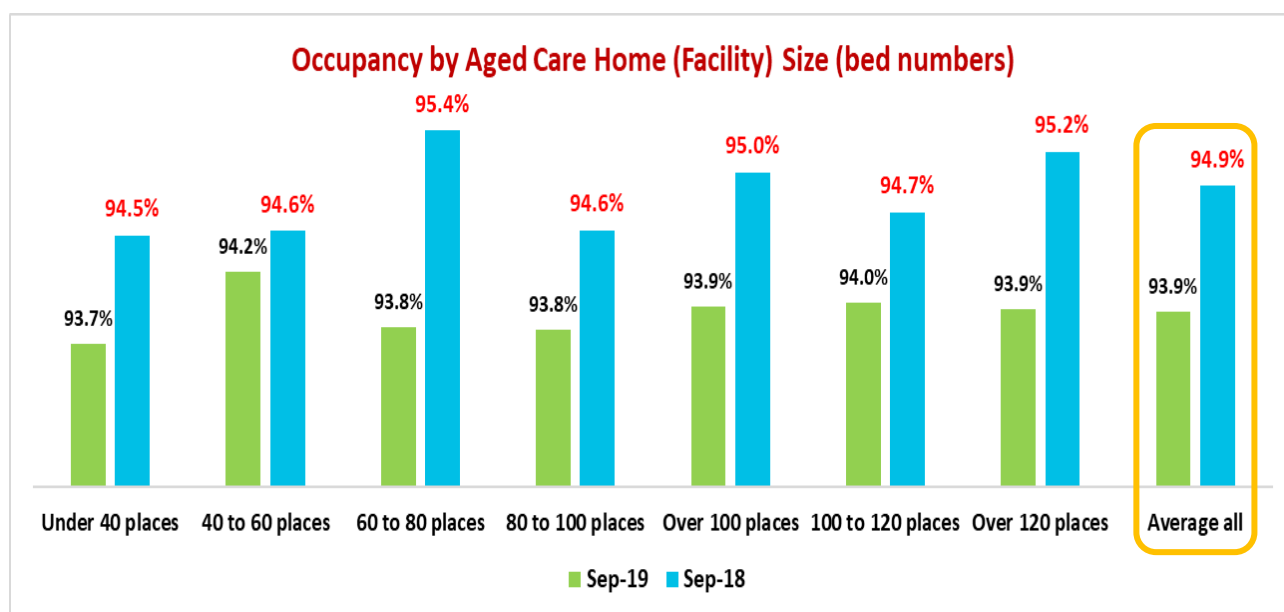
A trend analysis of occupancy levels is included in the figure below.

Figure 12: Occupancy Percentage Trend Analysis



It is also interesting to analyse the occupancy levels categorised by the size (number of beds) of the residential aged care home. The figure below suggests that whilst there are variances, they are not materially different.

Figure 13: Occupancy percentages by facility size



## 4. HOME CARE ANALYSIS

### Overview

For the Sep-19 quarter, there has been an improvement in the financial performance of Home Care Package providers for both the *Survey Average (All)* and *Survey First 25%*.

The overall *Survey Average* NPBT result was a surplus of \$6.35 per client day (Sep-18 \$3.49 pcd) all revenue bands (based on care recipient acuity mix) showing an improved performance in comparison to the Sep-18 quarter. The *Survey First 25%* also had an increase in surplus to \$21.38 pcd (Sep-18: \$17.53 pcd).

#### Revenue

- Increased by 0.6%
- Pricing pressure continues due to increased competition
- Revenue utilisation declined from 86.7% (Sep-18) to 85.9%
- Higher average unspent funds (Sep-19 \$7,295 per client compared to Sep-18 \$6,720 per client) which would represent an aggregate of around \$800 million nationally

#### Expenses

- Decreased by 3.7%
- Direct service costs decreased by \$2.44 pcd
- Cost of direct service and brokered/sub-contracted as a percentage of total income has reduced to 58.4% from 59.8% (Sep-18)
- Decrease in case management and advisory by 8.25% (likely due to pricing transparency reform)
- Decrease in administration costs by 5.8%

For both the *Survey Average* and *First 25%* the profitability increased in all revenue bands due to a reduction in costs (including direct care costs) and the consequent reduction in staff hours per care recipient.

Table 9: Summary KPI Results for Sep-19 Survey (All programs)

	Jun-19 34,999 packages	Sep-19 33,269 packages	Sep-18 26,671 packages		Difference (YoY)
Total revenue \$ per client per day	\$72.22	\$72.58	\$72.15	↑	\$0.43
NPBT per client per day	\$3.65	\$6.35	\$3.49	↑	\$2.86
EBITDA per client per annum	\$1,474	\$2,457	\$1,419	↑	\$1,038
Average total staff hours per client per week	6.10	5.84	6.96	↓	(1.12)
Median growth rate	6.84%	5.00%	0.00%	↑	5.0%
Revenue utilisation rate for the period	89.3%	85.9%	86.7%	↓	(0.8%)
Average unspent funds per client	\$6,995	\$7,295	\$6,720	↑	\$575
Cost of direct care & brokered services as % of total revenue	61.7%	58.4%	59.8%	↓	(1.4%)
Case management & coordination costs as % of total revenue	9.2%	9.2%	10.1%	↓	(0.9%)
Administration & support costs as % of total revenue	23.5%	23.2%	24.7%	↓	(1.6%)
Profit Margin	5.1%	8.7%	4.8%	↑	3.9%



## Financial Performance Measures

The following figures provide an analysis of the financial performance (profitability) for the Survey Average (all packages) based on several metrics.

Figure 14: Comparison of Survey Average NPBT (Net Profit Before Tax) for periods ending Sep-19 and Sep-18

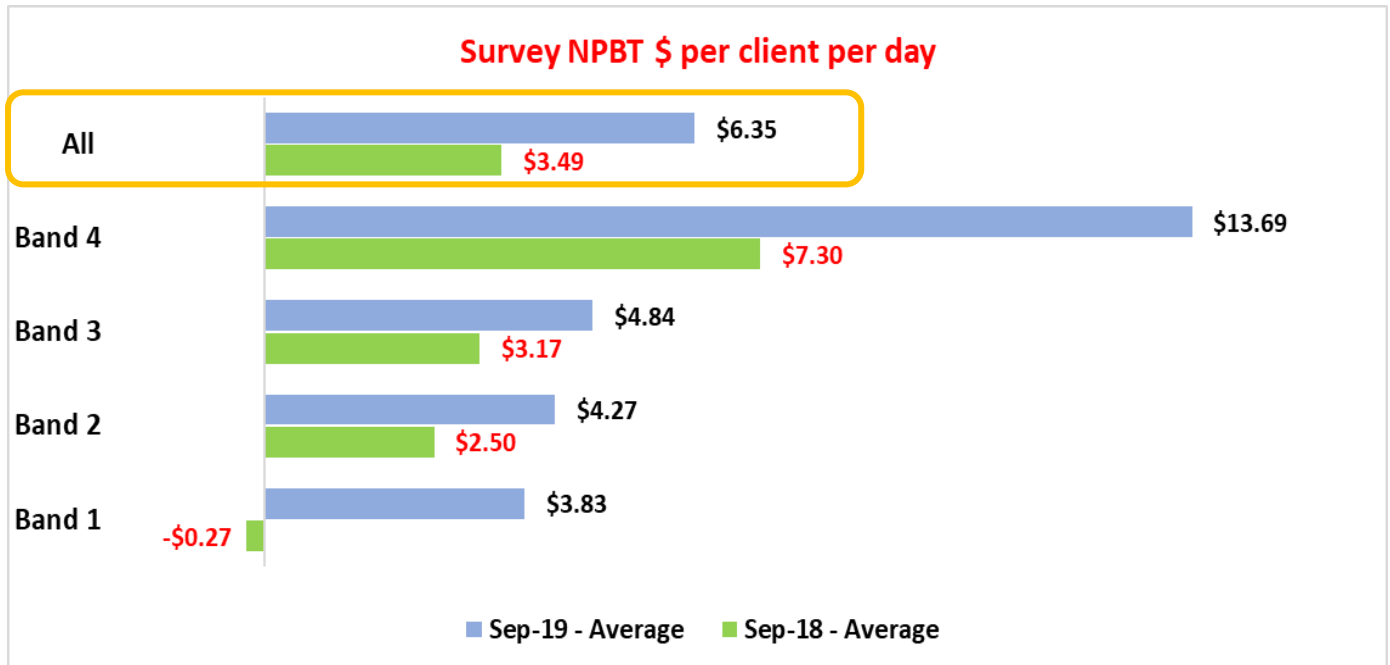


Figure 15: Comparison of Survey Average EBITDA per client per annum for periods Sep-19 and Sep-18

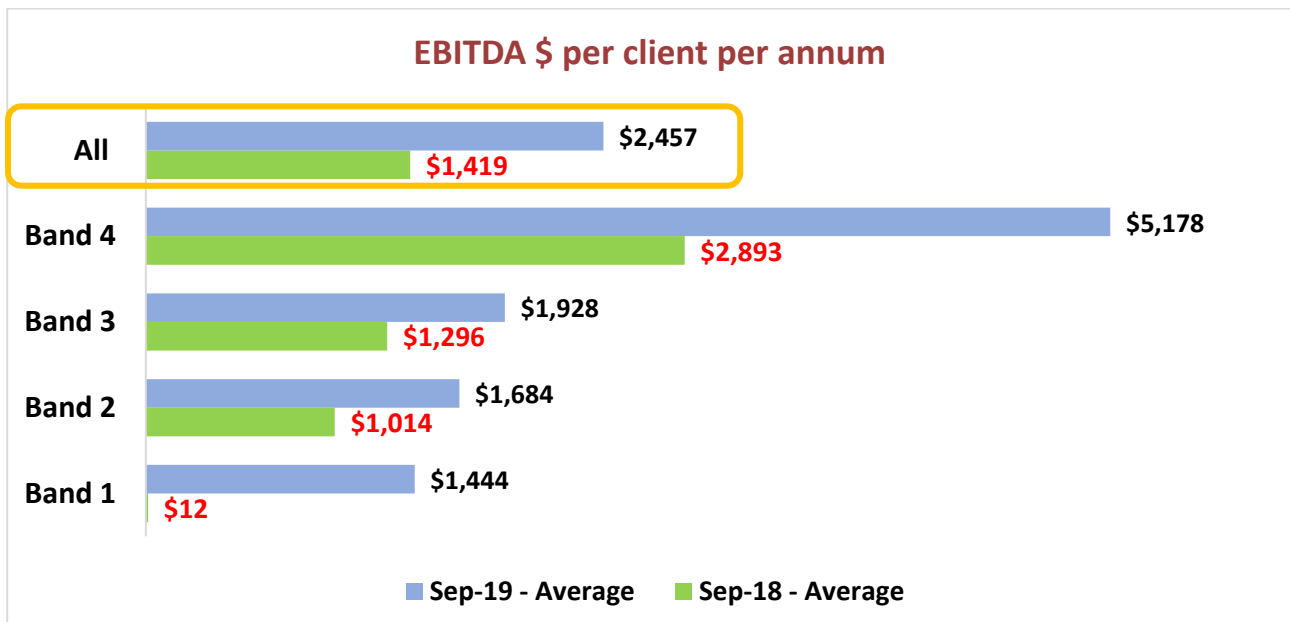
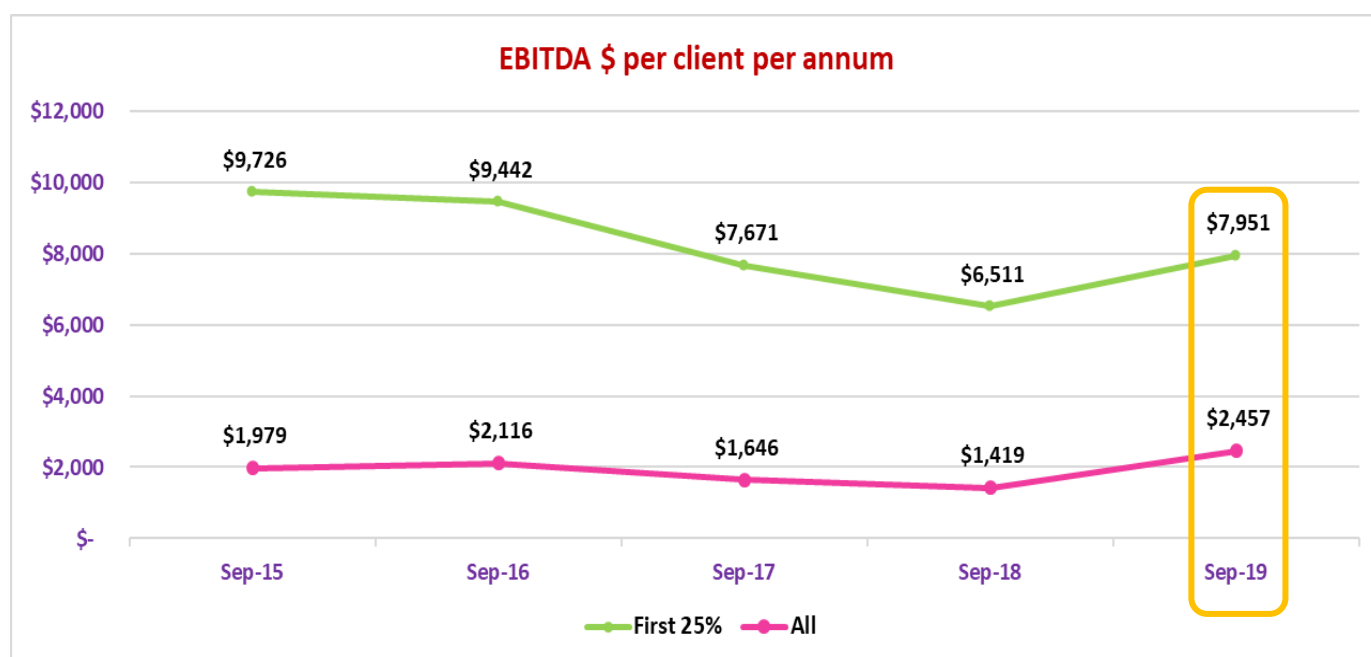


Figure 16: Comparison of Survey Average and Survey First 25% EBITDA (\$ per client per annum) trends



The trend graph above clearly shows the initial decline, then rise, in operating results since the introduction of Consumer Directed Care, both movements being more pronounced with the Survey *First 25%* than the Survey *Average*.

## NPBT for Survey *First 25%*

Table 10: Summary KPI Results for Sep-19 Survey *First 25%*

	Jun-19 5,963 packages	Sep-19 6,655 packages	Sep-18 4,541 packages		Difference (YoY)
Total revenue \$ per client per day	\$90.05	\$93.05	\$88.27	↑	\$4.78
NPBT per client per day	\$18.28	\$21.38	\$17.53	↑	\$3.84
EBITDA per client per annum	\$6,855	\$7,951	\$6,511	↑	\$1,440
Average total staff hours per client per week	6.55	7.21	7.91	↓	(0.69)
Median growth rate	7.55%	4.30%	0.00%	↑	4.3%
Revenue utilisation rate for the period	89.9%	85.7%	87.5%	↓	(1.8%)
Average unspent funds per client	\$6,990	\$7,113	\$6,530	↑	\$583
Cost of direct care & brokered services as % of total revenue	51.4%	50.9%	50.0%	↑	0.9%
Case management & coordination costs as % of total revenue	7.3%	8.5%	8.4%	↑	0.1%
Administration & support costs as % of total revenue	20.5%	17.2%	21.3%	↓	(4.1%)
Profit Margin	20.3%	23.0%	19.9%	↑	3.1%

The NPBT performance of the Survey *First 25%* for Sep-19 improved for the quarter similarly to the Survey *Average*. The predominant reasons also relate to increased revenue per client day (5.4%) reduction of direct care costs (due to lower staff hours per care recipient) and lower administration costs.

Figure 17: Comparison of Survey First 25% NPBT (operating surplus) Sep-19 and Sep-18

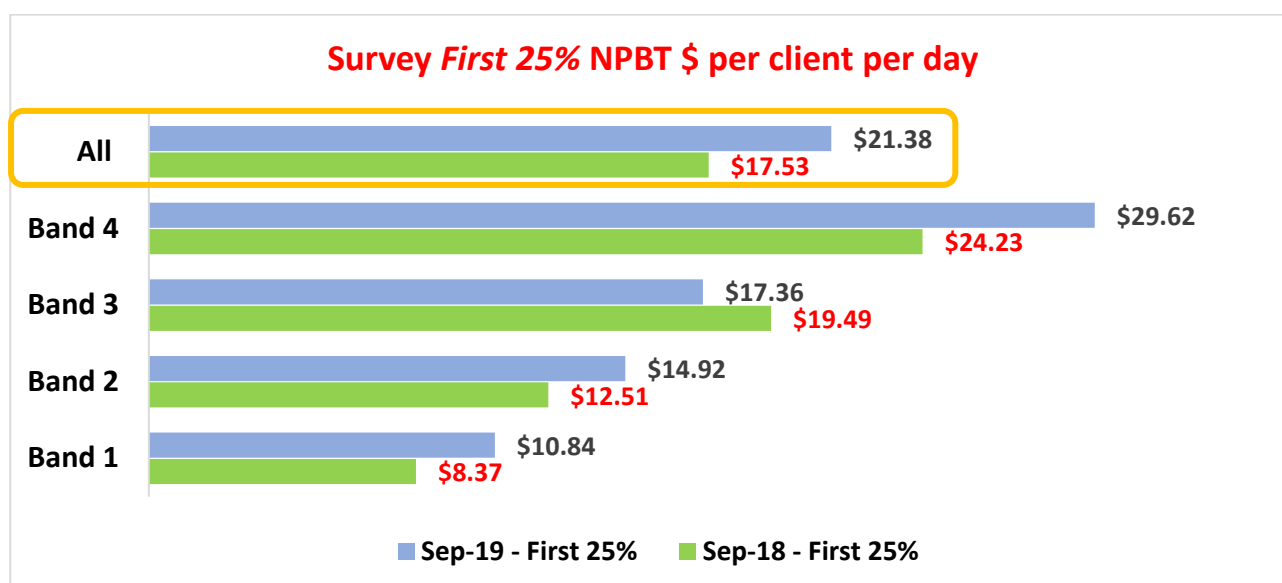
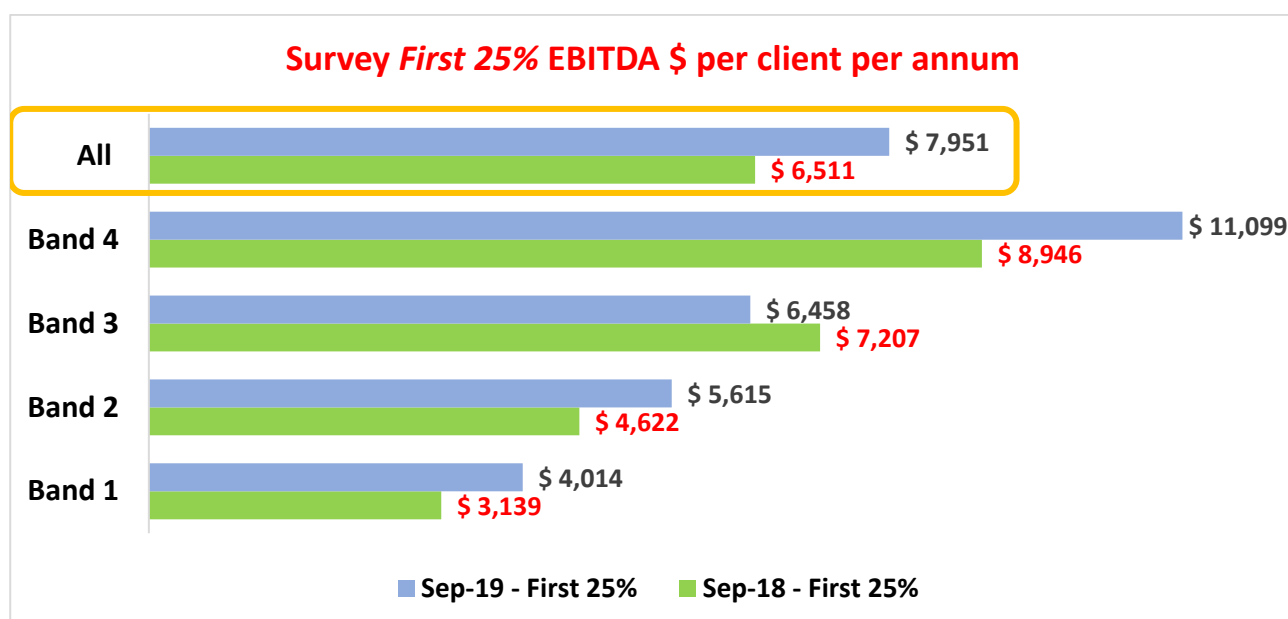


Figure 18: Comparison of Survey First 25% EBITDA per client per annum Sep-19 and Sep-18

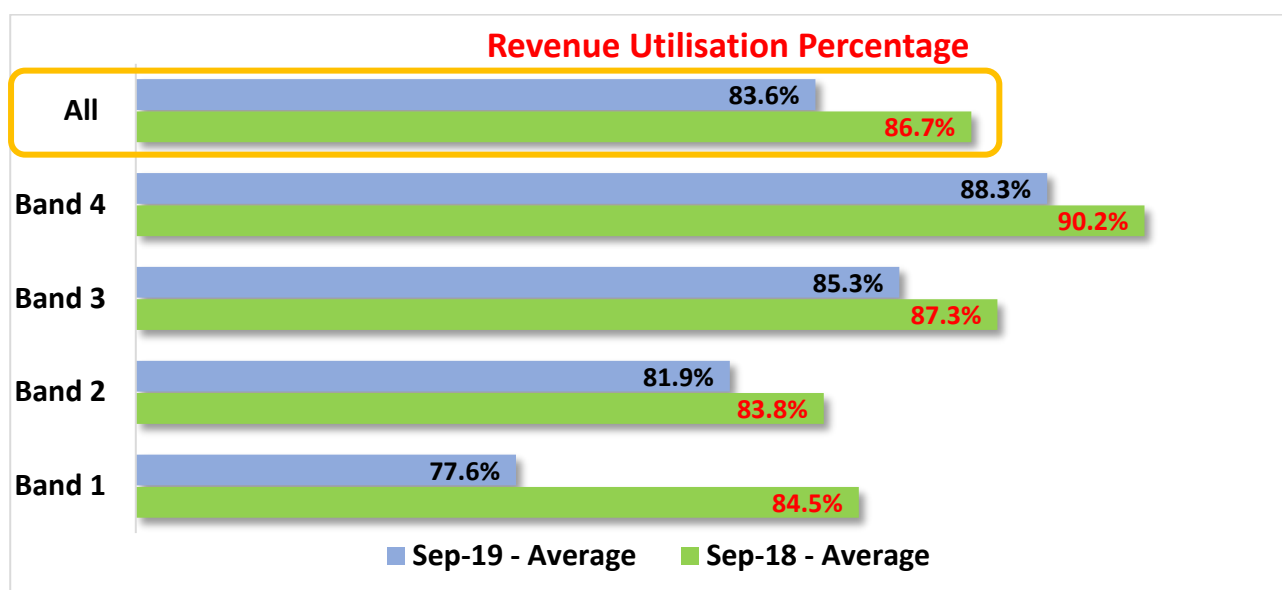


## Revenue Utilisation

There had been a continued decline in revenue utilisation since FY16 year-on-year trend including for the Sep-19 quarter. Revenue utilisation decreased to 85.9% at Sep-19 (Survey First 25% was 85.7%). This would affect profitability due to the fixed overhead costs being spread over slightly improved revenues and variable costs remaining proportional to revenue levels.

There requires an ongoing improvement in revenue utilisation to be a strategic priority for the remainder of FY20, and if possible, this should be through the provision of additional services directly by providers based on the care needs and agreed services of the care recipient.

Figure 19: Revenue Utilisation comparison for Sep-19 and Sep-18



### Unspent Funds

As noted by the Government in the recent reform consultations in relation to the funding model, the continued increase in the quantum of unspent funds per client is a major issue. The average unspent funds per care recipient has risen for the Sep-19 quarter to \$7,295.

StewartBrown estimates the unspent funds liability at the end of the Sep-19 quarter to be in aggregate around \$800 million and this is likely to be over \$900 million as at FY20 year-end in the current funding model. Most of this balance of unspent funds relates to HCP subsidies and if these are not being utilised for direct care delivery they could be diverted toward those care recipients on the national prioritisation queue that do not yet have access to in-home care funding.

Figure 20: Survey Average Unspent Funds per client as at Sep-19 and Sep-18

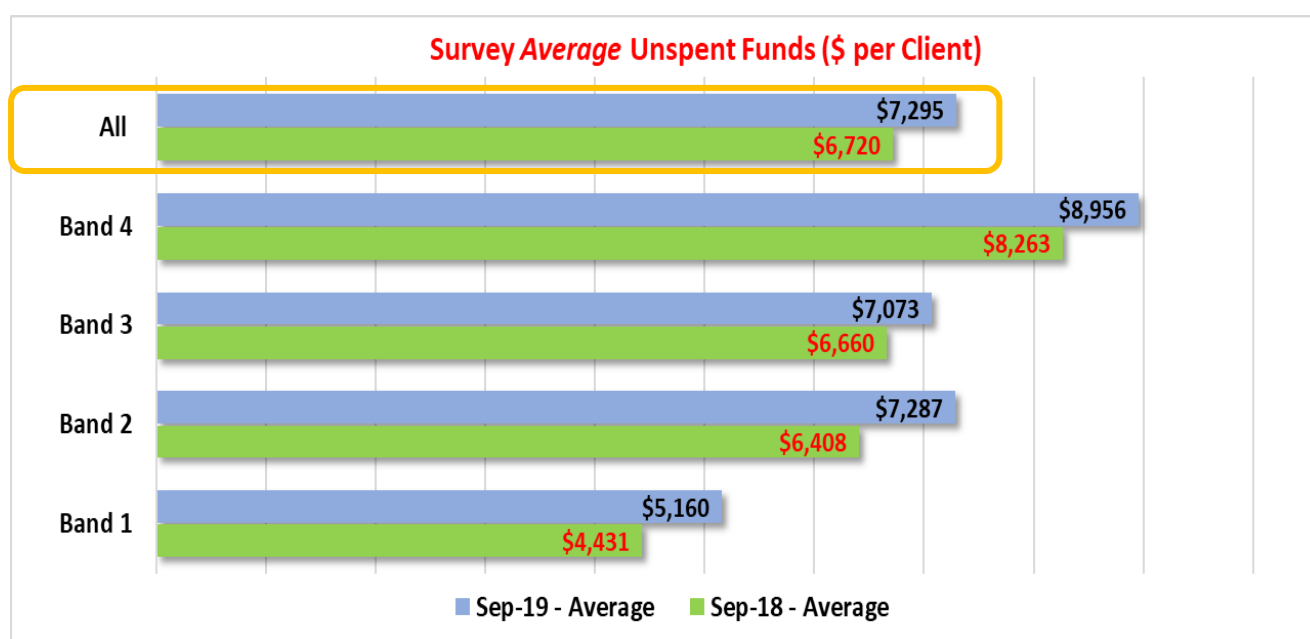
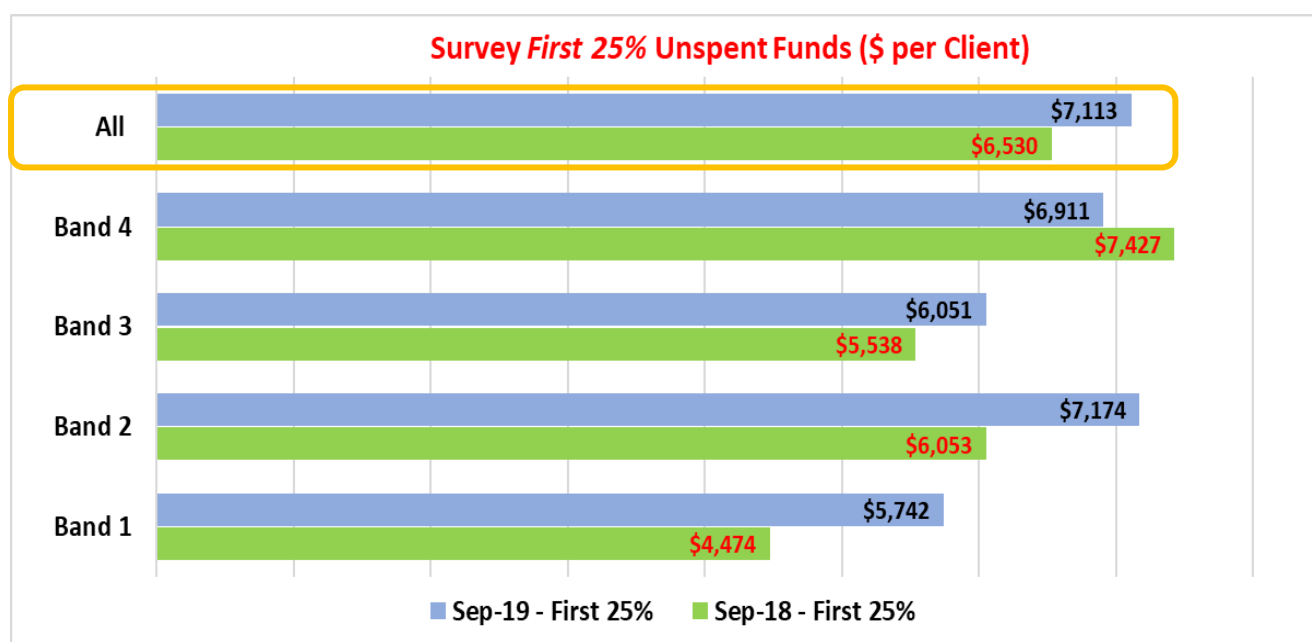


Figure 21: Survey First 25% Unspent Funds per client as at Sep-19 and Sep-18



### Comment

The aggregate and increasing level of unspent funds remains the most significant issue, from both a service delivery and financial performance perspective.

From a care recipient’s perspective, large unspent funds could be a result of not fully utilising the subsidy for the overall package of care and support that it is intended to provide based on the ACAT assessment. We still note that the estimate of between 8% - 12% of unspent funds are later utilised by a care recipient. The remainder is often used for capital purchases or returned to the government because the consumer moves out of in-home care.

From a provider’s perspective, unspent funds has a direct effect on the profitability (and sustainability) of a provider. This is because the fixed costs for each client (care recipient) have already been absorbed, thus, should the funds be utilised, only the additional variable costs would be incurred. We estimate the additional variable costs would be in the order of 35% - 40% with the balance being profit.

It is anticipated that all providers would prefer to either deliver care services commensurate to the funding or have the under-utilised funds reallocated to other new care recipients who are currently awaiting packages.

Another related issue is that due to the high level of unspent funds per care recipient, there is a reluctance by some providers to levy (and consumers to be charged) a client contribution (basic daily care fee), as it would effectively only add to the quantum of unspent funds. In some cases there have been instances where the means-tested fee also has not been levied for the same reason.

This practice distorts the overall funding model and discourages the notion of consumers “co-contributing” to their care needs.

## Staff Hours Worked per Care Recipient

The average direct care hours per care recipient per week have declined from the levels in the FY17 to FY19 periods. This may be partly due to lower available package revenue as a direct result of the increased unspent funds, but also likely due to driving lower costs to improve profitability.

Direct service hours per care recipient per week has declined to 4.36 hours (on average) for the Sep-19 quarter compared to 5.27 hours for the corresponding Sep-18 period.

A decrease in administration and support staff hours was observed across the Survey for the Sep-19 quarter, and there has been a further fall in hours when compared to the Sep-18 quarter.

*It is important to note that the staffing hours are for direct care service delivery by providers to clients (care recipients). These hours do not include sub-contract services which may include home maintenance, cleaning, social support and allied health. Sub-contractors as well as providers perform these services.*

*Table 11: Home Care Staff Hours per care recipient per week for Sep-19 and Sep-18 (Survey Average and First 25%)*

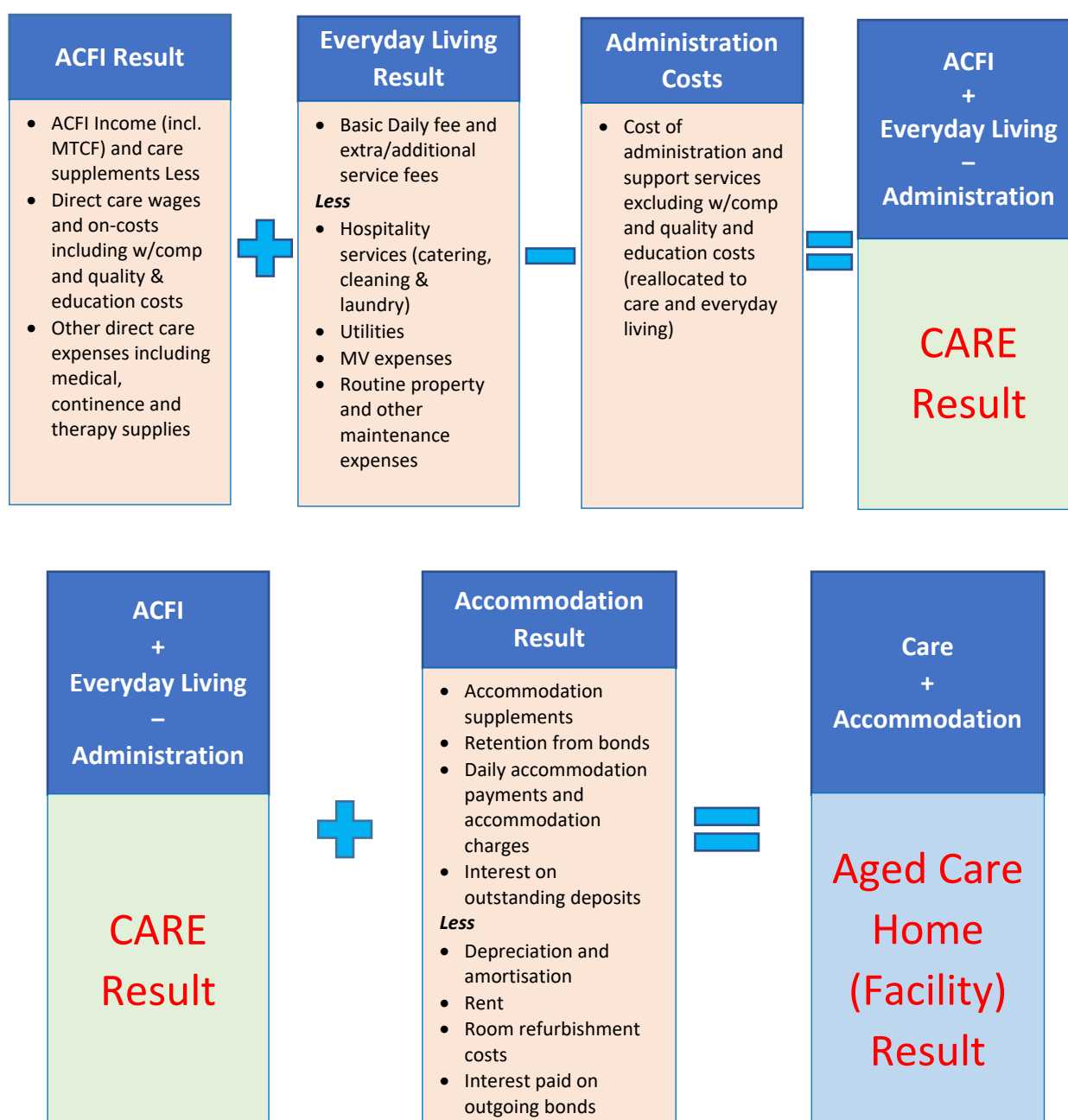
<b>Survey (Average)</b>					
	<b>Jun-19</b>	<b>Sep-19</b>	<b>Sep-18</b>		<b>Difference</b>
Direct service provision	4.59	4.36	5.27	↓	(0.91)
Agency	0.25	0.23	0.21	↑	0.02
Case management & coordination	0.80	0.80	0.96	↓	(0.16)
Administration & support services	0.47	0.46	0.53	↓	(0.07)
<b>Total Staff Hours</b>	<b>6.10</b>	<b>5.84</b>	<b>6.96</b>	↓	<b>(1.12)</b>

<b>Survey (First 25%)</b>					
	<b>Sep-19</b>	<b>Sep-19</b>	<b>Sep-18</b>		<b>Difference</b>
Direct service provision	5.07	5.43	5.87	↓	(0.45)
Agency	0.18	0.21	0.27	↓	(0.06)
Case management & coordination	0.92	1.13	1.23	↓	(0.09)
Administration & support services	0.38	0.45	0.54	↓	(0.09)
<b>Total Staff Hours</b>	<b>6.55</b>	<b>7.21</b>	<b>7.91</b>	↓	<b>(0.69)</b>

## 5. APPENDIX A - GLOSSARY

### Aged Care Home (ACH Result, or Facility Result)

The **Aged Care Home (ACH Result, or Facility) Result** is made up of the components shown in the diagram below. The **Care Result** is derived from the resident acuity (care) needs; the **Accommodation Result** is derived from revenue streams not directly related to resident acuity, but to the resident's financial ability to pay for residential accommodation.



### **Accommodation Result**

Accommodation Result is the net result of accommodation revenue (DAPs/DACs/Accommodation supplements) and expenses related to capital items such as depreciation, property rental and refurbishment costs. It no longer includes costs associated with recurrent repairs and maintenance and motor vehicles.

### **ACFA**

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

### **ACFI revenue**

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

### **ACFI Result**

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

### **ACH Result**

Net profit before tax. This may also be referred to as the net result or, its equivalent in Home Care analysis, is the **NPBT** Result.

### **ACH EBITDAR**

The same as Facility EBITDAR. The starting point for this calculation is the Aged Care Home (Facility) Result which is the combination of the Care and Accommodation results. It excludes all “provider revenue and expenditure” including fundraising revenue, revaluations, donations, capital grants and sundry revenue. It also excludes those items excluded from the EBITDAR calculation above. This measure is more consistent across the aged care homes (facilities) because it excludes all those items which are generally allocated at the aged care home (facility) level on an inconsistent and arbitrary basis depending on the policies of the individual provider.

### **Administration Costs**

Administration Costs includes the direct costs related to administration and support services and excludes the allocation of workers compensation and quality and education costs to ACFI and Everyday Living.

### **Aged Care Home**

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

### **Averages**

For residential care all *averages* are calculated using the total of the raw data submitted for any one-line item and then dividing that total by the total occupied bed days for the facilities in the group. For example, the average for contract catering across all facilities would be the total amount submitted for that line item divided by the total occupied bed days for all aged care homes (facilities) 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 facilities that provide data for that line item. All other measures are *averaged* across all the facilities in the particular group. The *average* by line item is particularly useful for line items such as contract catering, cleaning and laundry, property rental, extra service revenue and administration fees as these items are not included by everyone.

### **Bed day**

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

### **Benchmark**

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

### **Benchmark Bands**

#### *Residential Care*

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

Band 1 - Over \$190

Band 2 - Between \$175 and \$190

Band 3 - Between \$160 and \$175

Band 4 - Under \$160

#### *Home Care*

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

Band 1 - Under \$47

Band 2 - Between \$47 and \$67

Band 3 - Between \$67 and \$87

Band 4 - Over \$87

### **Care Result**

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

### **Dollars per bed day**

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

### **Dollars per client day**

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

### **EBITDAR**

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

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

**EBITDAR per bed per annum**

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

**NPBT**

Net Profit Before Tax. This may also be referred to as the net result or, in the residential 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.

**Facility EBITDAR**

The same as ACH EBITDAR. The starting point for this calculation is the Aged Care Home (Facility) Result which is the combination of the Care and Accommodation results. It excludes all “provider revenue and expenditure” including fundraising revenue, revaluations, donations, capital grants and sundry revenue. It also excludes those items excluded from the EBITDAR calculation above. This measure is more consistent across the aged care homes (facilities) because it excludes all those items which are generally allocated at the aged care home (facility) level on an inconsistent and arbitrary basis depending on the policies of the individual provider.

**Everyday Living Result**

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

**First 25% - 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.

**First 25% - Residential Care Packages**

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

**Location - City**

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

**Location - Regional**

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

**Survey**

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

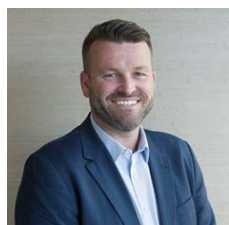
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