

Mergers: Not Only the Numbers Count

“Opportunity is missed by most people because it is dressed in overalls and looks like work.”
Thomas Edison



Senior Living Overview

“Statistics are like bikinis. What they reveal is suggestive, but what they conceal is vital.” *Aaron Levenstein*



Significant Trends



Growth in demand due to ageing of the population



Increased funding requirement due to living longer



Inadequate funding for affordable accommodation



Reduced capability for government to support, user pays, more choice



Multicultural diversity



Increased focus on and demand for short-term care

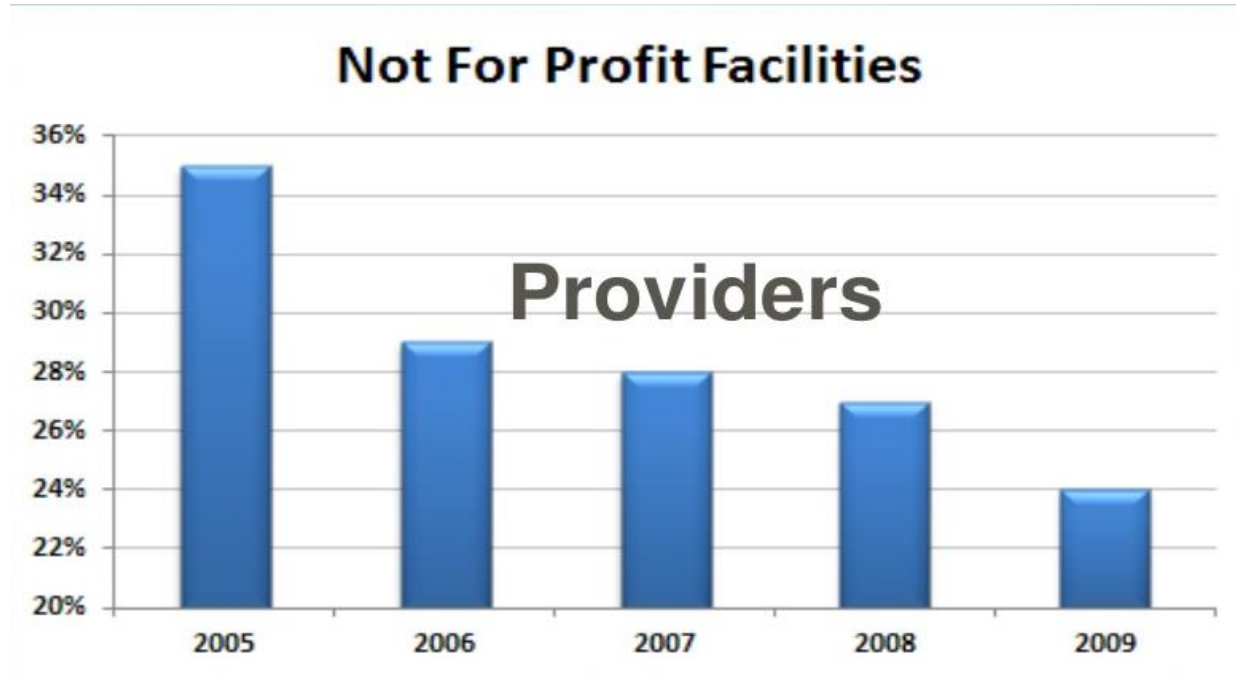


Increasing chronic health conditions



People stay where they are for longer

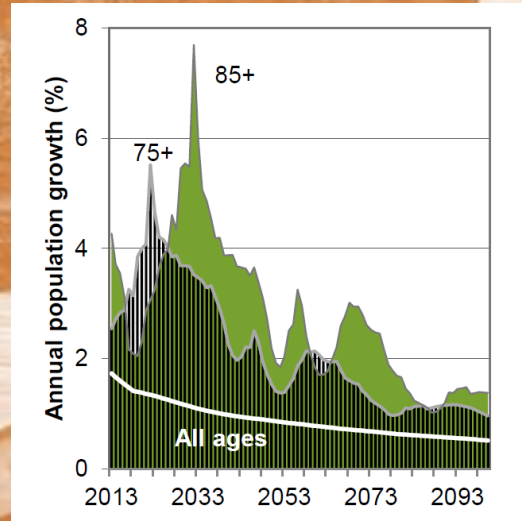
New Zealand – Changing Sector Profile





Growth in Demand Ageing Population

Australia Population Growth Rates

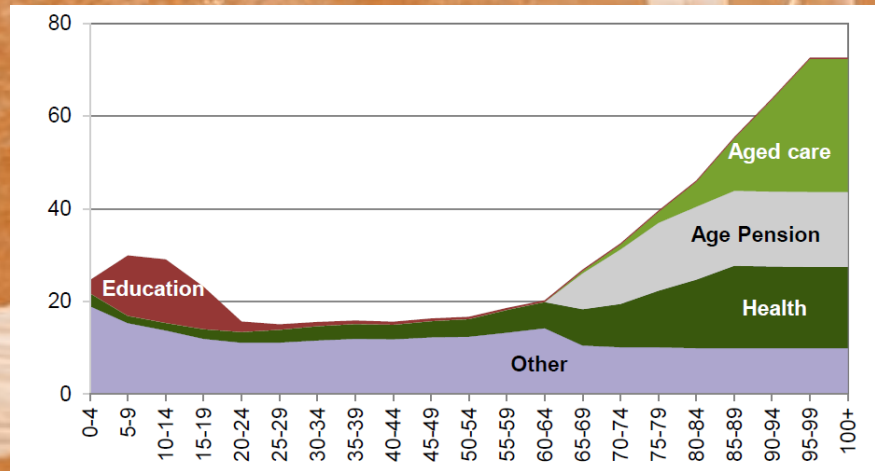




Increasing Funding Required to Live Longer

Age-related government spending

All governments, \$'000 per person, 2011-2012



Productivity Commission 2013, An Ageing Australia: Preparing for the Future



Reduced Govt Ability to Pay, User Pays, Consumer Choice



Government policy is driving change



Introduced in home care, increasingly in residential care



International experience



Shorter-Term Care

Palliative Care

- 52% increase (2002-2012)³
- 31,500 accessed services in 2013³
- 70% of Australians wish to die at 'home', only 14% do so ⁴

Transitional Care

- 108,000 episodes 2005-2013²
- 2/3 recipients not re-enter residential care in 12 months following²

Respite Care

- 1 in 2 admissions to residential care in 2012/13 for short-term respite¹

¹ AIHW 2014, Residential aged care and aged care packages in the community 2012-13

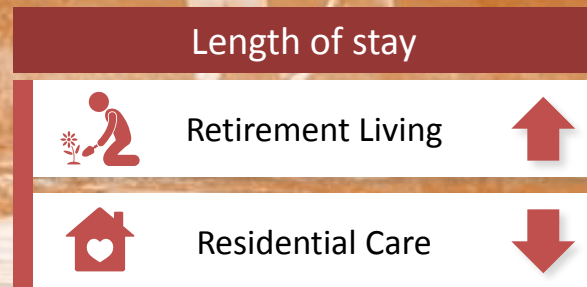
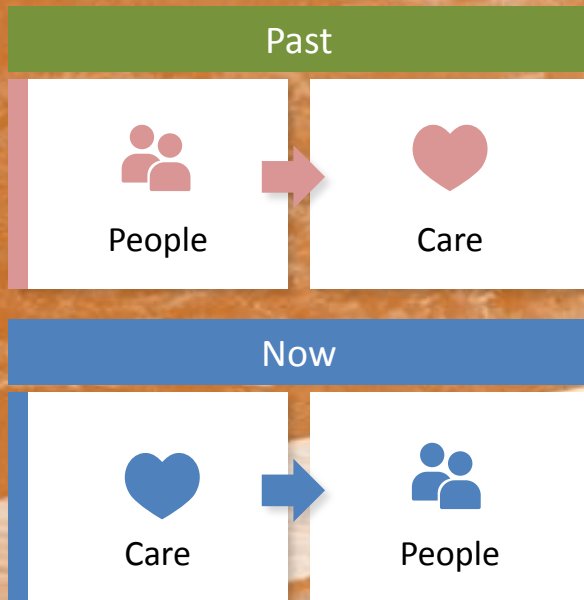
² AIHW 2014, Transitional Care for older people leaving hospital

³ AIHW 2014, Palliative Care Services in Australia 2014

⁴ Grattan Institute 2014, Dying Well



Staying at Home Longer





Multicultural Diversity

Sydney

	Total people (2011)	% of total	Growth 2001-2011
Total 65+ Sydney	522,600		21%
Australia Born 65+	278,100	53%	7%
'Anglo' overseas born 65+	59,400	11%	25%
Anglo + Australia born 65+	337,500	64%	10%
Non-Anglo overseas born 65+	185,100	35%	48%

♥ Increase in Chronic Health Conditions

Dementia	<ul style="list-style-type: none">• > 50% in residential care• 25% of people > 85	Depression	<ul style="list-style-type: none">• > 50% in residential care
Diabetes	<ul style="list-style-type: none">• 50% diabetes sufferers > 65• Greater prevalence than dementia	Arthritis	<ul style="list-style-type: none">• > 50% of people 80+• Joint replacements +33% for 80+ (2002-2012)
Parkinson's	<ul style="list-style-type: none">• 5-8% residential care population• Prevalence +4% per annum	Visual Impairment	<ul style="list-style-type: none">• Macular degeneration, cataracts, glaucoma, diabetic retinopathy
Incontinence	<ul style="list-style-type: none">• 24% 85+ with severe incontinence	Hearing Loss	<ul style="list-style-type: none">• 70% of 70+• 80% of 80+
General Aged Care	<ul style="list-style-type: none">• 82% high care needs		



Residential Care Consolidation

New Entrants in Home Care

Retirement Living Integration

Residential Care



specialist aged care



Home Care



Retirement Living



Retirement Living – Future Trends

Doubling of the seniors population by 2050 – 8.1 million > 65

Significant reduction in ratio of taxpayers to retirees

Currently 184,000 live in retirement villages – 5.7% over 65 population

Projected to increase to 7.5% by 2025

382,000 in retirement villages by 2025
– over 200% increase

For Profits and NFPs



Not for profit = 40% and 912 villages

For profit = 60% and 1,360 villages

Retirement Living is Yesterday's Hostel



79 = average age of entry into aged care

84 = average age of entry from a retirement village into aged care



Retirement village living leads to improved mental health and wellbeing

Social isolation affects 1 in 5 seniors

Why Consider Merging?

“It is important to remember that aging and growing old are not necessarily the same” *Senora Ray*



Why Merge?

- ✓ Look at the world around us
- ✓ Commercial reality



To Merge or not To Merge?



✓ Are you financially viable?

- ❖ Surplus?
- ❖ Top 50% or 25% of Stewart Brown?
- ❖ Do you have capital for the future?
- ❖ Do you have over 1,000 aged care beds or over 500-1,000 Retirement Homes?

✓ Are you clinically viable?

- ❖ Accreditation results?
- ❖ ACFI results?
- ❖ Reliance on key personnel?

✓ Are you strategically viable?

- ❖ Dynamic Board?
- ❖ Realistic plan for the future?
- ❖ Sustainable in the future?

Why Am I Speaking?



✓ > 20 Amalgamations in the last 8 years

❖ Mergers:

- Hawks Nest, Thirlmere, Wagga, Ballina, Byron Bay, Cherrybrook, Griffith, Dungog, Lyneham (ACT), Galston
- Over 2,000 residents and clients

❖ Sale under duress:

- Nowra, Page (ACT), Curtin (ACT), Merimbula, Tura Beach, Eden, Tea Gardens
- Over 1,000 residents and clients

❖ Ex Govt/Council:

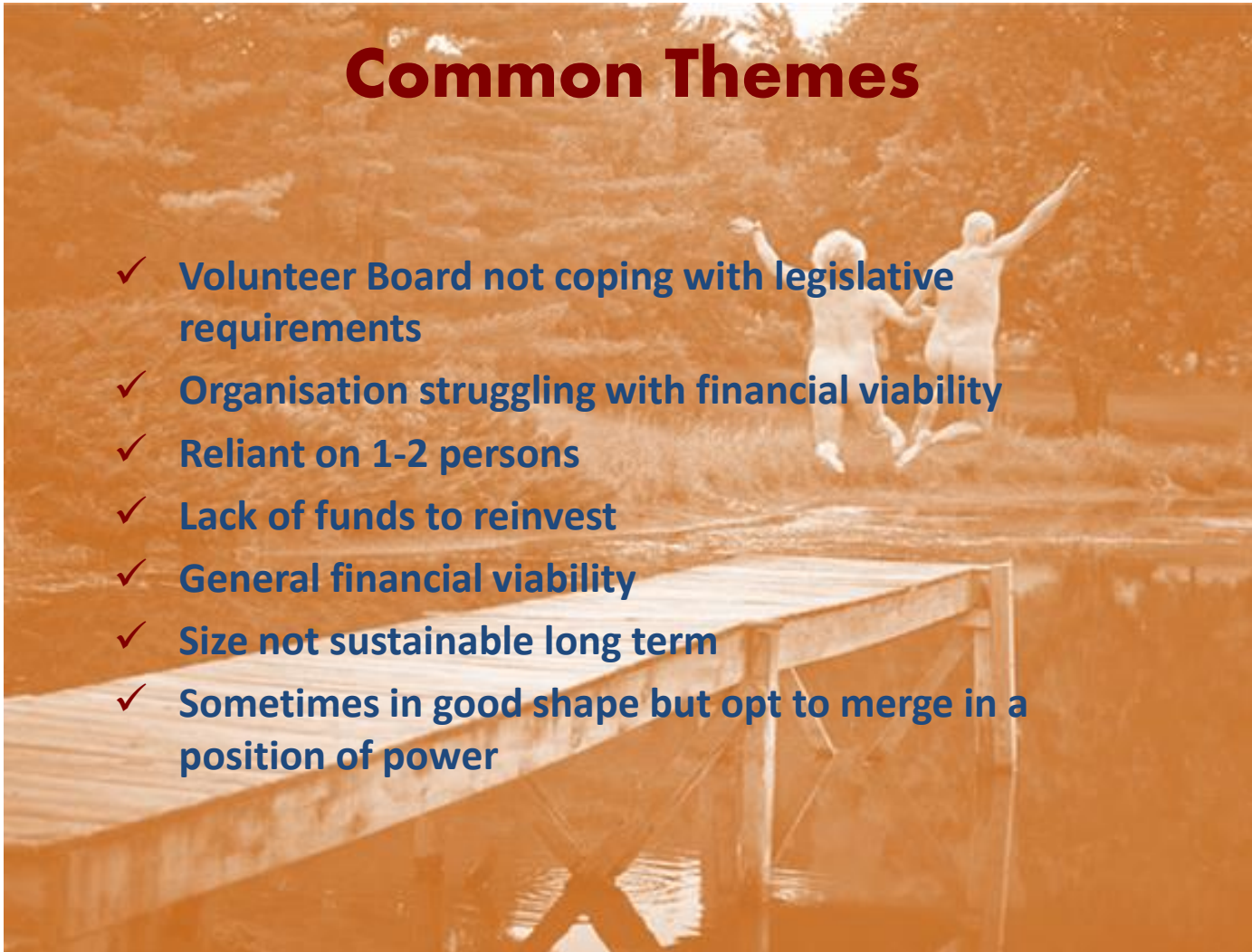
- Picton, Penrith, Narrandera

❖ Receivership:

- Lismore, Goonellabah

Common Themes

- ✓ **Volunteer Board not coping with legislative requirements**
- ✓ **Organisation struggling with financial viability**
- ✓ **Reliant on 1-2 persons**
- ✓ **Lack of funds to reinvest**
- ✓ **General financial viability**
- ✓ **Size not sustainable long term**
- ✓ **Sometimes in good shape but opt to merge in a position of power**



Case Studies

"The future depends on what you do today". *Ghandi*





✓ **Hawks Nest – small community group**

- 10 beds: then went to 24 beds, to 41 beds and now to 60+ beds
- Community Involvement and support for culture
- High level of satisfaction

✓ **Thirlmere – Estonian community**

- Obsolete 40 bed aged care service to fully redeveloped and 60 beds
- Derelict retirement village with 35% vacancy and uninhabitable homes to 100% occupancy
- Support for Estonian culture

✓ **Anglicare ACT and South Coast**

- Sanctioned to good accreditation
- Aged care and Retirement Village – significant refurbishment
- Systems and Processes
- Chaplaincy services maintained and paid for



✓ **Dungog – community group**

- Healthy position care-wise and financially
- Continuing involvement
- Redevelopment

✓ **Narrandera – Council**

- Stabilised management
- 45 beds to 60 beds
- Contractual certainty regarding staying in town

✓ **Cherrybrook – Church**

- Had vacancies and cash drain
- Now full and developing into the future

Not Just the Numbers

“The trouble with research is that it tells you what people were thinking about yesterday, not tomorrow. It’s like driving a car using a rear-view mirror”. *Bernard Loomis*



Not Just the Numbers



- ✓ **MOU**
- ✓ **Commitment re future**
- ✓ **Professional leadership and management**
- ✓ **Capital injection**
- ✓ **Agreement regarding objectives**
- ✓ **Local advisory people**
- ✓ **Continuing contact with Board and Management**
- ✓ **Timelines**
- ✓ **Legally enforceable contract**



1. Due diligence (Yours)

- Can you trust the suitor?
- References from people before you
- Meet the people before you

2. MOU

- What do you want? What's important?
- What are you giving?
- What are you getting?
- Contractually enforceable?

3. After the Marriage

- Commitment to delivery
- Ability to monitor
- Communication



RSL
LifeCare

