ACS Finance Symposium

Commercialism in the NFP Sector

Sydney Masonic Centre

Presentation by:

James Underwood

22 June 2016

JU&A
James Underwood & Associates Pty Ltd
Ageing Matters

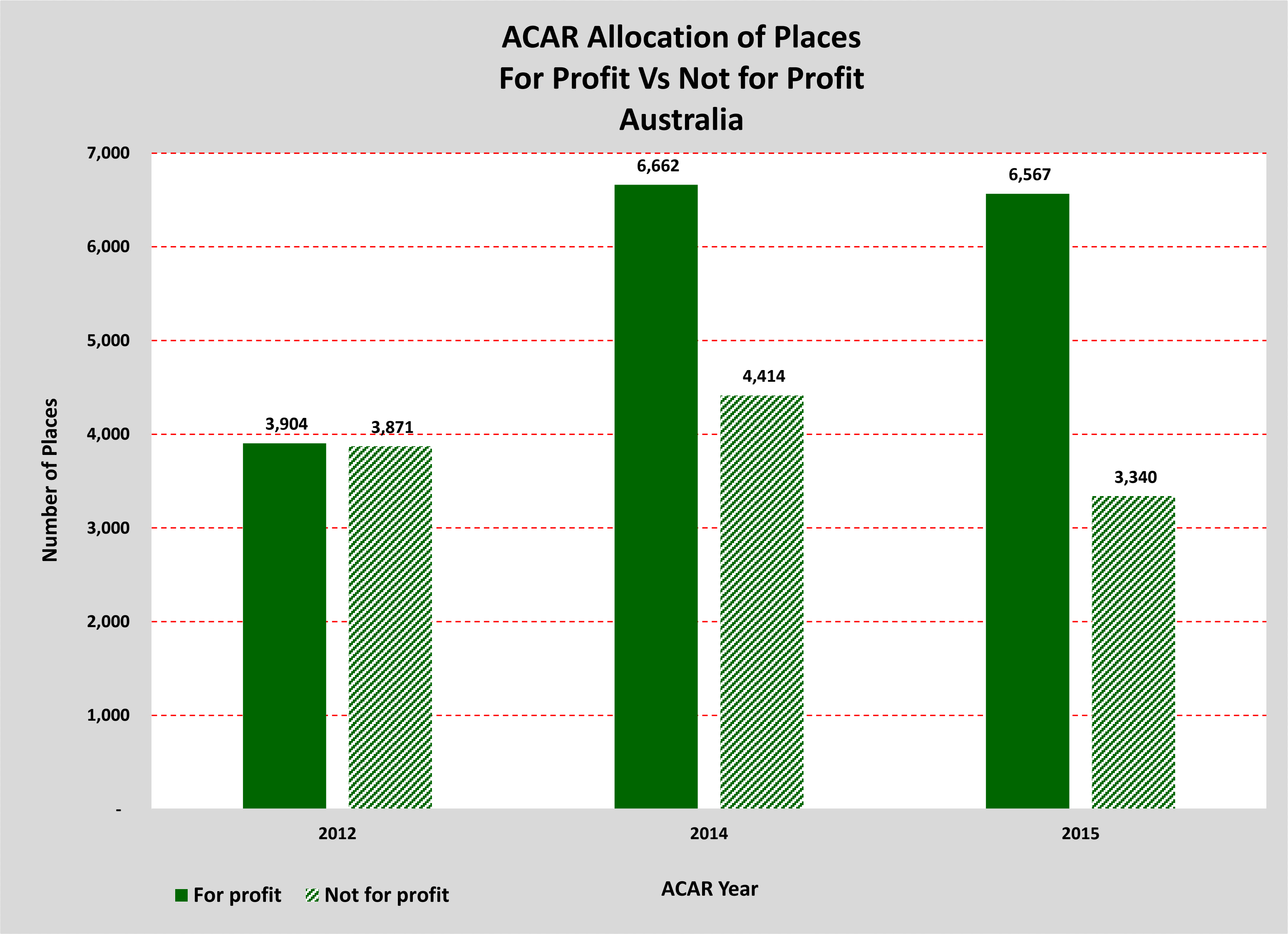
A NEW WORLD IN AGED CARE

- Doubling in funded home care over 6 yrs
- Big, means-tested fees began in residential care on 1 July 2014
- “Ingoings” in residential care
- Consumer Directed Care (CDC) began 1 July 2015
- “De-regulation” of home care from 27 Feb 2017

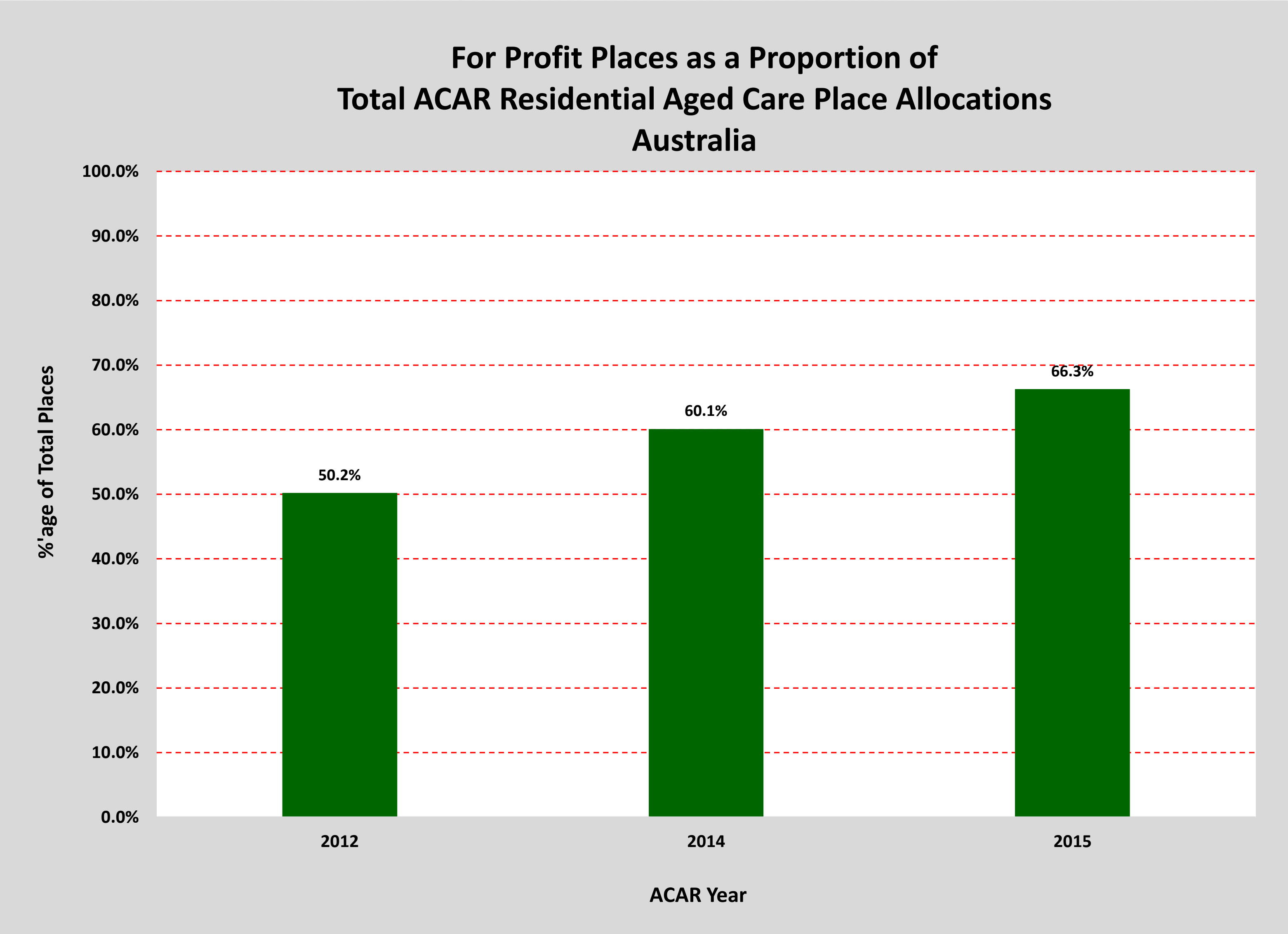
A NEW WORLD IN AGED CARE

- Discounting in home care
- Brokering in home care
- 90%+ of new home care is “high care”
- 9,000+ vacant Level 2 places*
- Retirement villages providing care
- What does it mean for the NFP sector?

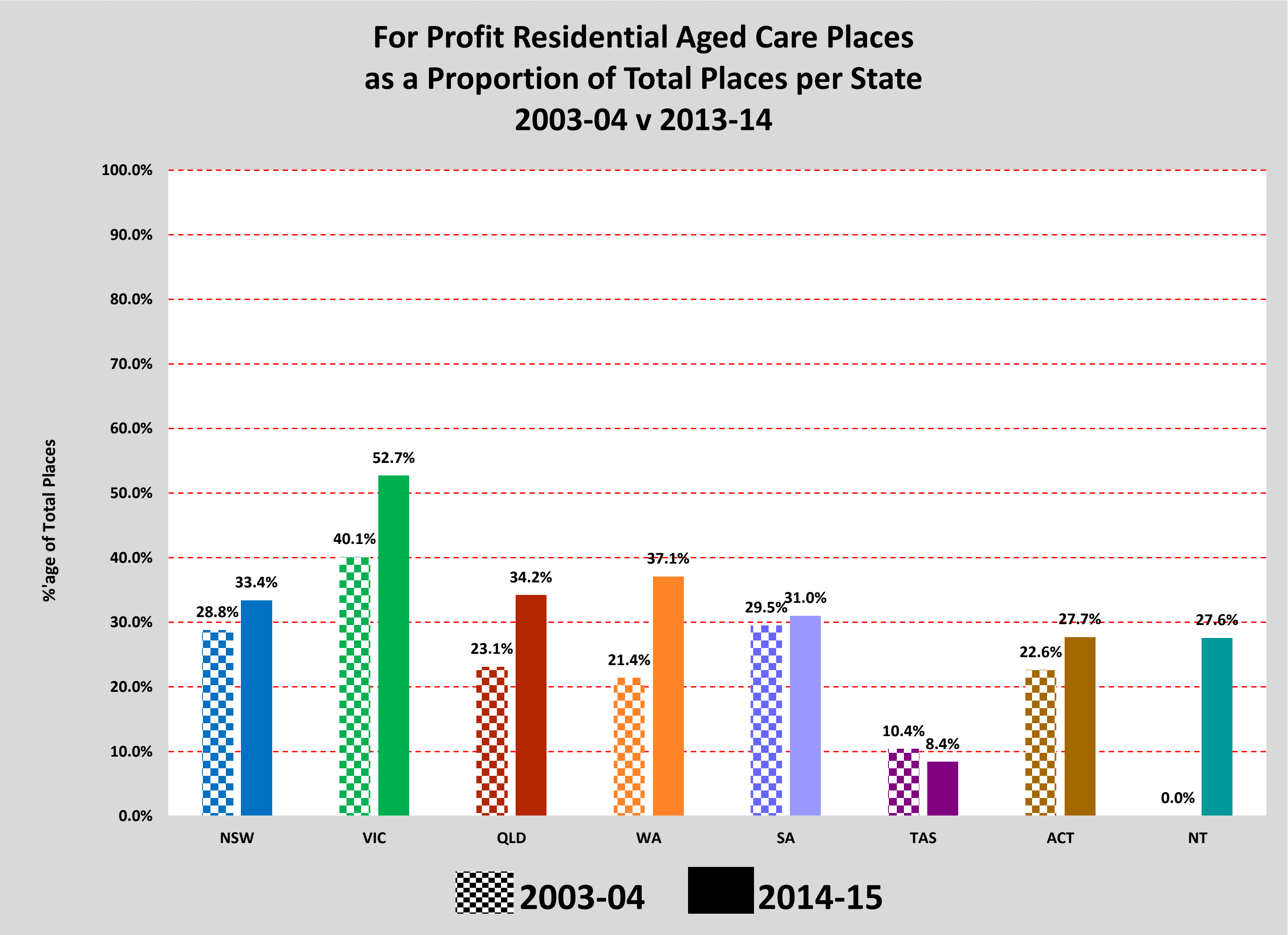
JU&A
James Underwood & Associates Pty Ltd
Ageing Matters



ACAR Allocation of Places
For Profit Vs Not for Profit
Australia
Number of Places
7,000
6,000
5,000
4,000
3,000
2,000
1,000
-
3,904
3,871
6,662
4,414
6,567
3,340
2012
2014
2015
ACAR Year
For profit
Not for profit



For Profit Places as a Proportion of
Total ACAR Residential Aged Care Place Allocations
Australia
100.0%
90.0%
80.0%
70.0%
60.0%
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%
%'age of Total Places
50.2%
60.1%
66.3%
2012
2014
2015
ACAR Year



For Profit Residential Aged Care Places
as a Proportion of Total Places per State
2003-04 v 2013-14
%'age of Total Places
100.0%
90.0%
80.0%
70.0%
60.0%
50.0%
40.0%
30.0%
20.0%
10.0%
0.0%
28.8%
33.4%
40.1%
52.7%
23.1%
34.2%
21.4%
37.1%
29.5%
31.0%
10.4%
8.4%
22.6%
27.7%
0.0%
27.6%
NSW
VIC
QLD
WA
SA
TAS
ACT
NT
2003-04
2014-15

Residential Care

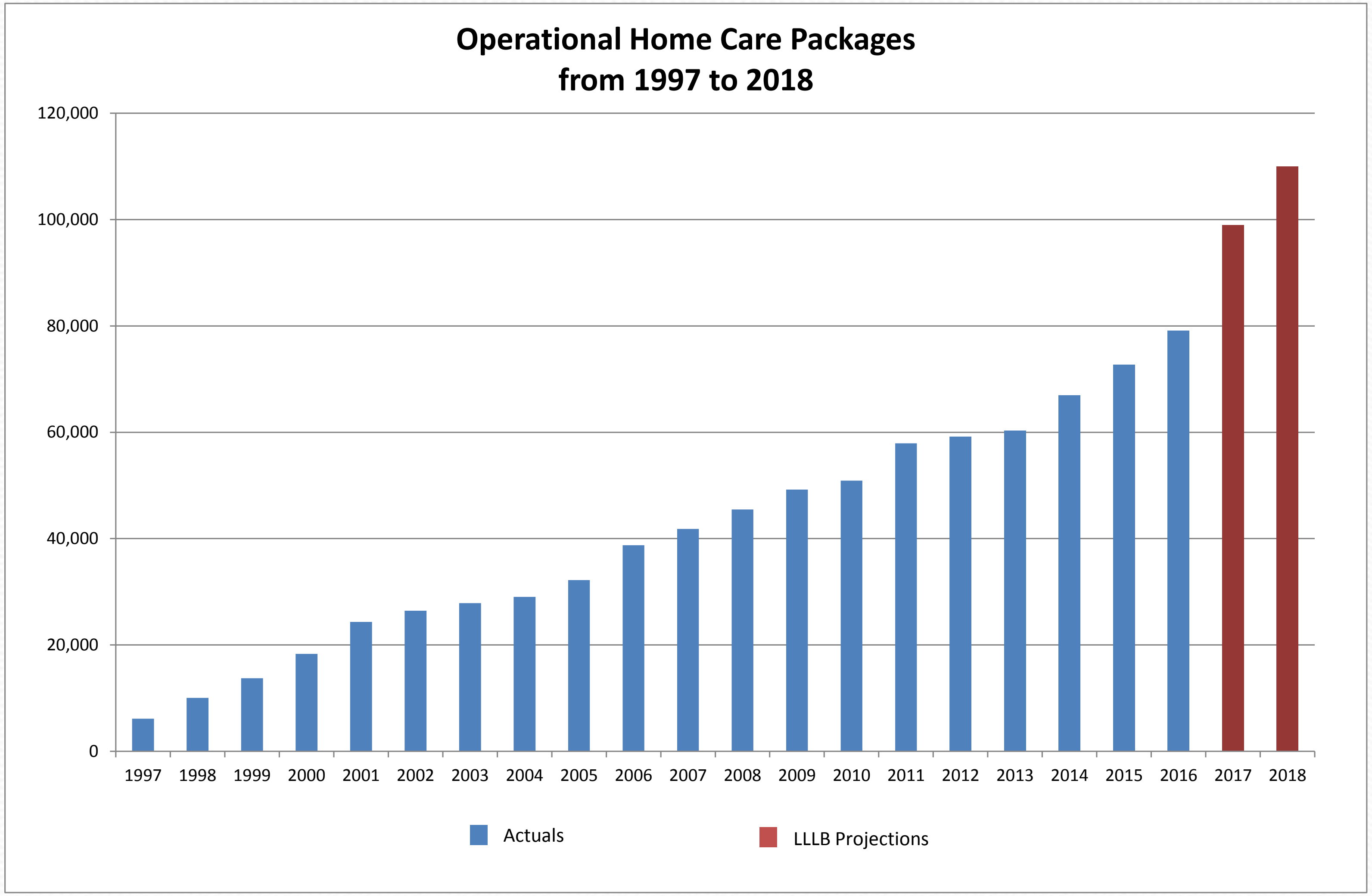
- Brownfields expansion
- Adjoining Retirement Villages
- Home Care AP for Retirement Villages
- Double Rooms
- Marketing (Key Referrers)
- Sales Training

JU&A James Underwood & Associates Pty Ltd
Ageing Matters

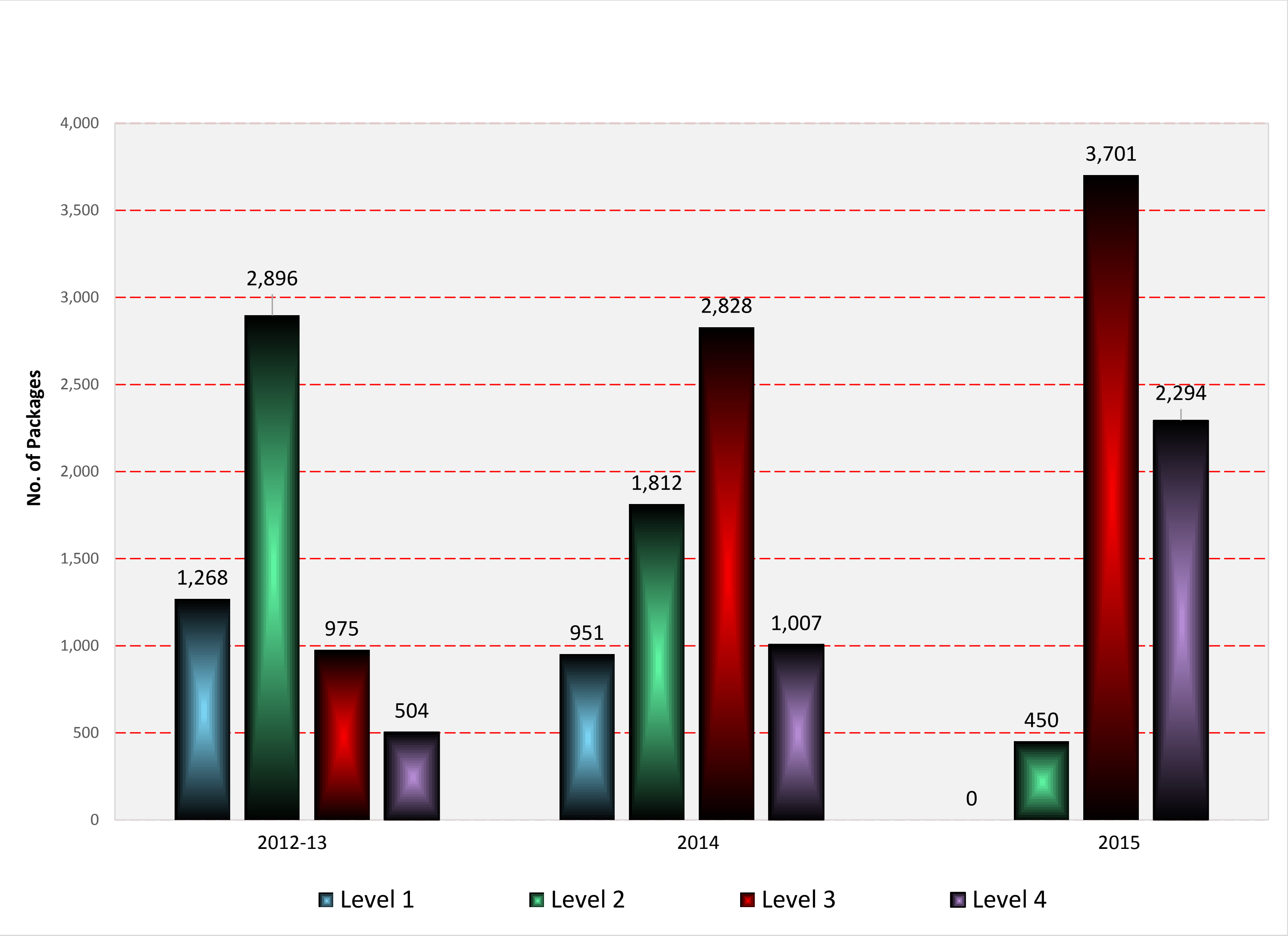
Residential Care - *Continued*

- Appraisals
- Boards
- A.S/ E.S
- Discount RAD
- ACFI
- Admin Fees/ Other
- Significant Refurb

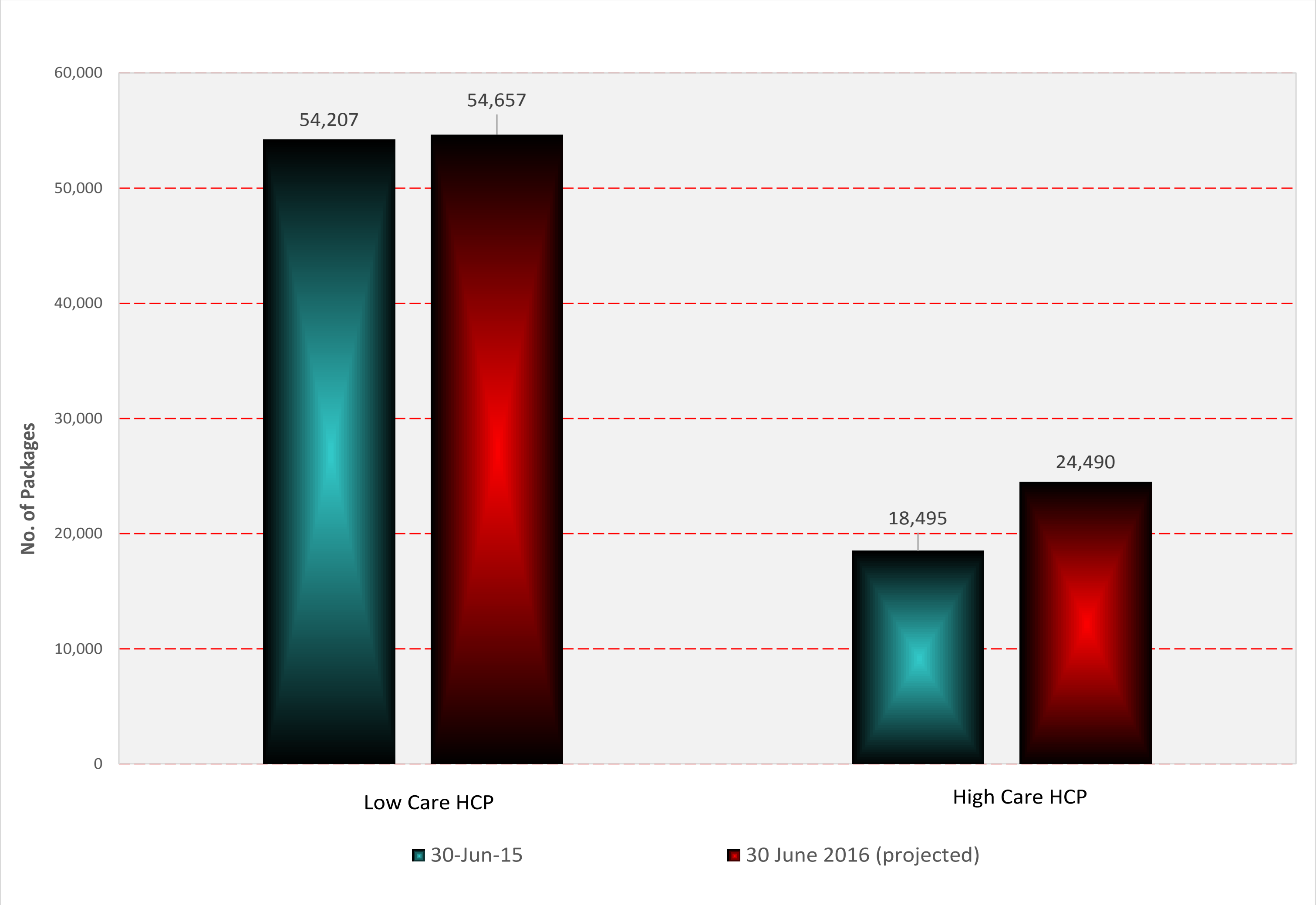
Home care place numbers continue to strongly increase



Number of Home Care Packages Allocated ACARs 2012-13 to 2015

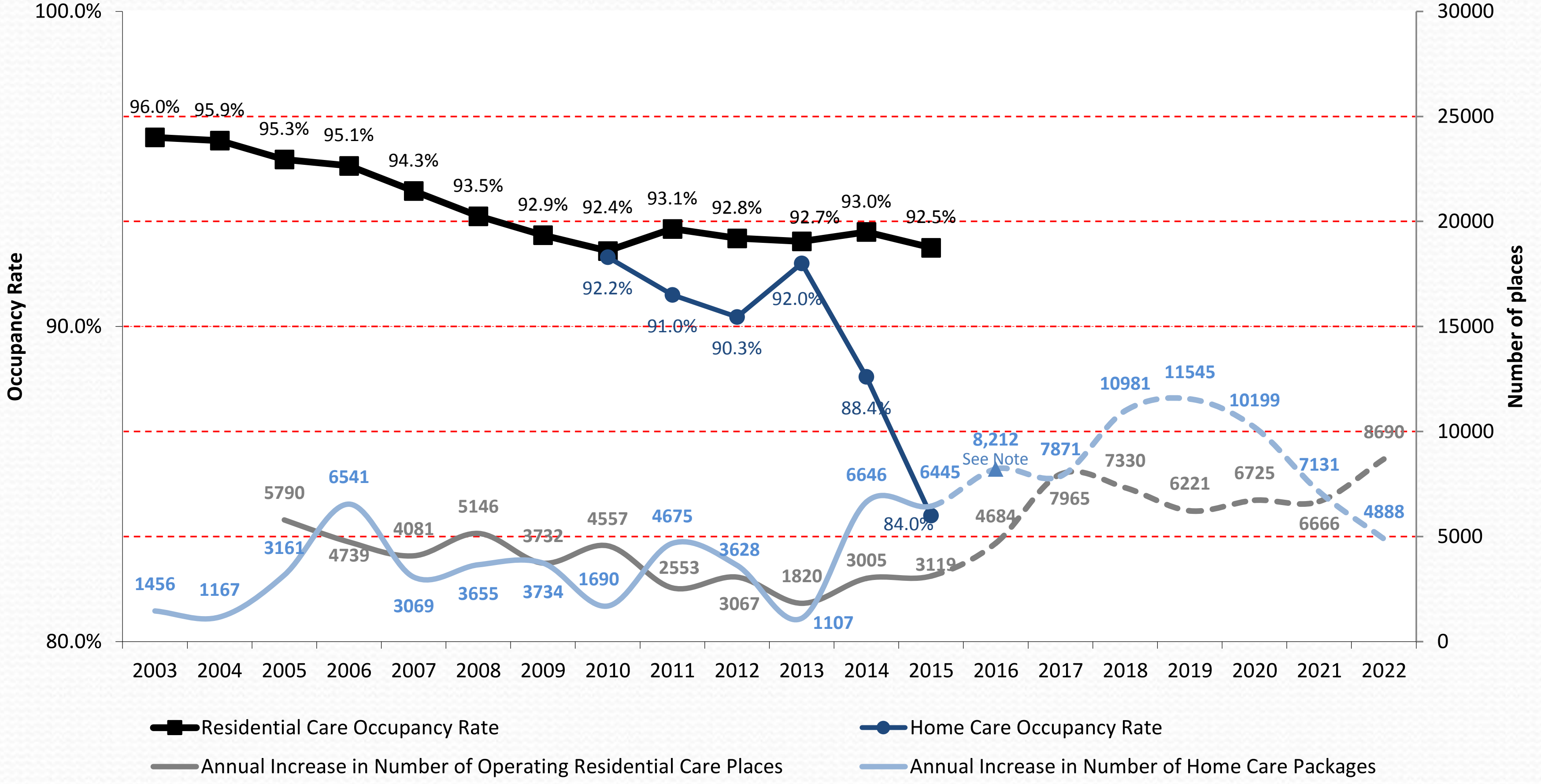


Operational Home Care Places 30/6/15 cf. 30/6/16



JU&A James Underwood & Associates Pty Ltd Ageing Matters

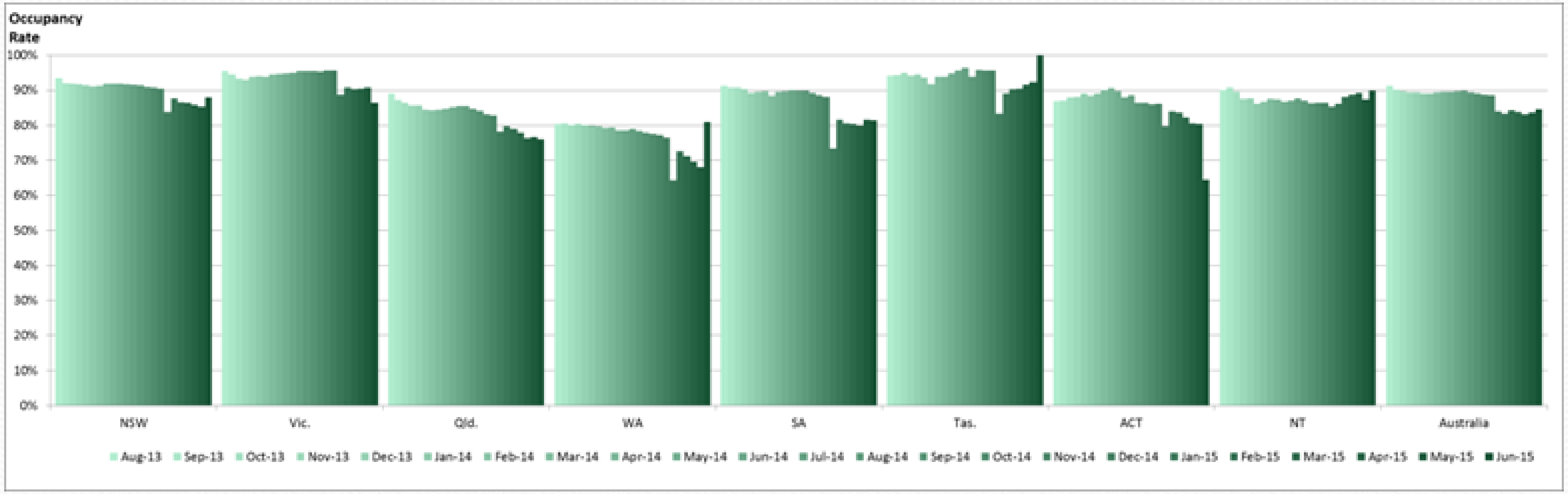
Movement in Occupancy Rates in Residential Aged Care & Home Care compared with the Growth in Numbers of Places Australia: 2003 - 2022



Note: We have changed LLLB figure of 18,212 for projected home care places to reflect 2014 budget estimates

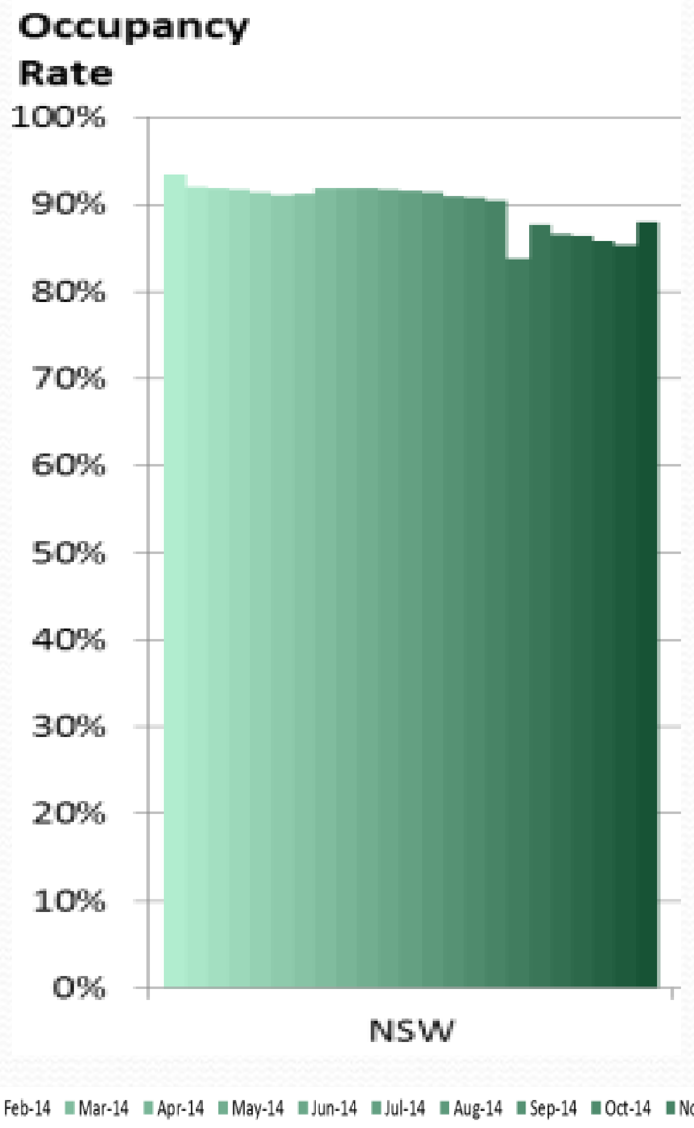
Source of data : DSS Service Lists , LLLB Reform Package and DSS 2013-14 Concise Facts & Figures in Aged Care

Home care occupancy trend by state: July 2013 to June 2015



- Source: ACFA June Quarter 2015 Report

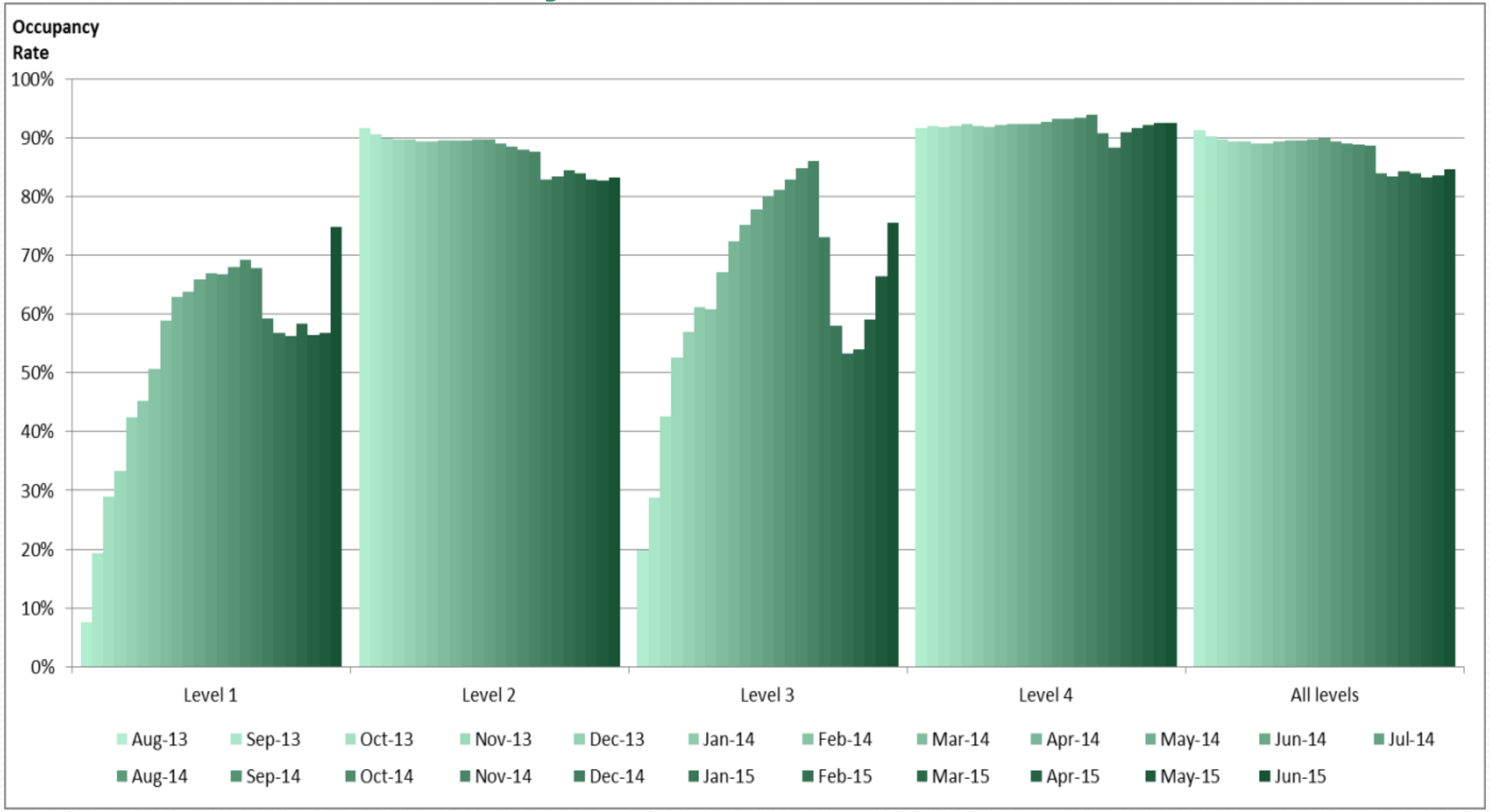
Home Care Occupancy Trends NSW
July 2013 – June 2015



Source: ACFA June Quarter 2015 Report

JU&A James Underwood & Associates Pty Ltd Ageing Matters

Home Care Occupancy Trend by Package Level
July 2013 to June 2015



Source: ACFA June Quarter 2015 Report

Increase in Number of Operational Residential Care Places	
2005	5,790
2006	4,739
2007	4,081
2008	5,146
2009	3,732
2010	4,557
2011	2,553
2012	3,067
2013	1,820
2014	3,005
2015	3,119

JU&A
James Underwood & Associates Pty Ltd
Ageing Matters

Home Care

- Discount!
- Review Cost basis
- 27 Feb 2017 – 79,147 places
- Into **own** villages:
  - Continuity of staff
  - Cost Effective
  - Timely
  - Cleaners clean and carers care
  - Shorter visit times

JU&A James Underwood & Associates Pty Ltd Ageing Matters

Home Care Staff Cost Comparison - PCAs

	NFP Home Care	Private Agency
Base Rate	$26.00/hr PPT	$26.05/hr casual
A/L, S/L	3.50	-
Work Cover/Super	4.00	3.52
PRT	-	1.30
Travel (av.)	8.38	Nil
Admin/Training	1.04	0.50
Mileage (av. 4km)	3.00	3.20
	$45.92/hr	**$34.57/hr**

New South Wales Home Care Places

	Level 1 & Level 2	Level 3 & Level 4	TOTAL
At 30/6/14	17,207	3,867	21,074
Plus: ACAR 2014	965	1,413	2,378
ACAR 2015	160	2,264	2,424
Increase in 2 ACARs	1,125	3,677	4,802
At 30/6/16	18,332	7,564	25,876
Increase	6.5%	95.1%	22.8%

JU&A
James Underwood & Associates Pty Ltd
Ageing Matters

Brokering

- Some home care providers *only* broker
- Some providers *flexibly* offer brokerage or staff
- Some providers broker unwillingly
- CDC makes brokerage mandatory*
- hard to preclude any ret village operator from being preferred providers, and…
- It really won't matter after 27 Feb 2017

JU&A James Underwood & Associates Pty Ltd Ageing Matters

Brokering Cont.

- * **Is** brokering mandatory?

- The brokered service provider must meet certain requirements but, if those requirements are met, the approved provider must broker.

- A care recipient can complain to the Aged Care Complaints Scheme if the approved provider unreasonably refuses to broker.

Discounting

- Inability to pay **never** a reason to preclude provision of home care
- Some home care providers do *not* discount
- Some providers *flexibly* discount
- Some providers *very readily* discount
- Income-testing has NO impact on full pensioners. They have no income-tested fees!
- **Occupancy!!!**

Hardship

- Hardship now available for home care!
- For both ITFs and for Fees
- Anyone with assets below c$33,500 can apply
- Don’t need to discount fees for eligible less well-off people
- A “game changer” for pensioner rental activities

Retirement Villages

- Home Care AP
- Small Villages
- Co-location
- No Capital Gain

Home Care in Retirement Villages

- RSL Care merges with RDNS
- Aveo buys Freedom Aged Care – 15 villages for $215.5m (17/2/16)
- Aveo partnership with RSL Care & RDNS
- Stockland sells 4 ACFs to Opal and agrees to co-locate new villages with Opal
- Aveo joint ventures with St Ives
- Note:
  - Stockland: 63 villages
  - Aveo: 90 villages (incl. 15 Freedom villages)

Home Care De-regulation 27 Feb 2017

- Any RV can become an AP
- Approved home care *places* become unnecessary/irrelevant
- All RV’s can deliver some/all home care to all eligible residents
- CDC and discounting perfect for many retirement villages to start delivering care
- Special rel’ships with external providers

Source: ACFA June Quarter 2015 Report

JU&A James Underwood & Associates Pty Ltd Ageing Matters

De-regulation & “Prioritised” Home Care Recipients

- From Feb 2017, a person must be determined to be a “prioritised” home care recipient based on:
    - Needs & Circumstances – As determined by ACAT
    - Time that a person has been waiting for a package
- *Prioritised Home Care Recipient Principles* are currently being developed by the Govt

Consumer Directed Care

- Ideal for provision of care in **any** RV or similar
- All home care became CDC as of 1 July 2015!
- *How hard can it be to do CDC?*
- Preferred Providers

What does a Village need to start?

- A co-ordinator
- A solution for nights
- Activities

and…

- Are you providing on-site solutions for meals, cleaning and transportation that can be paid for by the resident? Or partially paid for by home care places? Or have external providers do these “hotel” services?

How does a Village pay for Providing “General” Care?

- Within the current DMF:
  - Increased sale prices
  - Quicker sales
  - More sales
- Increased DMF
- Shortened DMF period
- Reduced capital participation
- Increased GSC
- Specific additional resident fees (!?)
- The “provident fund”, usually as a withdrawal from exit entitlement
- Within packages where many receive packages from the same provider