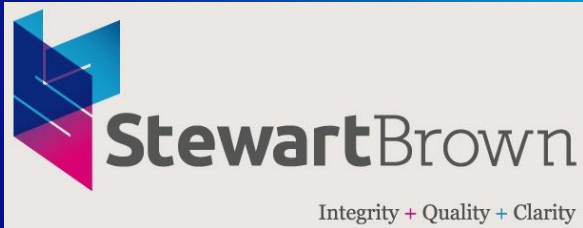


Pricing Models & Impacts



Project considerations

Include

👉 Market assessment

👉 Nature of the project

👉 Greenfield

👉 Brownfield

👉 Funding

👍 Pricing



Pricing considerations

- Market being targeted
 - Amenities including in facility
 - Aesthetics of accommodation
 - Services being provided
 - Competitors
- Cost of construction
- Method and cost of finance
- Rate of return required
- Operational factors



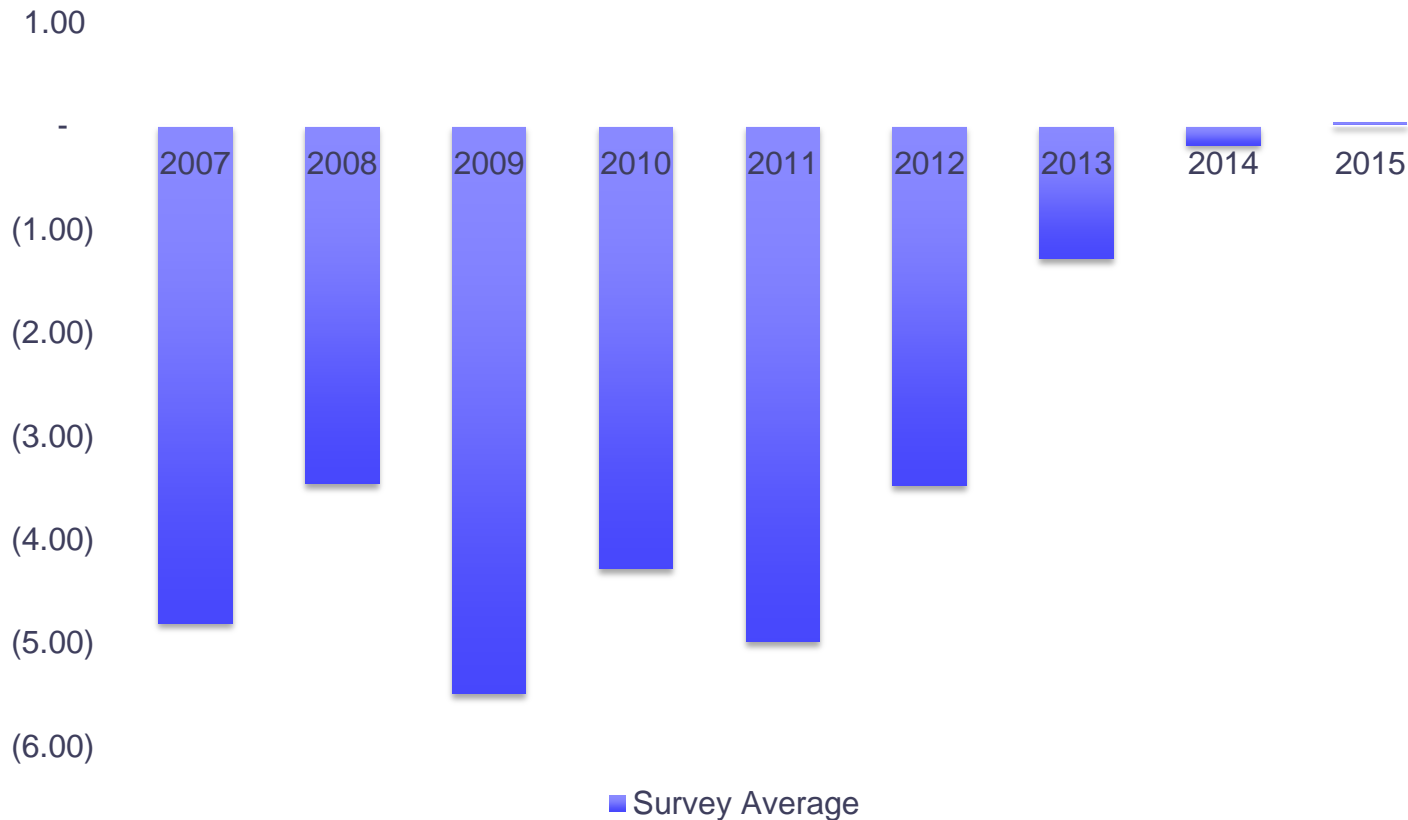
Consumption of capital

👎 Are we adequately pricing our facilities to reflect the consumption of resources?



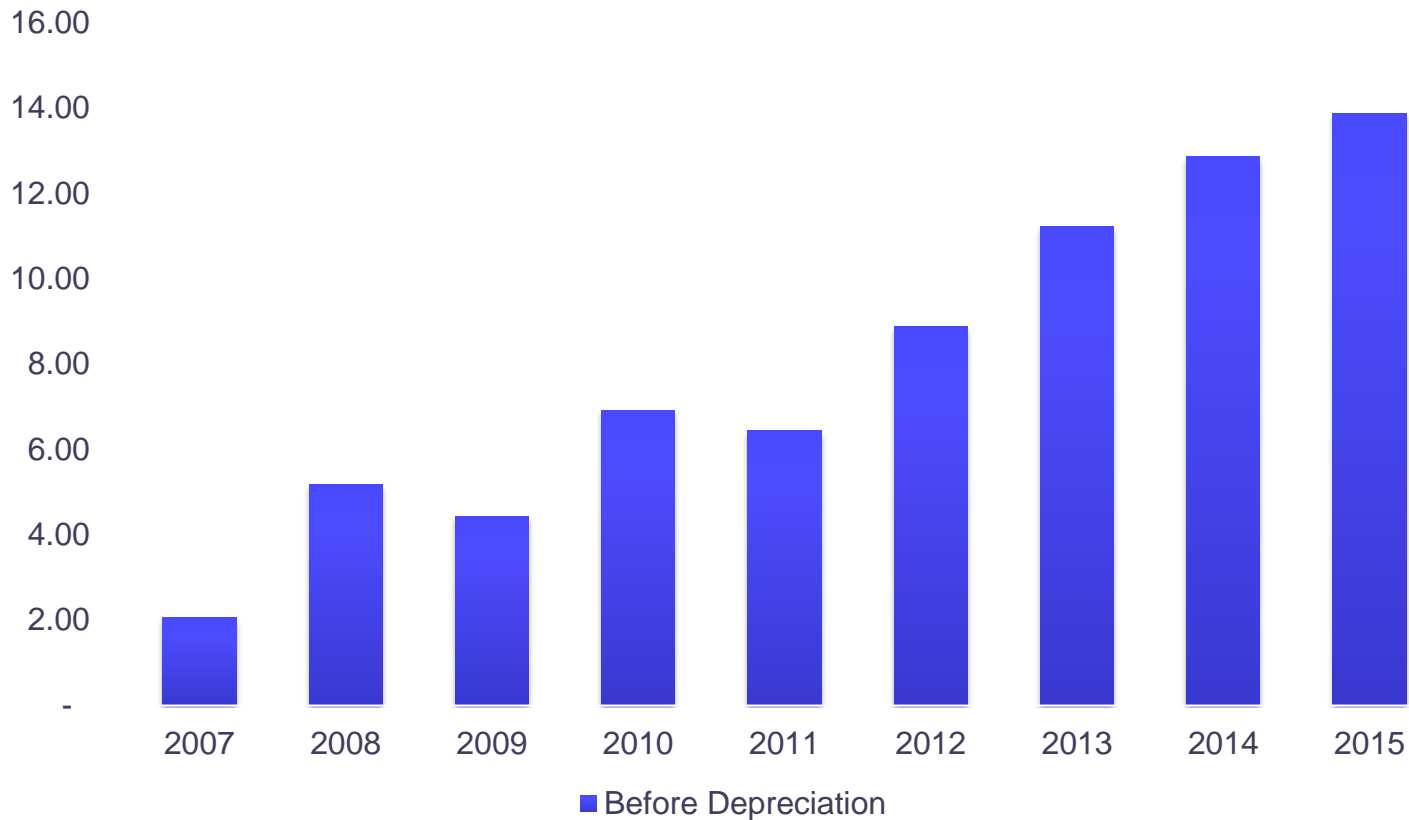
Consumption of capital

Comparison of Accommodation Results (from 2007)



Consumption of capital

Accommodation Result Before Depreciation



Depreciation Analysis

Sharpening the pencil

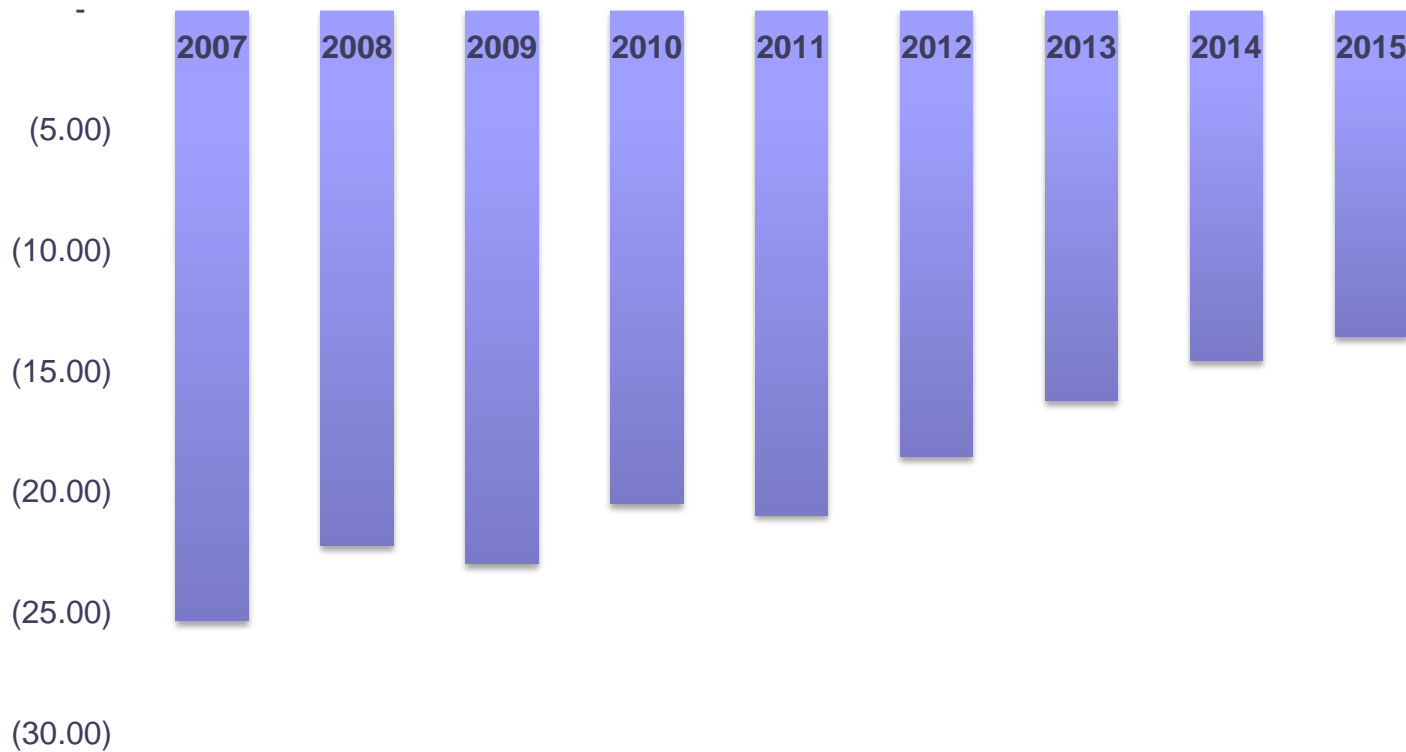
Building Cost

- Average cost of constructing an aged care facility around **\$250,000** per bed
- Average time before a major refurbishment say 15 years
- Depreciable amount say **\$150,000** of the total cost.
- Depreciation would average around **\$27.40** per bed day



Consumption of capital

Accommodation Result after adjusted Depreciation



Sourcing additional income

Accommodation income

Government regulation

Allows providers greater scope to increase income from accommodation and optional services

**Traditional
Income
sources**

Highly regulated

Significant scope to test the market

**Optional
Services**

As yet significantly under-utilised



Accommodation Pricing

“Proposition –
Accommodation pricing is
being undervalued”



Accommodation Pricing

Case study

- North Shore of Sydney - Pacific Highway corridor from North Sydney to Hornsby and east to Terry Hills and Belrose (*Post codes 2060 to 2087*)
- 47 facilities
- 2,313 residential places
- 108 different accommodation prices



Accommodation Pricing

Price data (31 March 2015)

- ✗ Median RAD - \$450,000
- ✗ Lowest Price \$100,000
- ✗ Highest Price \$1,500,000
- ✗ 7 facilities with prices above \$550,000
- ✗ 13 facilities with prices equal to \$550,000



Accommodation pricing

Market Data

- ✓ Median house prices range from **\$898,000** to **\$2,135,000** depending on postcode
- ✓ Median Unit prices range from **\$428,000** to **\$833,000** depending on post code
- ✓ Overall median house price **\$1,450,000**
- ✓ Overall median unit price **\$705,000**



Accommodation pricing

Accommodation Prices v Median House Prices



■ RAD Prices ■ Median House Prices ■ Median Unit Prices



Be Courageous



Optional Services

“Proposition – Optional services will affect the accommodation price that consumers will be willing to pay”



Optional Services

- Optional services should not play into any application to the Aged Care Pricing Commissioner as they are services that will be charged to the resident
- Optional services should be referenced in marketing material



Optional Service

- ✓ Optional services may have some impact on the design and amenity of the facility and ultimately the pricing
- ✓ Important to understand costs of service provision
- ✓ Important to understand target market



Change the dining experience



Change the dining experience

To this



Change the dining experience

Or this



Change the dining experience

Or add a bit of this



Flow on benefits

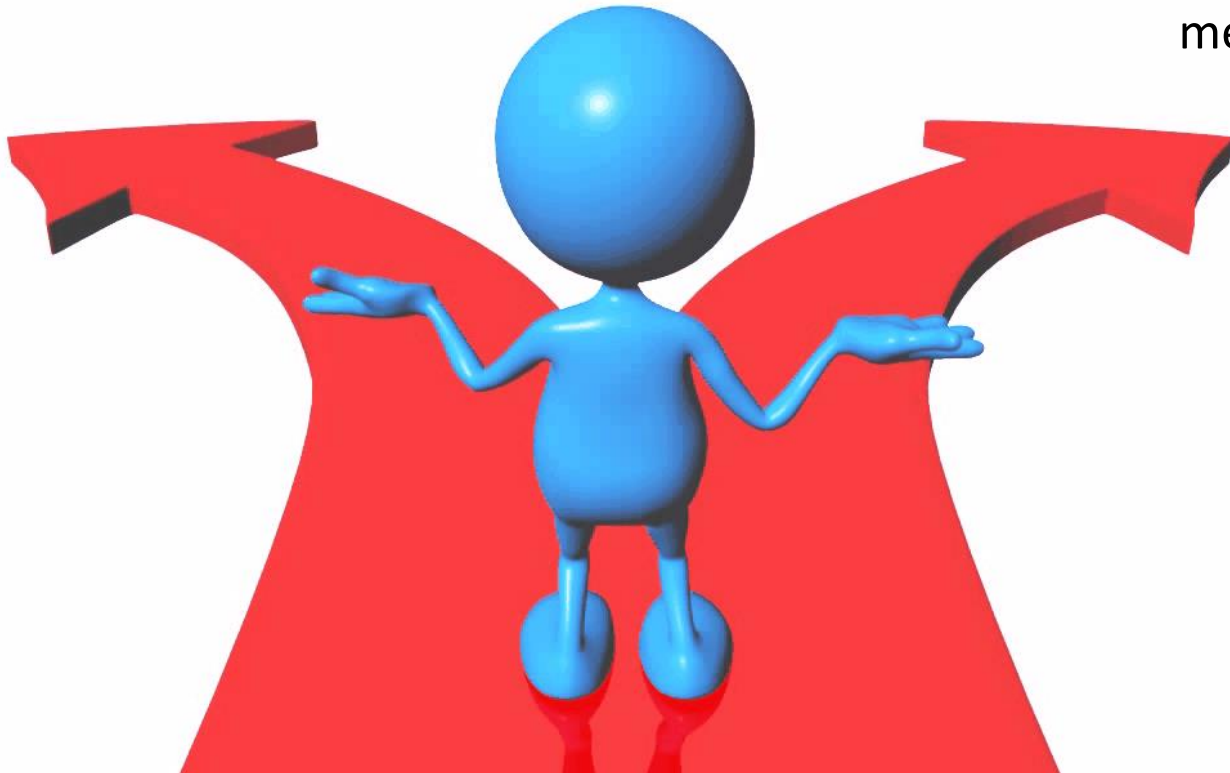
- ✓ Increased income
- ✓ Increased resident happiness and wellbeing
- ✓ Enhanced reputation
- ✓ Increased accommodation pricing



How much do I pay?

Basic Facility
Only specified
services provided

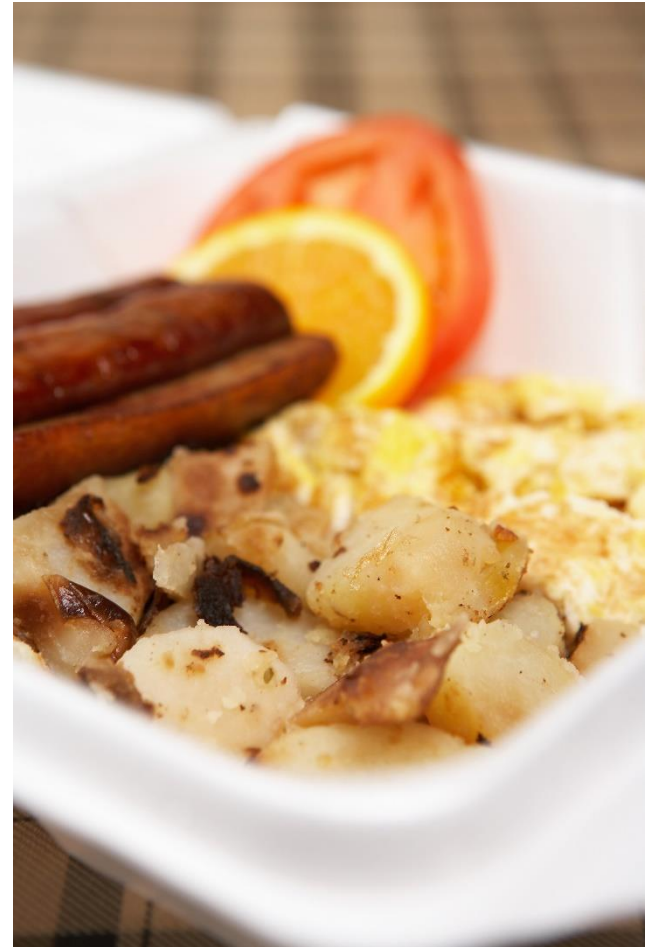
Choice of optional
services
More outings
Entertainment
packages
More choice on the
menu



Fantasy or not?

I enter an aged care facility and I decide to pay for a catering package on top of my normal daily fee.

- ✓ For that price I get a cooked breakfast every second morning served to me in my courtyard setting (I paid a little extra RAD for the courtyard) I put in my choices the night before like I used to when I stayed in a motel



Fantasy or not?

- ✓ A couple of times a week some of us go to the outdoor café and have a lovely afternoon tea



Fantasy or not?

- ✓ At lunch I have a salad or plate of sandwiches most days in the new dining room which is open from 12 pm until 2.30 pm for lunch.



Fantasy or not?

- ✓ I have my main meal in the evening which is not everyone's choice. I put in my order the night before based on the weekly menu and let them know when I will be having dinner. Last week I went to the smaller dining room where it was a little less noisy



Fantasy or not?

- ✓ A few times I felt like a late night snack after finishing a game of cards with a few friends so I ordered something off the room service menu. It was fairly basic but tasty.



This is a reality

This type of service is now being rolled out by aged care providers

Be Innovative

Be Courageous

Know your market

Contact Us



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Grant Corderoy

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