



StewartBrown

Integrity + Quality + Clarity



Aged & Community Services Association
of NSW & ACT Incorporated

Finance Forum

Sustainability

Latest Financial

Benchmark Results

Sustainability

Sustainable

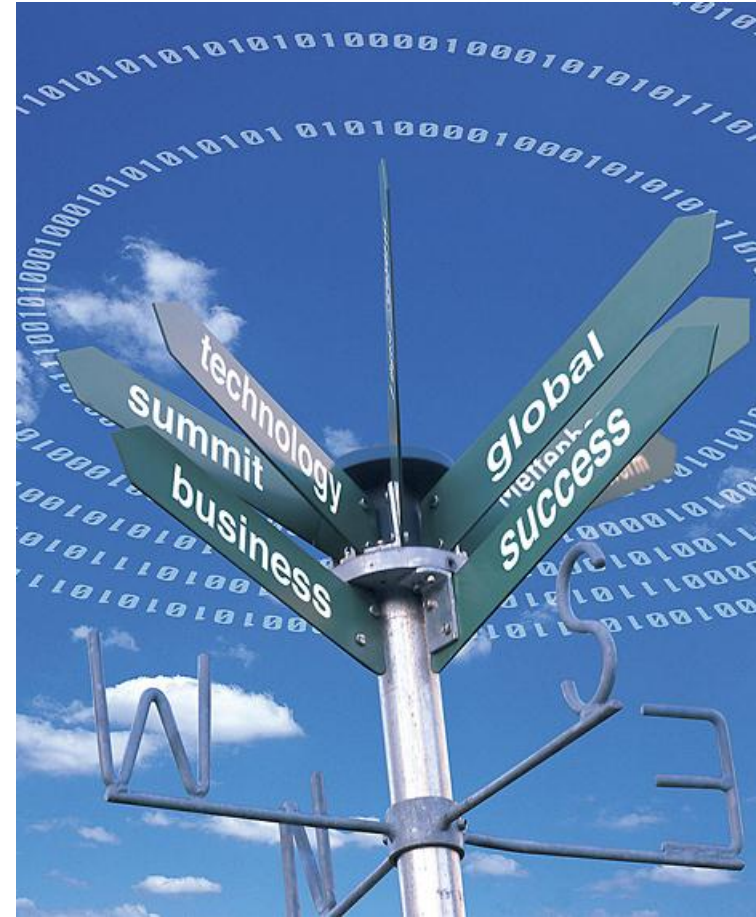
(adjective)

Able to be maintained at a certain rate or level

Source: Oxford Dictionary

Do not confuse sustainability with viability

- A business or business model may be viable today but not sustainable into the future



What makes a Strong Business?

Strong business = **Sustainability** + **Viability**

Key ingredients

- ✓ Maintenance of strong operational financial performance
- ✓ Prudent operational management
- ✓ Maximisation of capital streams of income/cash flows
- ✓ Prudent capital management
- ✓ Strong business culture



Successful Culture

Some common themes

- ✓ Good leadership
- ✓ Accountability at all levels
- ✓ Vibrant workforce
- ✓ Focused on service delivery and consumer needs
- ✓ Embracing change
- ✓ Innovative
- ✓ Planning ahead
- ✓ Strong marketing

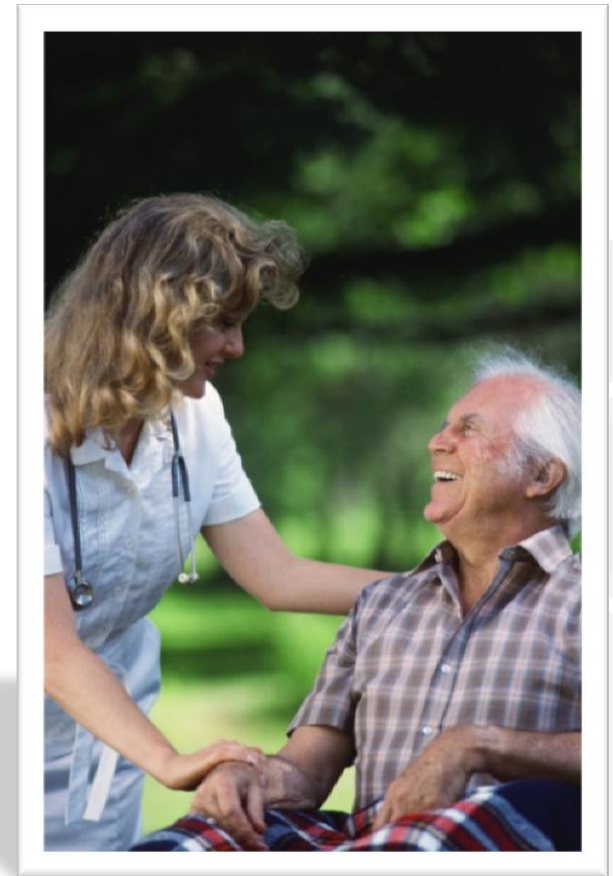
Aged Care Today

- Australians are living longer
- Changing mix between Home Care and Residential Care
- People are entering system at greater levels of need
- Majority of funding comes from government
- Highly regulated
- Greater expectations by those entering care



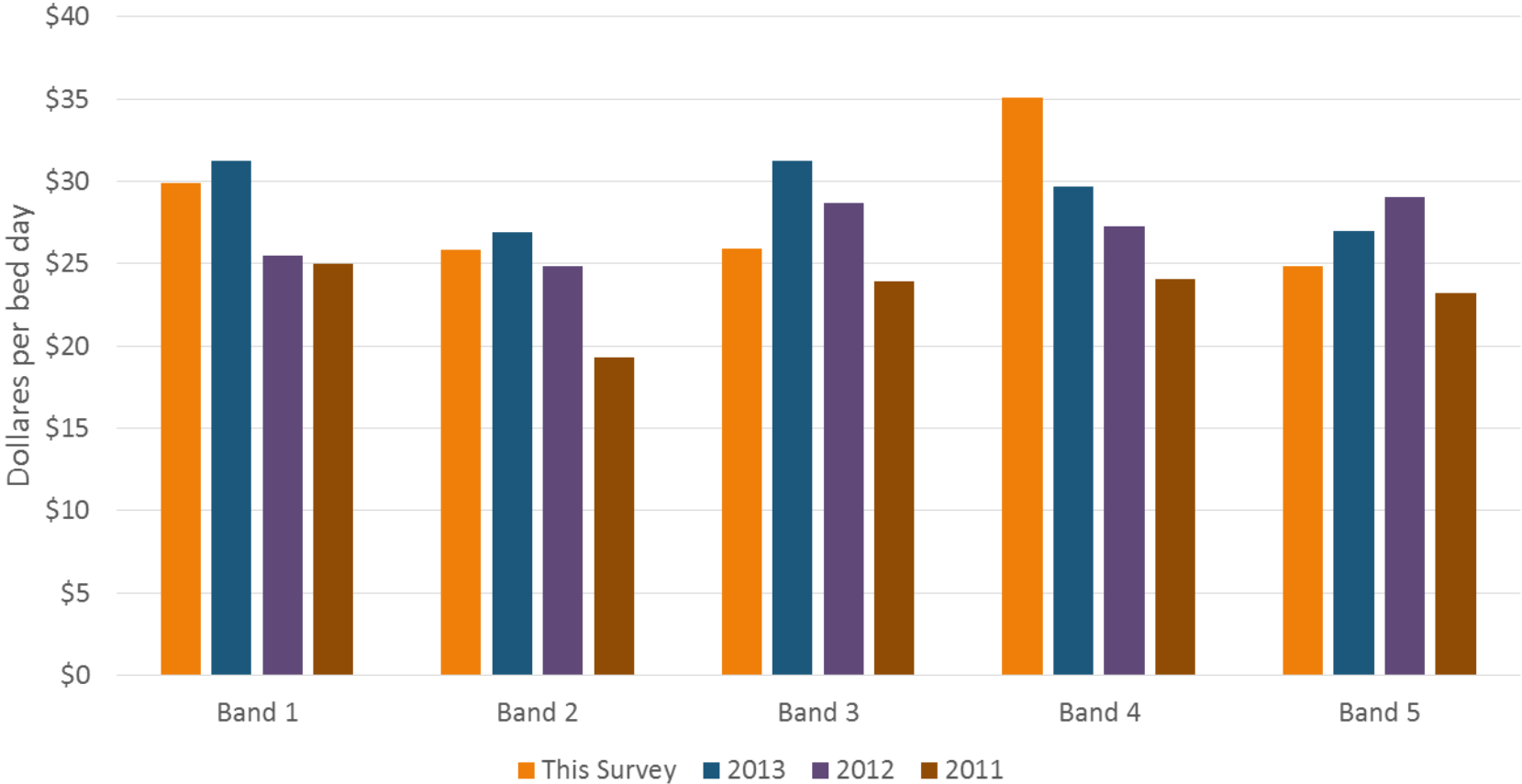
Aged Care Tomorrow

- Greater competition
- Higher proportion of funding from consumer
- Greater expectations from consumers
- Consumer directed care in home care
- Consumer directed care in residential care?
- New regulations (significant refurbishment & accommodation pricing)
- New reforms from 1 July
- Growing pressures on staffing pools



Operational performance

Gap between facility results of survey average and top quartile



Operational Performance

What are the Top performers doing?

- Financial accountability at all levels
- Financial literacy at all levels
- Good systems and access to information
- Internal goal setting through budgetary and possibly remuneration process – set KPIs
- Align financial performance to strategic direction
- Benchmarking to other providers

Other factors influencing Operating Performance

- ✓ Occupancy rates or utilisation rates
- ✓ Income maximisation
- ✓ Rostering, staff recruitment and retention practices
- ✓ Economies of scale
- ✓ Use of technology where appropriate
- ✓ Service delivery models
- ✓ Understanding of cost structures and cost of service delivery

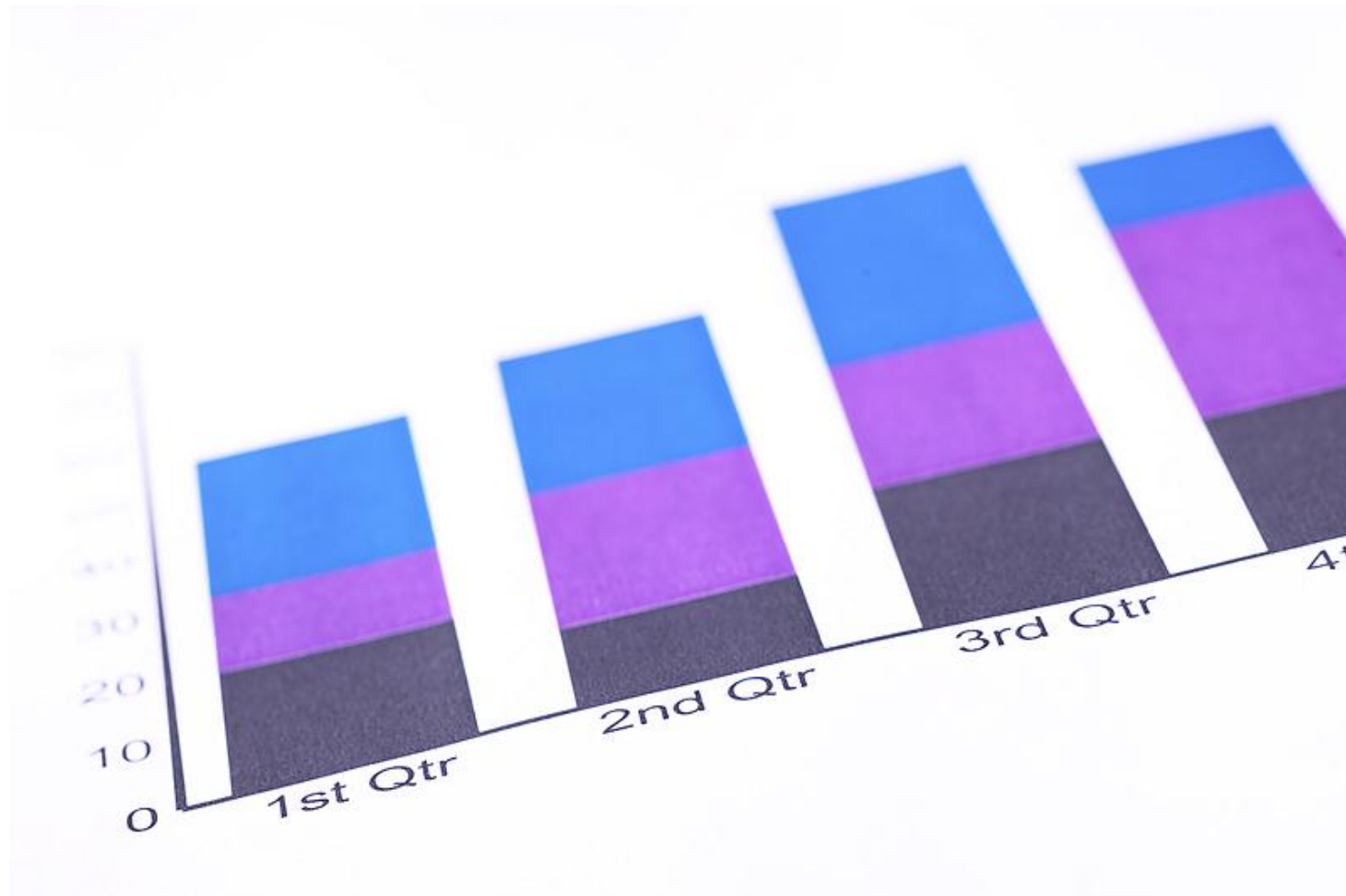
Capital Management

- ❖ Policies need to be aligned with strategic direction
- ❖ Sources of capital need to be managed
 - Bank relationships
 - Credit facilities
 - Investment of cash reserves
 - Prudential management
 - Permitted uses
 - Use of fund or portfolio managers

Challenges

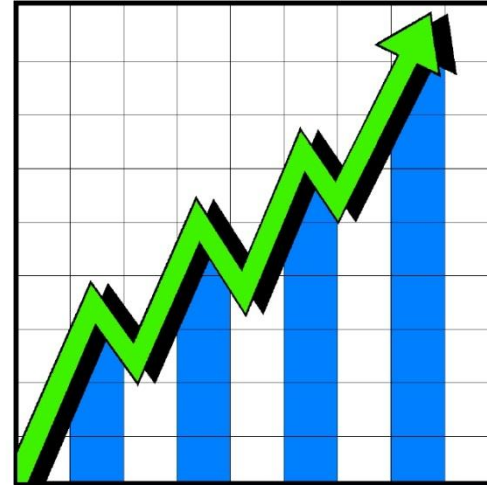
- ❖ Permitted use rules
- ❖ Introduction of a new regime of accommodation payments
 - May see a reduction in bond funds in facilities with large numbers and values of bonds
 - May see an influx of bonds in those facilities that previously could not change bonds
 - Need to balance profitability (large numbers of DAPs) with short to medium term cash flow (RADs)

Financial Benchmarking



Aged Care Financial Performance Survey

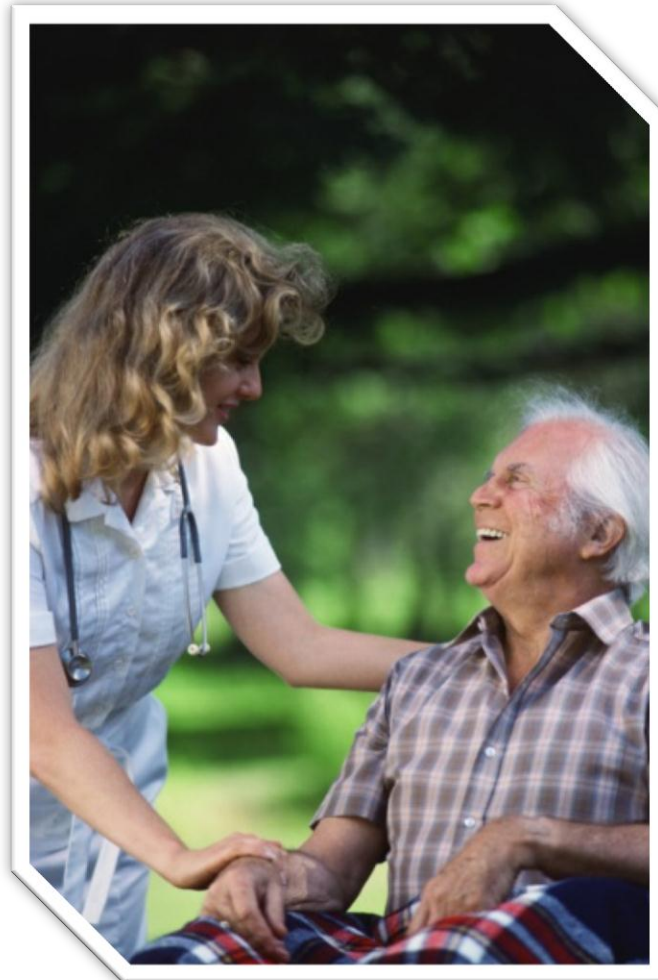
- What is surveyed
 - Residential Aged Care
 - Home Care packages
- Survey Process
 - Participants surveyed quarterly
 - Rigorous data cleansing process
 - 2 month turnaround
- Survey Outcomes
 - Report for each residential facility or home care program
 - Comprehensive report with survey analysis and trends
- Interactive Website
 - Participants can create customised reports including trend reporting
 - Drill down on data
 - Filter data in a number of ways



Sample Sizes

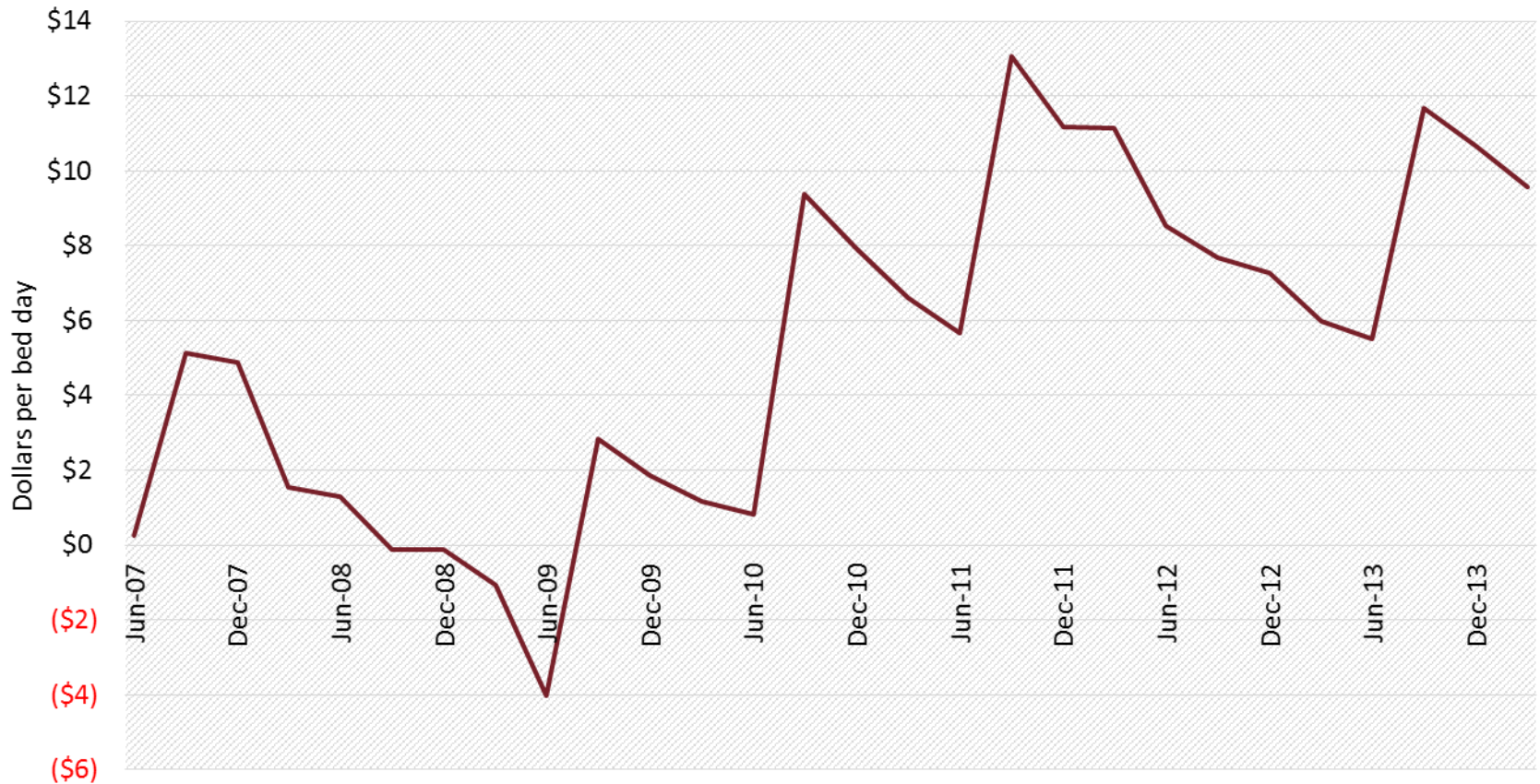
- Australian Bureau of Statistics - **10.6%**
(2011/12 Australian Industry Survey)
- National Polling Trends - **0.012%**
(Newspoll/Morgan/Galaxy)
- Television Ratings - **0.128%**
(Nielsen/OzTam)
- **Aged Care Financial Performance Survey**
(**29.5%** - Residential Aged Care; **35.5%** - Home Care)

Residential Care



What is the survey telling us?

Facility Result - All All Facilities



Highlights (March 2014)

- ✓ Average facility result was **\$9.56** per bed day (June 2013: \$5.51 per bed day)
- ✓ Average Facility EBITDA was **\$8,172** per bed per annum (June 2013: \$6,573 per bed per annum)
- ✓ Facility income averaged **\$211.96** per bed day (June 2013: \$201.48 per bed day)
- ✓ The facility result represents a return of only **4.5%** (June 2013: 2.7%)
- ✓ **71.7%** of all facilities in the survey achieved a positive facility result (June 2013: 63.2%)
- ✓ **76.6%** of facilities in this survey (June 2012: 69.0%) made an overall surplus taking into account all sources of income and expenditure. This is higher than it has been for some time. The ratio was 73.4% at June 2011, 65.0% at June 2010 and 63.5% at June 2009

Highlights

- ❌ Of continuing industry concern are the 87 facilities (**12.6%**) in the survey that had a negative EBITDA which is down from 16.9% of the facilities in the June 2013 survey.
- ✅ The average result of the top 50% of facilities in the survey was **\$26.46 per bed day**
- ❌ In contrast, the average facility result of the bottom 50% of facilities in the survey (346 facilities) was a **loss of \$5.59** per bed day

The numbers in more detail

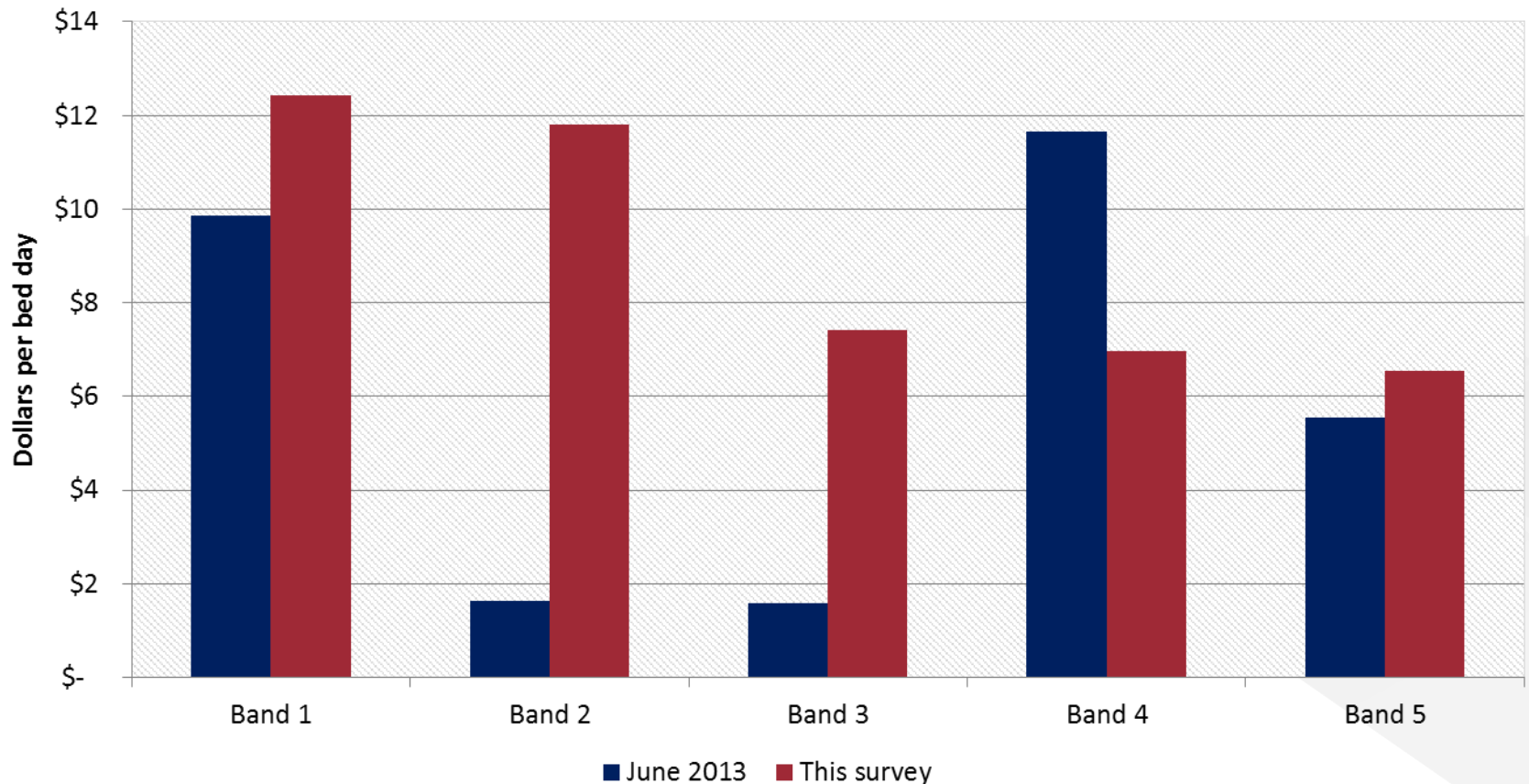
Extract from StewartBrown Aged Care Financial Performance Survey for the nine months ended 31 March 2014. <i>All amounts shown are measured in \$ Per Bed Day.</i>	Mar 2014	June 2013	June 2012	June 2011	June 2010	June 2009
	692 facilities	710 facilities	607 facilities	545 facilities	432 facilities	333 facilities
Resident fees	48.55	46.65	44.97	43.32	39.75	37.90
Government care subsidies	139.25	132.48	128.29	117.79	105.64	98.78
Other resident revenue	12.47	12.23	11.77	10.36	8.33	7.11
Other government revenue	11.69	10.12	8.62	6.97	7.38	5.28
Total revenue	211.96	201.48	193.65	178.43	161.09	149.07
Expenditure						
Care	109.64	105.07	97.94	90.06	81.70	77.88
Hotel services	34.33	33.75	31.90	31.49	29.69	28.70
Accommodation services	28.91	28.30	27.93	26.38	22.99	20.66
Administration & support services	29.52	28.85	27.64	25.41	25.88	25.84
Total expenditure	202.40	195.97	185.41	173.34	160.27	153.08
Facility result	\$ 9.56	\$ 5.51	\$ 8.24	\$ 5.09	\$ 0.82	\$ (4.01)
Provider result	\$ 2.63	\$ 3.03	\$ 4.33	\$ 3.69	\$ 3.07	\$ 3.66
Total result	\$12.19	\$ 8.54	\$ 12.57	\$ 8.79	\$ 3.89	\$ (0.35)
Facility EBITDA per bed per annum	\$ 8,172	\$ 6,573	\$ 7,621	\$ 6,046	\$ 3,977	\$ 1,707
Overall EBITDA per bed per annum	\$ 8,577	\$ 6,884	\$ 7,994	\$ 6,435	\$ 4,427	\$ 2,171
<i>Care cost as % of resident fees & government subsidies</i>	58.4%	58.5%	56.5%	55.9%	56.2%	57.0%

Results by benchmark band

Results by Income Band Extracts from StewartBrown Aged Care Financial Performance Survey for the nine months ended 31 March 2014. <i>All amounts shown are measured in Dollars per Bed Day.</i>	<i>Survey Average Results</i>				
	<i>Band 1</i>	<i>Band 2</i>	<i>Band 3</i>	<i>Band 4</i>	<i>Band 5</i>
	\$	\$	\$	\$	\$
<i>Total of 692 Facilities in survey</i>	<i>154 Facilities</i>	<i>164 Facilities</i>	<i>169 Facilities</i>	<i>110 Facilities</i>	<i>95 Facilities</i>
Revenue	247.90	225.36	204.18	183.77	158.21
Expenditure					
Care	135.93	118.68	104.95	89.64	68.88
Hotel services	37.08	34.37	34.05	32.16	31.92
Accommodation services	29.14	30.11	28.63	29.06	25.95
Other services	33.31	30.39	29.14	25.95	24.90
Total expenditures	235.46	213.56	196.77	176.80	151.65
Facility Result (\$ per bed day)	\$12.43	\$11.80	\$7.42	\$6.96	\$6.56
Total Result (\$ per bed day)	\$14.02	\$14.29	\$10.09	\$10.54	\$10.39
EBITDA (facility) \$ per bed p.a.	\$9,239	\$9,541	\$7,004	\$7,428	\$6,333
EBITDA (overall) \$ per bed p.a.	\$9,575	\$9,911	\$7,373	\$8,047	\$6,764
Facility result (June 2013)	\$9.69	\$1.44	\$1.44	\$11.28	\$4.97
EBITDA (facility) \$ per bed p.a. (2013)	\$8,439	\$5,198	\$5,182	\$8,290	\$6,001

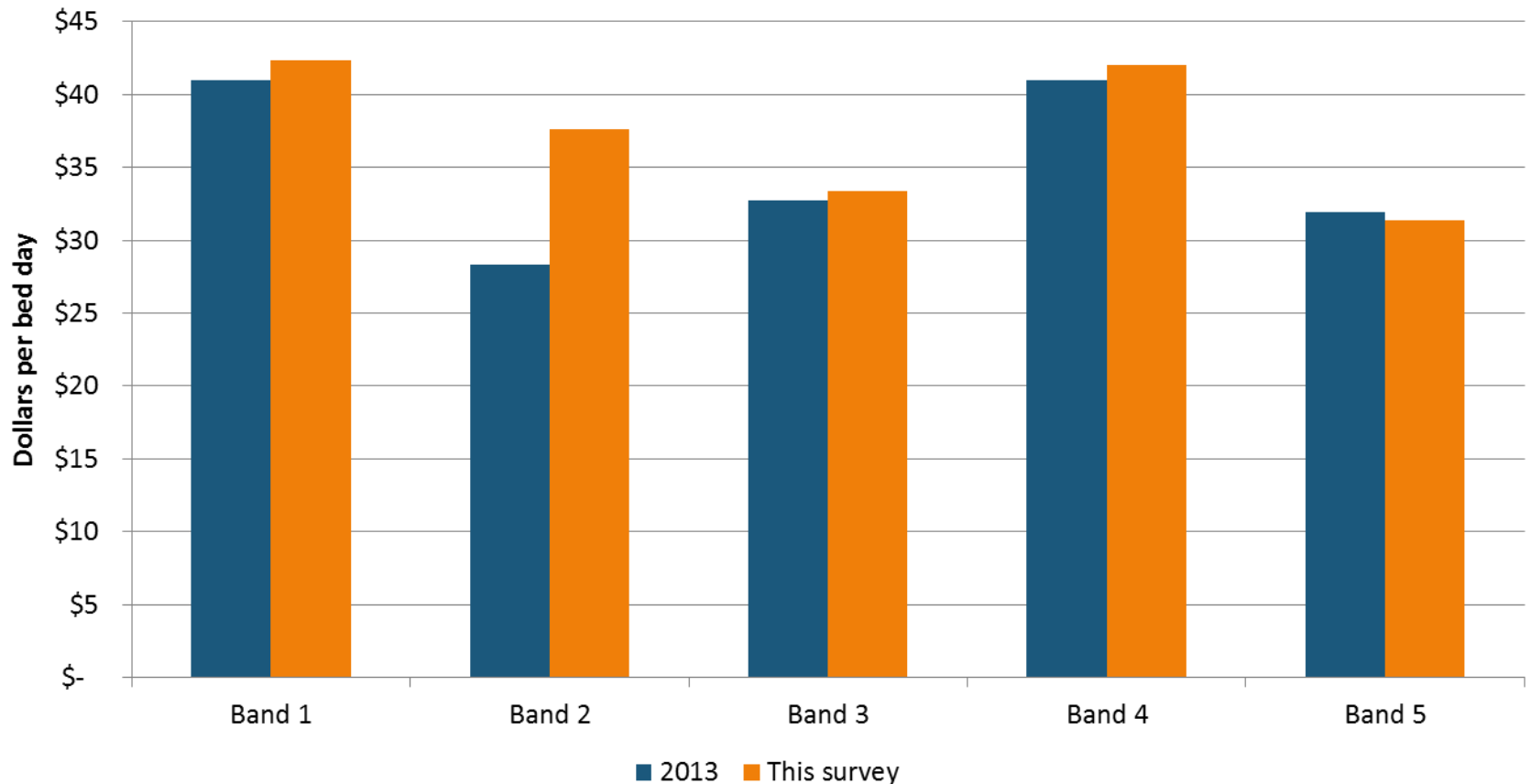
Results by Benchmark Band

Average Facility Result by Band



Benchmarks

Average Facility Result by Band - Top Quartile



Differences between Average and Top 25%

- The below table shows the \$ per bed day (\$ pbd) **difference** between the **Average** (mean) of the September 2013 survey and the **Average of the Top 25%**
- Using Band 1 as an example the Top 25% have greater income of \$1.10 pbd and less expenses of \$28.79 pbd resulting in a greater surplus of **\$29.89 pbd**

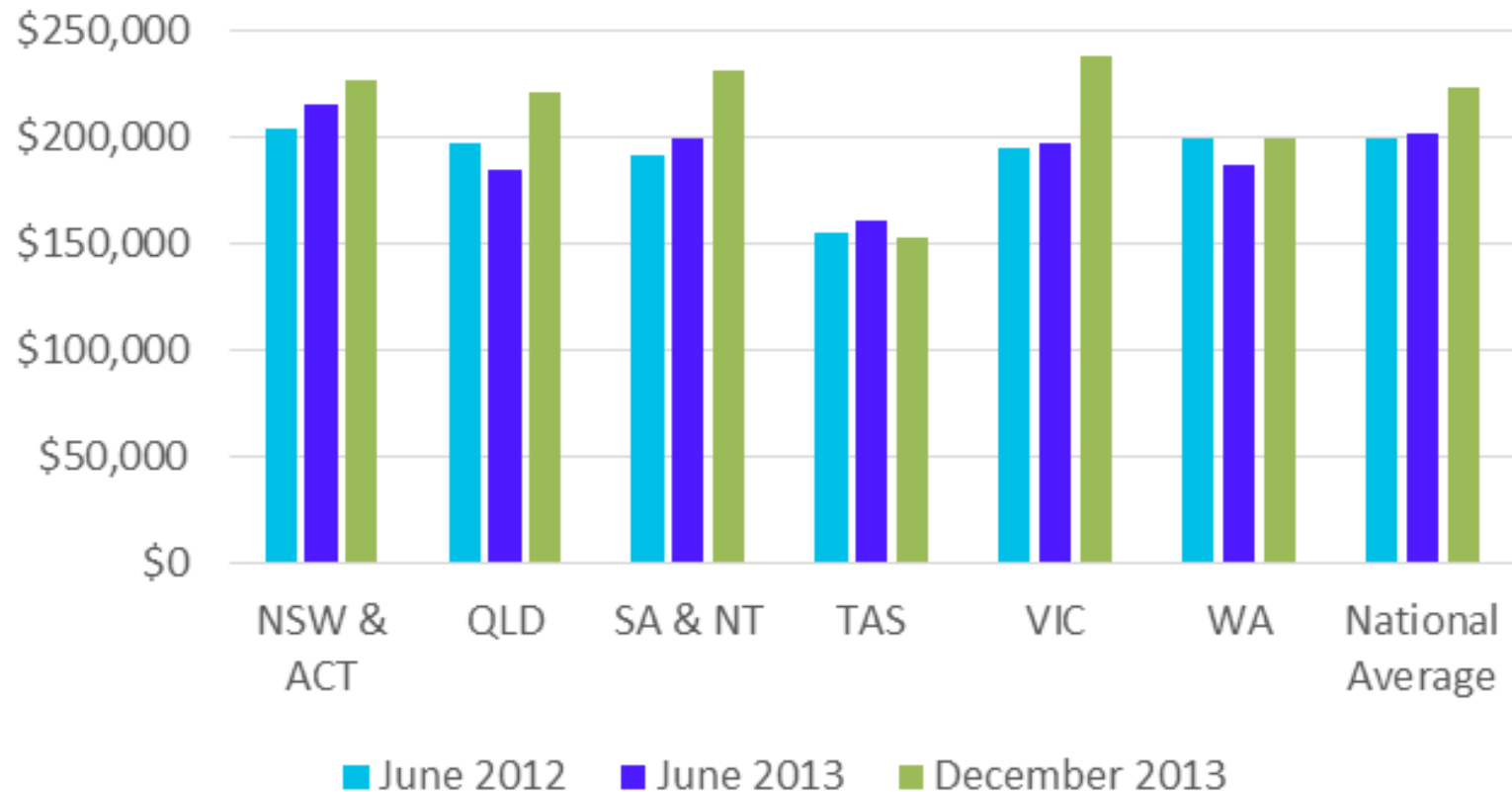
	Band 1	Band 2	Band3	Band 4	Band 5
	\$ pbd	\$ pbd	\$ pbd	\$ pbd	\$ pbd
Revenue	1.10	2.20	1.83	0.30	2.07
Care costs	15.87	12.82	10.54	22.97	9.12
Hotel services	3.30	1.91	4.12	3.26	3.71
Accommodation services	3.47	3.97	5.47	4.41	4.73
Administration and other support services	6.16	4.94	3.97	4.16	5.21
Total expenses	28.79	23.64	24.11	34.80	22.77
Facility result	\$ 29.89	\$ 25.84	\$ 25.94	\$ 35.10	\$ 24.84

Staff Hours

Average of top quartile Hours worked per resident per day for the three months ended 30 September 2013	Band 1	Band 2	Band 3	Band 4	Band 5
Care management	0.09	0.11	0.08	0.11	0.10
Registered nurses	0.40	0.36	0.29	0.14	0.09
Other care staff	2.19	1.98	2.12	1.60	1.40
Therapists	0.06	0.08	0.07	0.08	0.11
Total care hours	2.73	2.53	2.57	1.93	1.70
Hotel services	0.61	0.66	0.64	0.49	0.54
Accommodation services	0.06	0.07	0.06	0.04	0.05
Administration	0.14	0.17	0.14	0.13	0.10
Total hours	3.54	3.43	3.40	2.59	2.38
Survey Average – Care Hours	3.22	2.81	2.69	2.53	1.99
Survey Average – Total Hours	4.08	3.71	3.63	3.44	2.87
June 2013 - Benchmark	3.80	3.26	2.80	2.49	2.26
June 2012 - Benchmark	3.97	3.78	3.24	2.55	2.27

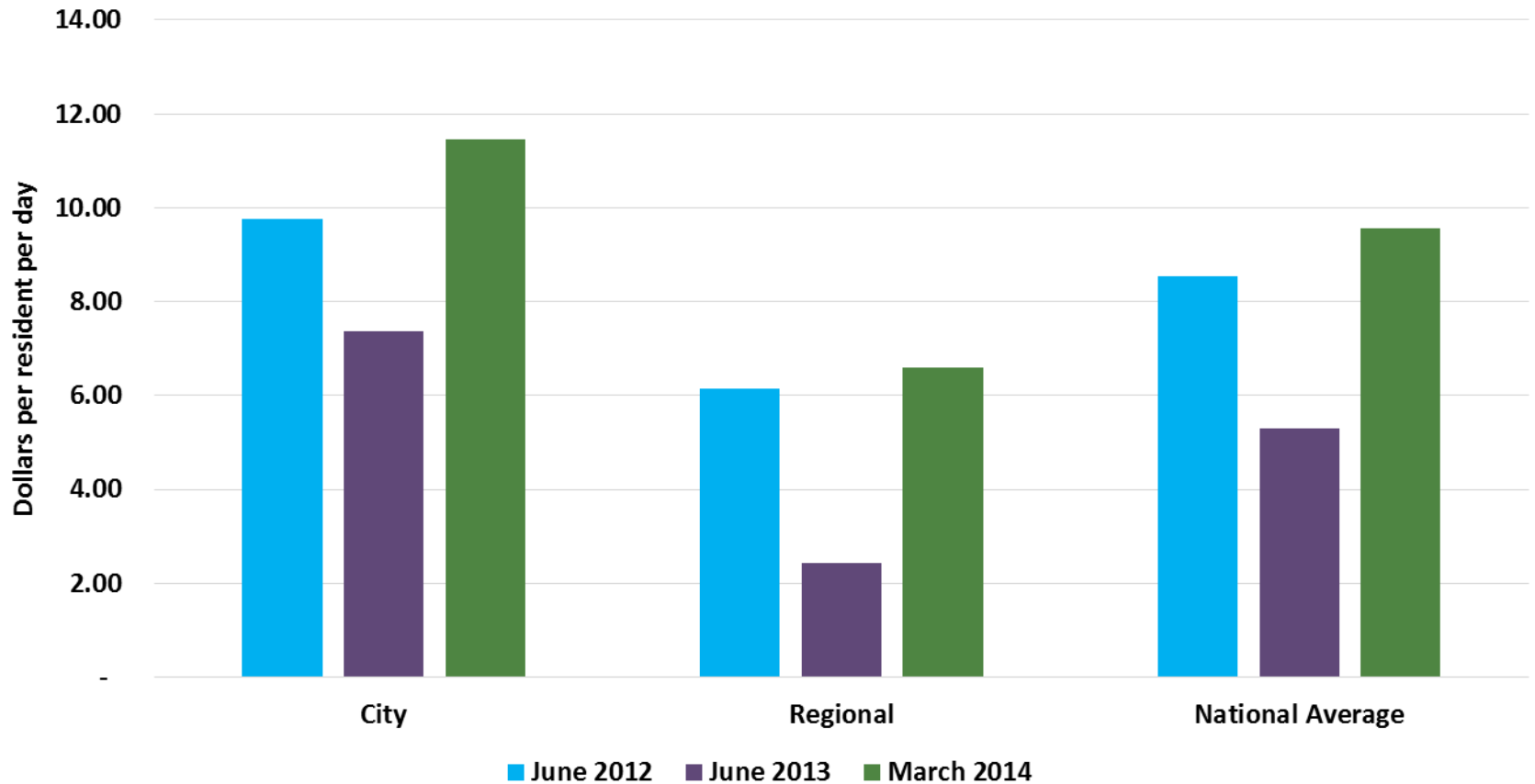
Bonds by State

Average Accommodation Bond Held



City vs Regional

Average Facility Result - City v Regional



Home Care



Home Care Level 2 Results

<p>Extract from StewartBrown Aged Care Financial Performance Survey for nine months ended 31 March 2014.</p> <p><i>All amounts shown are measured in Dollars per Actual Client Day.</i></p>	<p>Top Quartile Average 9 Months ended 31 March 2014</p> <p>\$</p>	<p>Survey Average 6 Months ended 31 March 2014</p> <p>\$</p>	<p>Difference</p> <p>\$</p>
Income	43.87	43.41	0.46
Care Costs	25.62	29.34	3.72
Operating costs	1.60	2.05	0.45
Administration	7.03	8.37	1.34
Depreciation – non building	0.35	0.38	(0.03)
Total expenditure	34.61	40.13	5.52
Net operating result	\$ 9.26	\$ 3.27	\$ 5.99

Home Care Level 4 Results

<p>Extract from StewartBrown Aged Care Financial Performance Survey for nine months ended 31 March 2014.</p> <p><i>All amounts shown are measured in Dollars per Actual Client Day.</i></p>	<p>Top Quartile Average 9 Months ended 31 March 2014</p> <p>\$</p>	<p>Survey Average 9 Months ended 31 March 2014</p> <p>\$</p>	<p>Difference</p> <p>\$</p>
Income	136.27	136.61	(0.34)
Care Costs	62.10	79.91	17.81
Operating costs	4.30	5.51	1.21
Administration	23.35	26.62	3.27
Depreciation – non building	0.48	0.58	0.10
Total expenditure	90.23	112.63	22.40
Net operating result	\$ 46.04	\$ 23.98	\$ 22.06