



Australian Government

Aged Care Financing Authority

*Aged Care Financing Authority (ACFA)
2016 ACFA Annual Report*



Lynda O'Grady
ACFA Chairman

Today

Aged Care Financing Authority

- ▶ Charter
- ▶ Program of Work

F15 – Industry Overview

- ▶ Residential
- ▶ Home Care

The Blueprint for reform

- ▶ To date
- ▶ Scorecard to date?

Report Learnings

- ▶ Financial Factors
- ▶ Rural & Remote



Aged Care Financing Authority (ACFA)



Charter & Membership



Work Program

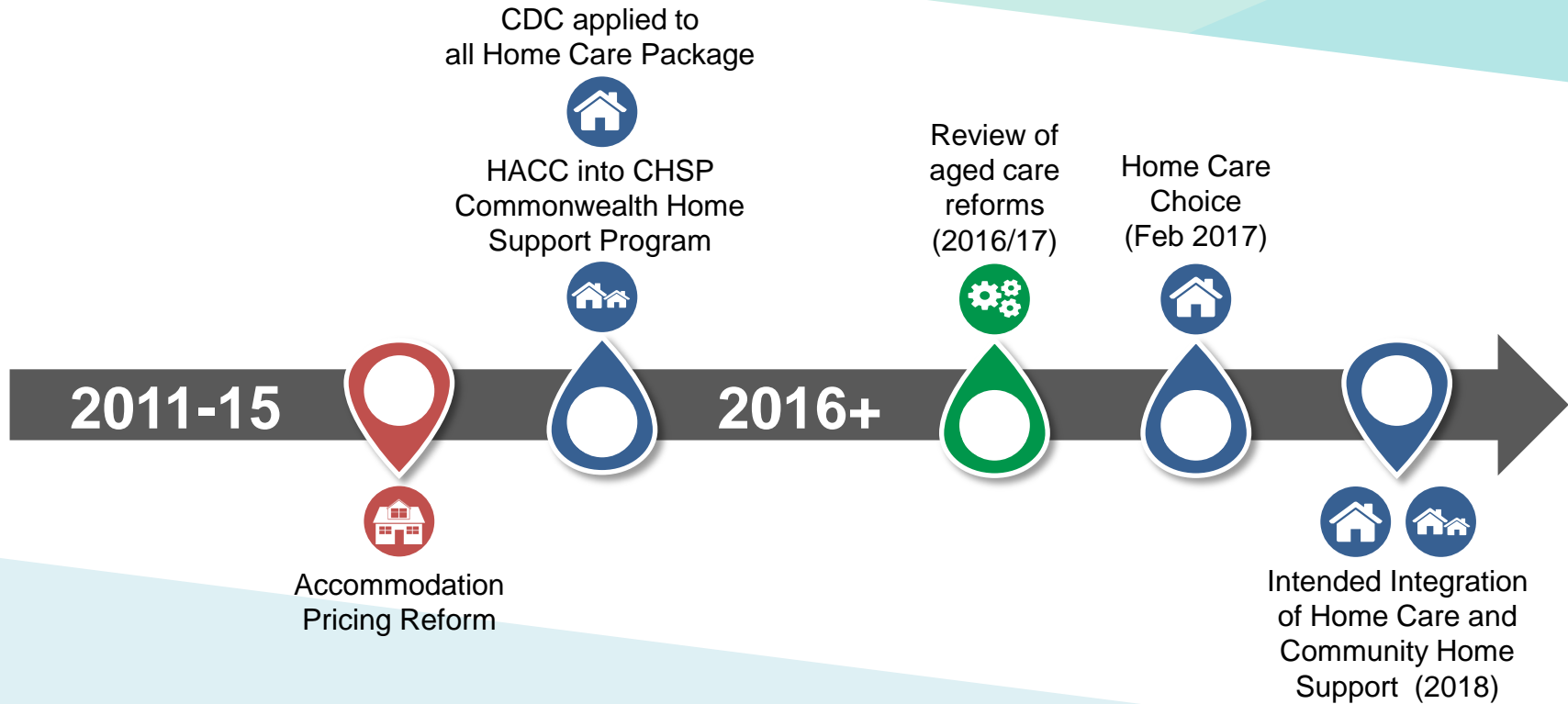
- Set by a combination of legislative requirements and Ministerial direction
- Recast by Minister Ley on 4 November 2015, reflecting current priorities



F16/17 – projects

- Bond Guarantee Scheme
- Supported Residents project
- ACFA's advice into legislated 5yr review

Timeline for Reform



Scorecard

Residential Care

Home Care

	Residential Care	Home Care
CONSUMER		
PROVIDER		
GOVERNMENT		

- *What's happened?*
- *What's the impact?*
- *Where to now?*

Perspectives on Aged Care Reform

Governments' perspective,
reform in home care

Today



F15 – Industry Overview

- ▶ Residential
- ▶ Home Care

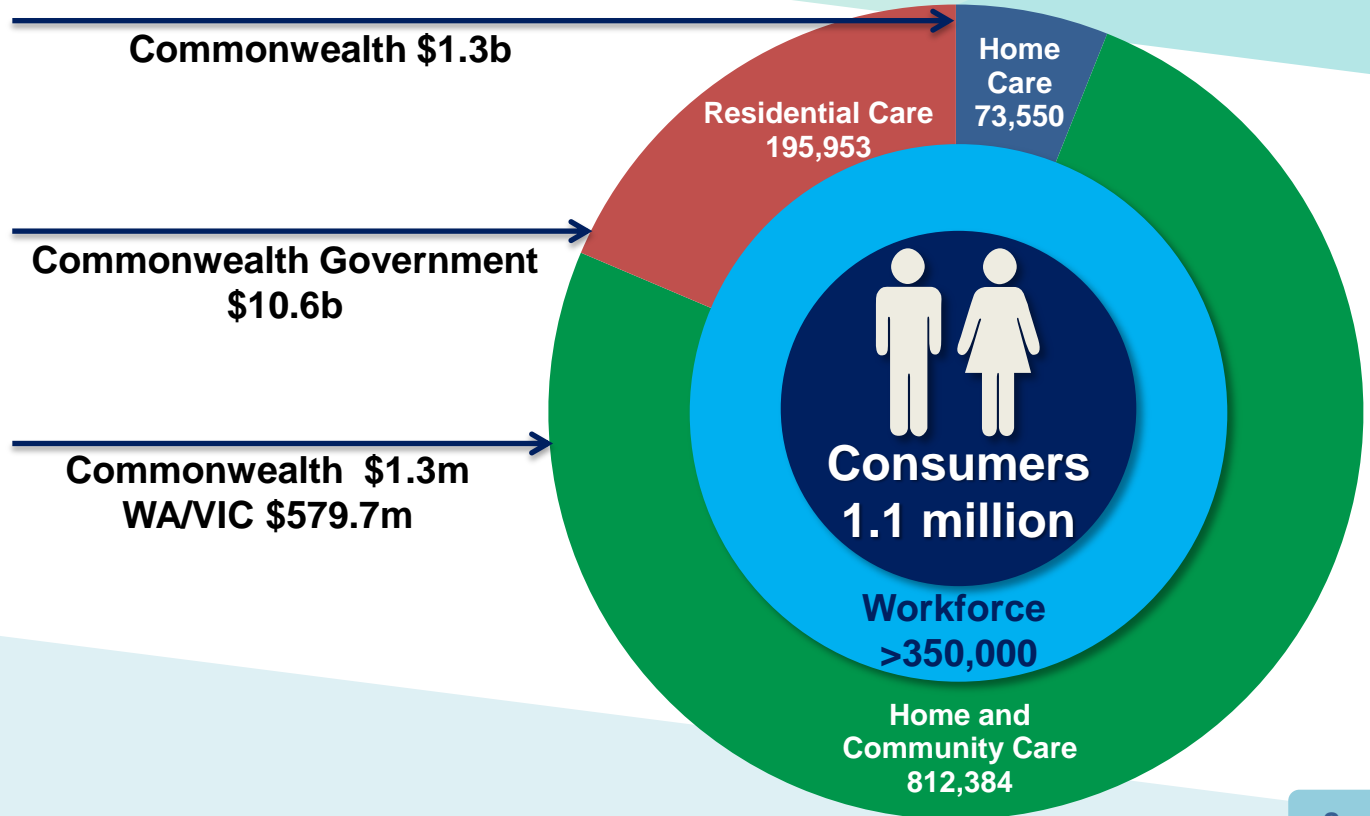
Australian Aged Care Industry (2015)

FUNDING

\$14.4b

Commonwealth \$13.8b

WA & Vic \$0.5b



2015 Industry Overview: Total

No.	2011-12	2012-13	2013-14	2014-15
Providers	3,301	3,185	3,196	3,115
Services	6,460	6,498	6,576	6,583*
Places/ Consumers	998,723	1,002,734	1,031,391	1,081,887
Total Revenue	\$14.9b	\$15.8b	\$18b	\$19b

Australian Aged Care Industry (2015)

Places (2015)

HACC
(1,639 providers)



Home and Community Care (HACC)

HACC
812,384

Home Care
(504 providers)



4 Home Care package levels

Home Care
73,550

**Residential
Care**
(972 providers)

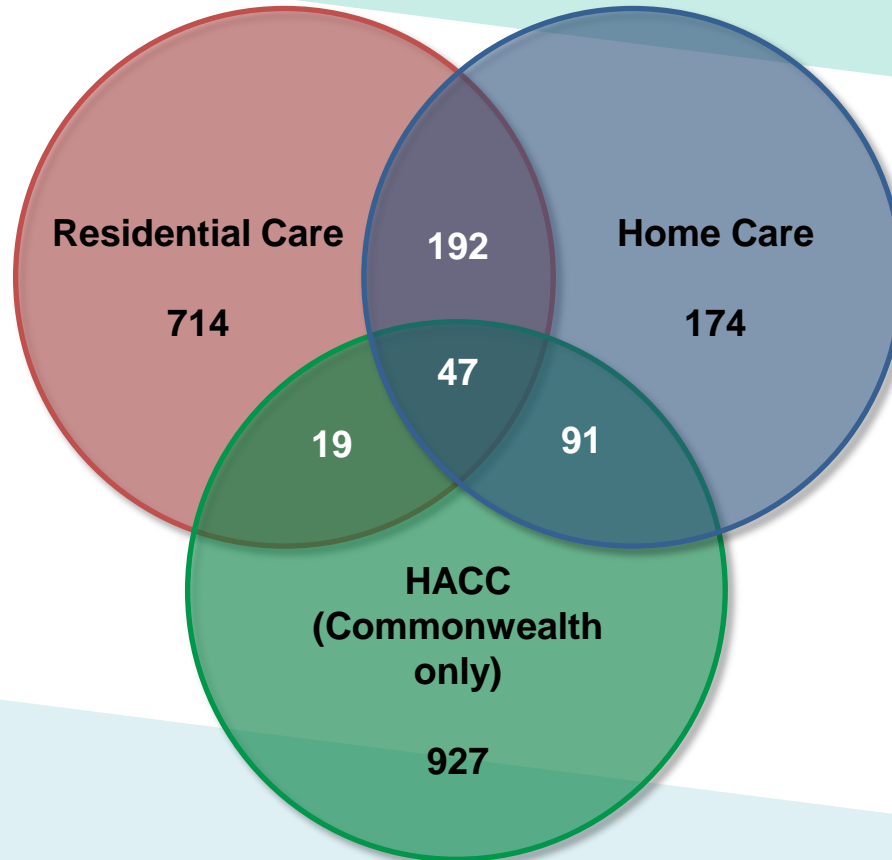


Residential Care

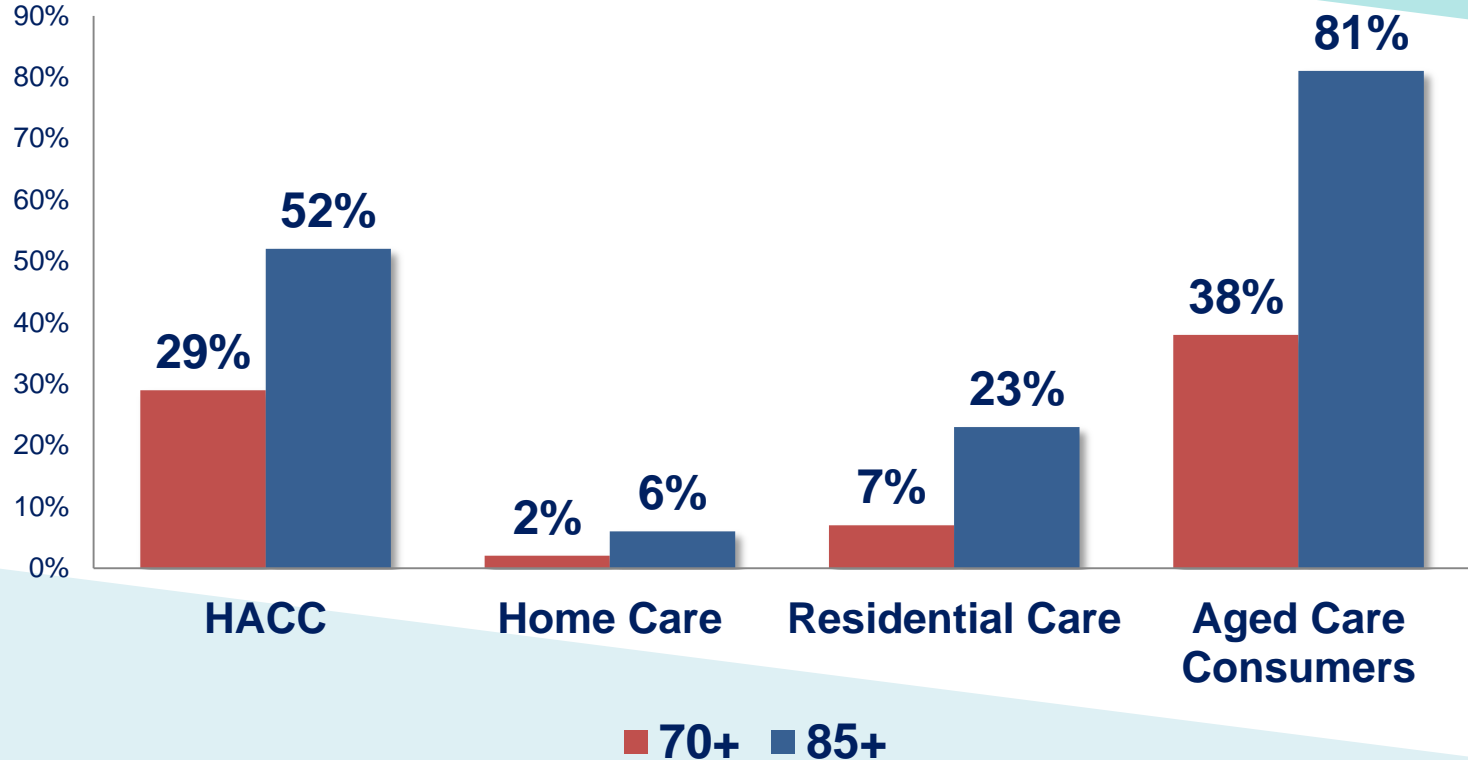
**Residential
Care**
195,953

Total Places 1,081,887

Number of providers by service type (2014-15)



Aged Care System Constituents as proportion of all people over 70 & over 85



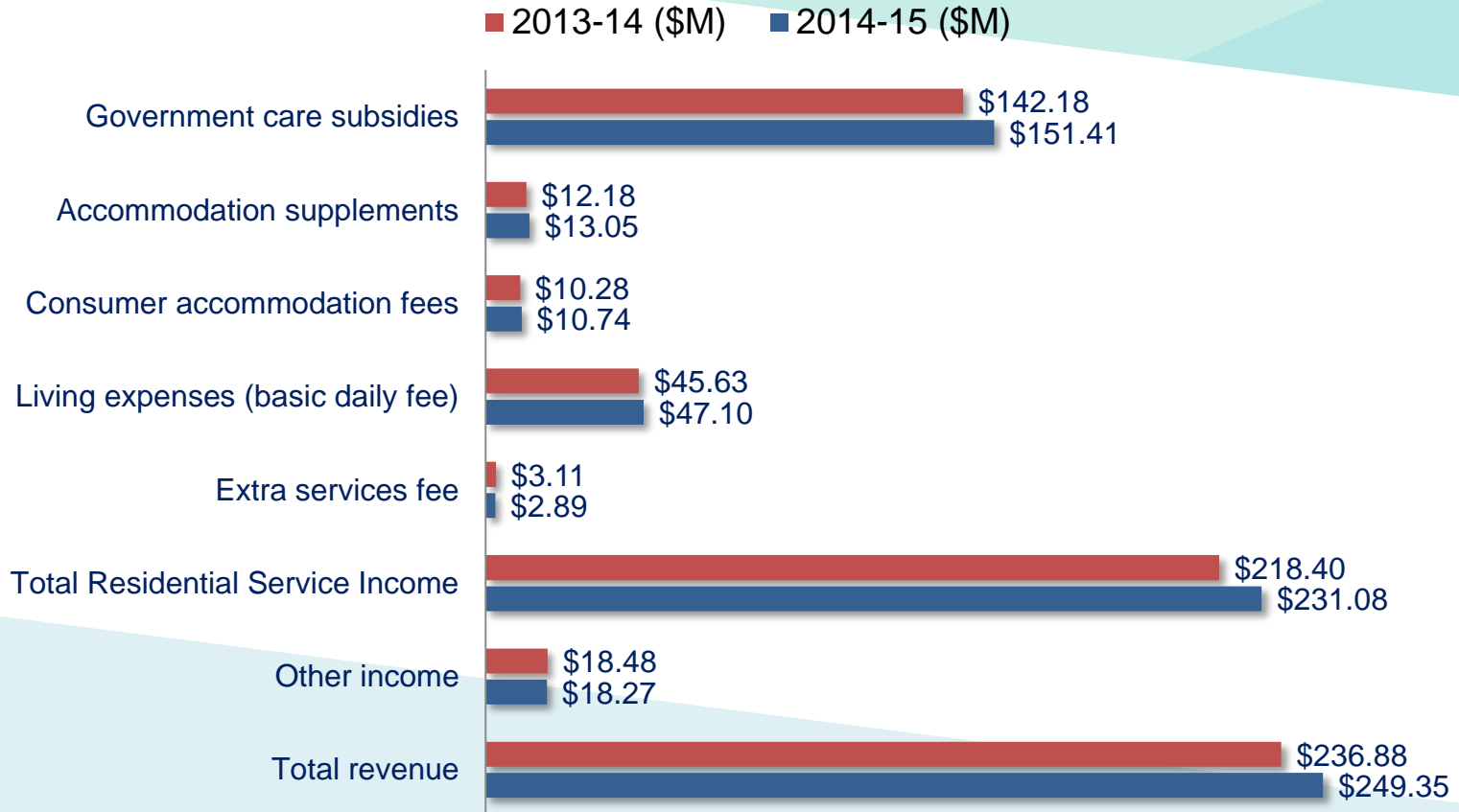
Residential Care – P&L

	Total sector 2013-14	Total sector 2014-15
Revenue (\$m)	\$14,826	\$15,810
Expenses (\$m)	\$14,115	\$14,903
Profit (\$m)	\$712	\$907
EBITDA margin	10.7%	11.2%
NPBT margin	4.9%	5.8%
Average profit (EBITDA) per consumer (\$) per annum	\$9,224	\$10,222

Residential Care – P&L

	Not-for-profit	For-profit	Government	Total sector 2014-15
Revenue (\$m)	\$8,742	\$6,199	\$869	\$15,810
Expenses (\$m)	\$8,340	\$5,642	\$921	\$14,903
Profit (\$m)	\$402	\$557	-\$52	\$907
EBITDA margin	10.9%	13.3%	0.3%	11.2%
NPBT margin	4.6%	9.0%	-7.1%	5.8%
Average profit (EBITDA) per consumer (\$ per annum)	\$9,318	\$12,945	\$341	\$10,222

Residential Care - Income (Per Resident Per Day, GPFR only)



Financing: Total Industry (2015)

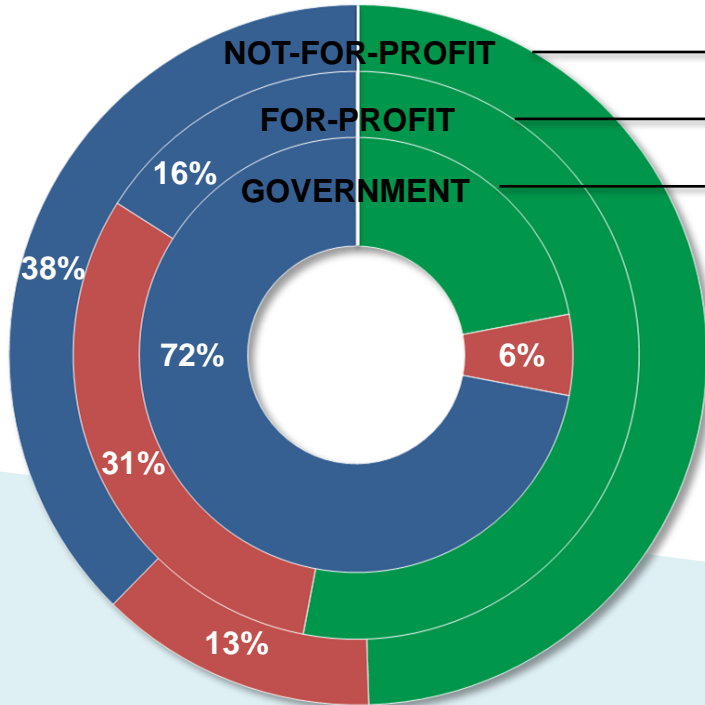
Total value of assets: **\$36.6b** (up from \$33.7b in 2014)

Number of bonds: 73,324

Accommodation Bonds value: **\$18.2b** (up from \$15.6b in 2014)

Average bond: \$248,400

Accommodation bonds to total assets



- Not for profit: 50%
- For profit: 53%
- Government: 22%

- Accommodation Bonds
- Other Liabilities
- Net Worth/Equity

Home Care – P&L

	Total sector 2013-14	Total sector 2014-15
Total Revenue (\$ m)	\$1,139.5	\$1,166.2
Total Expenses (\$ m)	\$1,035.3	\$1,039.7
Profit (\$ m)	\$104.2	\$126.5
Average EBITDA per package	\$1,973	\$2,235

Today



Report Learnings

- ▶ Financial Factors
- ▶ Rural & Remote

Providers - facility/ service level

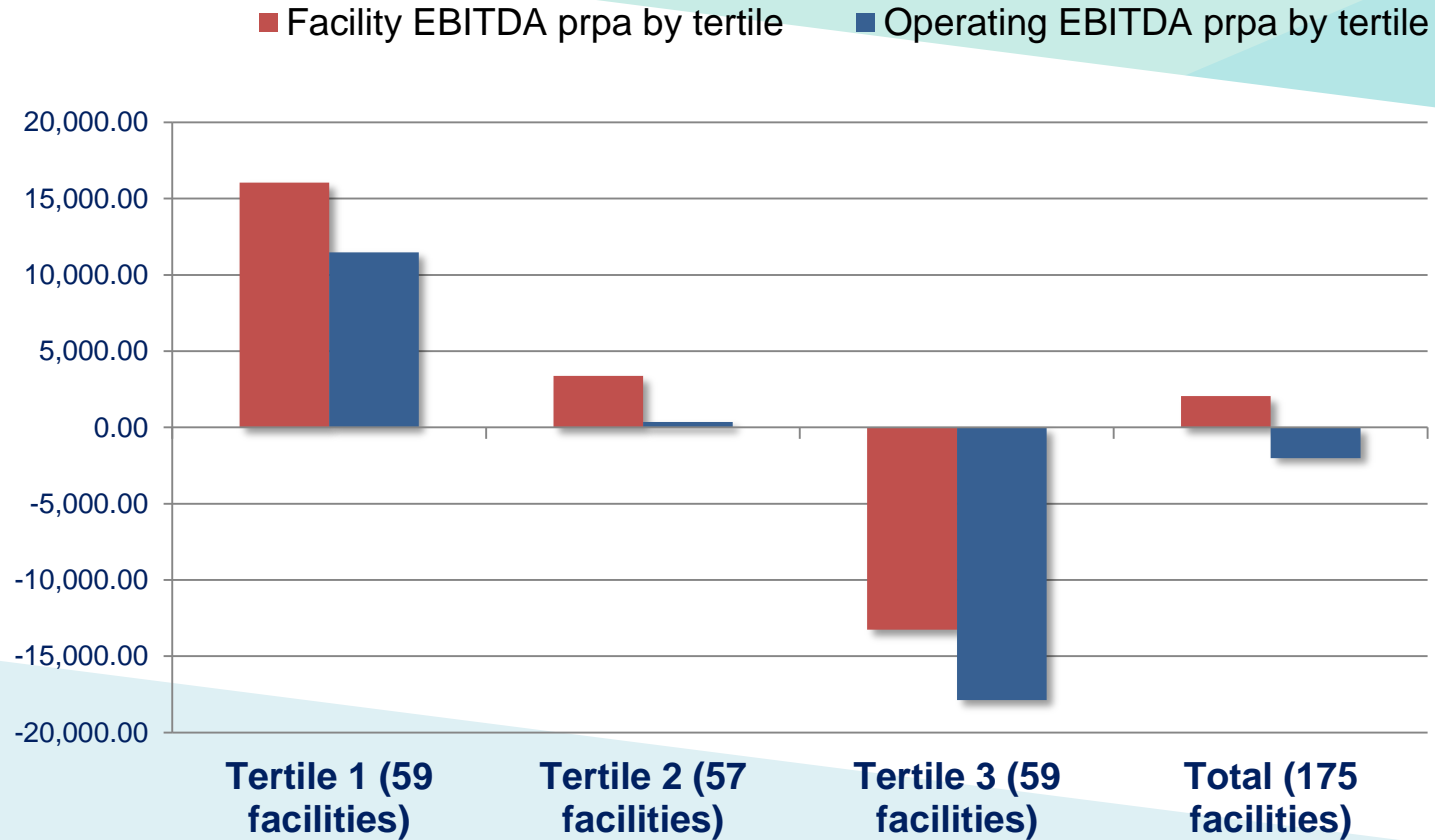
Total Rural and Remote Sector

	No. services/facilities	Places/Packages	Avg. places/packages per service
Residential	311	10,142	32.6
Home Care Package	232	3,145	13.5
MPS	165	3,545	21.5
NATSIFACP	31	802	25.9
Totals	739	17,622	23.7

Operating and Facility EBITDA

	\$ per resident per ANNUM (ppra)		\$ per resident per DAY (pprd)	
	Rural and remote	Non-rural and remote	Rural and remote	Non-rural and remote
Operating result	-6,669	3,768	-18.27	10.32
Add:				
Depreciation expense	4,666	5,074	12.78	13.90
Operating EBITDA	-2,004	8,842	-5.49	24.22
Add:				
Non-operating results	5,109	1,062	14.00	2.91
Interest expense - other	144	284	0.40	0.78
Impairment expense	0	90	0	0.25
Less:				
Interest income – Investments	1,181	1,102	-3.23	-2.77
Facility EBITDA	2,069	9,266	5.67	25.39

Results



Income

Australian Government funding for the target group (311 facilities)

Government Funding	Rural/Remote prpa	Non-Rural/Remote prpa
Basic subsidy (ACFI)	\$48,348	\$56,006
Accommodation supplement*	\$4,855	\$4,183
Higher accommodation supplement	\$240	\$147
Viability Supplement	\$2,774	\$60
Other subsidies & supplements	\$617	\$1,101
Average government funding	\$56,833	\$60,496

^[1] These amounts are recorded by the Government as being paid.

They may differ slightly to the amounts reported by providers due to differences in claiming patterns and accrual accounting methodologies applied

*Includes Higher Accommodation Supplement (HAS)

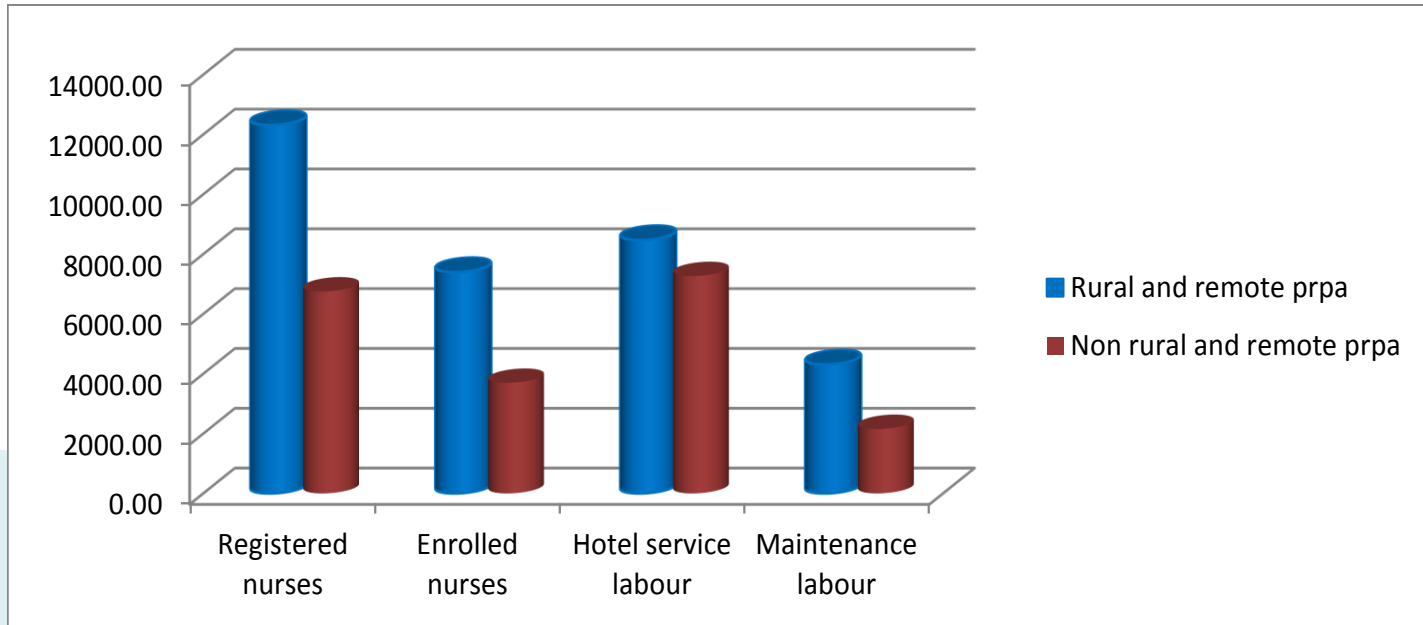
Expenses

	Rural/Remote \$prpa	Non Rural/Remote \$prpa
Care and living expenditure	53,505	42,971
Hotel expenditure	13,804	13,465
Utilities and other services expenditure	14,896	14,391
Accommodation expenditure	13,669	9,194
TOTAL EXPENDITURE	95,875	80,023
Staff costs included in total expenditure	67,770	51,410
Staff costs as % total expenditure	70.7%	64.2%

Observations: issues affecting performance

- Scale: 70% facilities have less than 40 beds (7% in non R&R)
- Workforce: the challenges are heightened in R&R areas

Labour costs comparison prpa



Home Care – Summary results

Home Care Income & Expenses	Rural/remote \$ pppa	Non Rural/Remote \$ pppa
Total income	15,520	14,794
Total expenses	13,929	13,010
Net result	1,591	1,784
EBITDA	1,712	1,885

The Key Findings

▶ **Rural and remote (when compared with non-rural remote), face greater geographical isolation & higher cost pressures**

▶ **Residential care – Rural & Remote**

- ▶ Receive lower ACFI
- ▶ Receive higher non-operating income especially capital grants
- ▶ Benefit from the viability supplement
- ▶ Collect lower RADs
- ▶ Top third of facilities have > average Non R&R sector, => well managed facilities achieve good financial results
- ▶ Overall, financial results deteriorate further with:
 - ▶ *smaller size*
 - ▶ *increasing remoteness*

The Key Findings

▶ Home Care – R&R (cf non R & R)

- ▶ Only slightly less favourable financial performance

▶ Overall

- ▶ Appears scope for providers to improve operations and performance
- ▶ No financial analysis of flexible care services (MPS & NATSIFACP) - absence or variable nature of information provided
- ▶ Viability supplements
 - ▶ *well targeted though....*
 - ▶ *classification system is dated*



Thank you!

Lynda O'Grady

ACFA Chairman

Enquiries to: ACFA.Chair@health.gov.au