

Significant Refurbishment

- 1. Key Criterion**
- 2. Impact on operating surplus**
- 3. Impact on funding**
- 4. Quick assessment**

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Key Criterion – Part 1

- Start or complete after 20 April 2012
- The refurbishment impacts:
 - At least 40% of the care recipients rooms; or
 - At least 40% of the care recipients being provided with residential care through the service; or
 - If it is an extension, at least 25% of the number of care recipient's rooms in the service.
- Provides significant benefit to supported residents

Key Criterion – Part 2

- Minimum investment = 40% of beds x \$25,000
- Beds = lower of either the number of places before the refurbishment or the number after the refurbishment.

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Subsidised Residents

Impact on:

- Concessional/Assisted Residents
- Fully Supported Residents
- Partly Supported Residents

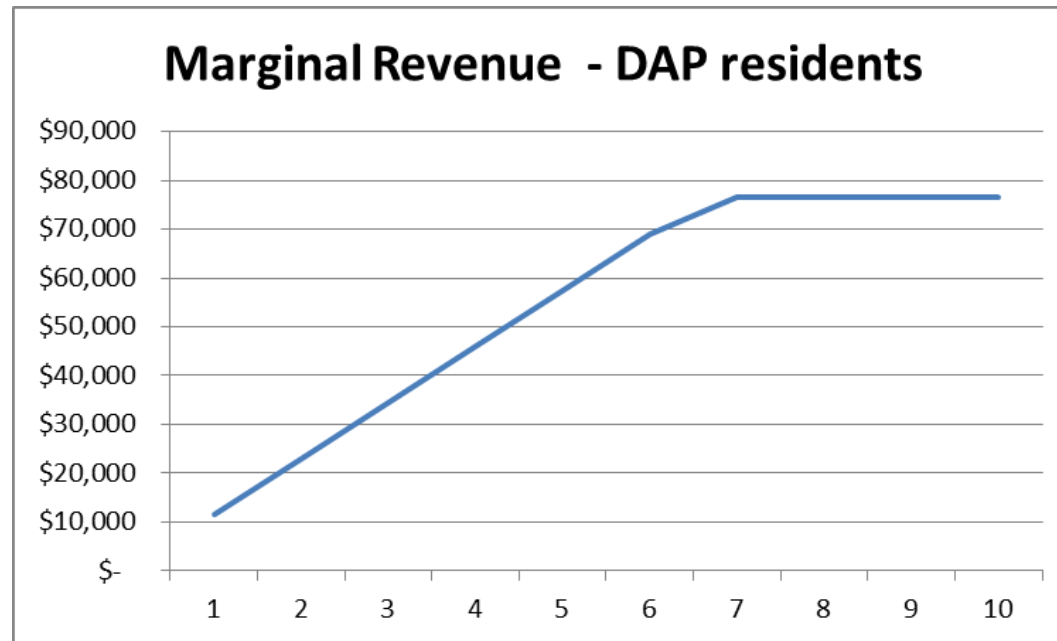
Accommodation Subsidy			
	Current	Refurbishment	% difference
Meet Concessional Ratio (>40%)	\$34.20	\$52.49	54%
Does not meet concessional ratio (<40%)	\$25.65	\$39.37	35%

Scenario

Facility XYZ			
Beds in Facility		100	
Current Occupancy		100%	
Current Price			
DAP	\$	42	
RAD	\$	231,222	
Resident Turnover Rate/year		15.0%	
Planned Expenditure		\$1,200,000	
	Resident Mix		
	Non - subsidised DAP residents		20
	Non - subsidised RAD residents		37
	Total Subsidised Residents		43
	Funding		
	Internal Funding		\$ 500,000
	External Funding		\$ 700,000
	Borrowing rate		7.00%
	Term of loan		5
	Investment Rate		4.00%

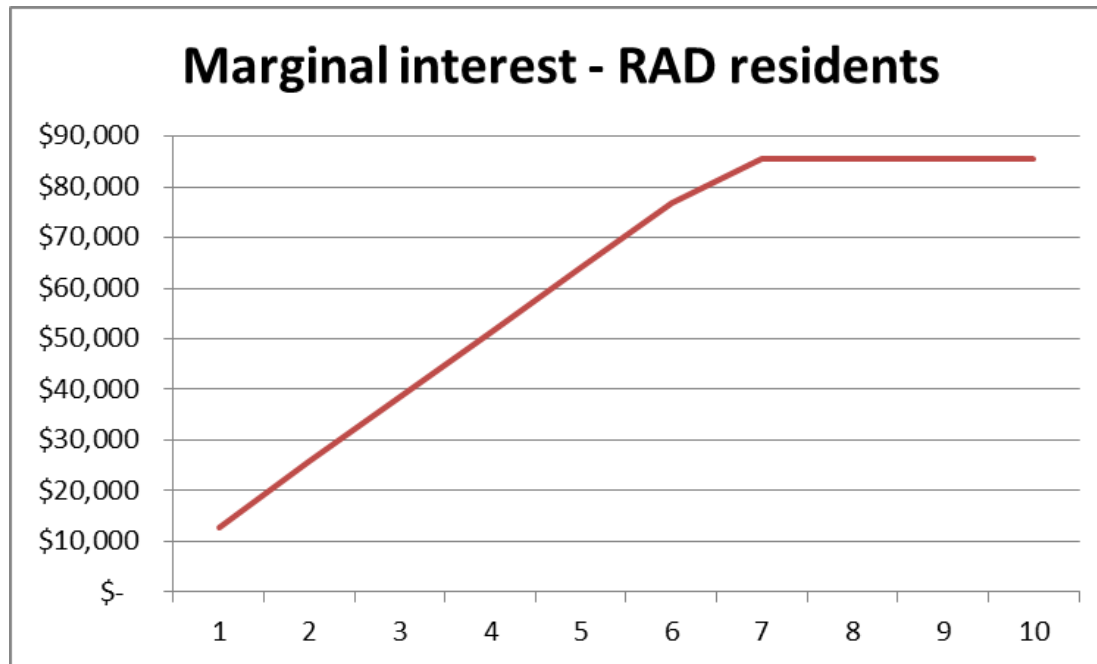
Self – funded DAP Residents

- If DAP price is below \$52.49
 - Minimum DAP increased to Government subsidy rate
 - Consider turnover of residents

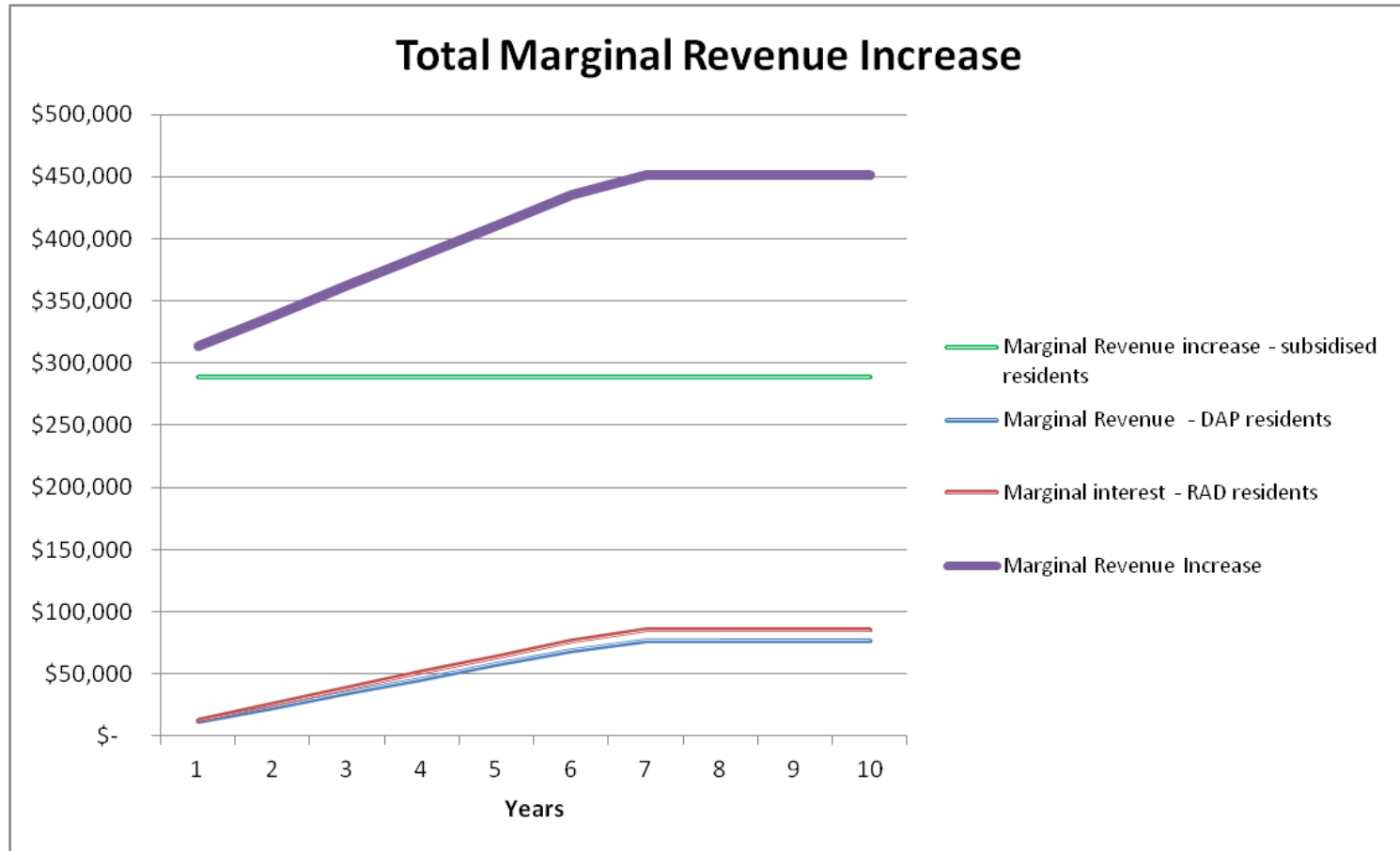


Self – funded RAD Residents

- If DAP price is below \$52.49
 - Minimum RAD increased in line with increase in DAP
 - Consider turnover of residents



Marginal Revenue Increase

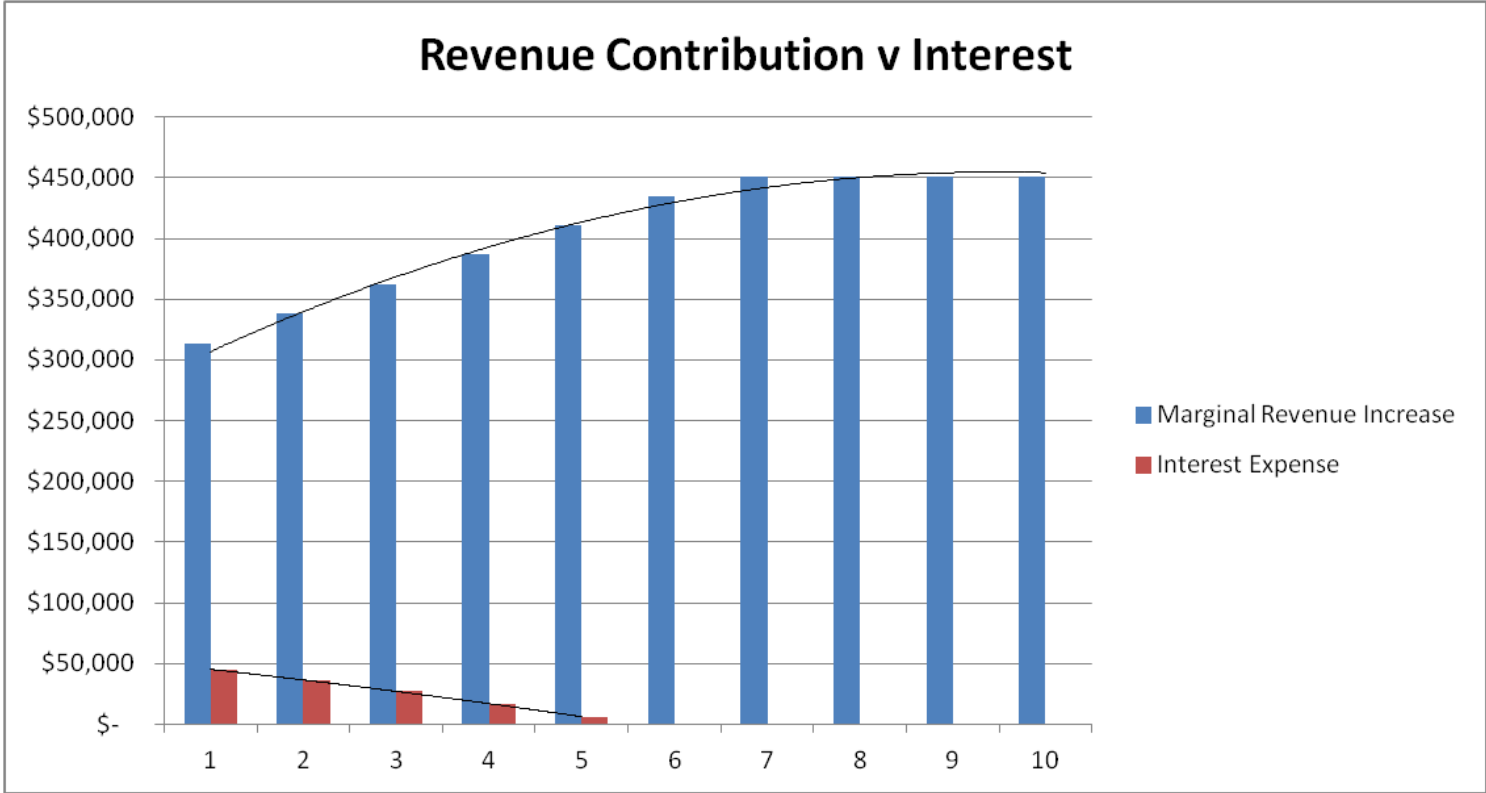


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Financing

- Internal Funds
 - Opportunity Cost
 - Liquidity Management Strategy
- External Funds
 - Cost of Debt
 - Funding repayment

Revenue Contribution v Interest

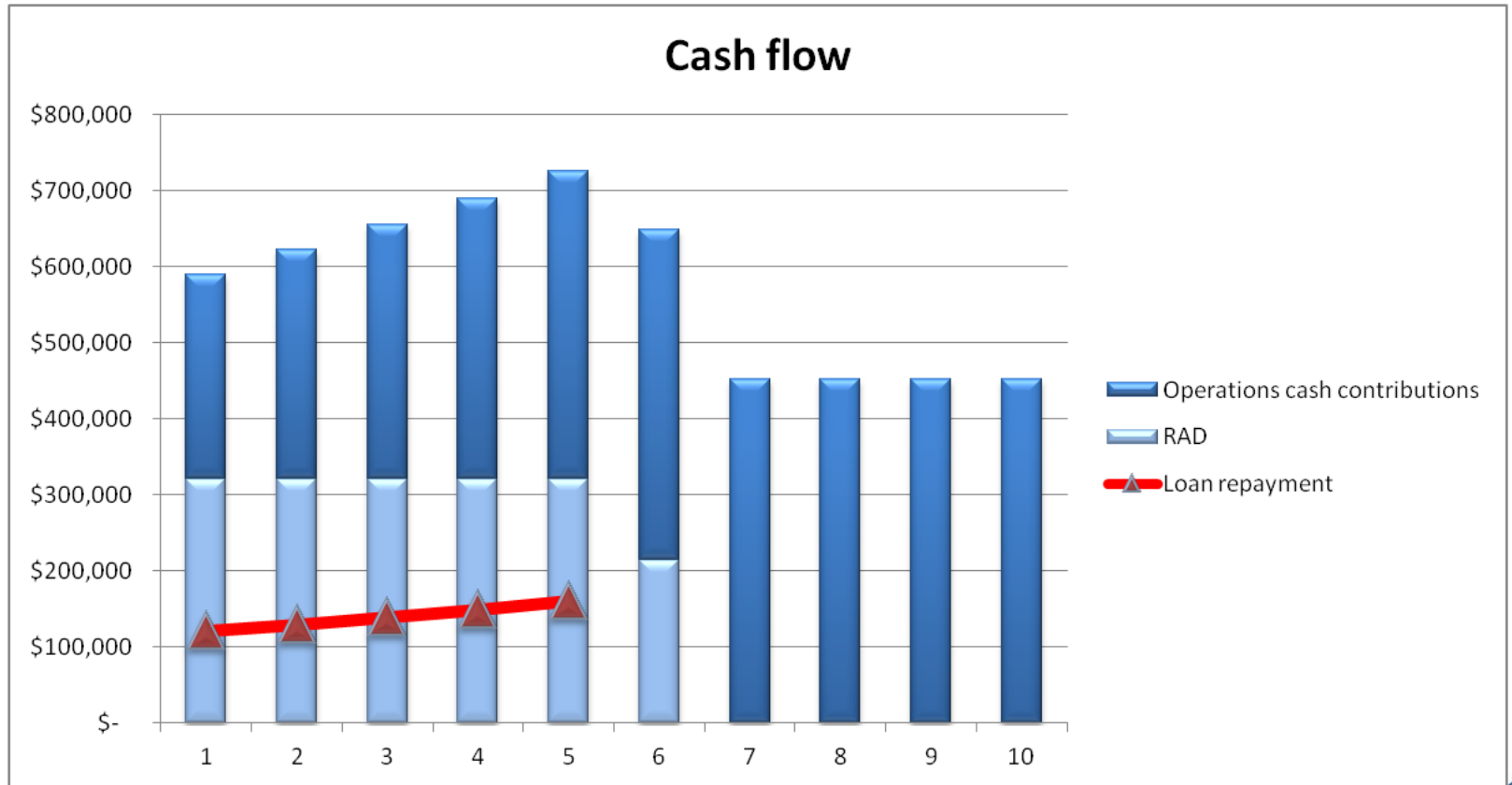


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Assess Investment

- Return on Investment
- Cash flow
- Payback Period
 - On internal cash invested
 - Total Investment outlay

Cash flow Movements



Results per Scenario

Marginal Revenue increase (after full resident TO)	\$ 451,306
Increase in RAD Pool	\$ 1,816,249
Payback period (Years) on internal cash used	1.07
Payback period (Years) on total expenditure	2.47
Average annual return on investment over 10 years	33%

Result for your facility?