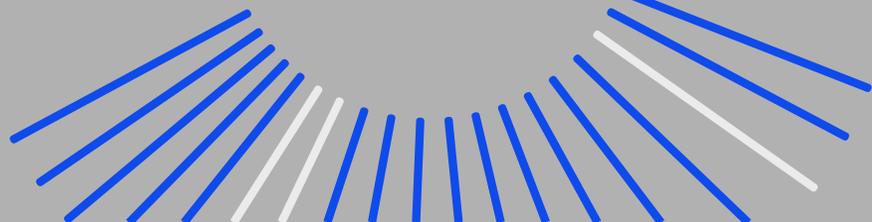


UTS Ageing Research
Collaborative (UARC)



Australia's Aged Care Sector Full-Year Report 2022-23

Webinar 11 December



Acknowledgment of Country

I would like to acknowledge the Gadigal people of the Eora Nation upon whose ancestral lands our City campus now stands. I would also like to pay respect to the Elders both past and present, acknowledging them as the traditional custodians of knowledge for this land.

Translating Insights Into Action: UARC Research Showcase 2024



 8th March 2024, 10 am - 3 pm

 Aerial UTS Function Centre Building 10

Research Themes

Workforce Challenges

Business Model Viability

Legal and Regulatory Changes

Panel Session *'Balancing Risk with Choice'*



Australia's Aged Care Sector Full Year Report 2022-23

Fourth edition report is available now

Available at: www.uts.edu.au/uarc

Thank you for feedback on earlier editions

If you have further feedback, questions or would like to join our mailing list, please email: uarc_inquiries@uts.edu.au



Presenters and agenda

**Financial
viability**



Nicole Sutton

Workforce



Nelson Ma

Star Ratings



Jin Sug Yang

Home care



Rachael Lewis

**Regulatory
update**



Yolanda Lin



If you have a question, please feel free to ask in the Zoom chat.



01

Financial viability

Financial viability

Sector losses in residential care

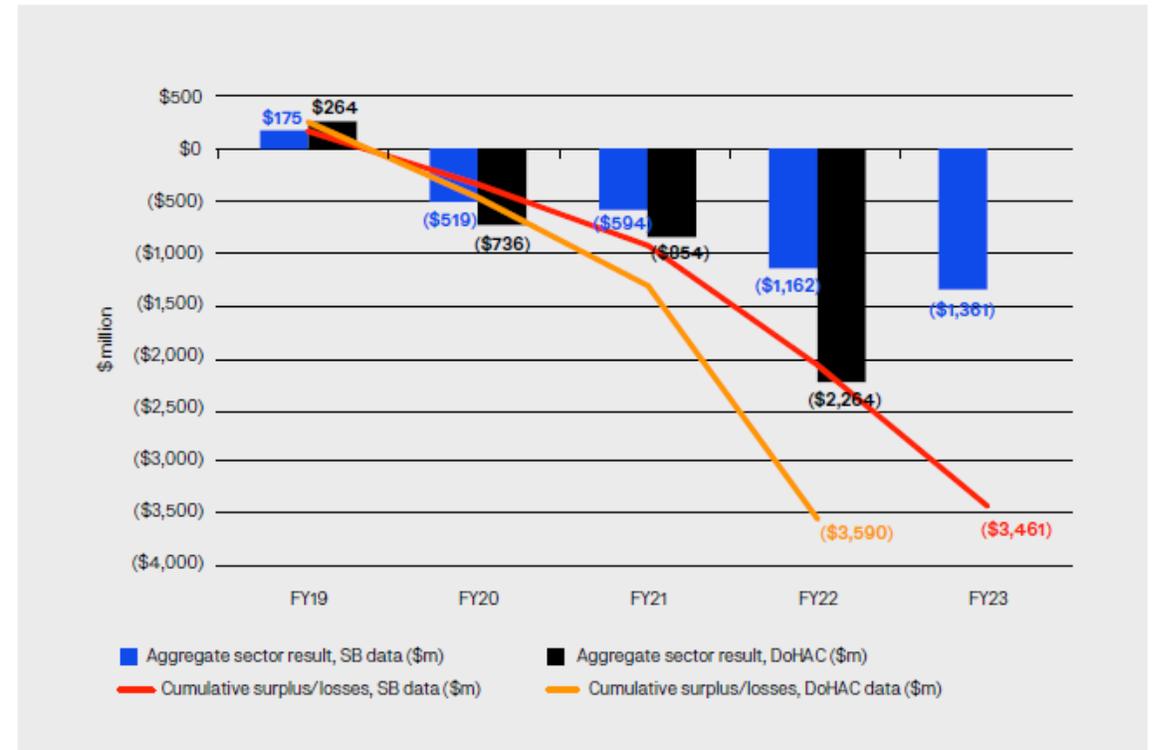
In FY23, 66% of residential homes operated at a loss.

Homes lost an average of \$19.56 per resident per day ~ \$1.36 billion sector-wide.

Since FY19, the residential sector has lost at least \$3.46 billion, despite receiving nearly \$4 billion in additional Government funding:

- AN-ACC funding ~ \$945m in FY23
- BDF/hotelling supplement ~ \$1.3b since FY21
- COVID-19 revenue ~ \$1.7b since FY20

Figure 1: Financial results of residential aged care sector



Financial viability

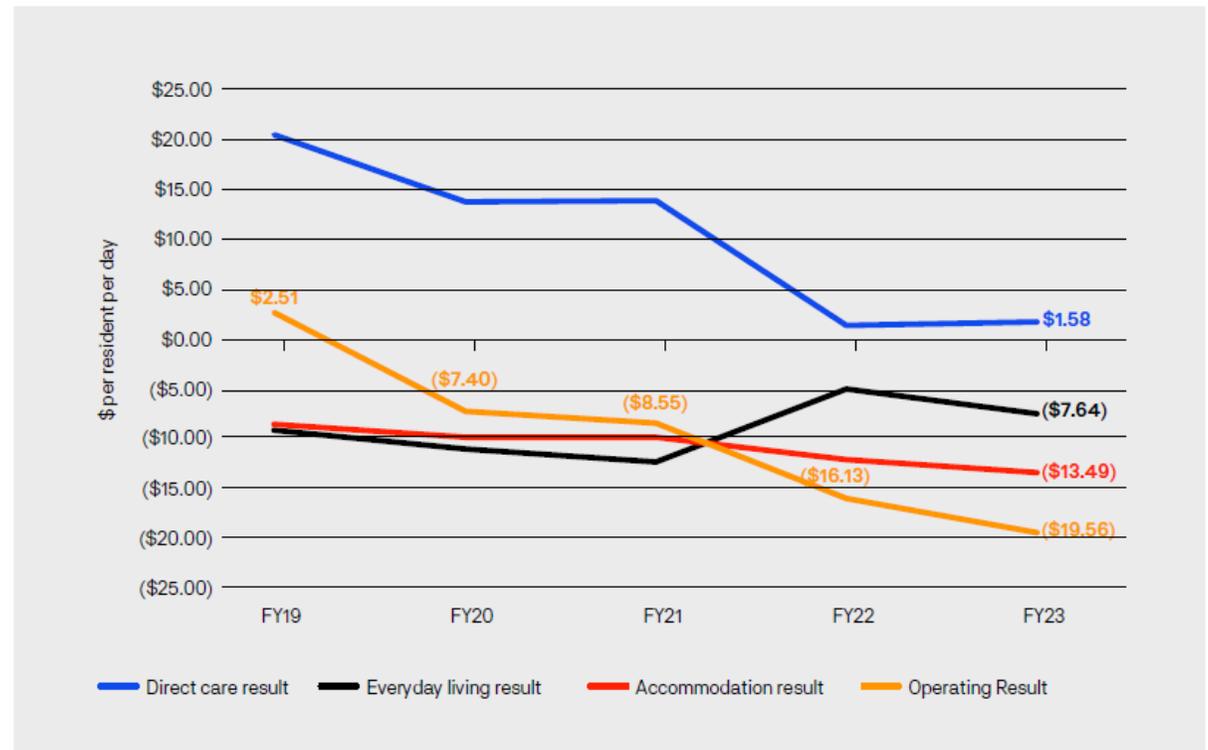
Funding residential aged care

Over the last 5 years, homes' average financial performance has continued to decline.

In FY23, homes' average operating loss of \$19.56 per resident per day comprised:

- Direct care: \$1.58 margin
- Everyday living: \$7.63 deficit
- Accommodation: \$13.49 deficit

Figure 2: Financial results of residential aged care homes, by service area



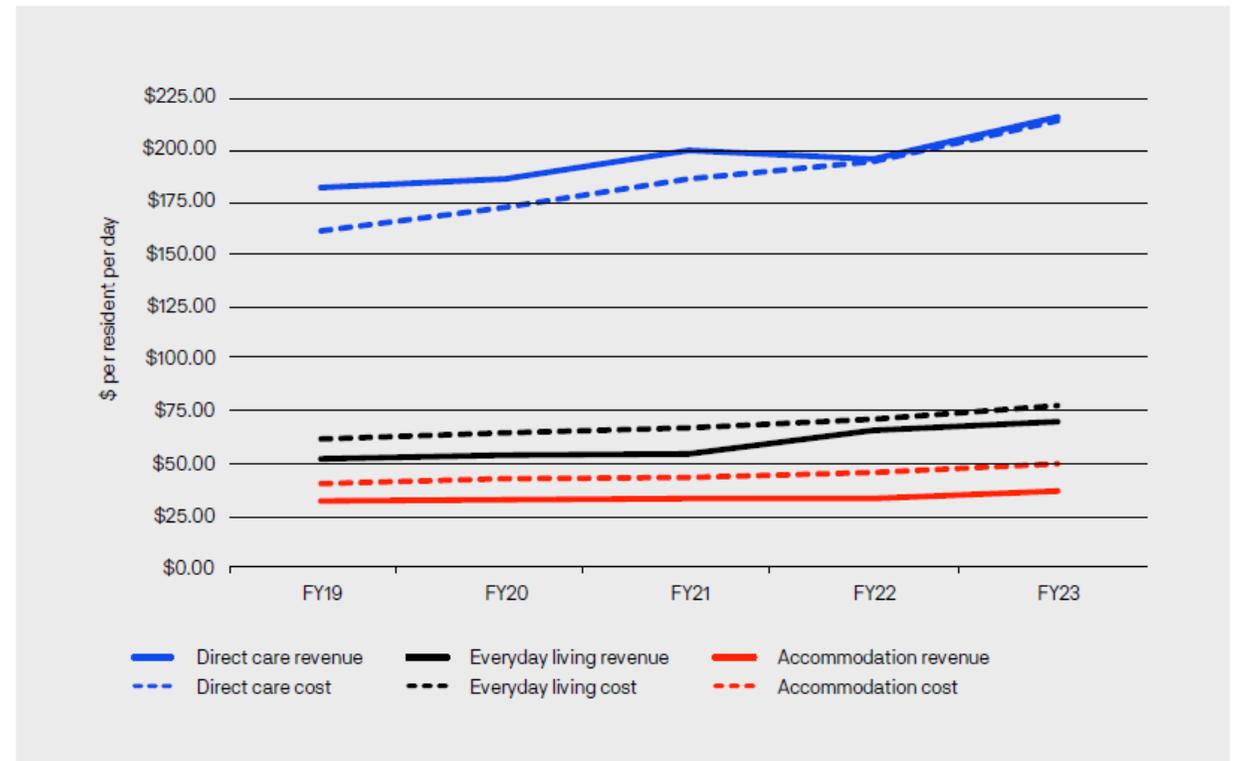
Financial viability

Direct care: the first year of AN-ACC

On average, AN-ACC delivered a slim margin for direct care in FY23.

Direct care revenue and costs both increased by 10%.

Figure 46: Service area revenue and costs, per resident per day



Financial viability

Direct care: transitional funding benefit

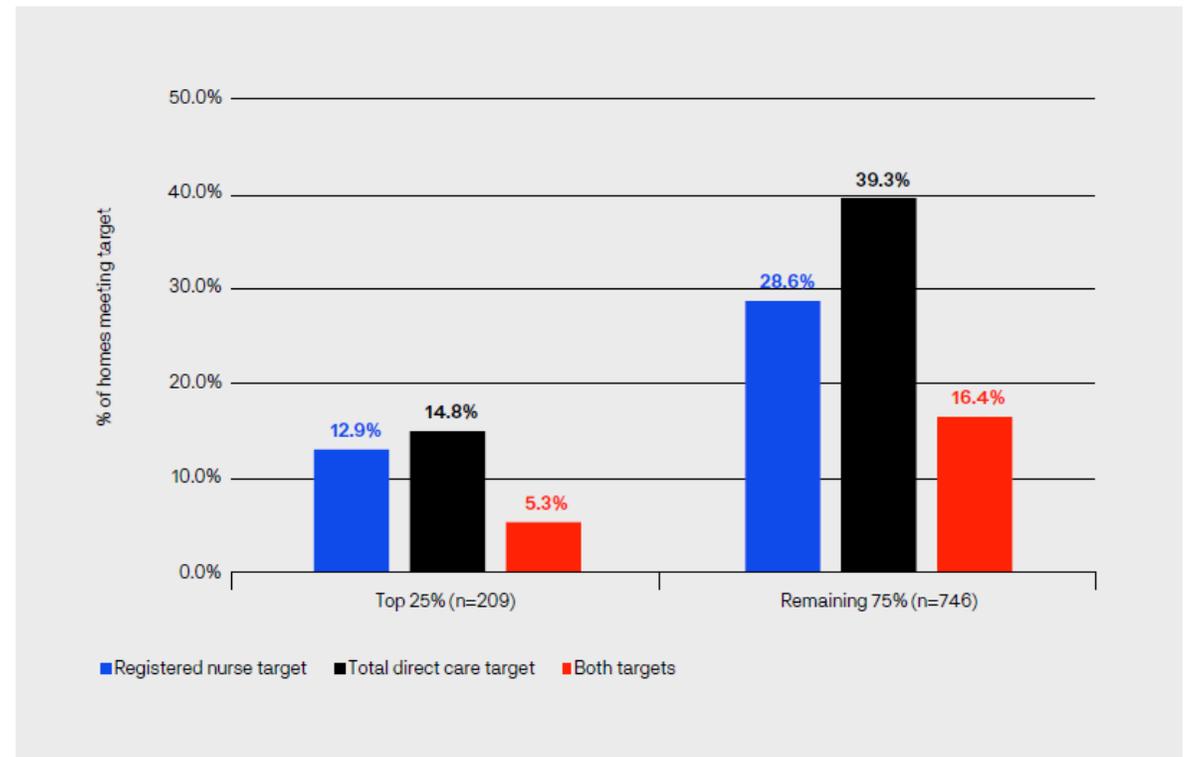
Homes received increased funding since October 2022, but many are yet to meet their care minute targets.

As of Q4 FY23, only 5.3% of the most profitable homes ('top 25%') meeting their care minute targets, vs. 16.4% of the other 75% of homes.

Majority of homes will need to increase staffing in FY24, when labour rates are likely to rise further:

- Growing reliance on agency staffing
- FWC wage case outcome (15% increase)
- Tight labour markets

Figure 41: Proportion of homes meeting care minute targets, top 25% vs remaining 75%

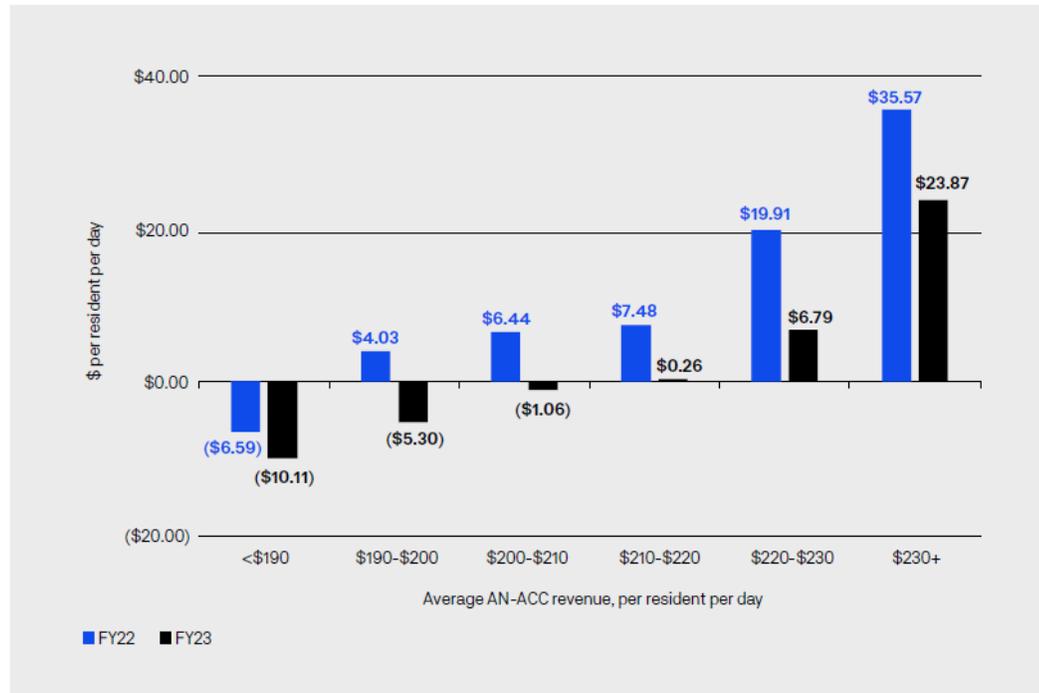


Financial viability

Substantial variation in direct care margins, by average AN-ACC funding

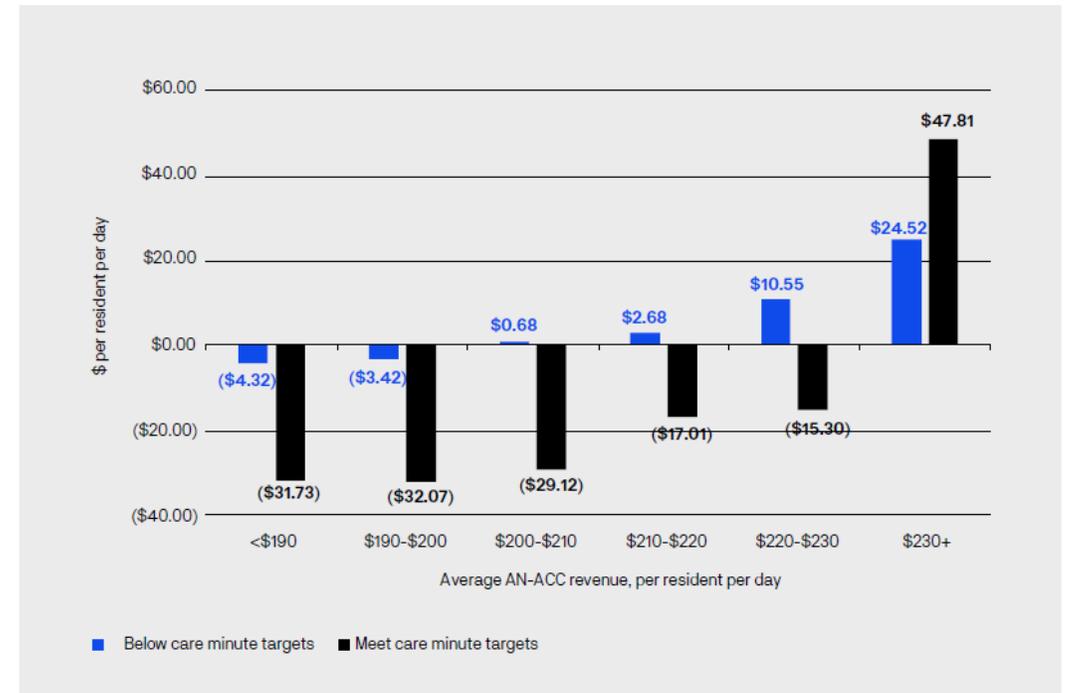
Direct care result, by AN-ACC funding (FY22, FY23)

Figure 4: Direct care result, by average AN-ACC revenue, per resident per day



Direct care result, by AN-ACC funding (Meet vs below targets)

Figure 5: Direct care result, by average AN-ACC revenue and care minute targets, per resident per day



Financial viability

Everyday living: revenue still insufficient to meet costs

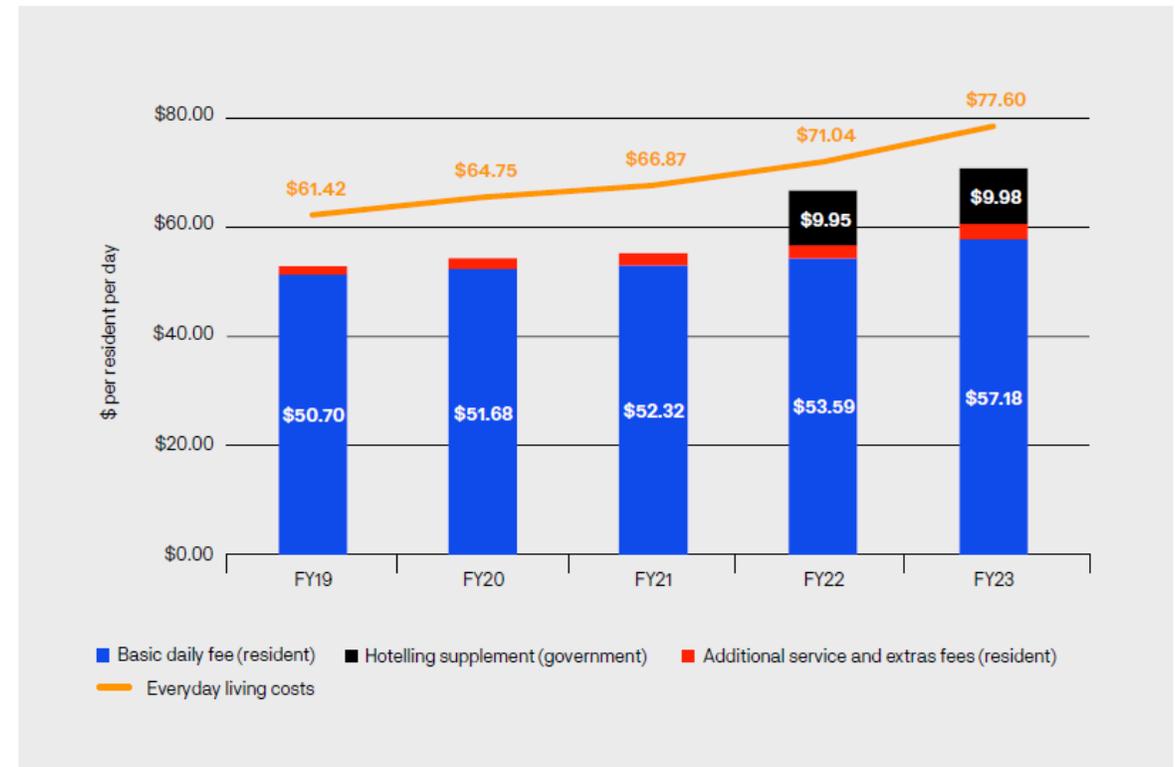
Persistent funding gap, even after the BDF/hotelling supplement in FY22.

Review of hotelling costs warranted.

UARC supports proposal to:

- preserve BDF, capped at 85% of pension
- redirect hotelling supplement to top-up funding for supported/partially supported residents only.
- ensure non-supported residents pay higher, regulated fee.

Figure 6: Everyday living revenue and costs, per resident per day



Financial viability

Accommodation: largest area of operational losses

Government supplement: Daily cost often exceeds the average value of supplement received, per supported resident day.

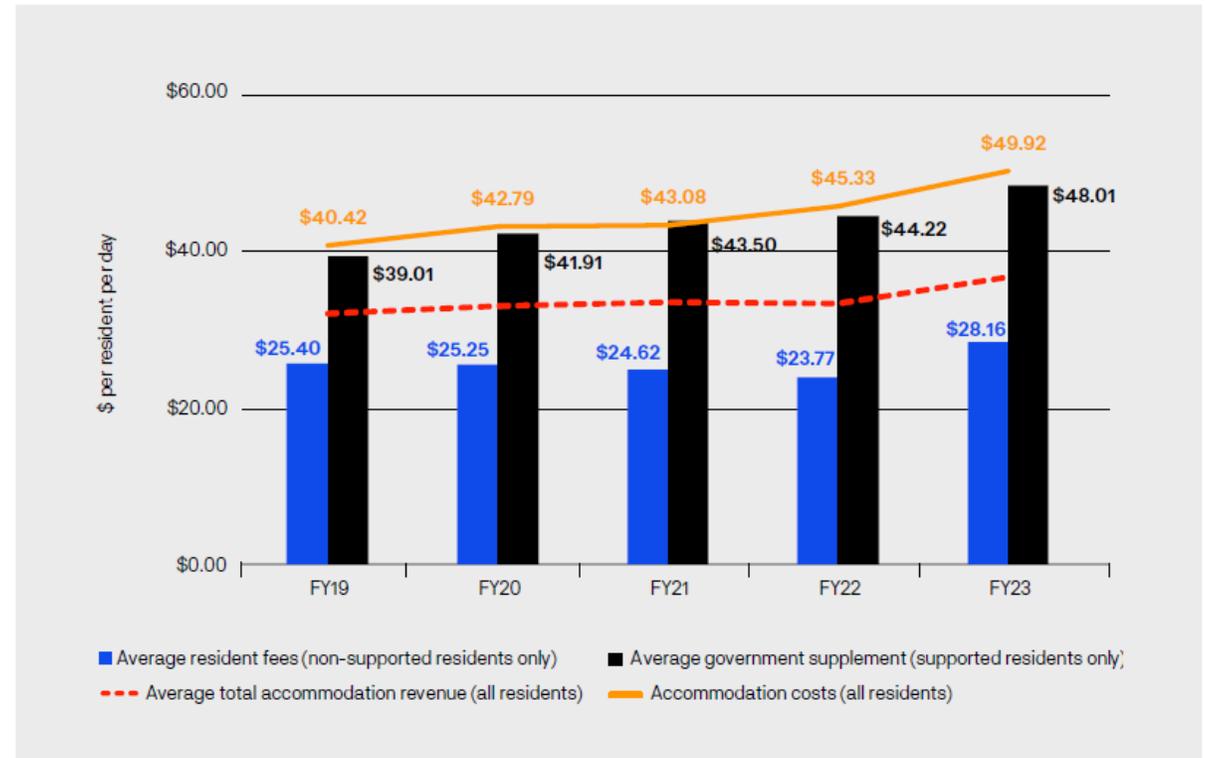
Resident fees: far below average daily cost:

- Payment method (RAD vs DAP)
- Low RAD prices
- MPIR \neq property yields

UARC supports proposals to:

- introduce rental payments for RAD-payers
- replace MPIR with yield-based rate
- increase accommodation supplement

Figure 7: Average value of accommodation revenue, by source, per resident per day



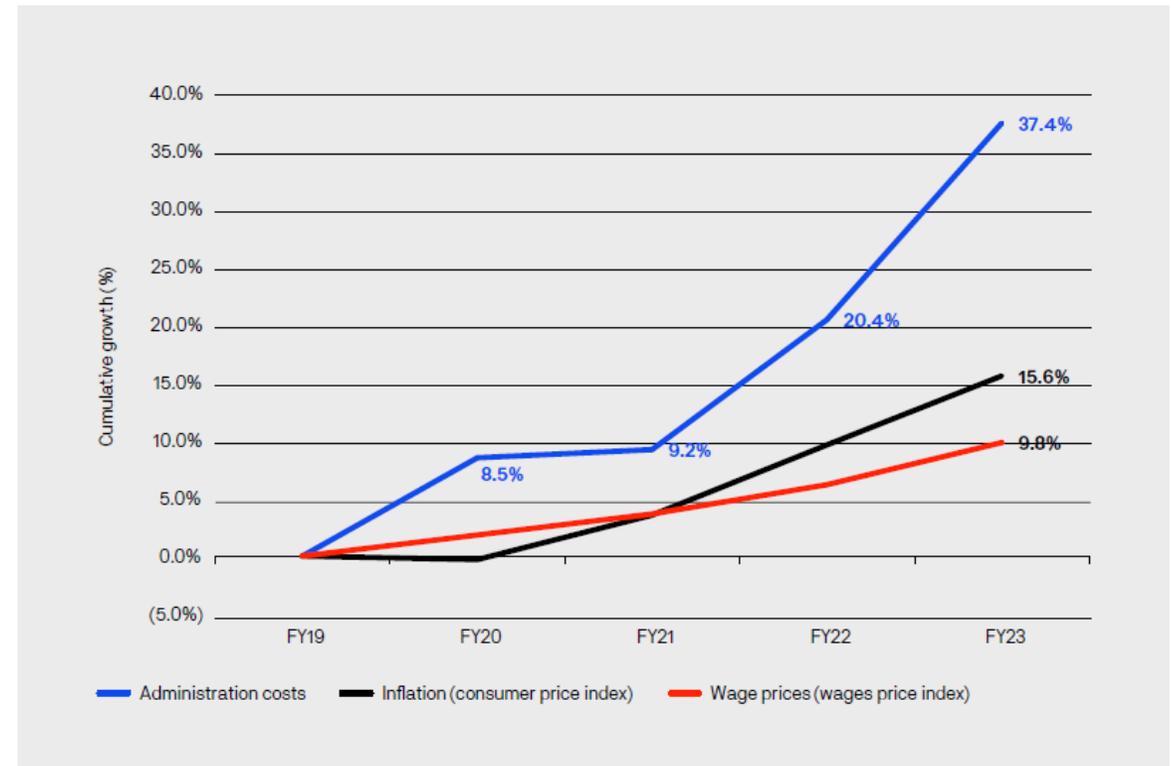
Financial viability

Administration costs: out-pacing inflation and wages growth

Homes' administration costs experienced 37.4% nominal growth since FY19, now \$47.55 per resident per day.

Growth exceeds inflation and wage price changes, suggesting non-price effects.

Figure 9: Cumulative growth in administration costs in residential care



Financial viability

Regional disparities in homes financial outcomes

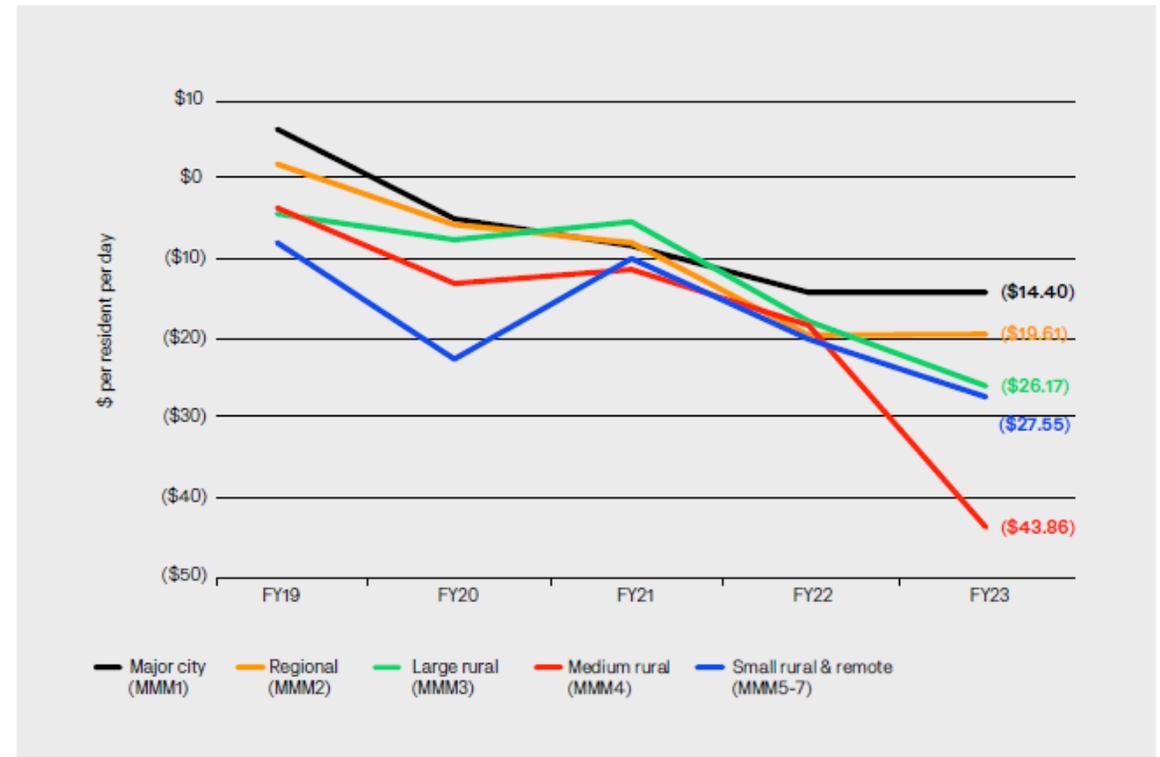
82.4% of homes in medium rural towns (MMM4) operating at a loss, losing an average of \$43.86 per day.

Direct care key area of disparity:

- Different AN-ACC funding outcomes
- Declining occupancy, small size
- Less transitional benefit of AN-ACC
- High agency reliance and prices

UARC recommends more granular BCT rates that differentiate between MMM1-4.

Figure 51: Operating Result, by location, per resident per day



Financial viability

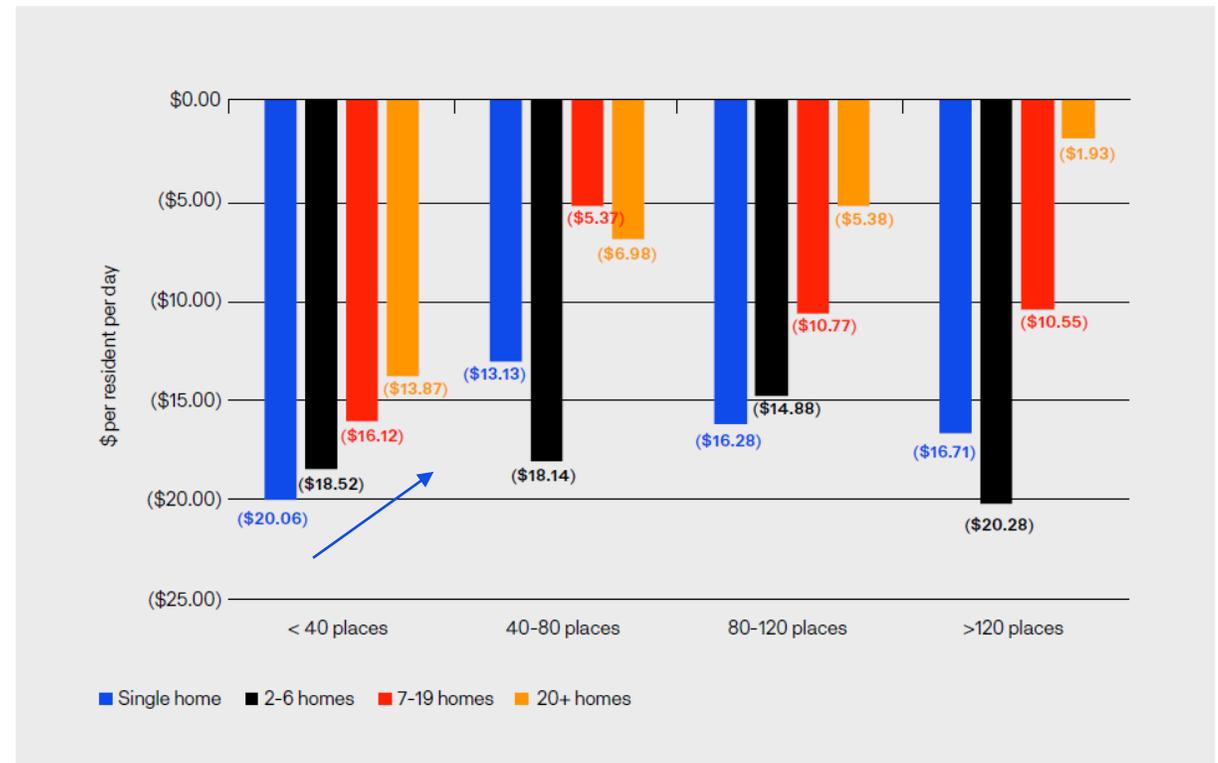
Economies of scale at both home and provider-level

In general, smallest homes tend to incur the largest losses.

However, provider scale matters:

- Homes operated by single and small chain providers have poor returns, regardless of home size.
- Homes operated by larger providers have better returns
- Best returns achieved in largest homes, operated by largest providers.

Figure 17: Average financial results (FY19-FY23), by home size and provider scale, per resident per day



Financial viability

Aged Care Taskforce review of consumer contributions

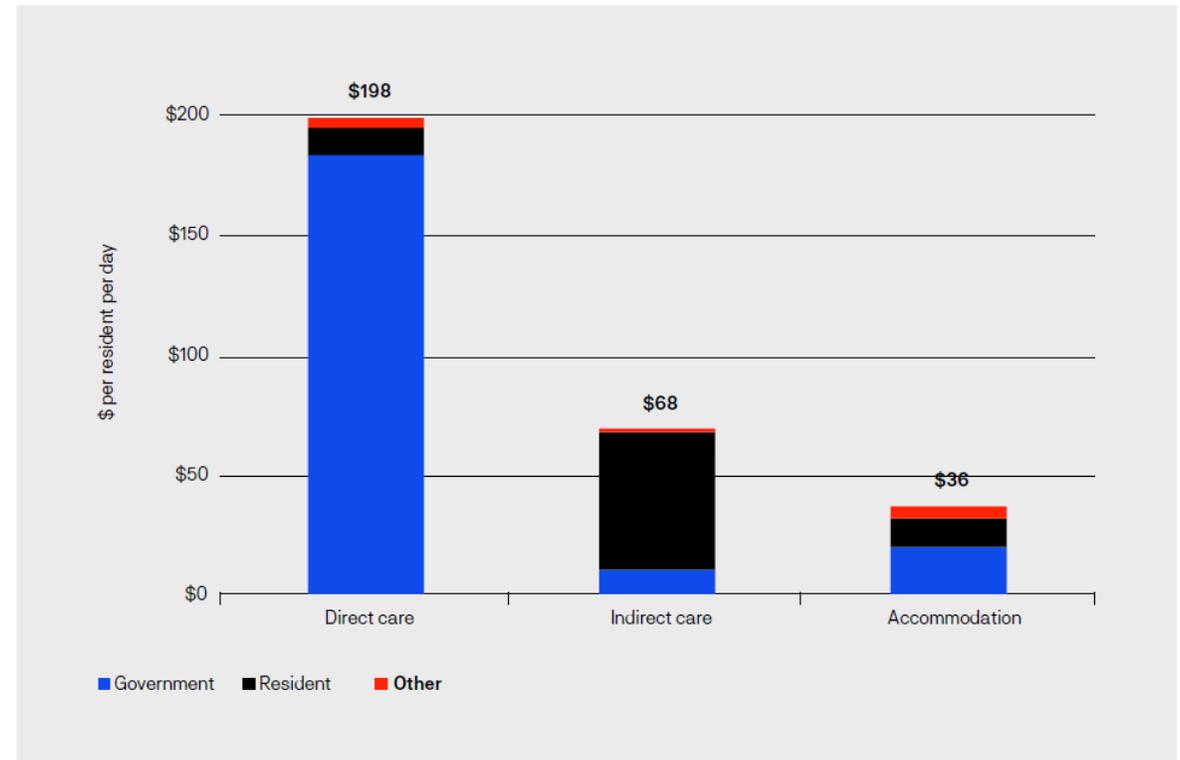
UARC supports Draft Principles that indicate a willingness for the Government to focus on funding direct care and safety nets for older people with less financial means.

Enable older people to make higher, yet still affordable, personal contributions to everyday living and accommodation services they use.

Apply same principles to Support at Home:

- Government funding almost all direct care
- Client funding for domestic and home support

Figure 32: Residential care provider operational revenue, by source, per resident per day (FY22)





02

Workforce

Minimum Standards: Direct Care Minute Targets

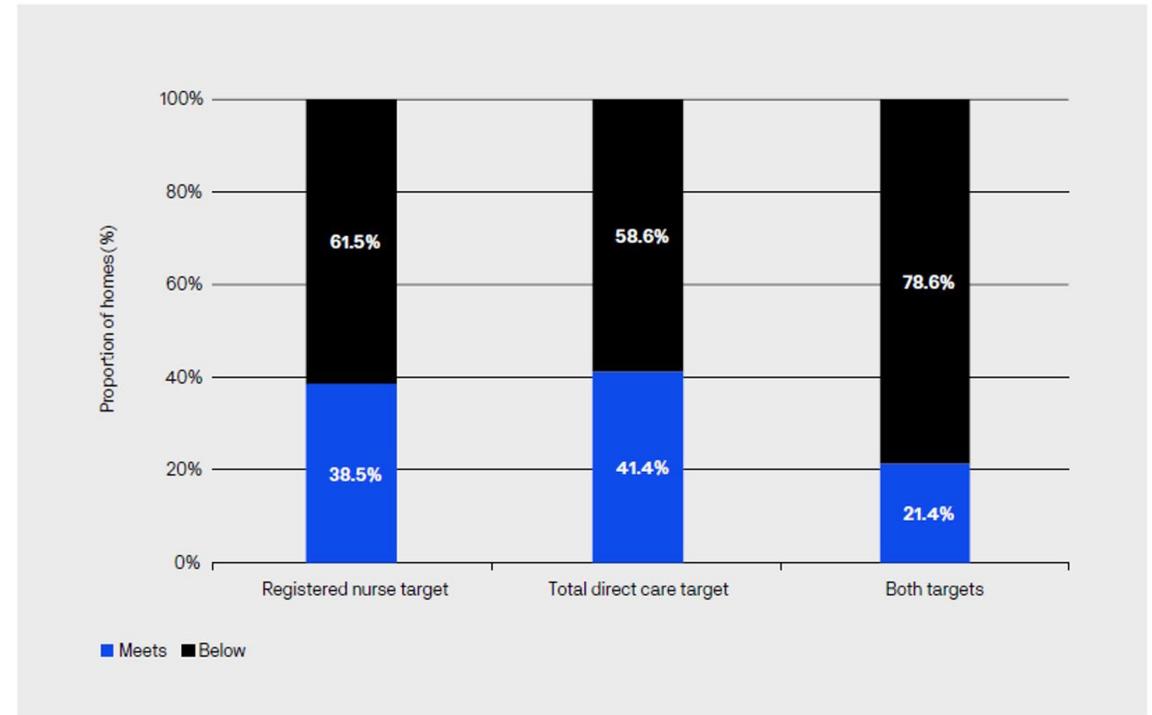
Most homes remain below care minute targets

In the past year, homes have increased their average total direct care staffing time by 6.5% and 18.3% for average RN time.

However, Q3 FY23 data shows four of five homes need to lift their care minutes to meet targets.

Around half of all homes require 8 minutes or less of RN time to meet their targets. The same proportion of homes require a further 20 minutes of direct care or less.

Figure 22: Proportion of homes that meet care minute targets (Q3 FY23)



Minimum Standards: 24/7 Registered Nurse Coverage

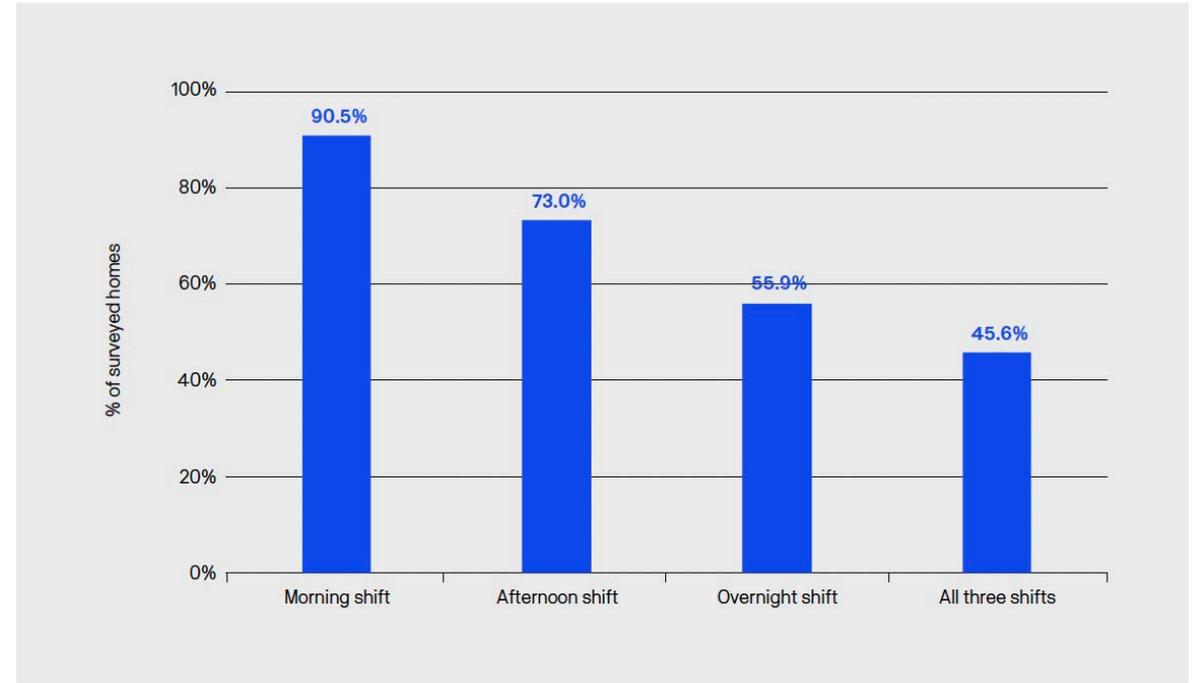
Homes may be experiencing coverage issues, particularly for the overnight shift

Data published by the Department indicates that in July 2023, 86.0% of homes reported having a registered nurse on-site and on duty 24/7.

UARC analysis indicates in Q4 FY23, less than half of surveyed homes averaged more than 8 RN hours worked per shift, for all three shifts.

The biggest challenge appears to be in staffing the overnight shift.

Figure 24: Proportion of homes with 8+ hours of registered nurse staffing per shift (Q4 FY23)



Workforce Pressures: Agency Staffing

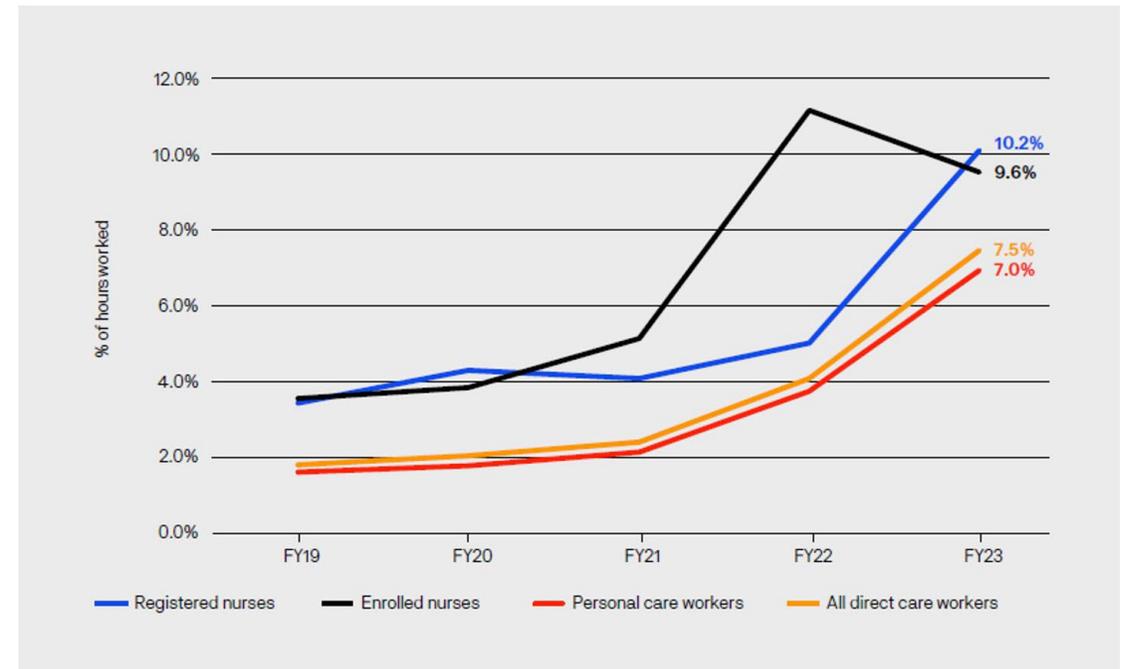
Agency staff time has quadrupled since FY19

On average, agency staff deliver 7.5% of total direct care time in Q4 FY23, with 10.2% of RN time provided by agency staff.

Agency staff demand a premium of between 28% to 40% over internal staff, which is greater in more rural and remote locations.

UARC research shows homes greater agency staff between FY15 and FY19 have poorer quality of care outcomes.

Figure 25: Agency staffing as proportion of direct care hours



Workforce Pressures: Capacity Constraints

Partial evidence of workforce-related capacity constraints on occupancy rate

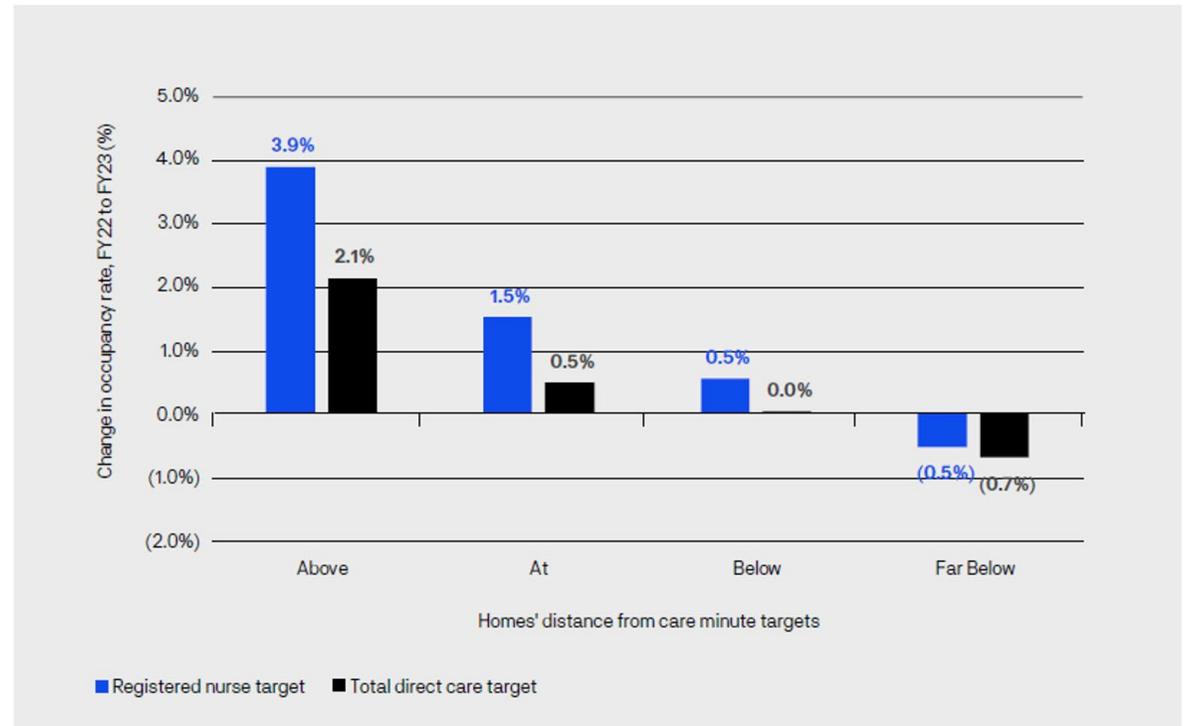
CEDA report indicated that workforce pressures contributed to low occupancy rates.

Changes in occupancy rates considered for homes based on their distance from direct care and RN minute targets.

On average, homes above (108% or higher) targets increased their occupancy rates.

Homes far below (90% or less) targets had on average declines in occupancy rates.

Figure 27: Annual change in occupancy rates, by homes' initial distance from care minute targets



Workforce Pressures: Changes in Staffing Mix

Potential substitution effects, with shifts away from ancillary roles

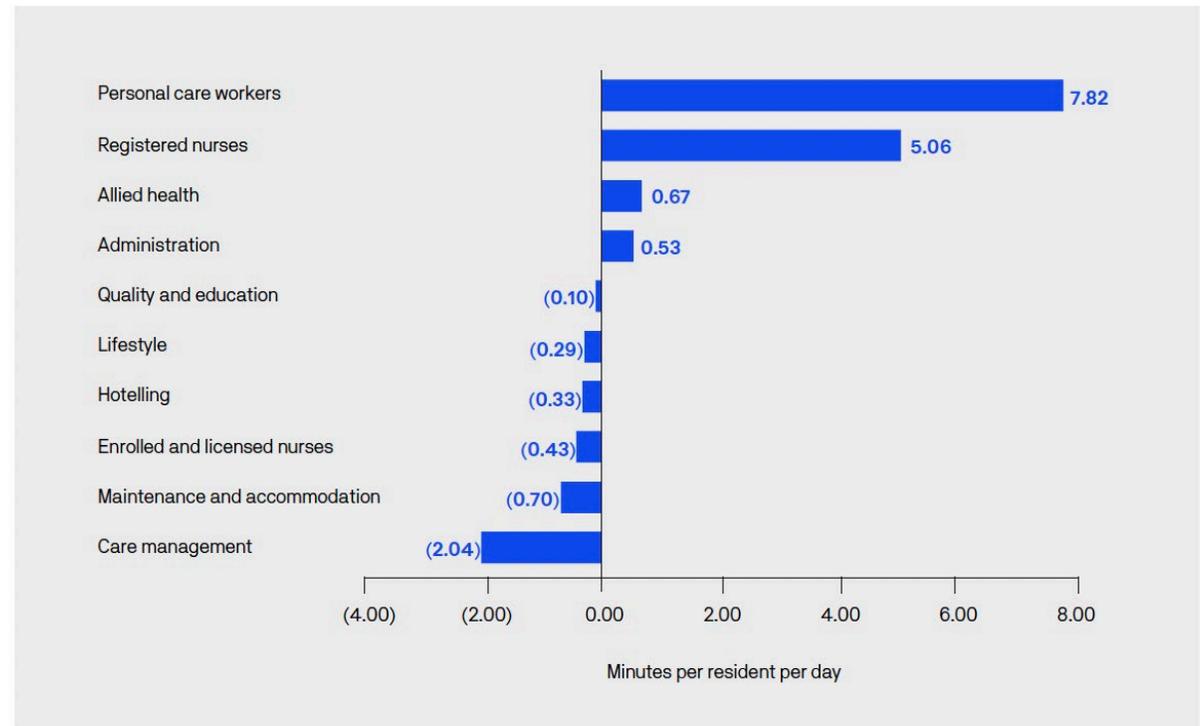
Coinciding with a policy focus on direct care workers, annual increases were found for PCWs and RN.

Staffing of other roles has declined consistent with substitution effects. Declines were found for care management and ancillary staff.

Despite direct care targets including all care staff, enrolled nurse time has declined.

UARC conducting research into quality effects of ancillary staff roles.

Figure 28: Annual change in average staffing minutes, per resident per day





03

Star Ratings

Star Ratings

Most homes rated acceptable or better, except for staffing

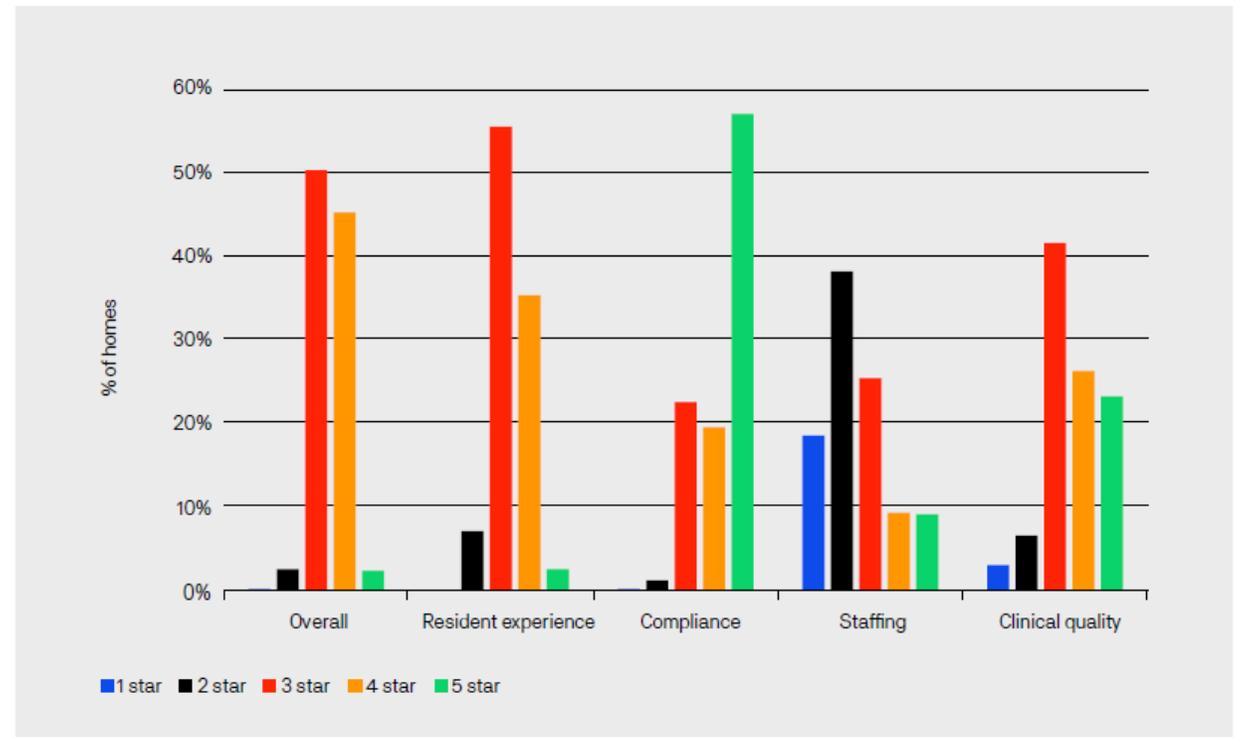
As of Q3, FY23, 97% of residential care homes rated acceptable or better (3+ stars).

Proportion of homes with at least 3 stars:

- 93% resident experience
- 98% compliance
- 90% clinical quality
- 44% staffing

However, Catalyst consumer research suggests 84% of participants would only consider 4 or 5 star homes.

Figure 29: Distribution of homes, by Star Rating (Q3 FY23)



Star Ratings

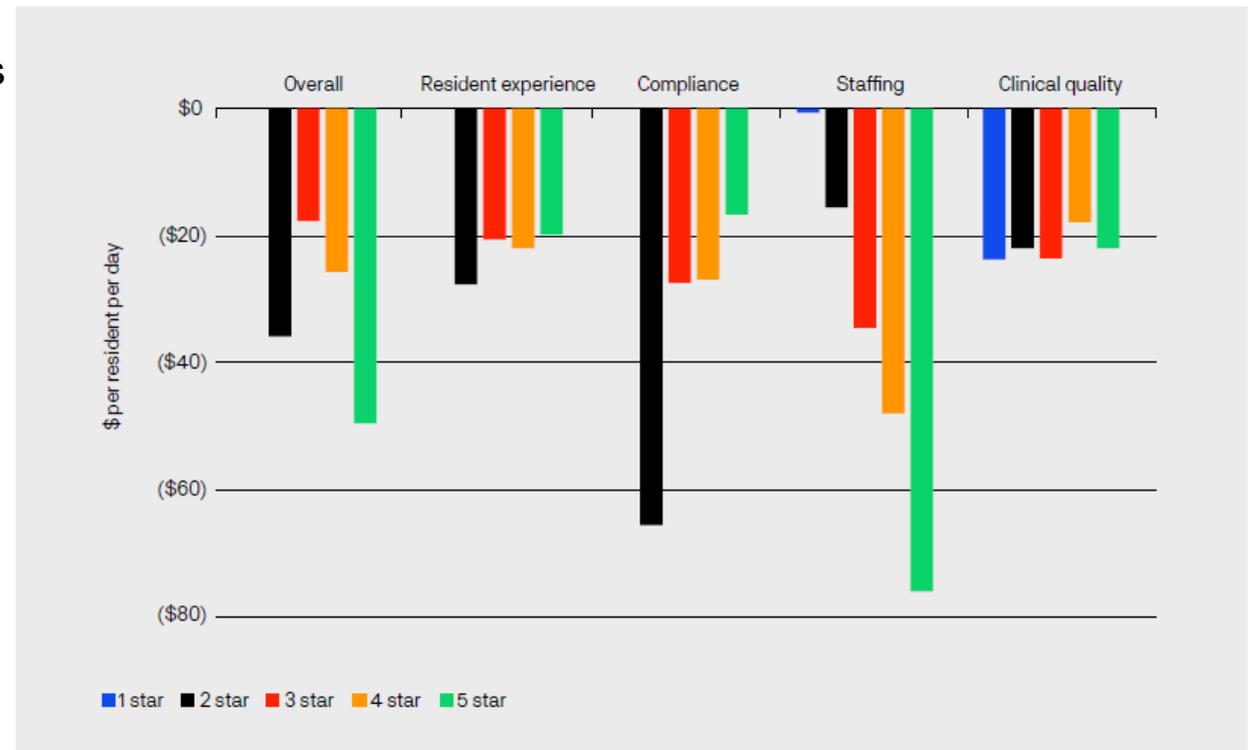
On average, 3-star homes achieved the highest financial performance

On average, homes rated 3 stars overall generated the smallest deficit (\$17.80 per resident per day), while homes rated 5 stars had the largest (\$49.90).

Poor compliance comes with financial cost, with homes rated 2 stars reporting substantially larger operating losses.

However, for staffing, higher rated homes incurred larger operating losses.

Figure 30: Operating Result per resident per day (FY23), by Star Rating (Q3 FY23)



Star Ratings

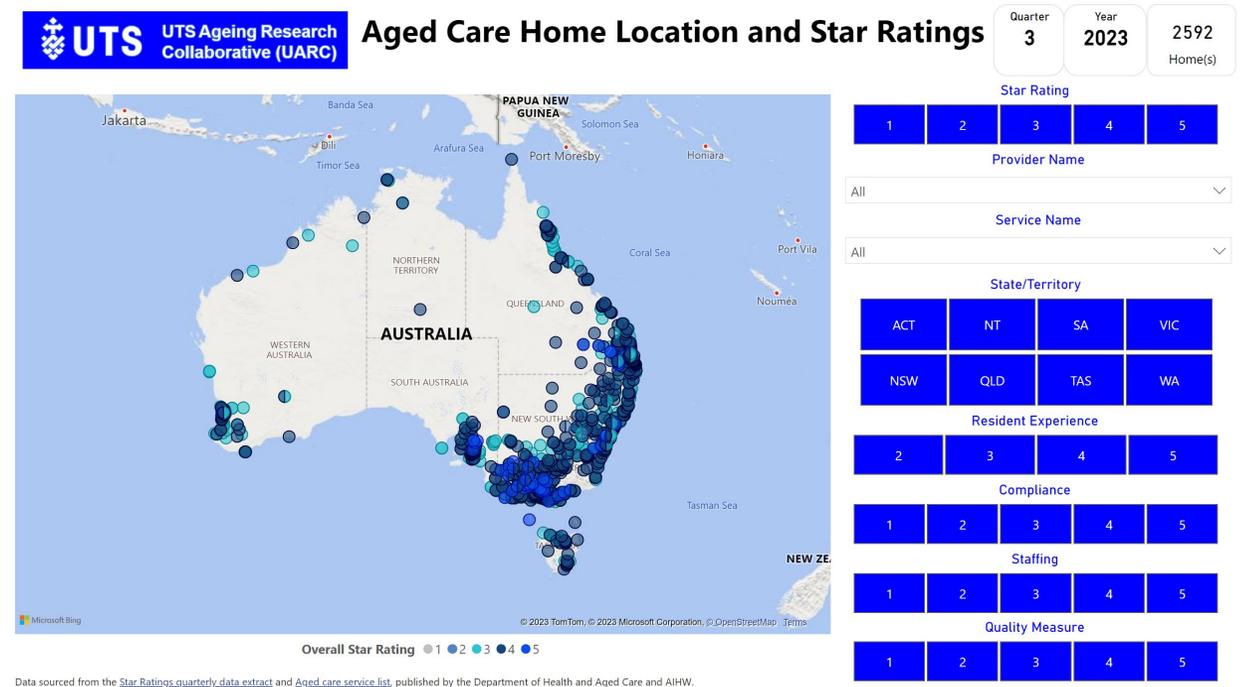
UARC releases Star Ratings Dashboard

Aims to complement MyAgedCare by presenting Department's Star Ratings data in accessible visual format

Freely available online.

Current functionality allows:

- search ratings by provider/service name
- analyse the results by characteristics (ownership, home location, provider size)
- view homes geographically on a map
- compare homes and providers side by side





Provider Name: 11 Home(s)

Service Name: All

State/Territory

ACT	NT	SA	VIC
NSW	QLD	TAS	WA

MMM Code

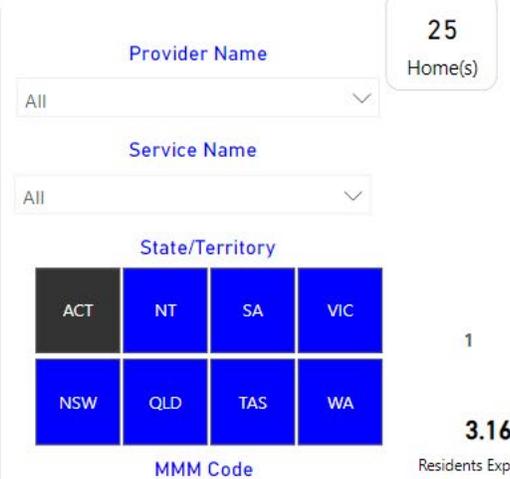
MM1

3.00
Overall Star Rating

Comparison of Star Ratings



Quarter: 3 | Year: 2023 | 11 Home(s)



3.40
Overall Star Rating



Data sourced from the Star_Ratings.quarterly.data_extract and Aged_care_service_list, published by the Department of Health and Aged Care and AIHW.

Go back

Star Ratings

Submit user feedback

The Star Ratings Dashboard is freely available now.

UARC will periodically update, upgrade and expand the Dashboard, as more data is made available.

UARC would be grateful for your feedback to inform future development iterations.

You can email feedback here: uarc.tech@uts.edu.au

Or provide 'in-use' feedback by clicking icon in Dashboard



[Access Star Ratings Dashboard](#)



04

Home care

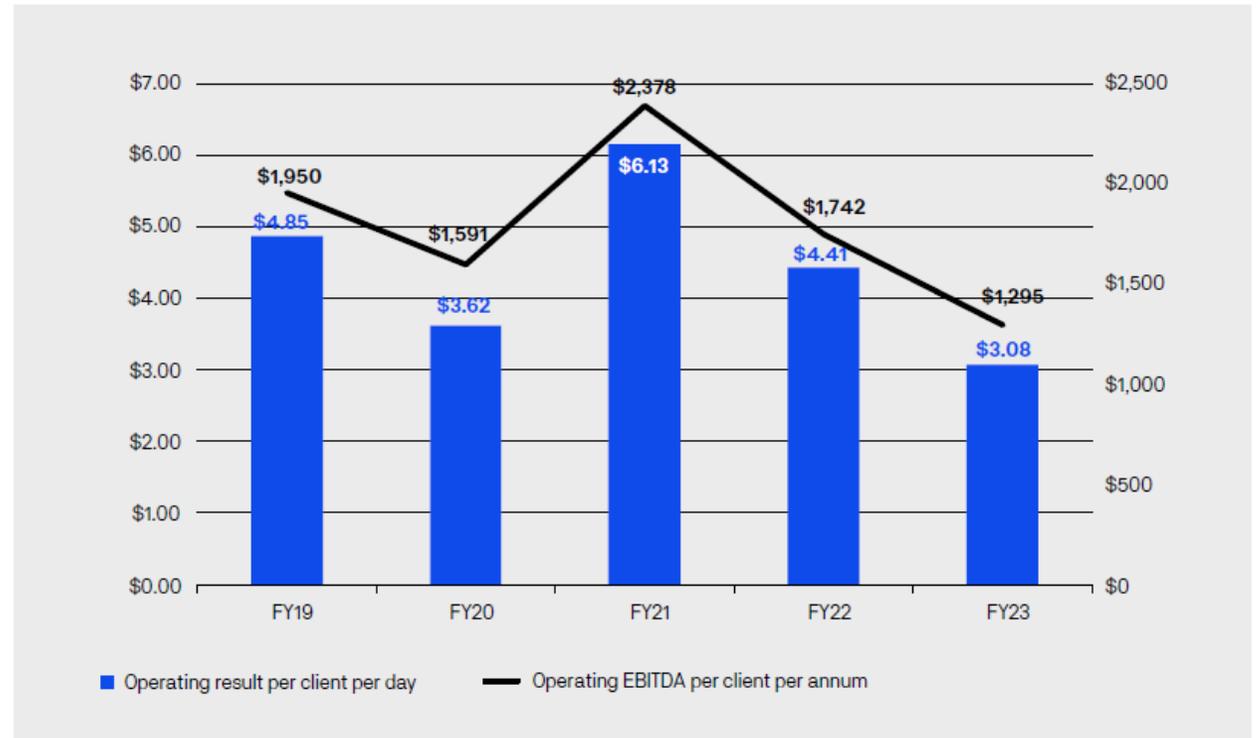
Home care

Financial performance continues to decline

The financial performance of home care providers declined to an average Operating Result of \$3.08 per client per day

This represents a profit margin of just 4.5%.

Figure 18: Financial results of home care providers



Home care

Revenue stagnant, with low utilisation leading to more unspent funds

Figure 62: Revenue per client per day and package utilisation rate

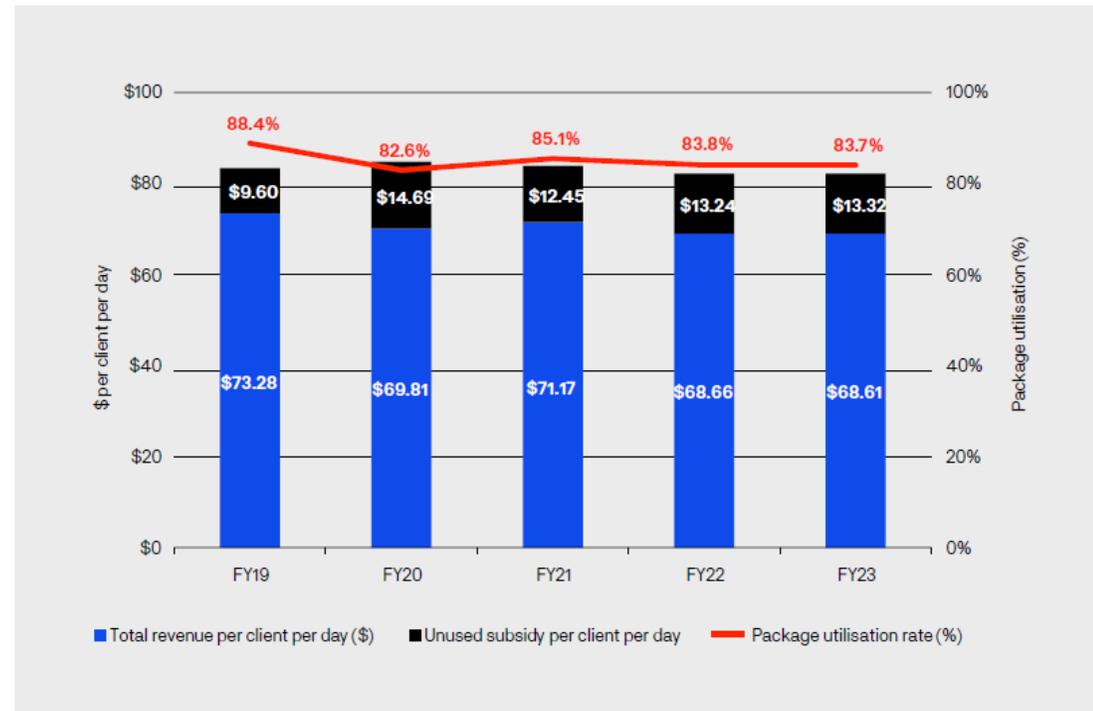
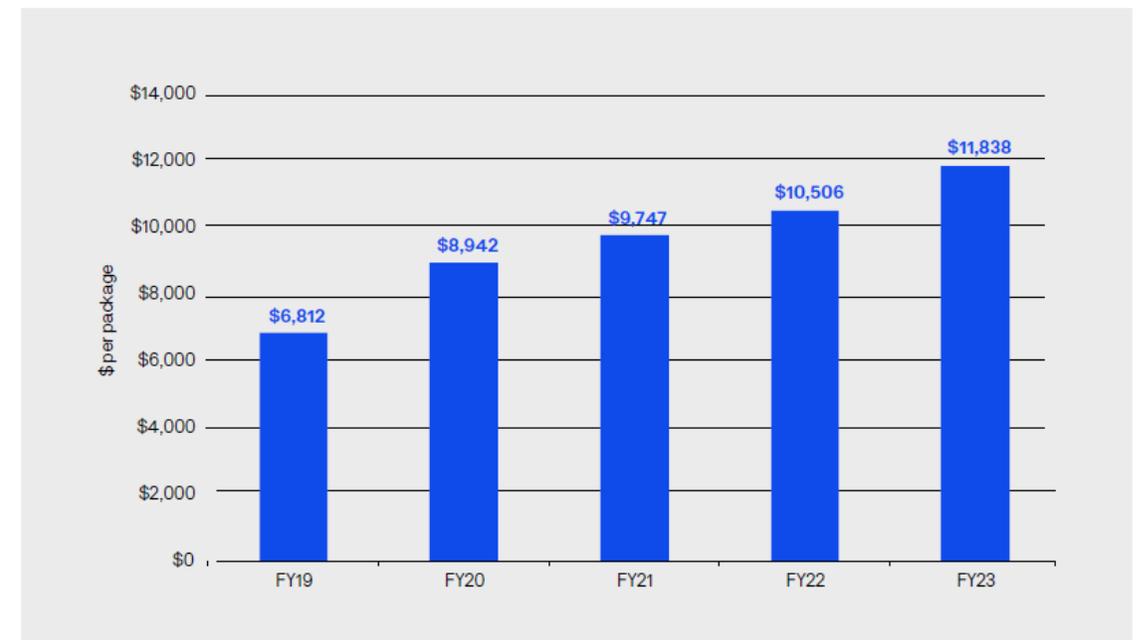


Figure 63: Average value of unspent funds per package



Home care

Costs rising, with greater reliance on third-party service provision

Figure 60: Home care revenue and costs, per client per day

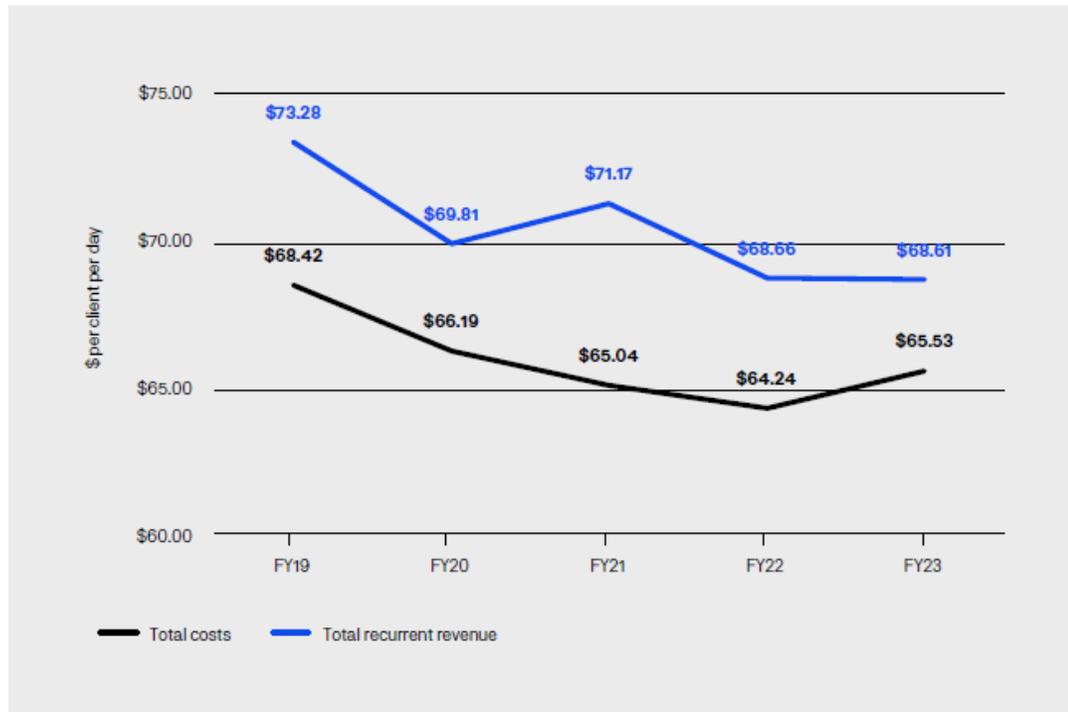
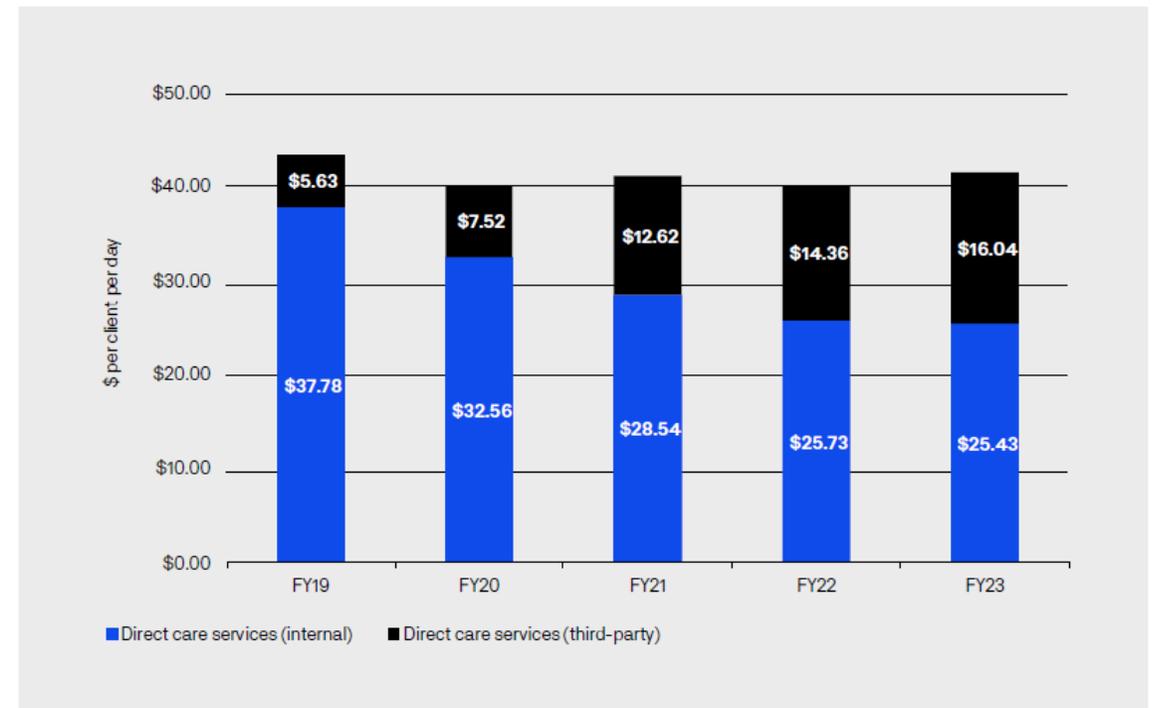


Figure 65: Direct care costs, internal and third-party, per client per day



Home care

Viability issues for small, low-care focused providers

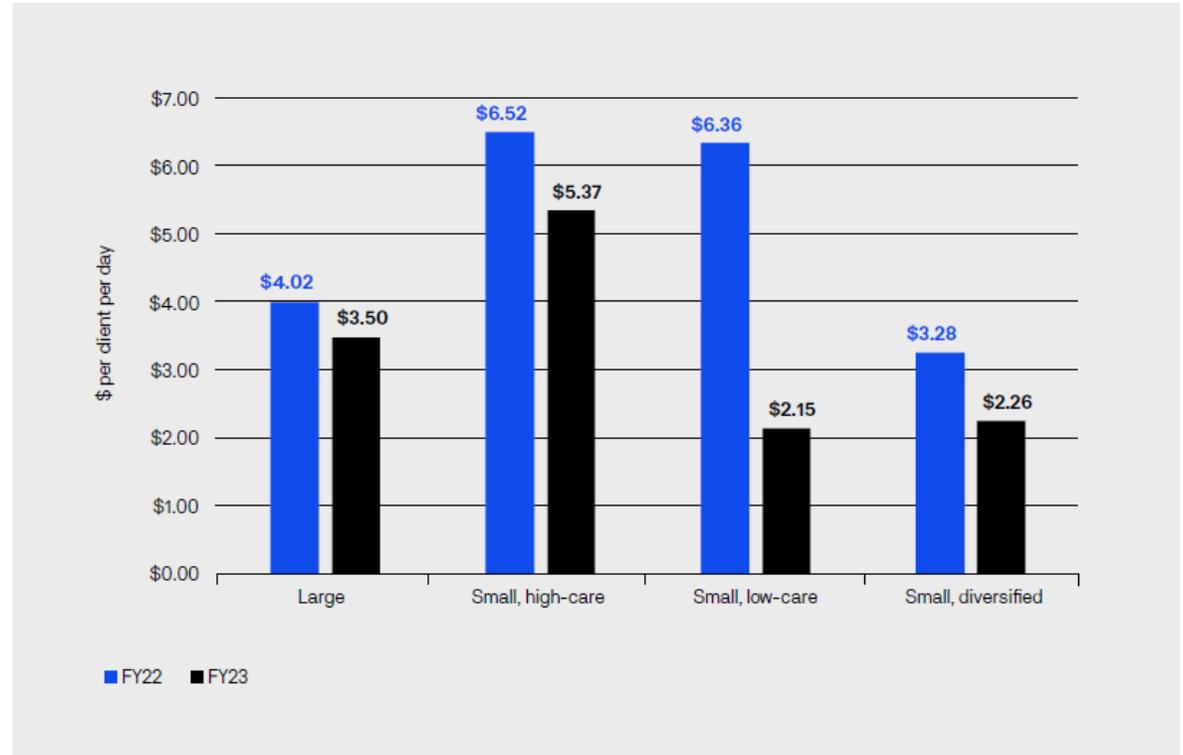
UARC developed 4 provider profiles, based on size (number of packages) and package mix (% of Level 1 and 2 packages).

Small low-care providers have lowest average margins:

- Lowest daily revenue
- Lowest revenue utilisation
- Highest reliance on third-party provision

Raises viability concerns about entry-level services (including CHSP) within the new Support at Home program.

Figure 19: Operating Result, by home care provider type, per client per day



Home care

Further delays to Support at Home roll out

Support at Home will replace Home Care Packages and the Short-Term Restorative Care Programme from 1 July 2025.

- 258,374 HCP recipients at 30 June 2023
- 9,013 STRC recipients during FY23
- \$5.7b in total government funding in FY23

Transition of Commonwealth Home Support Programme to be deferred until no earlier than 1 July 2027.

- 816,132 clients in FY23
- \$3.0b in government funding in FY23

Only a minority of clients will roll into Support at Home in 2025, with program design and pricing still to be determined on the advice of IHAPA and the Aged Care Taskforce.



A New Program for In-Home Aged Care

Discussion Paper

agedcareengagement.health.gov.au

October 2022



05

Legislative and regulatory update

Regulatory update

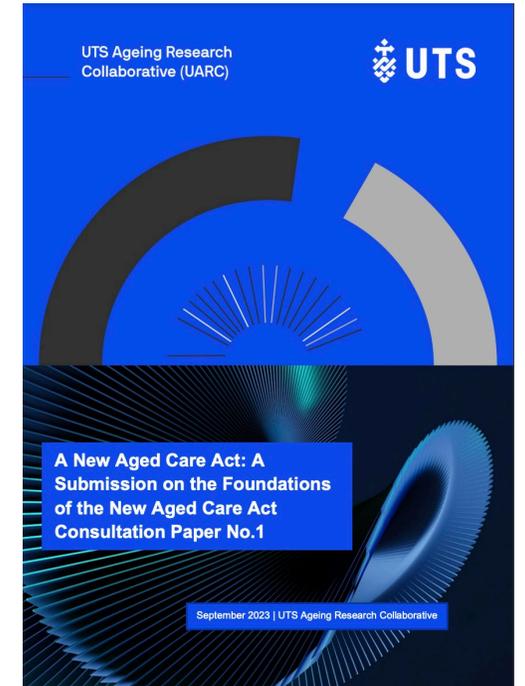
A new Aged Care Act

A new Aged Care Act is slated for commencement on 1 July 2024, with the Draft Bill expected in December 2023.

The new legislation will be framed as rights-based and person-centred, drawing on international conventions for its constitutional validity.

UARC supports a right-based approach but considers that the Act should also:

- focus on the sustainability of the aged care system
- align more closely with existing State and Territory laws on decision-making
- clarify the duty of care requirements.

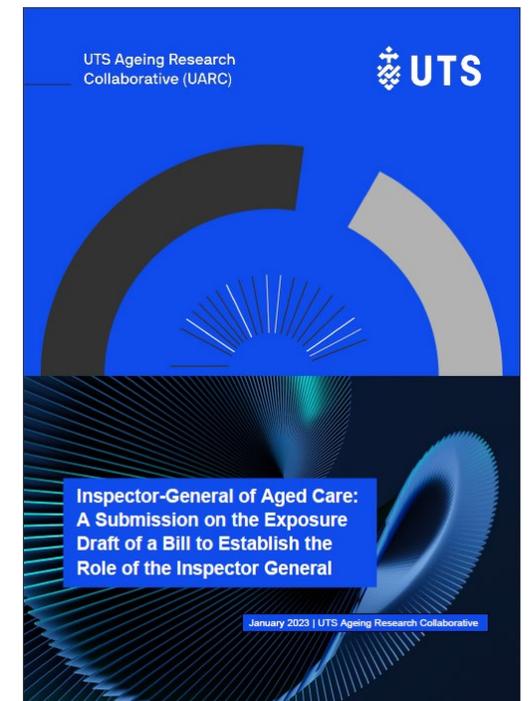


Regulatory update

Fair Work Commission wage case and the Inspector-General of Aged Care

The Fair Work Commission is progressing with hearings for outstanding issues in Stage 3 of the aged care work value case.

The Office of the Inspector-General of Aged Care has commenced operation as an independent statutory agency to oversee the aged care system and its associated regulatory bodies.



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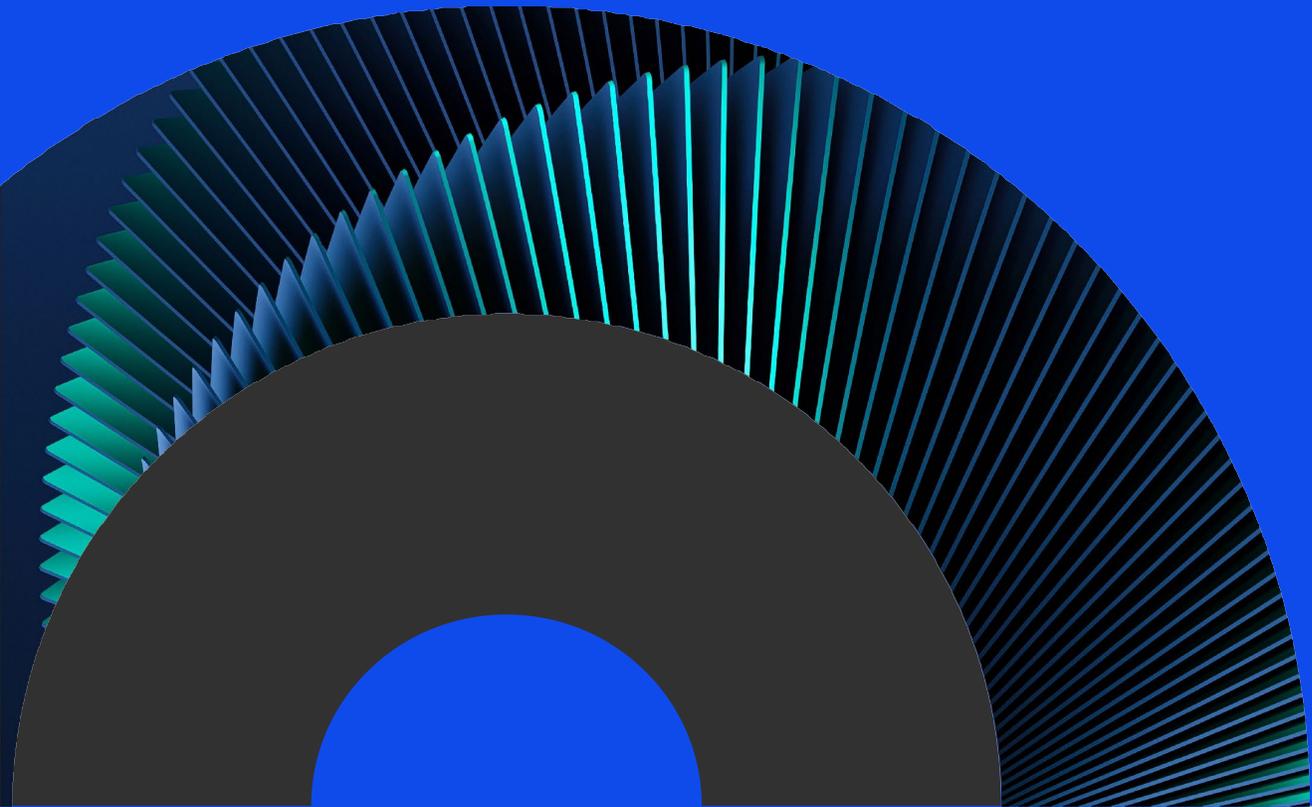
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Thank you



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