Australian Government
Department of Health and Aged Care

Quarterly Financial Snapshot of the Aged Care Sector

Quarter 1 2022-23
July to September 2022

agedcareengagement.health.gov.au

QFS1 2022-23

Introduction

In response to recommendations of the Royal Commission into Aged Care Quality and Safety (the Royal Commission), the Australian Government is committed to transparency in aged care through increased financial reporting on the sector.

As part of this commitment, the Department of Health and Aged Care is publishing this inaugural Quarterly Financial Snapshot (QFS) of the Australian aged care sector for quarter 1 of the 2022-23 financial year.

The QFS:

- Provides timely information for aged care service providers to compare and benchmark their performance with sector-level results
- Supports the monitoring of key financial metrics for the aged care system
- Complements other existing publications such as the Financial Report on the Australian Aged Care Sector (FRAACS), Aged Care Star Ratings and the Food and Nutrition Report.

The QFS primarily draws on data collected from aged care service providers through the Quarterly Financial Report (QFR). The QFR is a new mandatory reporting requirement for all aged care providers and a key data source for the QFS. The QFR is completed based on Australian Accounting Standards wherever possible. The data is unaudited, but it is authorised by an aged care provider's board.

The department would like to thank all aged care service providers who completed the QFR and contributed to the development of this snapshot.

Acknowledging this is the first quarter of reporting under the new arrangements, QFR data quality is expected to improve as familiarisation and maturity increases.

Context

The Royal Commission acknowledged that Australia's aged care sector is underfunded and has been for many years. Improving the financial sustainability of the sector remains a priority for the Australian Government.

The Government is reforming the Australian aged care system through several key initiatives aimed at increasing transparency and driving structural change in aged care, including:

- The introduction of Star Ratings for residential aged care to increase transparency and choice for older Australians, and drive provider compliance with financial reporting requirements from December 2022

- An increase in Government funding for residential aged care and home care by 20% or $3.9 billion in 2022-23
- The introduction of the Australian National Aged Care Classification (AN-ACC) funding model from 1 October 2022
- Annual funding increases in residential care informed by advice from the Independent Health and Aged Care Pricing Authority (IHACPA), which will ensure care funding moves in line with the costs of delivering care from 1 July 2023
- Support for the aged care workforce through a commitment to fund the outcome of the Fair Work Commission aged care work value case
- Design of a new reformed and improved in-home aged care program.

It is important to note the AN-ACC funding model commenced after the first quarter of the 2022-23 financial year (from 1 October 2022) and is not reflected in this first QFS.

While the full impact of structural reforms come into effect, the Australian Government has targeted programs in place to support providers through this period of reform and to ensure continuity of care for older Australians.

The department acknowledges the continuing effect of COVID-19 and the likely impact on the financial position of aged care providers during this quarter. Operational costs, such as labour costs, typically increase when managing cases and outbreaks of COVID-19, particularly for providers of residential aged care. The correlating revenue through Australian Government grant support is unlikely to have been realised during the same quarter the increased expenses occurred.

As a result of incoming Aged Care Approvals Round (ACAR) reforms, some providers may have amortised or impaired the value of bed licences over the quarter which will have impacted their balance sheet and overall financial result.

Overview

The primary purpose of the QFS is to increase the transparency of the aged care system through the timely publication of financial performance data.

The QFS is a point-in-time snapshot of the financial performance of the Australian aged care system.

For-profit and not-for-profit residential and home care providers are the primary provider type included in the QFS. Local and state and territory (LST) government providers are included in labour cost and hours, home care account balance and unspent funds, and food and nutrition data only. They are not included in any other chart or table as this data is not collected in the QFR. In the context of this report, Home Care refers to the Home Care Packages Program.

How to read the QFS

The QFS is split into 3 sections:

QFS1 2022-23 Summary

Residential care

Home care

Benchmarking calculations: Throughout the document, this grey box is used to provide guidance on calculations throughout the document, to support aged care service providers to benchmark their performance against sector-level results.

Quartile charts explanation

Quartile charts have been used to assist with benchmarking by showing the median, and the upper quartile (50th to the 75th percentile) and lower quartile (25th to the 50th percentile). This highlights the spread of reported results.

Provider type definitions

Provider type	Definition
Sector	Consolidated view of the provider types shown in the chart, figure or table.
For-profit metropolitan	Providers that deliver more than 70 per cent of their services in metropolitan areas and are either a Private Incorporated Body or a Publicly Listed Company.
For-profit regional	Providers that deliver more than 70 per cent of their services in regional areas and are either a Private Incorporated Body or a Publicly Listed Company. Regional covers inner regional, outer regional, remote and very remote as classified by the Australian Bureau of Statistics (ABS).
Not-for-profit metropolitan	Providers that deliver more than 70 per cent of their services in metropolitan areas and are either charitable, community based or religious organisations.
Not-for-profit regional	Providers that deliver more than 70 per cent of their services in regional areas and are either charitable, community based or religious organisations. Regional covers inner regional, outer regional, remote and very remote as classified by the ABS.
Providers across metropolitan and regional	Refers to non-government providers that deliver services more evenly across metropolitan and regional areas and, therefore, do not fall in the above categories. These providers deliver more than 30 per cent but less than 70 per cent of their services in metropolitan or regional areas.
LST government	Refers to providers owned by a local, state or territory government.

Data sources

The QFS primarily draws on data collected through the QFR. Submission responses were high in the first QFR, where 99 per cent of residential and 96 per cent of home care providers participated (including for-profit, not-for-profit and LST government providers).

The QFS also draws upon data collected through My Aged Care and other internal department sources.

Provider entry and exit data is extracted from the National Approved Provider System and is correct at the date of extraction. Some providers may be counted amongst both residential and home care for entry and exit data.

The QFR does not collect detailed information on hotel expenses, accommodation and administration, which provide additional insight into the underlying factors contributing towards overall profit and loss. This information is collected annually through the Aged Care Financial Report and reported publicly in FRAACS to allow monitoring of trends in this information over time.

Feedback

The QFS will evolve over time, and the department is committed to working with the sector to inform future publications. Feedback is welcome and should be directed to agedcaremarket@health.gov.au.

2022-23 QFS1 Summary

For-profit and not-for-profit provider financial summary

Residential care

($27.9)

net loss before tax
per resident per day

Home care

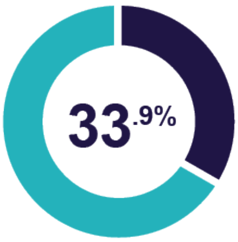
$5.0

net profit before tax
per recipient per day

Percentage of profitable providers

Profit defined as net profit before tax

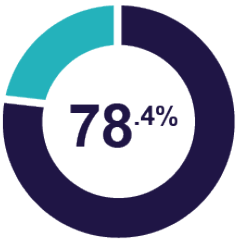
Residential care Sector



47.5% For-profit

25.9% Not-for-profit

Home care Sector



84.0% For-profit

74.4% Not-for-profit

Provider numbers

Residential care

805 2 new 2 exit

Home care

924 21 new 15 exit

Residential care sector average care minutes

187 **total** per resident per day

34 registered nurses

15 enrolled nurses

138 personal care workers

Mandatory care minutes from

October 2023		October 2024	
total	registered nurses	**total**	registered nurses
200	40	215	44

Residential aged care

Financial summary

Table 1 is a summary of residential aged care service providers' revenue and expenses for quarter 1 of the 2022-23 financial year. For-profit and not-for-profit residential aged care providers returned a collective net loss before tax of $465.3 million. This equates to a net loss before tax of $27.90 per resident per day.

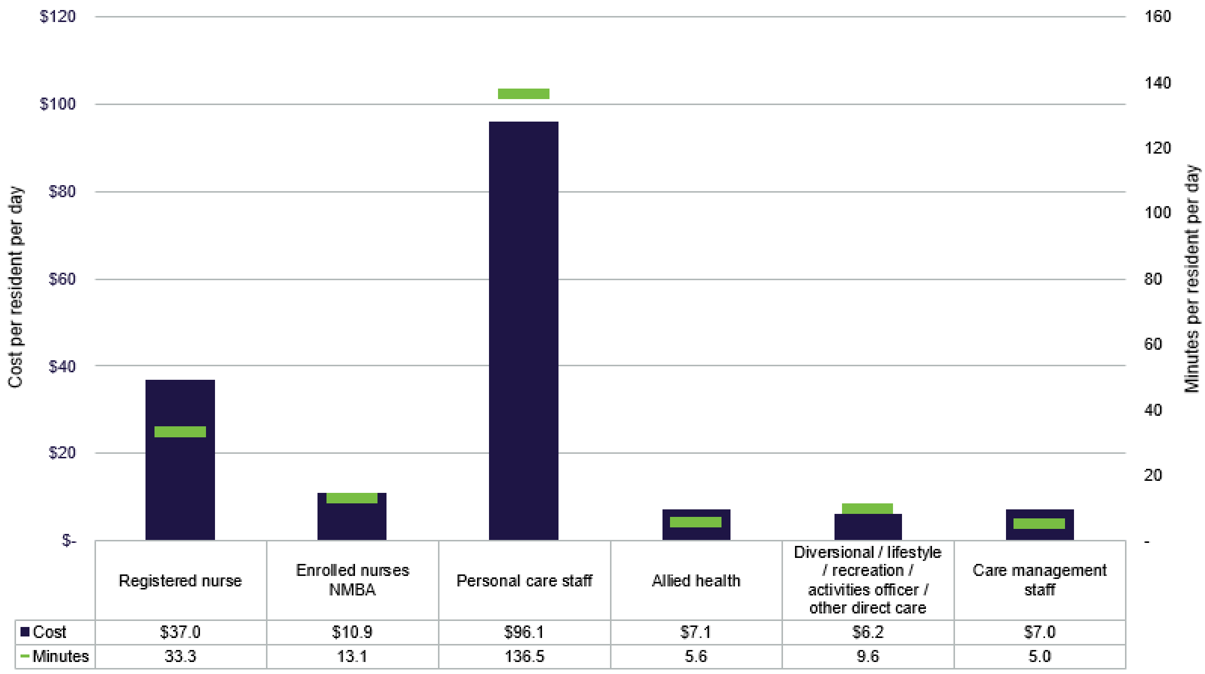
Table 1: Summary of financial performance of residential aged care for-profit and not-for-profit providers

	Q1 2022-23	Q1 2022-23 per resident per day
Revenue	$5,289.3m	$317.0
Expenses	$5,754.6m	$344.9
Net profit before tax	($465.3m)	($27.9)
Net profit before tax margin	(8.8%)	(8.8%)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	$66.9m	$4.0

Care cost and time

Care minutes refers to the time older Australians who live in Australian Government-funded residential aged care services receive care from registered nurses, enrolled nurses and personal care workers. Chart 1 shows the median cost and time per resident per day was $37 and 33.3 minutes for registered nurses, $10.90 and 13.1 minutes for enrolled nurses, and $96.10 and 136.5 minutes for personal care staff. LST government providers are included in this data.

Chart 1: Median care labour cost and time per resident per day



Average care minutes

Average care minutes per resident per day is shown in Table 2. The total average care minutes per resident per day for the sector was 187 minutes. LST government providers recorded the highest average care minutes per resident per day (229 minutes), followed by not-for-profit (189 minutes) and for-profit providers (179 minutes).

From October 2023, it will be mandatory for providers to deliver an average of 200 [care minutes](#) per resident per day (including 40 minutes of registered nurse time). This increases to 215 minutes from October 2024 (including 44 minutes of registered nurse time). LST government providers are likely to have other non-Australian Government funding sources that contribute towards the delivery of care.

Table 2: Average care minutes per resident per day

	Sector	For-profit	Not-for-profit	LST government
Registered nurses	34	34	31	61
Enrolled nurses	15	11	13	83
Personal care workers	138	134	145	85
Total	187	179	189	229

Allied health cost and time

There are a range of services aged care service providers are required to make available (or to assist with access) to all residents who need them. This includes access to allied health services as part of an individual therapy program aimed at maintaining or restoring a resident's ability to perform daily tasks. The median cost and time for allied health services per resident per day are shown in Table 3. LST government providers are included in this data.

As shown in chart 1, the median total cost and time for allied health services per resident per day was $7.10 and 5.6 minutes. Occupational therapists, allied health assistants and other allied health categories are not included in Table 3 as more than 75 per cent of QFR respondents did not report any expenditure for these categories. The median cost per resident per day may also be higher than what is reported in Table 3 for speech pathologist, podiatrists and dietetic care as approximately 30 per cent of QFR respondents did not report any expenditure for these categories.

The QFR is the first time providers have had to report on their allied health care time and cost against specific categories. Allied health professionals are often engaged through contracts which do not always include detailed reporting on cost and time by specific categories. As providers become more familiar with reporting this information, the department expects this data will improve over time.

Table 3: Median allied health cost and time per resident per day

	Cost per resident per day	Allied health minutes of care per resident per day
Physiotherapist	$4.7	3.76
Speech pathologist	$0.1	0.05
Podiatrist	$0.2	0.17
Dietetic care	$0.2	0.10

Food and nutrition

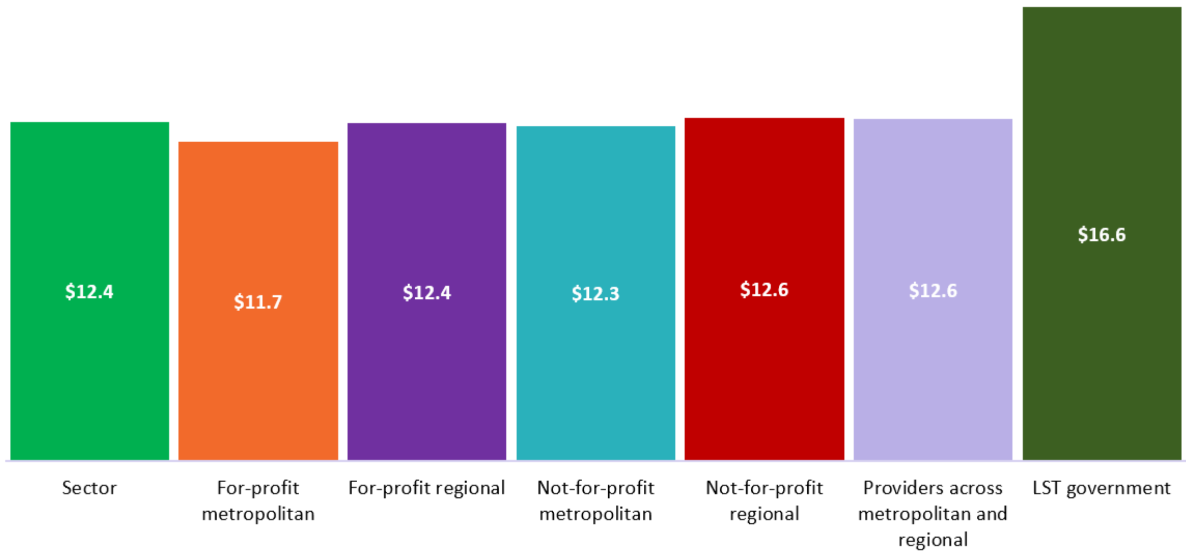
Chart 2 shows the median total cost of food and ingredients for the sector was $12.40 per resident per day.

Residential aged care providers spent an average of 81 per cent of the total food and ingredients costs on fresh food and ingredients. Fresh food and ingredients are defined by the GST classification found on itemised purchase receipts. All foods that are GST-free are classified as "fresh", whereas "other" foods have GST applied. A more detailed food and nutrition report for the 2021-22 financial year is available on the department's website. The split of fresh and other foods was not collected prior to the first QFR, but future QFS reporting will allow changes in spending on fresh food and ingredients to be tracked.

The amount spent on food and ingredients per resident per day is only one indicator of food quality. It should not be taken in isolation, as it does not consider factors such as residents’ satisfaction, cooking preparation method and overall nutritional status.

Chart 2 excludes aged care services that were unable to split out their contract catering costs into food and ingredients costs.

Chart 2: Median food and ingredients cost per resident per day by provider type



Labour cost

The median total care labour cost reported by the sector was $173 per resident per day.

Total care labour costs include registered nurses, enrolled nurses, personal care workers, care management staff, allied health, diversional/ lifestyle/ recreation/ activities staff, and other non-care staff. The cost of labour includes all on-costs and leave entitlements to reflect the full cost of employees per resident per day.

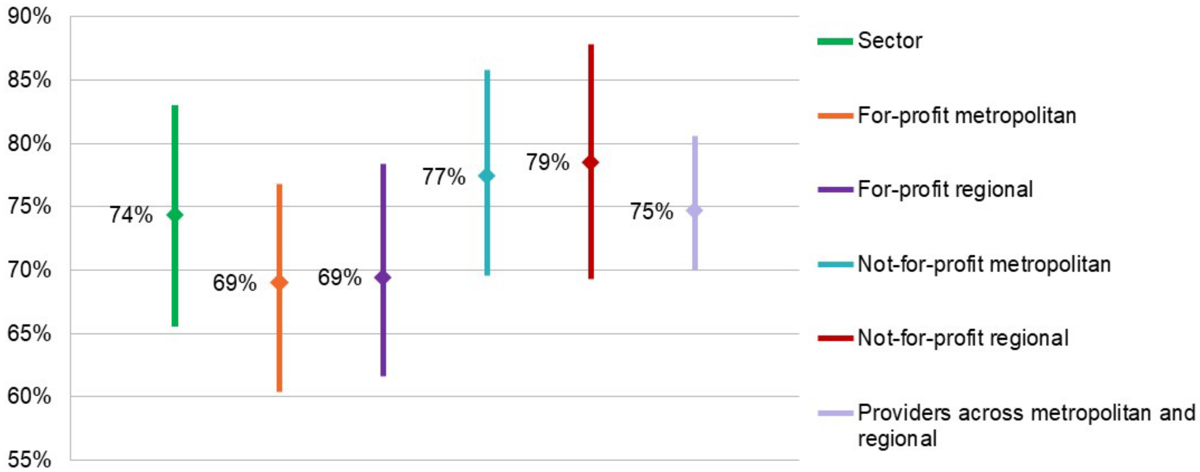
LST government providers may have other non-Australian Government funding sources that contribute towards the delivery of care.

Chart 3: Median and quartile total care labour cost per resident per day by residential aged care provider type

Wages to revenue

Comparing wages to revenue is a financial viability indicator allowing aged care service providers to measure how much is spent on employees as a proportion of revenue. Chart 4 shows that the proportion of wages to revenue for the sector was a median of 74 per cent. For-profit providers spent a smaller proportion of wages to revenue in comparison to not-for-profit providers and providers across metropolitan and regional. Wages are inclusive of all residential aged care service employees.

Chart 4: Median and quartile wages to revenue percentage by residential aged care provider type



Wages to revenue percentage = (salaries and employee benefits + management fees) ÷ total revenue

Hourly rate

The median hourly rate for registered nurses, enrolled nurses and personal care workers is shown by provider type in Chart 5. Residential aged care providers submitted the average hourly rate of direct care staff in the QFR. The sector median of the average hourly rate was $45 for registered nurses, $33 for enrolled nurses and $27 for personal care workers.

Chart 5: Median hourly rate of direct care staff by residential aged care provider type

The average hourly rate is reported by providers by calculating the average hourly rate of direct care staff employed as per the employee award, agreement or contract. The average hourly rate does not include on-costs, penalty rates or casual loading.

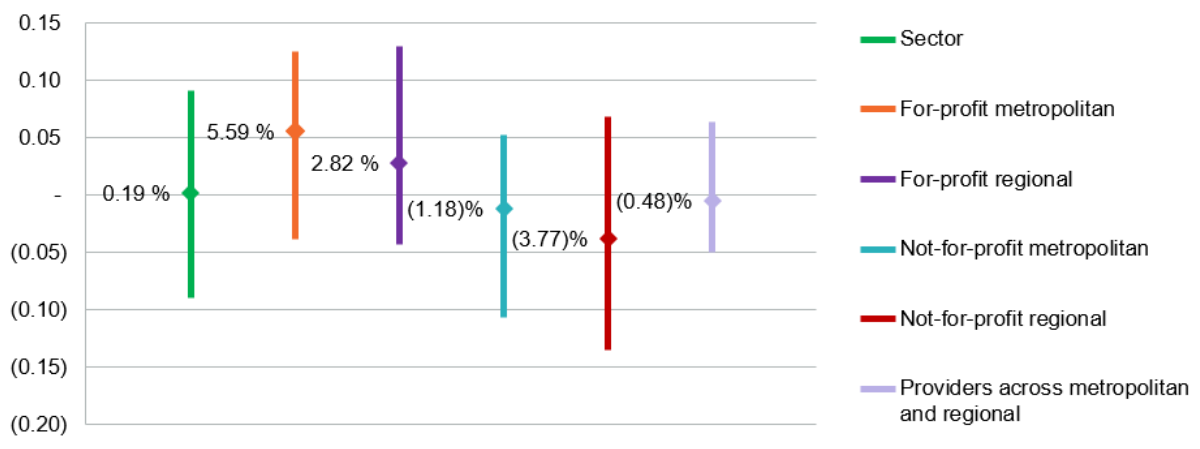
Nil value responses have been excluded from the calculation of the median average hourly rate.

EBITDA margin

Earnings before interest, taxes, depreciation and amortisation (EBITDA) margin is used as an indicator of a provider's financial performance and underlying profitability before accounting for depreciation assumptions, tax obligations or financing choices. EBITDA margins focus on a provider's operating profitability and cash flow, where the higher the EBITDA margin is, the lower operating expenses are in relation to total revenue.

Chart 6 shows that the median EBITDA margin for the sector was 0.19 per cent, which means an EBITDA return of $0.19 for every $100 of revenue earned. Not-for-profit metropolitan, not-for-profit regional, and providers across metropolitan and regional reported a negative EBITDA margin, meaning they reported a financial loss prior to accounting for interest, taxes, depreciation and amortisation.

Chart 6: Median and quartile EBITDA margin by residential aged care provider type



EBITDA margin = EBITDA ÷ total revenue

Depreciation on leased (right of use) assets and interest on lease liabilities are not added back as it represents the rent paid by providers that do not own their premises. As comparison, EBITDA does not add back rent for owner occupiers.

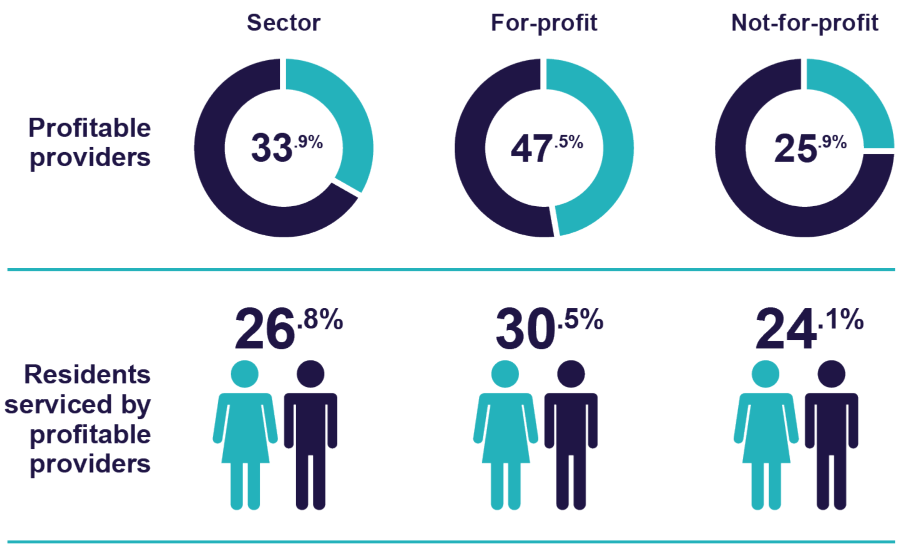
Profitable residential aged care service providers

Measuring profitability can provide an incremental indication of the financial performance of the residential aged care service providers.

Figure 1 shows that 33.9 per cent of providers reported a net profit before tax. Profitable providers for the quarter serviced 26.8 per cent of residents in aged care.

In some instances, profitability each quarter can be impacted by the timing of revenue and expenses, investment in facility upgrades and refurbishments, or seasonal issues like periods of lower demand.

Figure 1: Percentage of profitable residential aged care providers and percentage of residents serviced by profitable residential aged care providers



Liquidity

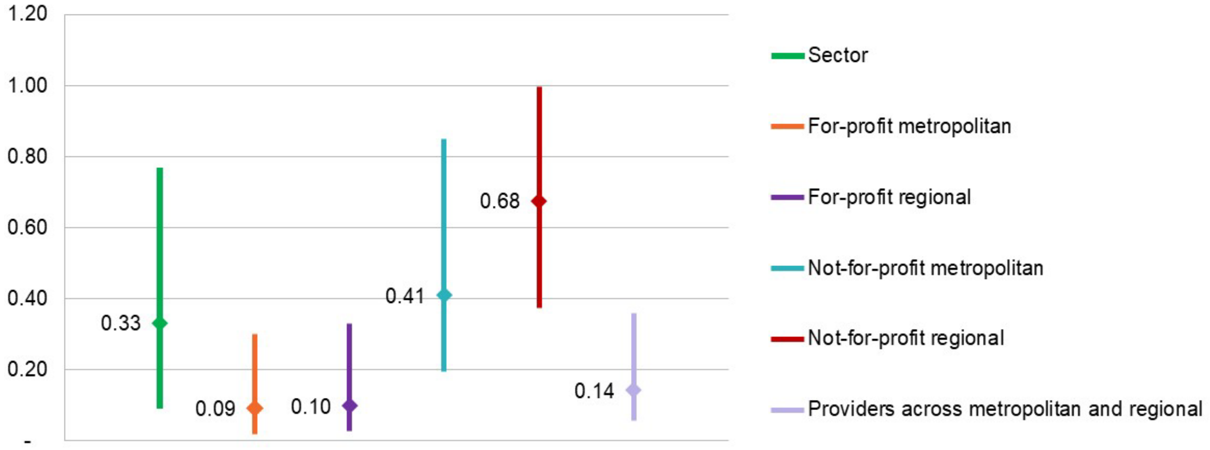
Liquidity ratio measures the availability of cash and financial assets to cover providers' debt obligations (without raising external capital) if they were to become immediately due and payable.

If the ratio result is greater than 1.0, the provider has more cash and financial assets than their debt obligations. If the ratio result is less than 1.0, the provider's debt obligations are greater than their cash and financial assets.

The median liquidity ratio for the sector was 0.33, meaning that providers had a third of cash and financial assets available when compared to their debt obligations. For-profit metropolitan and for-profit regional providers reported the lowest median liquidity ratio for the quarter.

The liquidity ratio for residential aged care providers shown in Chart 7 may be impacted by their financial performance or by their investment strategy.

Chart 7: Median and quartile liquidity ratio of residential aged care providers by provider type



Liquidity ratio = (cash and cash equivalents + financial assets) ÷ (total liabilities - lease liabilities)

Calculations do not include undrawn credit facilities as liquid assets.

Total liabilities do not include refundable accommodation deposits that residents have agreed to pay, but the amount has not yet been received by the provider.

Capital adequacy

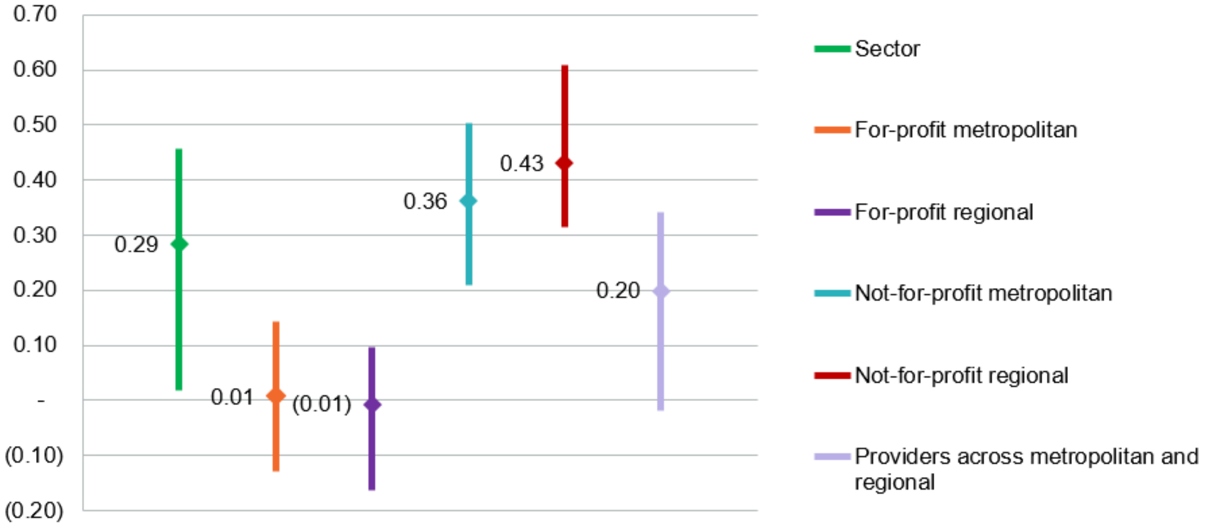
Capital adequacy ratio shown in Chart 8 measures a provider's net asset position divided by total asset position (not including intangibles).

This ratio can be used as an indicator of a provider's ability to absorb any unexpected losses through their net asset position (also known as an asset buffer).

The median capital adequacy ratio for residential aged care providers was 0.29, meaning for every $100 of assets they owned, $71 was funded through debt or other liabilities.

If a provider has a stronger (higher) capital adequacy ratio, they will be able to fund and absorb the impacts of unforeseen circumstances (e.g. flood, unexpected losses) by using equity within the business. If a provider has a low or insufficient capital adequacy ratio, they may be forced to take on debt, or in extreme situations, go into administration when faced with unforeseen circumstances.

Chart 8: Median and quartile capital adequacy ratio of residential aged care providers by provider type



Capital adequacy ratio = (net assets - intangible assets) ÷ (total assets - intangible assets).

Home care

Financial summary

Table 4 is a summary of home care service providers' revenue and expenses for quarter 1 of the 2022-23 financial year. For-profit and not-for-profit home care providers returned a collective net profit before tax of $92.4 million. This equates to a net profit before tax of $5.0 per care recipient per day.

Table 4: Summary of financial performance of home care for-profit and not-for-profit providers

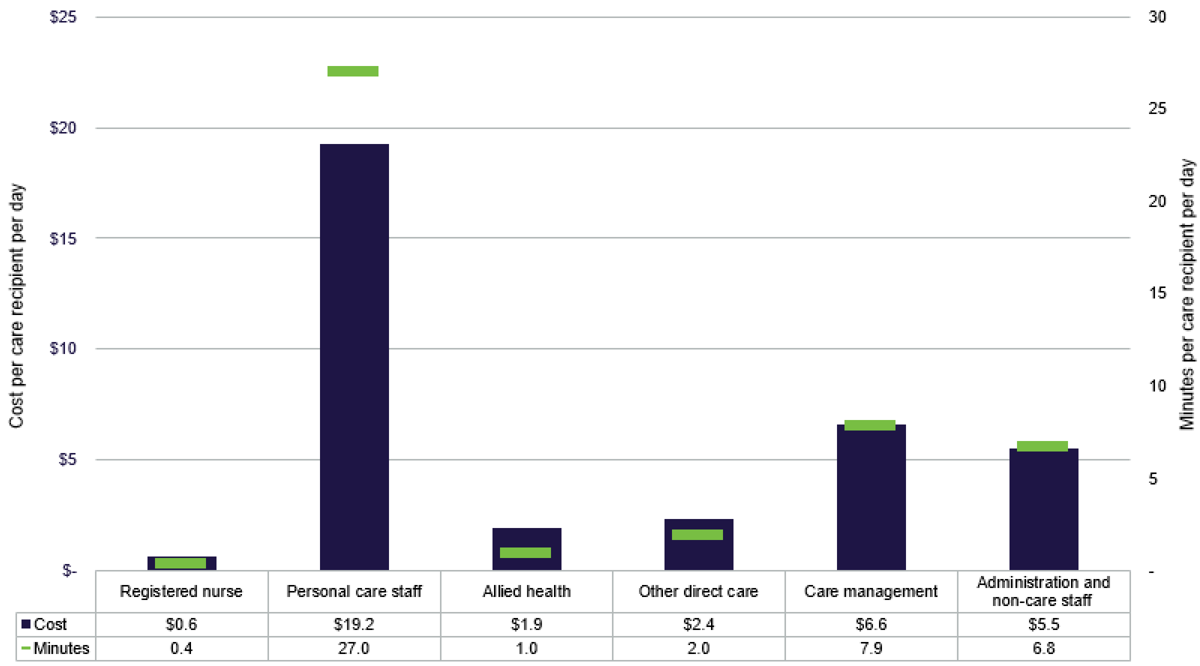
	Q1 2022-23	Q1 2022-23 per care recipient per day
Revenue	$1,285.1m	$69.0
Expenses	$1,192.7m	$64.1
Net profit before tax	$92.4m	$5.0
Net profit before tax margin	7.2%	7.2%
EBITDA	$103.7m	$5.6

Staff cost and minutes

Chart 9 shows the median cost and time per home care recipient per day for registered nurses, personal care staff (including cleaning, gardening and domestic assistance), allied health, other direct care staff, care management, and administration and support. The median total staff minutes was 53.65 minutes per care recipient per day. Unlike residential aged care, there is no target or mandated care minutes for home care service providers.

Data for enrolled nurses has not been included as more than 70 per cent of home care providers did not report any expenditure in this category. LST government providers are included in this data.

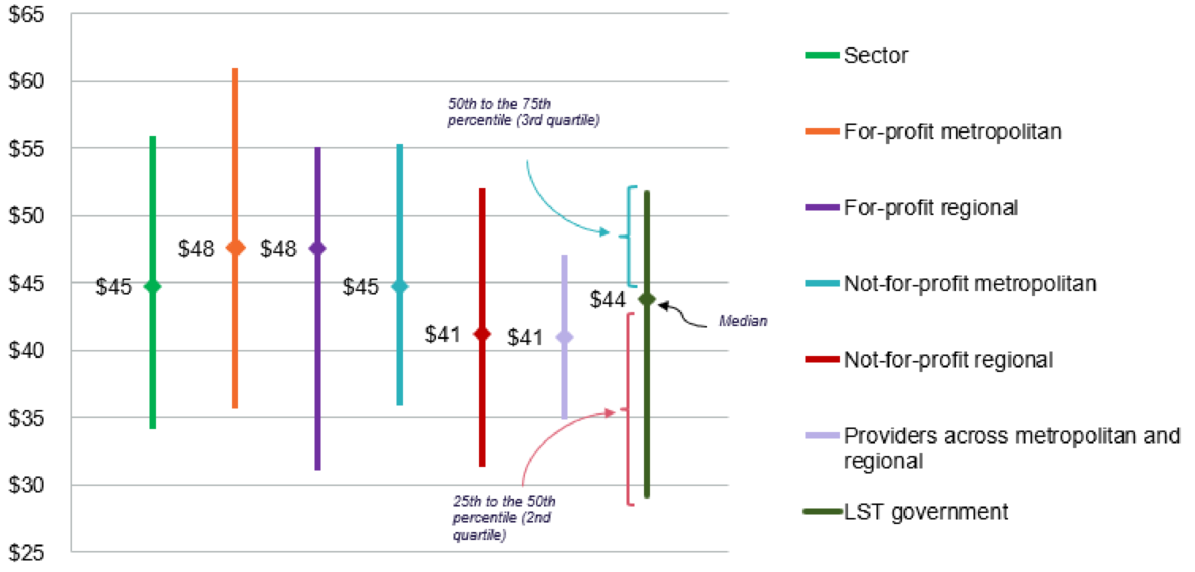
Chart 9: Median staff labour cost and time per care recipient per day



Staff cost

Chart 10 shows that the median total staff cost was $45 per care recipient per day for the sector. For-profit metropolitan and for-profit regional providers reported the highest median total staff cost per care recipient per day ($48). Total staff includes registered nurses, enrolled nurses, personal care staff, allied health, other direct care, care management, and administration and non-care. The cost of labour includes all on-costs and leave entitlements to reflect the full cost of employees per recipient per day.

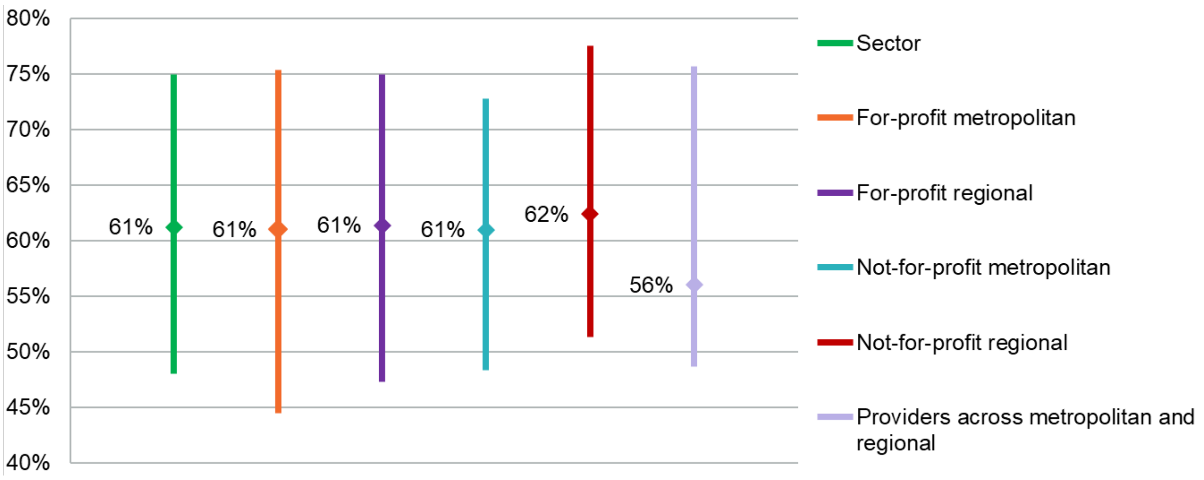
Chart 10: Median and quartile total staff cost per care recipient per day by home care provider type



Wages to revenue

Comparing wages to revenue is a financial viability indicator allowing home care service providers to measure how much is spent on employees as a proportion of revenue. Chart 11 shows that the proportion of wages to revenue for the sector was 61 per cent. The median proportion of wages to revenue was similar to the sector result for all provider types except for providers across metropolitan and regional which was lower (56 per cent). Wages are inclusive of all home care service employees.

Chart 11: Median and quartile wages to revenue percentage by home care provider type

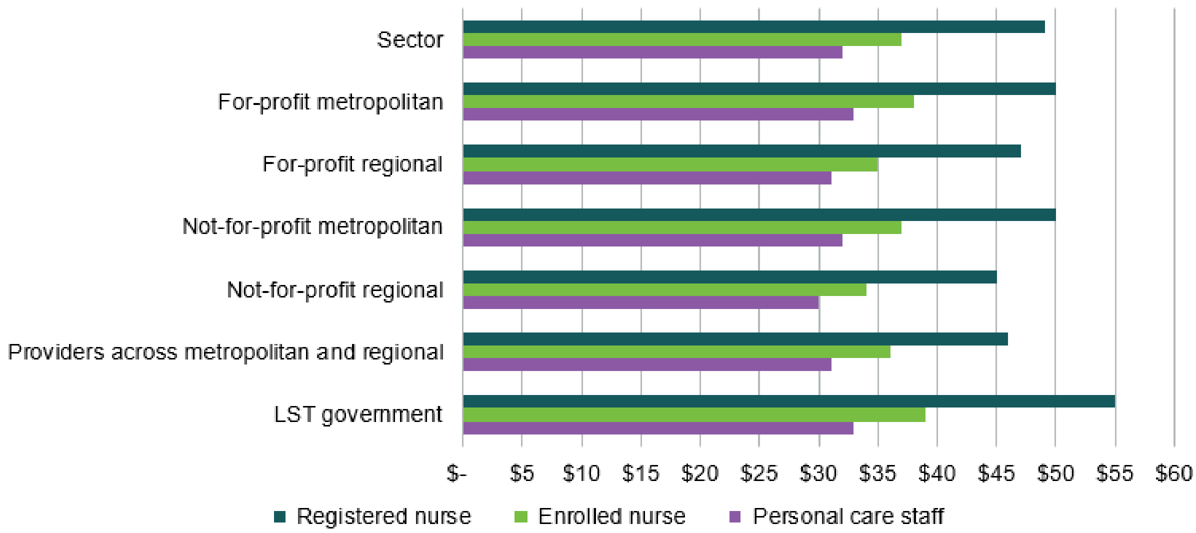


Wages to revenue percentage = (salaries and employee benefits + management fees) ÷ total revenue

Hourly rate

The median hourly rate for registered nurses, enrolled nurses and personal care staff is shown by provider type in Chart 12. Home care service providers submitted the average hourly rate paid to direct care staff in the QFR. The home care sector median of the average hourly rate was $49 for registered nurses, $37 for enrolled nurses and $32 for personal care staff.

Chart 12: Median hourly rate paid to direct care staff by home care provider type



The average hourly rate is reported by providers by calculating the average hourly rate of direct care staff employed as per the employee award, agreement or contract. The average hourly rate does not include on-costs, penalty rates or casual loading.

Nil value responses have been excluded from the calculation of the median average hourly rate.

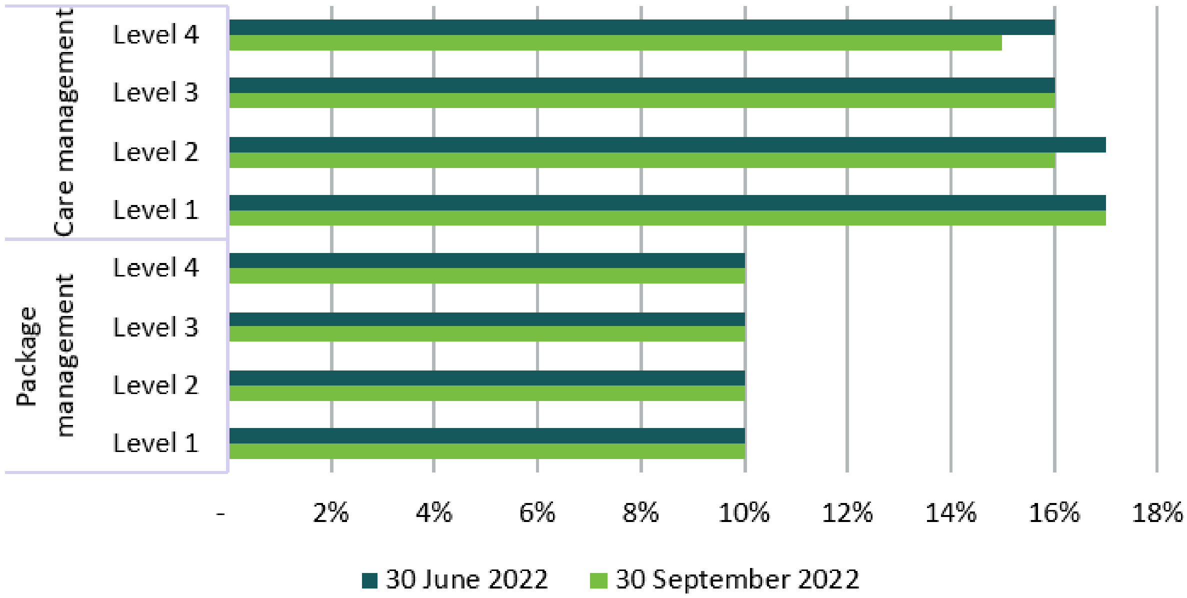
Care and package management

Chart 13 shows the median percentage of the maximum Australian Government subsidy directed to care management and package management per home care package level, as reported on My Aged Care. There was minimal or no change in the percentage of care or package management from 30 June to 30 September 2022.

Care management ensures recipients receive the appropriate level of support in a way that meets current and future care needs. Care management is a function of providers and it should ensure there is no overlap, over-servicing, or mismanagement of services.

Package management is the ongoing administration and organisational activities associated with ensuring the smooth delivery and management of a Home Care Package (HCP).

Chart 13: Median care and package management percentage per home care package level



Care management = care management expenses ÷ total Australian Government subsidy

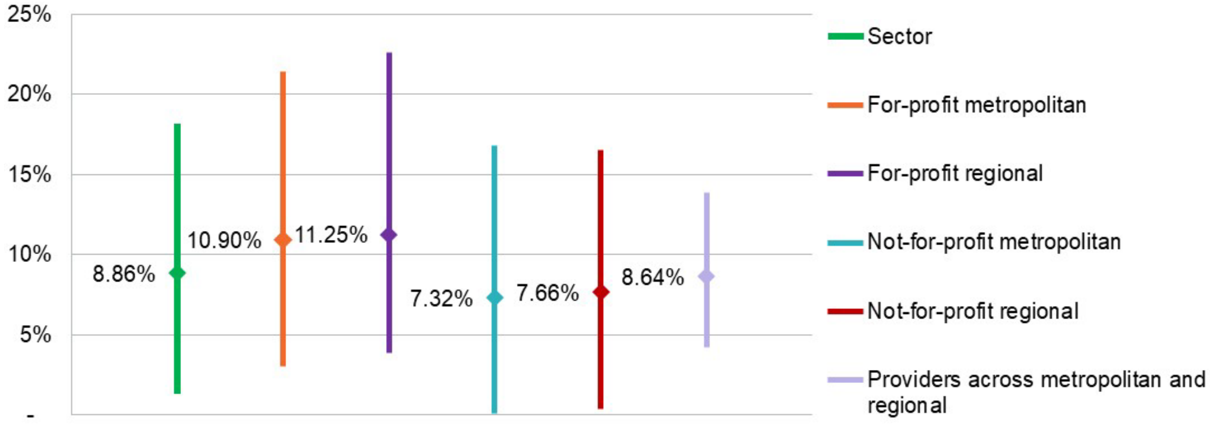
Package management = package management expenses ÷ total Australian Government subsidy

EBITDA margin

EBITDA margin is used as an indicator of a provider's financial performance and underlying profitability, before accounting for depreciation assumptions, tax obligations or financing choices. EBITDA margins focus on a provider's operating profitability and cash flow, where the higher the EBITDA margin is, the lower operating expenses are in relation to total revenue.

Chart 14 shows that the median EBITDA margin for the sector was 8.86 per cent, which means an EBITDA return of $8.86 for every $100 of revenue earned. For-profit regional providers' median EBITDA was 11.25 per cent, which was the highest of the provider types.

Chart 14: Median and quartile EBITDA margin by home care provider type



EBITDA margin = EBITDA ÷ total revenue

Depreciation on leased (right of use) assets and interest on lease liabilities are not added back as it represents the rent paid by providers that do not own their premises. As comparison, EBITDA does not add back rent for owner occupiers.

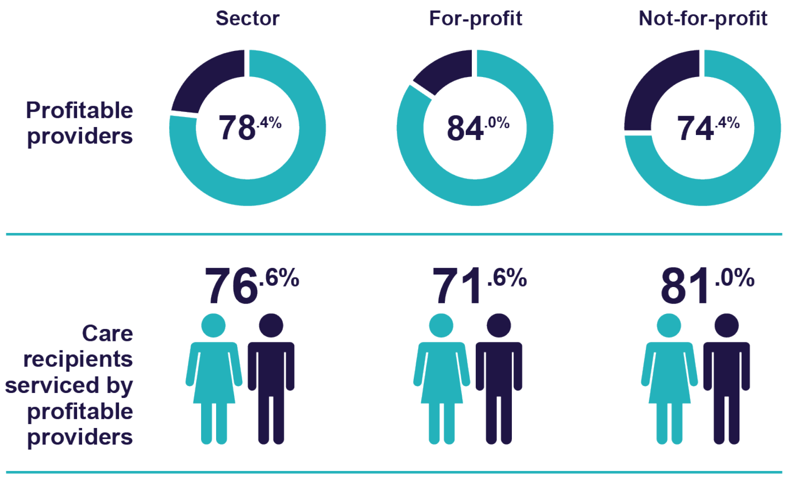
Profitable home care service providers

Measuring profitability can provide an incremental indication of the financial performance of home care service providers.

Figure 2 shows that 78.4 per cent of home care service providers reported a net profit before tax. Profitable home care providers for the quarter serviced 76.6 per cent of care recipients.

In some instances, profitability each quarter can be impacted by the timing of revenue and expenses or seasonal issues like periods of lower demand.

Figure 2: Percentage of profitable home care providers and percentage of home care recipients serviced by profitable home care providers

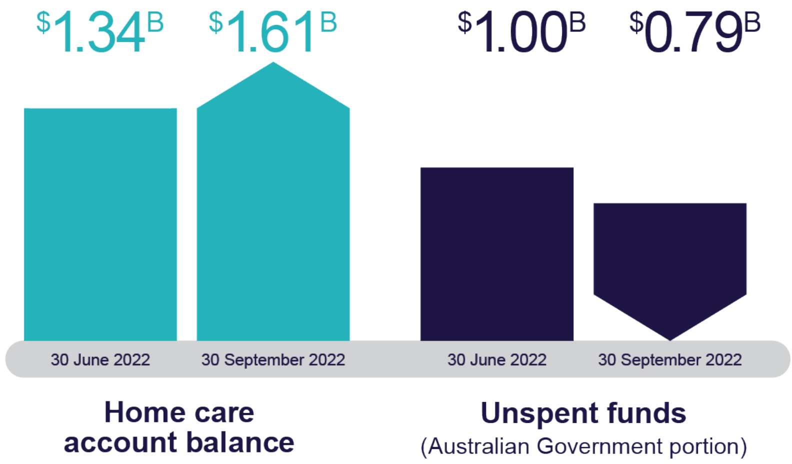


Home care account balance and unspent funds

Since 1 September 2021, any unspent Government subsidy accrued is held in a HCP recipient's Home Care Account Balance. These funds continue to be available to pay for care and services when needed by the HCP recipient. Some aged care service providers also have access to unspent funds accrued prior to 1 September 2021. These funds can be used to pay for a HCP recipient's care and services. Unlike the Home Care Account Balance, the unspent funds' balances for a HCP recipient cannot accumulate as all unspent amounts now go the recipient's Home Care Account Balance.

The quarterly change in the home care account balance and the Australian Government portion of unspent funds in shown in Chart 15. Over time, it can be expected that the unspent funds balance will diminish, and the Home Care Account Balance will fluctuate according to market demand and supply.

Chart 15: Home care account balance and Australian Government portion of unspent funds – June 2022 and September 2022 comparison



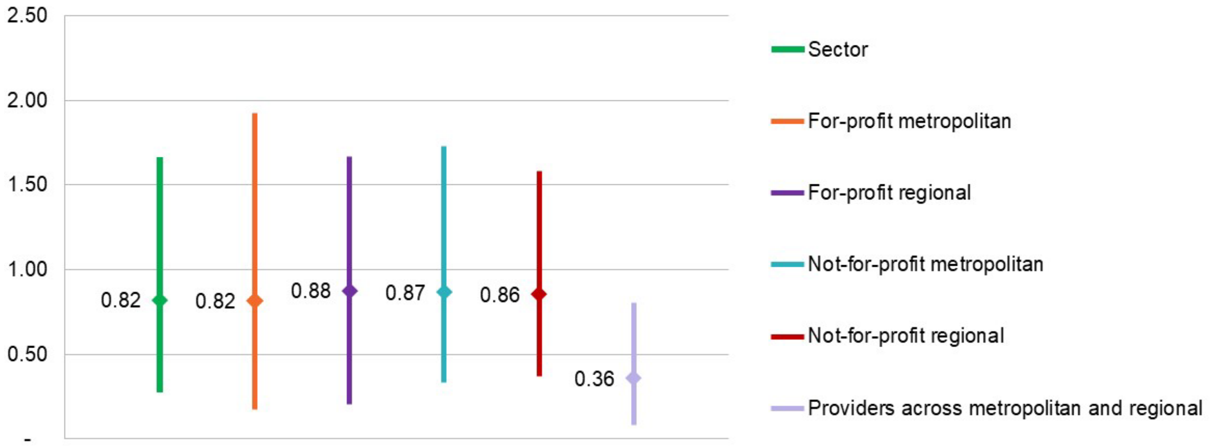
Liquidity

Liquidity ratio measures the availability of cash and financial assets to cover providers' debt obligations (without raising external capital) if they were to become immediately due and payable. If the ratio result is greater than 1.0, the provider has more cash and financial assets than their debt obligations. If the ratio result is less than 1.0, the provider’s debt obligations are greater than their cash and financial assets.

The median liquidity ratio for the sector was 0.82, meaning for every $82 of cash and financial assets available, the provider had $100 of debt obligations. The liquidity ratio for each home care provider type is consistent with the sector median, except for providers across metropolitan and regional which is 0.36.

The liquidity ratio for home care providers shown in Chart 16 may be impacted by their financial performance or by their investment strategy.

Chart 16: Median and quartile liquidity ratio of home care providers by provider type



Liquidity ratio = (cash and cash equivalents + financial assets) ÷ (total liabilities - lease liabilities)

Calculations do not include undrawn credit facilities as liquid assets.

Total liabilities do not include refundable accommodation deposits that residents have agreed to pay, but the amount has not yet been received by the provider.

Capital adequacy

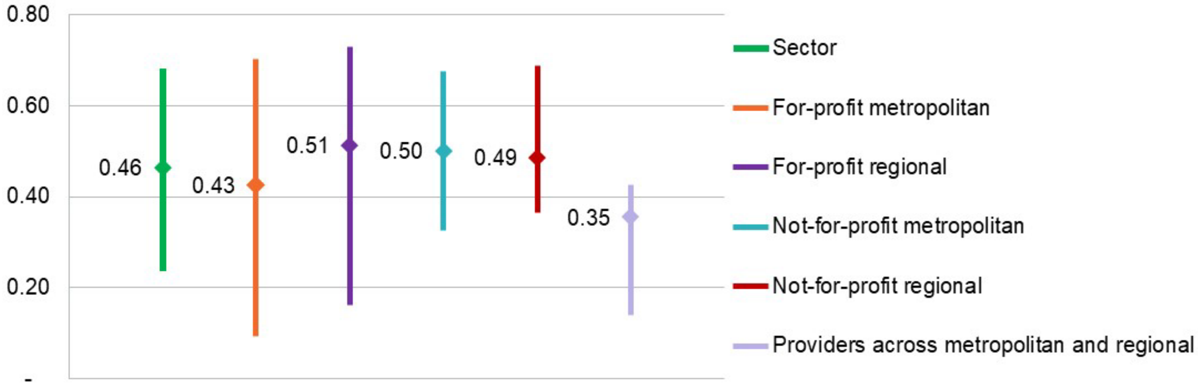
Capital adequacy ratio shown in Chart 17 measures a provider's net asset position divided by total asset position (not including intangibles).

This ratio can be used as an indicator of a provider's ability to absorb any unexpected losses through their net asset position (also known as an asset buffer).

The median capital adequacy ratio for home care providers was 0.46, meaning for every $100 of assets they owned, $54 was funded through debt or other liabilities.

If a provider has a stronger (higher) capital adequacy ratio, they will be able to fund and absorb the impacts of unforeseen circumstances (e.g., flood, unexpected losses) by using equity within the business. If a provider has a low or insufficient capital adequacy ratio, they may be forced to take on debt, or in extreme situations, go into administration when faced with unforeseen circumstances which have a financial impact.

Chart 17: Median and quartile capital adequacy ratio of home care providers by provider type



Capital adequacy ratio = (net assets - intangible assets) ÷ (total assets - intangible assets)

Let’s change aged care together

We invite Australians to continue to have their say about the aged care reforms.

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