Quarterly Financial Snapshot

Aged Care Sector

Quarter 3 2022-23

January to March 2023

Introduction

The Australian Government is committed to transparency in aged care through the collection and publication of financial information, to provide valuable insights to the sector and community.

As part of this commitment, the Department of Health and Aged Care publishes a Quarterly Financial Snapshot (QFS) on the Australian aged care sector. This aligns with recommendations from the Royal Commission into Aged Care Quality and Safety (the Royal Commission) to increase financial transparency in aged care.

Improving the financial sustainability of the aged care sector remains a priority for the Australian Government.

This is the third time the QFS has been published and this report covers the period 1 January to 31 March 2023 (quarter 3 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 across the aged care system
- Complements other existing publications such as the annual Financial Report on the Australian Aged Care Sector (FRAACS), aged care Star Ratings and the Food and Nutrition Report.

Reforming aged care

The Australian Government is reforming the aged care system through several key initiatives aimed at driving structural change, improving financial sustainability, and increasing transparency in aged care. A detailed list of current priorities relating to financial performance of the sector is available in the quarter 2 QFS for the 2022-23 financial year and in the 2023-24 Budget material found here.

Various initiatives have commenced or been implemented since the previous QFS was published, including:

- A new Aged Care Taskforce was established in June 2023 to provide advice to the Government on funding arrangements to ensure the aged care system is fair and equitable for all Australians. The Taskforce provides an opportunity for targeted and thorough consideration of system funding arrangements to ensure they are equitable, embed innovation, and include a future focus that adjusts to the changing pattern of demographics, needs and circumstances of older people in Australia.

- From 1 July 2023, the Australian National Aged Care Classification (AN-ACC) price increased from $216.80 to $243.10 per resident per day for residential care delivery. The new AN-ACC price reflects the recommendations of the Independent Health and Aged Care Pricing Authority (IHACPA). In addition to the AN-ACC price increase, a new $10.80 per person per day hotelling supplement has been in place from 1 July.
- From 1 January 2023, home care package care management prices were capped at 20% of the package level, and package management prices were capped at 15% of the package level. This reform will reduce excessive administration and management charges and ensure more funds are available to meet the needs of care recipients. This QFS is the first report since this reform was introduced.
- From 1 July 2023, funding of $11.3 billion for the Australian Government's commitment to deliver the Fair Work Commission's interim decision commenced for a 15 per cent pay increase, to build and sustain a valued aged care workforce.

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 to ensure continuity of care for older people in Australia.

Summary of findings

The January to March 2023 period is the second quarter of the new AN-ACC funding model which commenced on 1 October 2022. This QFS shows a continued improvement in the overall financial performance of residential aged care providers.

Residential care year-to-date earnings before interest, tax, depreciation and amortisation (EBITDA) improved by $6.09 per resident per day, totalling $19.02, as did the number of residential providers reporting a positive year-to-date EBITDA position (68.5 per cent, up 4.0 percentage points).

Sector-level residential care net profit before tax performance improved by $6.76 per resident per day on the year-to-date December 2022 position. This was primarily due to an increase in revenue of $6.36 per resident per day and a slight reduction in expenses of $0.40 per resident per day. While there was improvement, the March 2023 year-to-date total net loss before tax position for the sector was $674.4 million. This equates to a net loss before tax of $13.48 per resident per day, a halving of the September 2022 year-to-date net loss before tax position of $27.90 per resident per day. Expenses are likely to increase in the April to June quarter to account for end of financial year adjustments or one-off expenditure which is unlikely to occur in the January to March quarter.

The number of residential providers reporting a year-to-date net profit before tax increased to 48.6 per cent (up 2.2 percentage points on December 2022 year-to-date).

This is the first quarter where data is available on occupancy rates for residential care providers. Occupancy rates can have a significant impact on viability and the overall financial performance of providers. The sector-level average occupancy rate was 86.0 per cent in quarter 3, which is an increase of 0.2 percentage points on the quarter 2 result.

Sector-level average care minutes increased by one minute in quarter 3, totalling 190 minutes per resident per day (including 35 minutes for registered nurses). The Government expects care minutes to continue to increase in the lead up to care minute targets becoming mandatory. At the sector level, the average care minute target from 1 October 2023 will be 200 care minutes per bed per day, including 40 minutes of registered nurse time.

In quarter 3, providers spent more on wages, as median labour costs per resident per day rose to $179 (up from $173 in quarter 2). This is consistent with the expectation that providers would spend more on labour to meet their care minutes requirements.

Home care providers continued to be profitable in quarter 3 and the year-to-date EBITDA per recipient per day increased to $4.17 (up $0.05). There was also a slight increase in the number of home care providers reporting a positive EBITDA (76.0 per cent, up from 75.3 December 2022 year-to-date).

The net profit before tax result increased slightly for year-to-date March 2023. For-profit and not-for-profit home care providers returned a year-to-date net profit before tax result of $3.65 per recipient per day (up $0.06 on year-to-date December 2022). Revenue and expenses declined in quarter 3, with expenses decreasing more than revenue, resulting in the increased net profit before tax result.

The year-to-date percentage of profitable home care providers increased slightly to 74.5 per cent (up from 73.8 per cent December 2022 year-to-date).

This is the first quarter of data available since the introduction of capped fees for care and package management to ensure that more funds are available to meet the needs of home care recipients. Level 3 and 4 care management fees increased to 17 per cent per home care package, which is now consistent with levels 1 and 2, and below the cap of 20 per cent. Level 1 and 2 package management fees increased to 11 per cent, which is 1 percentage point higher than level 3 and 4 (10 per cent), and below the cap of 15 per cent.

The department continues to acknowledge the impact of COVID-19 on the aged care sector, including on the potential 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.

For the period of January to March 2023, the department approved approximately $142 million in reimbursements to providers for the COVID-19 Aged Care Support Program Extension. This is an increase on approximately $72 million of reimbursements during October to December 2022 and $58 million during the July to September 2022 quarter). For the period 4 June 2021 to 31 March 2023, the department has approved approximately $316 million in reimbursements to providers through this program.

As noted in previous quarters, due to the removal of the Aged Care Approvals Round (ACAR), providers need to readjust the treatment of bed licences as intangible assets, which has an impact on their balance sheet and overall financial result. Data collected in the Quarterly Financial Report (QFR) does not include the breakdown of adjustments such as bed licenses amortisation losses. This data is reported annually in the FRAACS. From 1 July 2024, when aged care places will be allocated directly to older people in Australia, rather than providers, there will be no further write-down of bed licenses from providers' balance sheets.

Financial reporting and transparency

In addition to sector-level reporting through the QFS and FRAACS, the department is also working towards the publication of service-level information on residential care providers' income, expenditure and profits or losses on My Aged Care from early 2024. This will help older people in Australia and their families make informed decisions about their aged care and fulfil the Government's election commitment.

The publication of information drawing on providers' reporting through their Aged Care Financial Report (ACFR) follows the principle that we collect data once and share it often, to ensure providers' reporting delivers valuable insights back to the sector. Together, these publications use aged care data to help inform decisions and improve outcomes for older people in Australia, and ensure a broad audience can understand departmental data assets and the information they can provide.

More broadly, the department is building transparency and accountability in the aged care sector by developing an aged care data strategy. The data strategy will aim to create an aged care data system that empowers older people in Australia, supports service providers to provide high-quality care, enables the government's stewardship of the sector, and facilitates access to meaningful information. The department is working towards releasing the data strategy in late 2023 and stakeholders will be updated on the Data Improvements page of the GEN aged care data website. The QFS is an important part of this strategy, and contributes to an aged care data system that effectively collects, secures, uses and shares information to support the provision of high-quality care that maximises the health and well-being of older people in Australia.

Data sources and methodology

The QFS primarily draws on data collected from aged care service providers through the QFR which is a mandatory reporting requirement for all aged care providers. 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.

Submission responses were high in the January to March 2023 QFR, where 99.7 per cent of residential aged care providers and 98.8 per cent of home care providers participated (including for-profit, not-for-profit and local, state or territory government providers).

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.

The QFR collects some information as year-to-date results and some information for the isolated quarter. The year-to-date information collected in the QFR is primarily the profit and loss result. To ensure information is presented back to providers the way it has been collected, and consistent with standard accounting practices, the QFS presents the financial summary, wages to revenue percentage, EBITDA margin and percentage of profitable providers in year-to-date format.

In addition, an isolated quarter result has been provided for these charts to allow for specific quarterly comparison and to assist in understanding the impact of policy reforms or specific circumstances that may have impacted that quarter's results.

The isolated quarter result for the profit and loss-related charts has been derived by deducting year-to-date December 2022 results from year-to-date March 2023 results, and should be read as an estimate only. Quarter 3 figures derived using this calculation may include quarter 2 2022-23 adjustments, which may impact the actual results. Limited analysis has been undertaken on estimated quarter only results to avoid misrepresentation.

This icon is used throughout the report to identify where the isolated quarter results have been derived using the calculation described above. The calculation is an **estimate** only.

Other data such as care minutes, labour costs and food and nutrition are reported as quarter 3 results only and reflect how the information was collected in the QFR.

The QFS also draws upon data collected through My Aged Care and other internal departmental sources. Provider entry and exit data is extracted from the National Approved Provider System (NAPS) and is correct at the date of extraction. Some providers may be counted amongst both residential and home care for entry and exit data. A provider exiting the sector may result in the services they delivered being transferred to another approved provider, closure of a service or a service being marked as inactive.

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 ACFR and reported publicly in FRAACS to allow monitoring of trends in this information over time.

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 third quarter of reporting under the new arrangements, QFR data quality is expected to continue to improve over future quarters as familiarisation and maturity increases.

The QFS is split into 3 sections:

- Summary
- Residential care
- Home care

A summary of tips on how to read the QFS and provider type definitions are available in Appendix 1.

Summary

Financial summary year-to-date

For-profit and not-for-profit providers per resident/recipient per day

Residential care			Home care		
Net loss before tax	($13.48)	↑ $6.76	Net profit before tax	$3.65	↑ $0.06
EBITDA	$19.02	↑ $6.09	EBITDA	$4.17	↑ $0.05

Financial summary quarter 3 (estimate)

For-profit and not-for-profit providers per resident/recipient per day

Residential care			Home care		
Net profit before tax	$0.23	↑ $12.89	Net profit before tax	$3.74	↑ $1.41
EBITDA	$31.39	↑ $9.61	EBITDA	$12.09	↑ $9.30

Percentage of profitable providers year-to-date

Profit defined as year to date net profit before tax

	Residential care	Home care
All providers	48.6%	74.5%
Change	↑ 2.2 percentage points	↑ 0.7 percentage points
For-profit	57.0%	79.2%
Not-for-profit	43.5%	71.1%

Percentage of profitable providers quarter 3 (estimate)

Profit defined as estimated quarter 3 net profit before tax

	Residential care	Home care
All providers	54.5%	68.1%
Change	↓ 3.2 percentage points	↑ 1.6 percentage points
For-profit	64.1%	68.8%
Not-for-profit	49.0%	67.7%

Percentage of providers with positive EBITDA year-to-date

Residential care

68.5%

↑ 4.0 percentage points

75.2% For-profit

64.1% Not-for-profit

Home care

76.0%

↑ 0.7 percentage points

79.5% For-profit

73.4% Not-for-profit

Percentage of providers with positive EBITDA quarter 3 (estimate)

Residential care

68.8%

↓ 4.2 percentage points

75.0% For-profit

65.2% Not-for-profit

Home care

69.5%

↑ 2.9 percentage points

70.4% For-profit

68.8% Not-for-profit

Provider numbers in quarter 3

Residential care

784 NEW 2 13 EXIT

Home care

929 NEW 5 13 EXIT

A provider exiting the sector may result in the services they delivered being transferred to another approved provider, closure of a service or a service being marked as inactive.

Residential care sector average care minutes quarter 3

190 ↑ 1 **total** per resident per day

35 registered nurses

15 enrolled nurses

1 ↑ **140** personal care workers

Mandatory average care minutes from

October 2023

200 **total**

40 registered nurses

October 2024

215 **total**

44 registered nurses

Residential aged care

Financial summary

Table 1 is a financial year-to-date summary of residential care provider revenue and expenses to March 2023. For-profit and not-for-profit residential aged care providers returned a collective year-to-date net loss before tax of $674.4 million. This equates to a year-to-date net loss before tax of $13.48 per resident per day, an improvement of $6.76 per resident per day on the year-to-date December 2022 result.

Revenue increased by $6.36 per resident per day, while expenses declined slightly by $0.40 per resident per day. There was a minor increase in salary and wage expenses, but this was offset by a slight decrease in other expense categories. Expenses are likely to increase again in the next quarter as infrequent or one-off adjustments are less likely to be accounted for in the third quarter of a financial year.

Care funding allocated to providers per occupied bed days (OBD) was an average of $223.87. This is a slight decrease on the average of $225.11 per OBD under the new AN-ACC model for the October to December 2022 quarter but continues to be higher than the $203.54 per OBD under the Aged Care Funding Instrument (ACFI) model for the July to September 2022 period. Variations in resident case-mix can impact on the level of funding and could be a contributing factor.

Table 1: Year-to-date summary of financial performance of residential aged care for-profit and not-for-profit providers

	Total	Per resident per day	Change from December 2022 year-to-date per resident per day
Revenue	$16,889.9m	$337.55	↑ $6.36
Expenses	$17,564.4m	$351.03	↓ $0.40
Net profit before tax	($674.4)m	($13.48)	↑ $6.76
Net profit before tax margin	(3.99%)	(3.99%)	↑ 2.12 percentage points
Earnings before interest, tax, depreciation and amortisation (EBITDA)	$951.8m	$19.02	↑ $6.09

Table 2 is an estimated quarter 3 summary of residential care providers' revenue and expenses. For-profit and not-for-profit residential care providers returned a collective quarter 3 net profit before tax of $3.9 million. This equates to an isolated quarter 3 net profit before tax of $0.23 per resident per day, an improvement of $12.89 per resident per day on the quarter 2 result.

This is the first quarter in the 2022-23 financial year that a positive net profit before tax position was achieved. The estimated quarter 3 result is mostly due to increased operating revenue such as government funding and resident contributions, and a drop in expenses. The drop in expenses may be an isolated occurrence as infrequent and one-off expenses (e.g. end of year adjustments, depreciation) are unlikely to be posted in quarter 3 as it is not a mid-year or year-end reporting period.

Table 2: Quarter 3 summary of financial performance of residential aged care for-profit and not-for-profit providers (estimate)

	Total	Per resident per day	Change from Q2 per resident per day
Revenue	$5,793.4m	$350.77	↑ $5.54
Expenses	$5,789.6m	$350.54	↓ $7.35
Net profit before tax	$3.9m	$0.23	↑ $12.89
Net profit before tax margin	0.07%	0.07%	↑ 3.74 percentage points
Earnings before interest, tax, depreciation and amortisation (EBITDA)	$518.4m	$31.39	↑ $9.61

Average care minutes

Care minutes refers to the amount of time older people in Australia who live in Australian Government funded residential aged care services receive in care from registered nurses, enrolled nurses and personal care workers/assistants in nursing.

Average care minutes per resident per day for quarter 3 is shown in Table 3. The total average care minutes per resident per day for the sector was 190 minutes, which was an increase of 1 minute on quarter 2.

Service-level targets are the minimum care time that residents should receive on average each day. They are updated every three months, based on the average resident case mix in the previous quarter. In quarter 3, the sector average care minutes target was 196 minutes.

From 1 October 2023, the sector average target will become a mandatory responsibility to achieve 200 minutes per resident per day, including 40 minutes of registered nurse time per day. This target will increase to 215 minutes as a sector average from October 2024, including 44 minutes of registered nurse time.

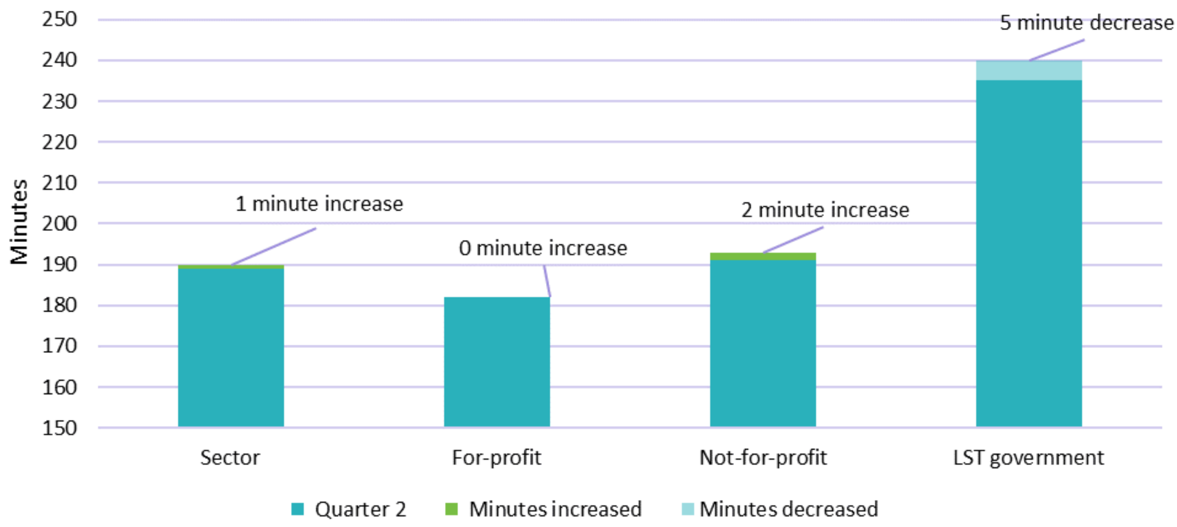
The department undertakes a data validation process to check the reasonableness of submitted data for care hours and labour costs. These checks are conducted as QFRs are submitted to the department and providers are invited to re-submit data if anomalies are identified.

Table 3: Quarter 3 average care minutes per resident per day

	Sector	Change in average sector care minutes from Q2	For-profit	Not-for-profit	LST government
Registered nurses	35	-	35	34	63
Enrolled nurses	15	-	11	13	87
Personal care workers	140	↑ 1	136	146	85
Total	190	↑ 1	182	193	235

Chart 1 shows the change in care minutes from quarter 2 to quarter 3. Local, state or territory government providers recorded the highest average care minutes per resident per day (235 minutes, a decrease of 5 minutes), followed by not-for-profit (193 minutes, an increase of 2 minutes) and for-profit providers (182 minutes, no change from previous quarter). Local, state or territory government providers are likely to have other non-Australian Government funding sources that contribute towards the delivery of care. Minutes have been rounded to whole numbers for this analysis.

Chart 1: Change in care minutes



Staff cost and time

Chart 2 below shows that the quarter 3 median total staff cost and time per resident per day was $40.58 and 35.43 minutes for registered nurses, $11.25 and 12.93 minutes for enrolled nurses, and $100.86 and 140.79 minutes for personal care workers/assistants in nursing.

Allied health, diversional / lifestyle / recreation / activities officer and care management staff minutes do not contribute to the care minute targets but play an important part in the restorative care and other support for older people in Australia.

Local, state or territory government providers are included in this data.

Chart 2: Quarter 3 median staff cost and time per resident per day

When comparing to quarter 2, the median cost per resident per day in quarter 3 increased for registered nurses ($1.88), enrolled nurses ($0.10) and personal care workers/assistants in nursing ($1.87), but decreased for allied health ($0.23), diversional / lifestyle / recreation / activities officers ($0.17) and care management staff ($0.12). The median minutes per resident per day increased for registered nurses (1.14), enrolled nurses (0.08) and personal care workers/assistants in nursing (2.45) but decreased for all other categories.

The total median staff costs and time has increased from quarter 2 to quarter 3. Costs increased to $178.55 per resident per day (up $5.84), and total time increased to 214.32 minutes per resident per day (up 3.07 minutes). The total median staff cost and time was derived from the QFR data set, and is not the sum of the subcategories' median listed in Table 4.

From quarter 4 of the 2022-23 financial year (April to June 2023 reporting period), the department will be collecting additional information from providers on wages of direct aged care workers through their QFR. This will allow for the monitoring and reporting of funding provided by the Australian Government for the purpose of increasing workers' wages (as a result of the Fair Work Commission decision) and to ensure that funding is being passed on.

Table 4: Quarter 3 median staff cost and time per resident per day

	Cost per resident per day	Change in cost from Q2	Minutes per resident per day	Change in minutes from Q2
Registered nurses	$40.58	↑ $1.88	35.43	↑ 1.14
Enrolled nurses NMBA	$11.25	↑ $0.10	12.93	↑ 0.08
Personal care workers/ Assistants in nursing	$100.86	↑ $1.88	140.79	↑ 2.45
Allied health	$5.57	↓ $0.23	4.55	↓ 0.05
Diversional / lifestyle / recreation / activities officer	$5.30	↓ $0.18	8.20	↓ 0.16
Care management staff	$5.83	↓ $0.11	4.01	↓ 0.30

Allied health cost and time

There are a range of services aged care 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. Allied health minutes do not contribute to the mandatory care minute targets but play an important role in the care of older people in Australia. The quarter 3 median cost and time for allied health services per resident per day are shown in Table 5. Local, state or territory government providers are included in this data.

As shown in Table 4, the quarter 3 median total cost and time for allied health services per resident per day was $5.57 and 4.55 minutes. In Table 5, median results are not reported for occupational therapists, allied health assistants and other allied health categories, as approximately 70 to 80 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 5 for speech pathologists, podiatrists and dietetic care as approximately 25 to 30 per cent of QFR respondents did not report any expenditure for these categories.

The QFR is a relatively new reporting requirement for providers who were not previously required to report allied health care time and cost against specific allied health categories. Allied health professionals are often engaged through contracts which do not always include detailed reporting on cost and time by specific categories. Providers may still be adjusting their approach to record-keeping for allied health services to align with the new QFR requirements. As providers become more familiar with reporting this information, the department expects this data to improve over time. In addition, the department is continually making refinements to the QFR definitions for allied health and the specific allied health categories to clarify what should be included in QFR reporting, and will continue to engage with the sector to understand and improve the quality of this reporting.

Table 5: Quarter 3 median allied health cost and time per resident per day

	Cost per resident per day	Change in cost from Q2	Allied health minutes of care per resident per day	Change in minutes from Q2
Physiotherapist	$3.63	↓ $0.17	2.96	↓ 0.01
Speech pathologist	$0.11	↑ $0.02	0.05	↑ 0.01
Podiatrist	$0.26	↑ $0.02	0.21	↑ 0.01
Dietetic care	$0.21	↑ $0.03	0.12	↑ 0.02

Food and nutrition

Chart 3 shows the quarter 3 median total cost of food and ingredients for the sector was $13.41 per resident per day, an increase of $0.24 on quarter 2.

The median total cost of food and ingredients increased for all provider types, except for not-for-profit metropolitan, which saw a slight decrease from quarter 2.

Residential aged care providers spent an average of 83.5 per cent of the total food and ingredients costs on fresh food and ingredients, which is a slight increase on the October to December quarter (80 per cent). 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 3: Quarter 3 median food and ingredients cost per resident per day by provider type

Labour cost

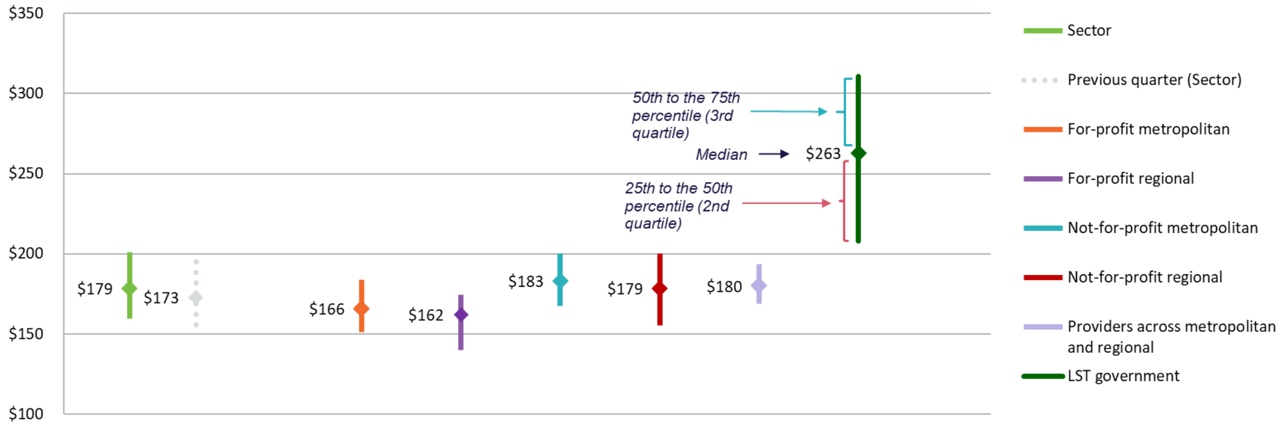
As shown in Chart 4, the quarter 3 median total care labour cost reported by the sector was $179 per resident per day. The sector median increased by $6 per resident per day on quarter 2. The average care labour cost per resident per day has increased by approximately 3 per cent from quarter 2. The increase in average care labour cost may be due to the increased care labour spending by providers working towards their care minute targets in preparation for 1 October 2023.

Total care labour costs include registered nurses, enrolled nurses, personal care workers/assistants in nursing, care management staff, allied health, diversional/ lifestyle/ recreation/ activities staff, and other non-care staff. The cost of labour includes salary and superannuation, bonuses and incentives, allowances, termination payments, value of fringe benefits, salary sacrifice and leave entitlements.

The median total labour cost per resident per day was $263 for local, state or territory government providers which is considerably higher than other provider types. The higher labour cost per resident per day was consistent with quarter 2 ($262) and quarter 1 ($257). Local, state or territory government providers may have other non-Australian Government funding sources that contribute towards the delivery of care.

Agency staff cost represented 12.2 per cent of the total direct care labour cost to the sector in quarter 3, an increase of 0.5 percentage points on quarter 2.

Chart 4: 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 was spent on employees as a proportion of revenue. Chart 5 shows that the March 2023 year-to-date proportion of wages to revenue for the sector was a median of 71 per cent (down 1 percentage point on the December 2022 year-to-date result). 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 5: Year-to-date median and quartile wages to revenue percentage by residential aged care provider type

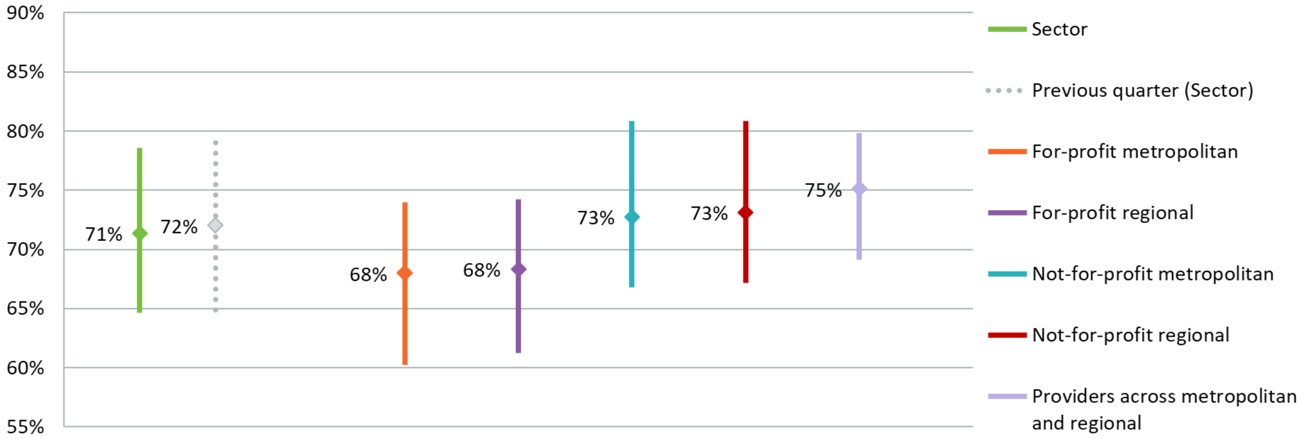
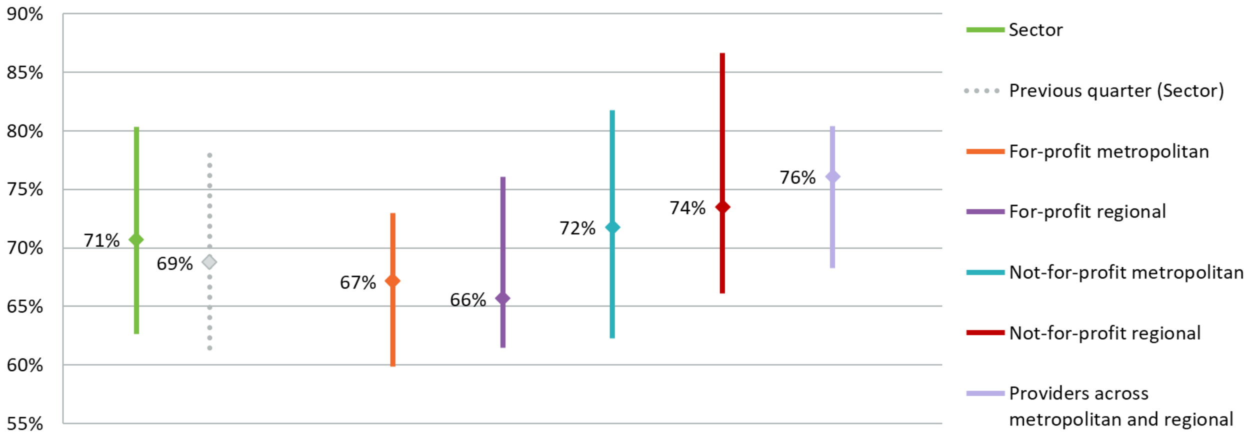


Chart 6 shows the estimated quarter 3 proportion of wages to revenue for the sector was a median of 71 per cent (up 2 percentage points on the quarter 2 result). The proportion of wages to revenue increased for most provider types as wage spending increased on quarter 2 following the increase in revenue through AN-ACC.

Chart 6: Quarter 3 median and quartile wages to revenue percentage by residential aged care provider type (estimate)

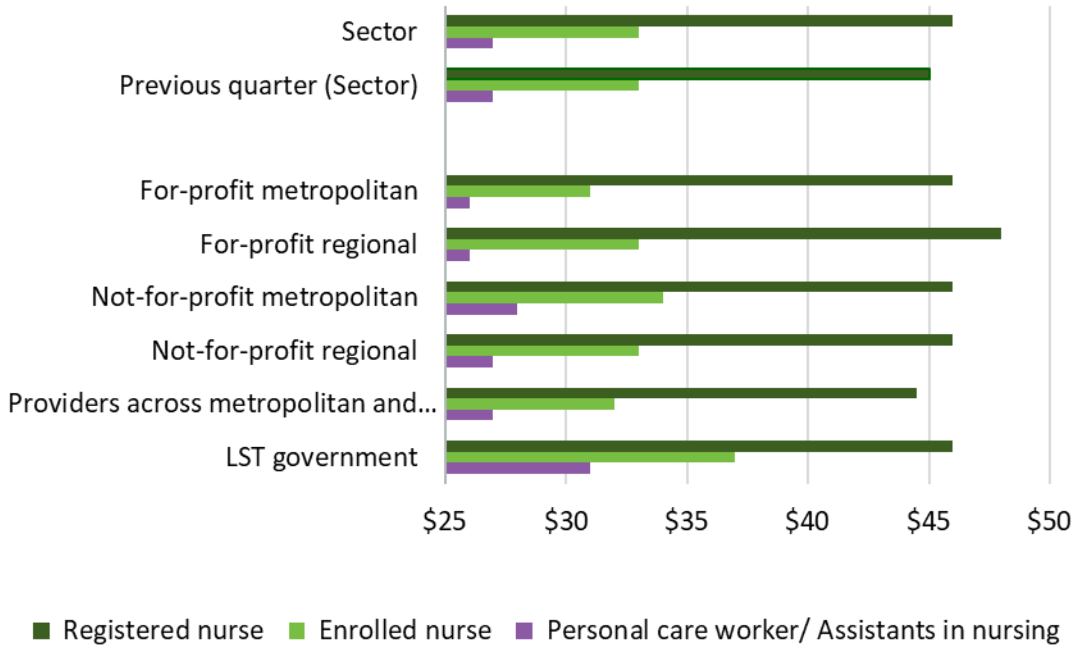


Wages to revenue percentage = (salaries and employee benefits + management fees) ÷ total revenue

Hourly rate

The quarter 3 median hourly rate for registered nurses, enrolled nurses and personal care workers/assistants in nursing is shown by provider type in Chart 7. Residential aged care providers submit their average hourly rates for direct care staff in the QFR. In quarter 3, the sector median of the average hourly rate was $46 for registered nurses (up $1 on quarter 2), $33 for enrolled nurses and $27 for personal care workers/assistants in nursing.

Chart 7: Quarter 3 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

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 8 shows the March 2023 year-to-date median EBITDA margin for the sector was 5.08 per cent, which means an EBITDA return of $5.08 for every $100 of revenue earned. This was an increase of 0.56 percentage points (or an increased EBITDA return of $0.56 for every $100 of revenue earned) on the December 2022 year-to-date result.

The EBITDA margin improved for all provider types, except for-profit regional providers, which had a slight decrease.

The percentage of residential care providers reporting a positive EBITDA result year-to-date March 2023 increased to 68.5 per cent (up 4.0 percentage points on year-to-date December 2022).

Chart 8: Year-to-date median and quartile EBITDA margin by residential aged care provider type

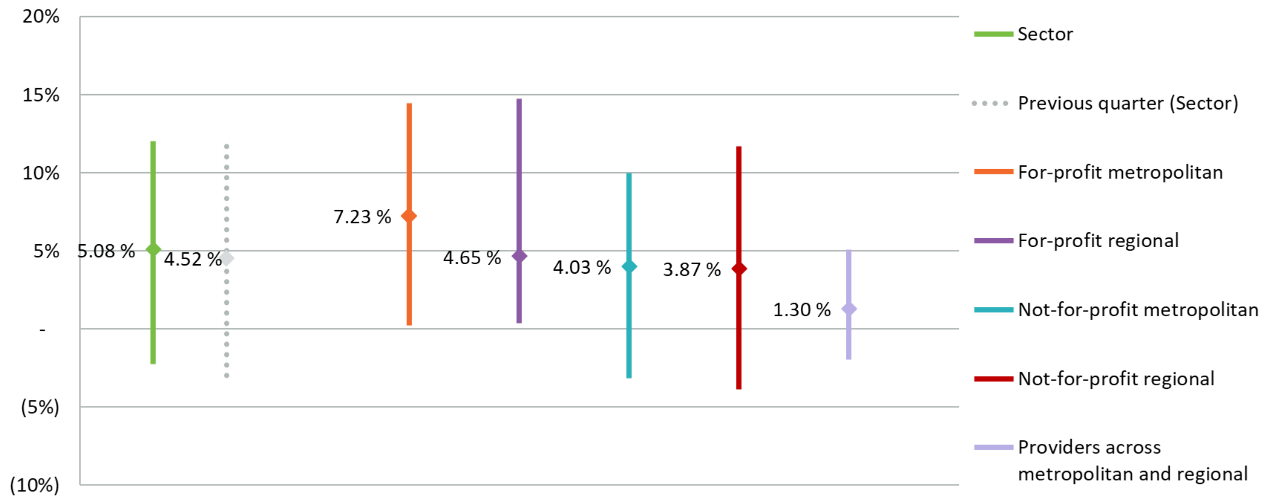
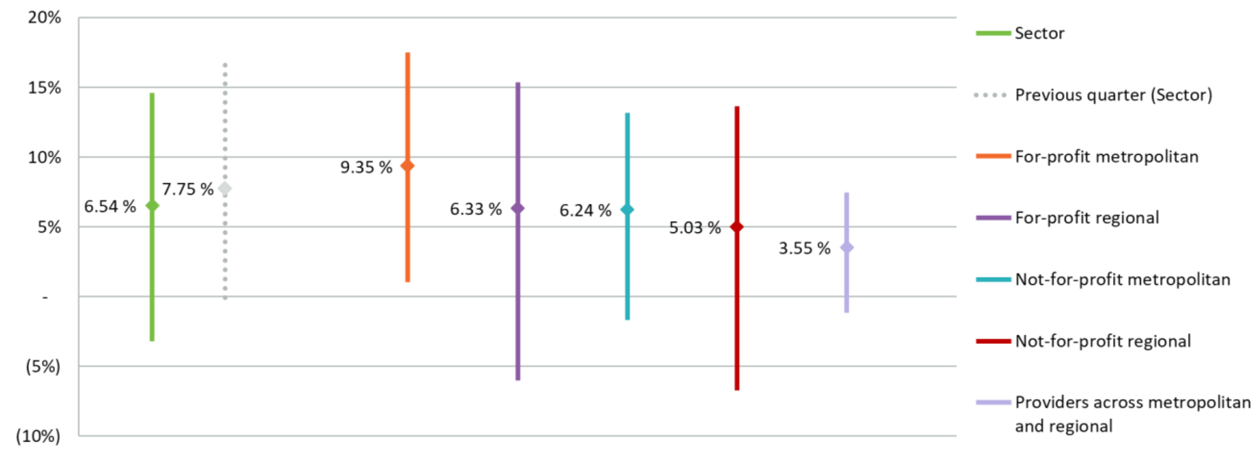


Chart 9 shows the estimated quarter 3 median EBITDA margin for the sector was 6.54 per cent, which means an EBITDA return of $6.54 for every $100 of revenue earned. This was a decrease of 1.21 percentage points on the quarter 2 result.

The percentage of residential care providers reporting a positive EBITDA result in quarter 3 increased to 68.8 per cent (down 4.2 percentage points on quarter 2).

Chart 9: Quarter 3 median and quartile EBITDA margin by residential aged care provider type (estimate)



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.

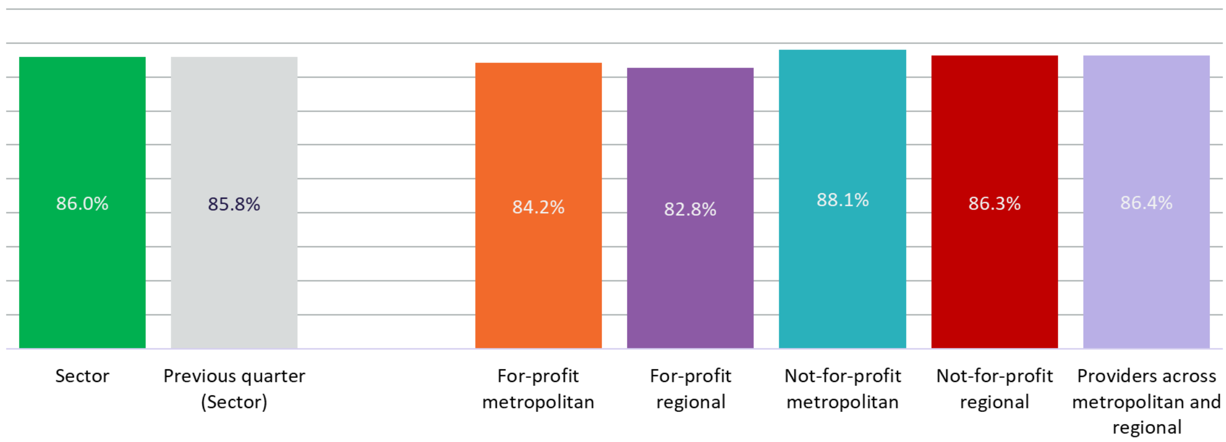
Occupancy

Chart 10 shows the average occupancy rate in quarter 3 for all providers. Occupancy rates can have a significant impact on provider profitability if they fall below levels that are insufficient to cover fixed costs. This can impact the viability and overall financial performance of providers.

In quarter 3, the average sector occupancy rate was 86.0, which is an increase of 0.2 percentage points on the quarter 2 result. Not-for-profit metropolitan providers had the highest occupancy in quarter 3 with 88.1 per cent and for-profit regional providers had the lowest average occupancy at 82.8 per cent.

The average occupancy across all providers has remained relatively similar in quarter 1, 2 and 3 of the 2022-23 financial year.

Chart 10: Quarter 3 average occupancy rate by provider type



Occupancy rate = total number of occupied bed days ÷ the total number of available bed days

Profitable residential aged care service providers

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

Figure 1 shows that 48.6 per cent of residential providers reported a March 2023 year-to-date net profit before tax, compared to 46.4 per cent of providers at December 2022. Profitable providers at March 2023 year-to-date serviced 33 per cent of all residents in aged care.

Figure 1: Year-to-date percentage of profitable residential aged care providers and percentage of residents serviced by profitable residential aged care providers

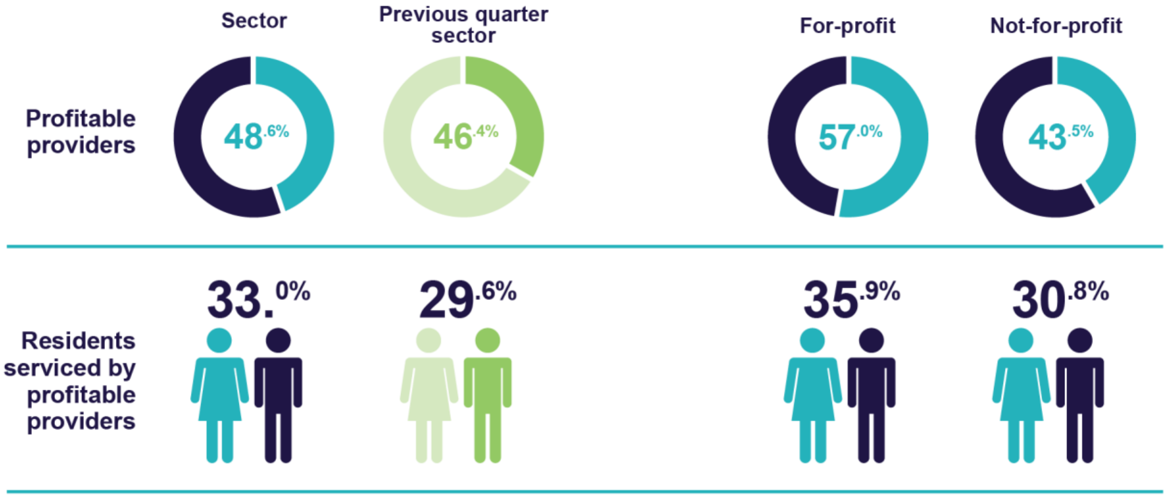
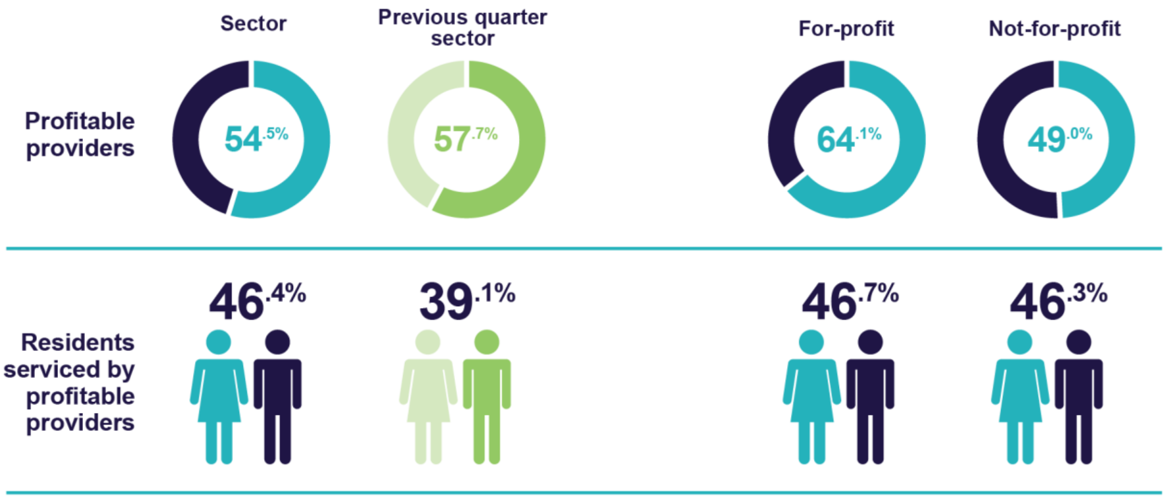


Figure 2 shows that an estimated 54.5 per cent of residential aged care providers reported a net profit before tax in quarter 3 (based on isolated quarter 3 results), compared to 57.7 per cent of providers in quarter 2. Profitable providers in quarter 3 serviced 46.4 per cent of all residents in aged care.

Figure 2: Quarter 3 percentage of profitable residential aged care providers and percentage of residents serviced by profitable residential aged care providers (estimate)



Liquidity

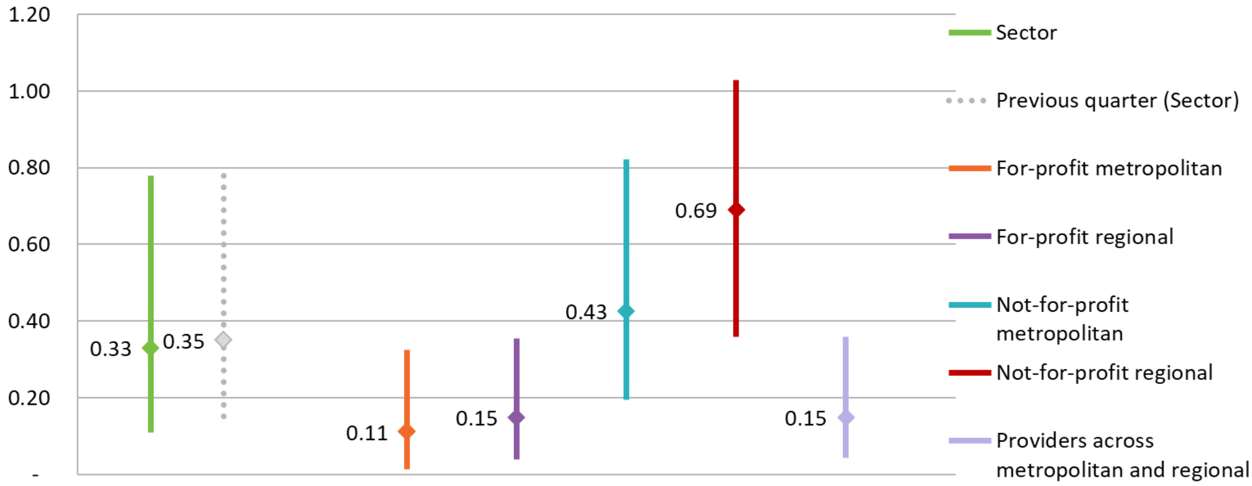
Liquidity ratio measures the availability of cash and financial assets to cover providers' debt obligations (without raising external capital) if they were to become immediately due and payable.

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 more than their cash and financial assets.

The March 2023 year-to-date results show the median liquidity ratio for the sector was 0.33, a decrease of 0.02 on the December 2022 year-to-date position. This means that providers had approximately a third of cash and financial assets available when compared to their debt obligations.

The March 2023 year-to-date median liquidity ratio decreased slightly for all provider types on the December 2022 year-to-date result, except for for-profit regional providers which stayed the same. For-profit metropolitan providers continue to record the lowest liquidity ratio again at March 2023 year-to-date (0.11), consistent with having the lowest liquidity ratio at the end of the other previous reporting periods for the financial year.

Chart 11: Year-to-date 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

The March 2023 year-to-date capital adequacy ratio shown in Chart 12 measures a provider's net asset position divided by total asset position (not including intangibles).

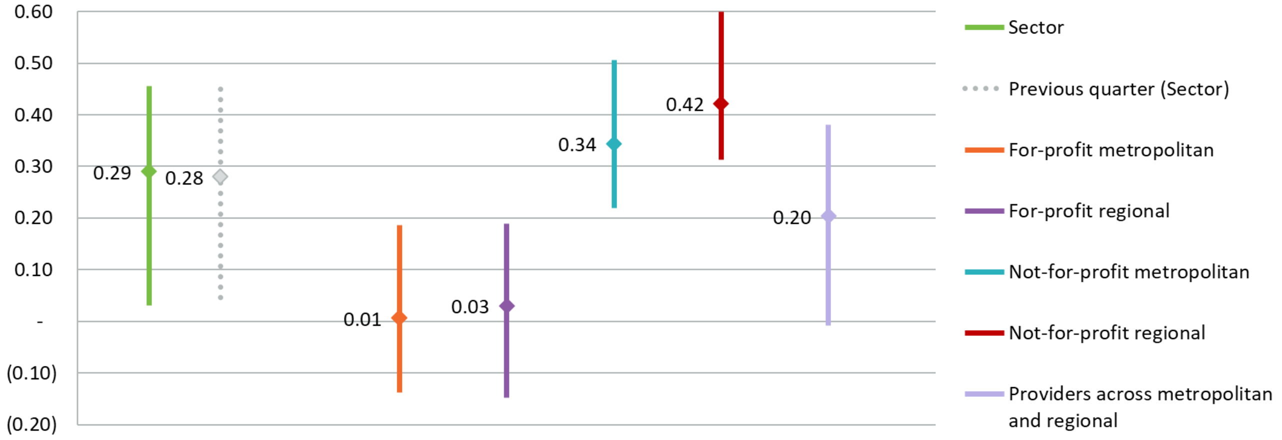
This ratio can be used as an indicator of a provider's ability to absorb any unexpected losses through their net asset position (also known as an asset buffer).

The median capital adequacy ratio for residential aged care providers was 0.29, meaning for every $100 of assets they owned, $29 was funded through equity and $71 was funded through debt or other liabilities. This was an increase of 0.01 on the December 2022 year-to-date position.

For-profit metropolitan and for-profit regional providers had the lowest capital adequacy ratios (0.01 and 0.03 respectively), consistent with the previous quarters.

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 12: Year-to-date 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).

Intangible assets are removed as they are not considered to have value in the event of insolvency. This provides a more realistic reflection of the available capital to absorb unforeseen circumstances.

Home care

Financial summary

Table 6 is a March 2023 year-to-date summary of home care provider revenue and expenses. For-profit and not-for-profit home care providers returned a collective year-to-date net profit before tax of $214.1 million. This equates to a March 2023 year-to-date net profit before tax of $3.65 per care recipient per day, up $0.06 per care recipient per day on the December 2022 year-to-date result.

The net profit before tax result has fluctuated in the first 3 quarters of the 2022-23 financial year. Revenue and expenses decreased during the March 2023 year-to-date point, with expenses decreasing at a higher proportion to produce the improved net profit before tax position. The department will continue to monitor changes in profitability each quarter for home care providers and undertake further analysis as more data is collected.

Table 6: Year-to-date summary of financial performance of home care for-profit and not-for-profit providers

	Total	Per care recipient per day	Change from December 2022 year-to-date per care recipient per day
Revenue	$4,006.2m	$68.24	↓ $0.24
Expenses	$3,792.1m	$64.59	↓ $0.31
Net profit before tax	$214.1m	$3.65	↑ $0.06
Net profit before tax margin	5.35%	5.35%	↑ 0.11 percentage points
Earnings before interest, tax, depreciation and amortisation (EBITDA)	$244.6m	$4.17	↑ $0.05

Table 7 is an estimated quarter 3 summary of home care provider revenue and expenses. For-profit and not-for-profit home care providers returned a collective quarter 3 net profit before tax of $75.7 million. This equates to a quarter 3 net profit before tax of $3.74 per care recipient per day, up $1.41 per care recipient per day on quarter 2.

Table 7: Quarter 3 summary of financial performance of home care for-profit and not-for-profit providers (estimate)

	Total	Per care recipient per day	Change from Q2 per care recipient per day
Revenue	$1,364.3m	$67.47	↓ $1.18
Expenses	$1,288.7m	$63.72	↓ $2.60
Net profit before tax	$75.7m	$3.74	↑ $1.41
Net profit before tax margin	5.55%	5.55%	↑ 2.16 percentage points
Earnings before interest, tax, depreciation and amortisation (EBITDA)	$244.6	$12.09	↑ $9.30

Staff cost and minutes

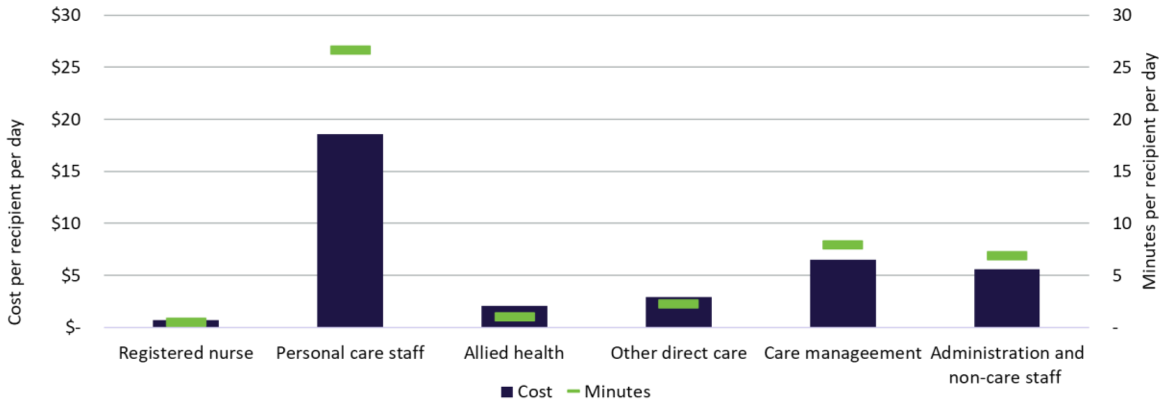
Chart 13 shows the quarter 3 median cost and time per home care recipient per day for registered nurses, personal care workers (including cleaning, gardening and domestic assistance), allied health, other direct care staff, care management, and administration and support. This includes the total worked hours and cost but excludes leave and training hours. Any staff travel or work done on administration tasks during care staff paid hours is included in the results of Chart 13.

The median total staff minutes was 54.17 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 75 per cent of home care providers did not report any expenditure in this category. Local, state or territory government providers are included in this data.

From quarter 4 of the 2022-23 financial year (April to June 2023 reporting period), the department will be collecting additional information from providers on wages of direct aged care workers through their QFR. This will allow for the monitoring and reporting of funding provided by the Australian Government for the purpose of increasing workers' wages (as a result of the Fair Work Commission decision) and to ensure that funding is being passed on.

Chart 13: Quarter 3 median staff labour cost and time per care recipient per day



When comparing to quarter 2, Table 8 shows the median cost per recipient per day increased for registered nurses and allied health, but decreased for all other categories. Time increased for the allied health category, stayed the same for registered nurses and decreased for all other categories.

The total median staff cost and time has increased from quarter 2 to quarter 3. Cost increased to $45.04 per recipient per day (up $0.55), and total time increased to 54.17 minutes per recipient per day (up 0.06 minutes). The total median staff cost and time was derived from the QFR data set, and is not the sum of the subcategories listed in Table 8.

Table 8: Quarter 3 median staff cost and time per recipient per day

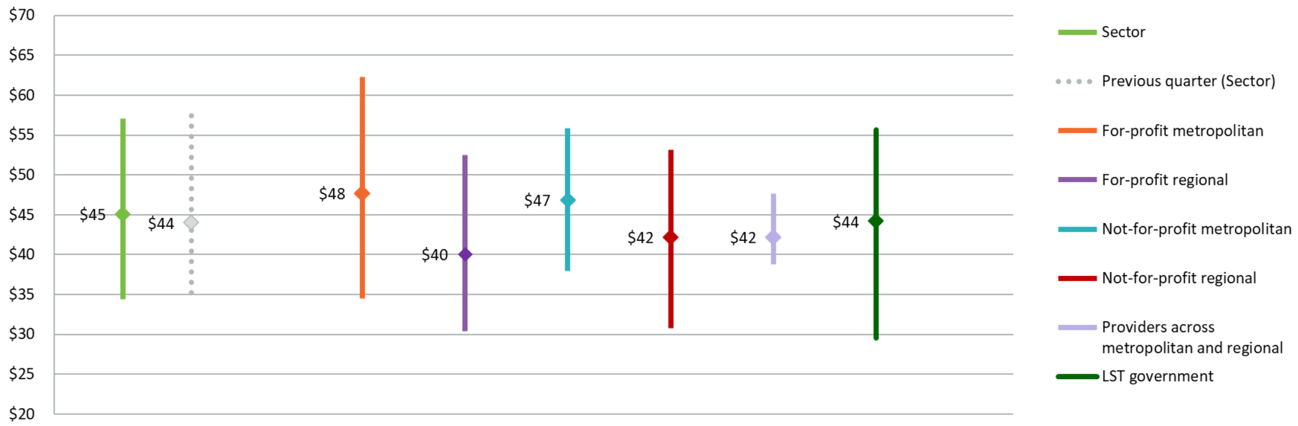
	Cost per care recipient per day	Change in cost from Q2	Minutes per care recipient per day	Change in minutes from Q2
Registered nurse	$0.70	↑ $0.01	0.49	-
Personal care staff	$18.58	↓ $0.35	26.67	↓ 0.69
Allied health	$2.07	↑ $0.14	0.99	↑ 0.03
Other direct care	$2.90	↓ $0.18	2.27	↓ 0.01
Care management	$6.51	↓ $0.15	7.90	↓ 0.14
Administration and non-care staff	$5.61	↓ $0.12	6.89	↓ 0.03

Staff cost

Chart 14 shows that the quarter 3 median total staff cost was $45 per care recipient per day for the sector, an increase of $1 per care recipient per day on quarter 2. For-profit metropolitan providers reported the highest median total staff cost per care recipient per day ($48).

Total staff includes registered nurses, enrolled nurses, personal care workers, allied health, other direct care, care management, and administration and non-care. The cost of labour includes salary and superannuation, bonuses and incentives, allowances, termination payments, value of fringe benefits, salary sacrifice and leave entitlements.

Chart 14: Quarter 3 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 providers to measure how much is spent on employees as a proportion of revenue. Chart 15 shows the March 2023 year-to-date proportion of wages to revenue for the sector was a median of 61 per cent, which was the same result as the September 2022 and December 2022 year-to-date positions.

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 (54 per cent) and for-profit regional providers which was higher (66 per cent). Wages are inclusive of all home care service employees.

Chart 15: Year-to-date median and quartile wages to revenue percentage by home care provider type

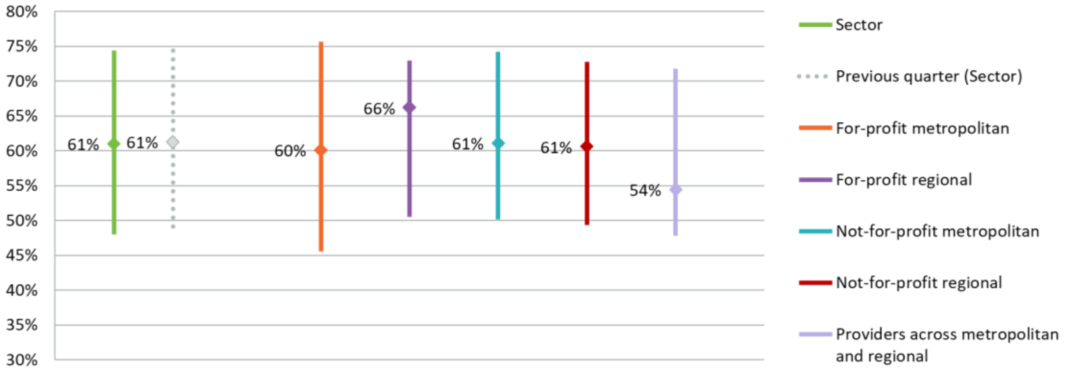
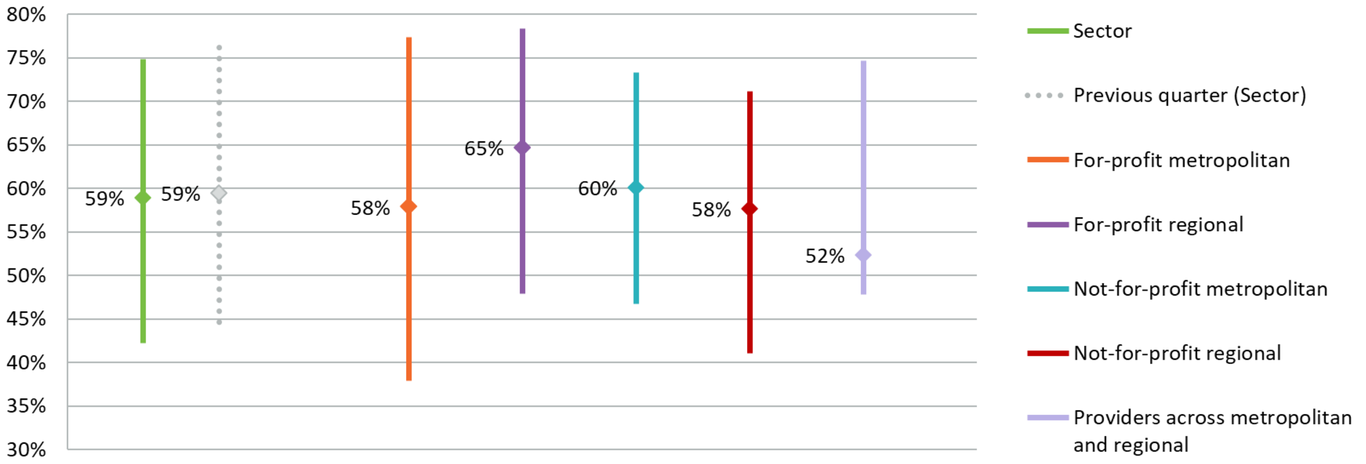


Chart 16 shows that the estimated quarter 3 proportion of wages to revenue for the sector was a median of 59 per cent, which was the same as the quarter 2 position.

Chart 16: Quarter 3 median and quartile wages to revenue percentage by home care provider type (estimate)

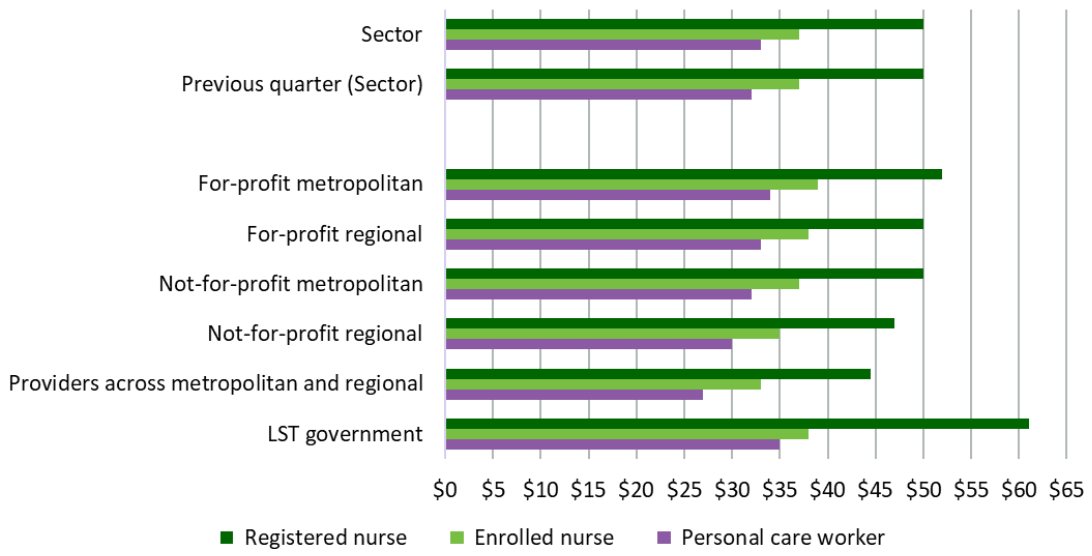


Wages to revenue percentage = (salaries and employee benefits + management fees) ÷ total revenue

Hourly rate

The quarter 3 median hourly rate for registered nurses, enrolled nurses and personal care workers is shown by provider type in Chart 17. Home care providers submitted their average hourly rates paid to direct care staff in the QFR. The home care sector median of the average hourly rate was $50 for registered nurses, $37 for enrolled nurses and $33 for personal care workers. The median of the average hourly rate increased by $1 for personal care workers and was the same for registered nurses and enrolled nurses.

Chart 17: Quarter 3 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

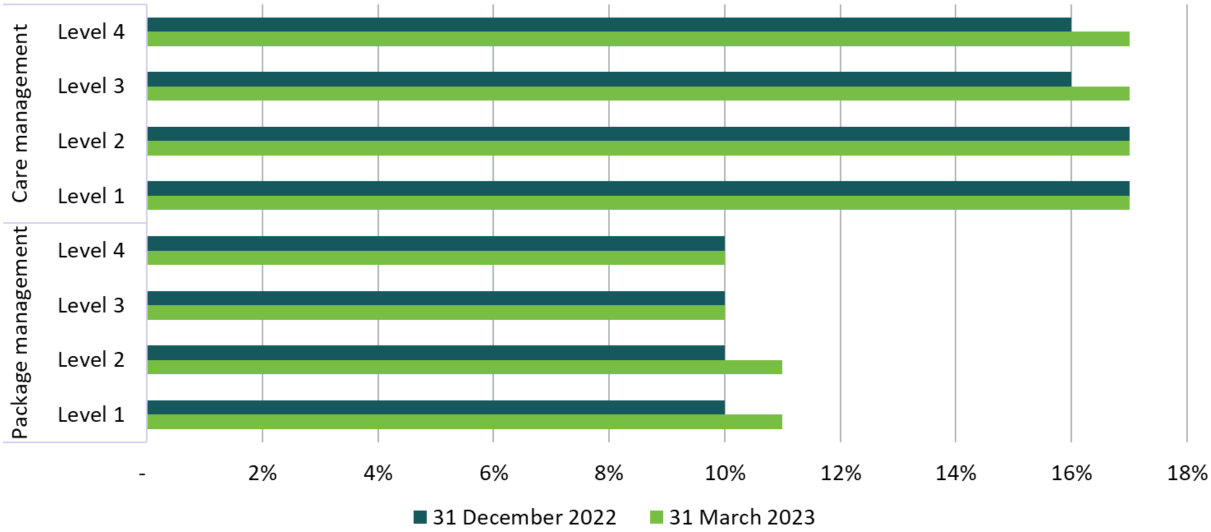
Chart 18 shows the quarter 3 median percentage of the Australian Government subsidy directed to care management and package management per home care package level, as reported on My Aged Care.

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. In quarter 3, Level 3 and 4 care management costs increased to 17 per cent per home care package, which is now consistent with levels 1 and 2.

Package management is the ongoing administration and organisational activities associated with ensuring the smooth delivery and management of a Home Care Package (HCP). In quarter 3, Level 1 and 2 package management costs increased to 11 per cent, which is 1 percentage point higher than level 3 and 4 (10 per cent).

This was the first quarter that data was available following changes to reduce administration and management charges in the home care program to ensure that more funds are available to meet the needs of recipients. From 1 January 2023, care management prices were capped at 20 per cent of the package level and package management prices were capped at 15 per cent of the package level.

Chart 18: Quarter 3 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 19 shows the March 2023 year-to-date median EBITDA margin for the sector was 7.38 per cent, which means an EBITDA return of $7.38 for every $100 of revenue earned. This was a decrease of 0.13 percentage points on the December 2022 year-to-date result.

The percentage of home care providers reporting a positive EBITDA result increased slightly to 76.0 per cent (up from 75.3 per cent December 2022 year-to-date).

Chart 19: Year-to-date median and quartile EBITDA margin by home care provider type

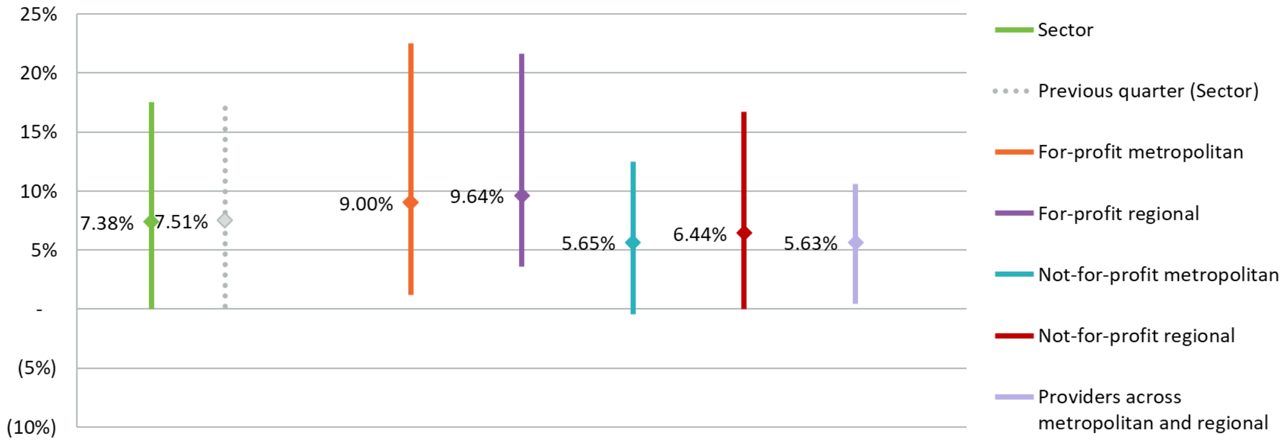
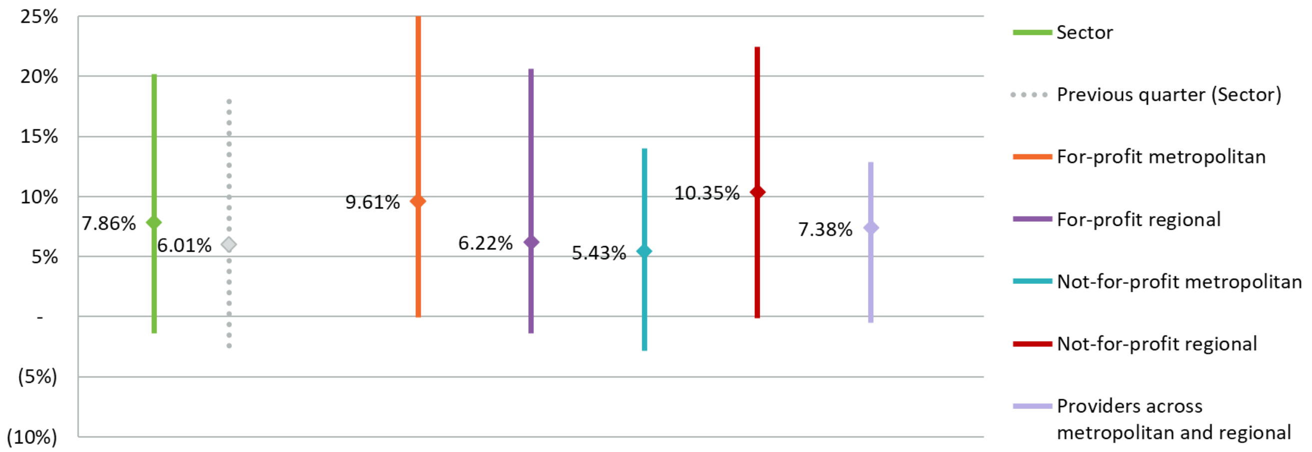


Chart 20 shows the estimated quarter 3 median EBITDA margin for the sector was 7.86 per cent, which means an EBITDA return of $7.86 for every $100 of revenue earned. This was an increase of 1.85 percentage points on the quarter 2 result.

The estimated percentage of home care providers reporting a positive EBITDA result in quarter 3 increased to 69.5 per cent (up from 66.5 per cent in quarter 2). Expenses are likely to increase again in the next quarter as infrequent or one-off adjustments are less likely to be accounted for in the third quarter of a financial year.

Chart 20: Quarter 3 median and quartile EBITDA margin by home care provider type (estimate)



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 3 shows that 74.5 per cent of home care providers reported a March 2023 year-to-date net profit before tax, compared to 73.8 per cent of providers at the December 2022. Profitable home care providers serviced 75.7 per cent of all care recipients.

Figure 3: Year-to-date percentage of profitable home care providers and percentage of home care recipients serviced by profitable home care providers

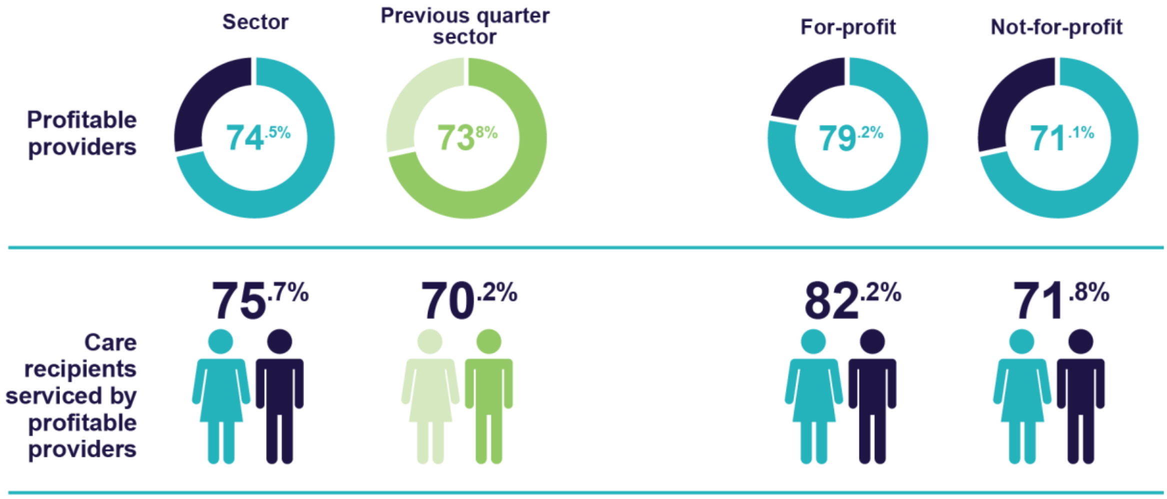
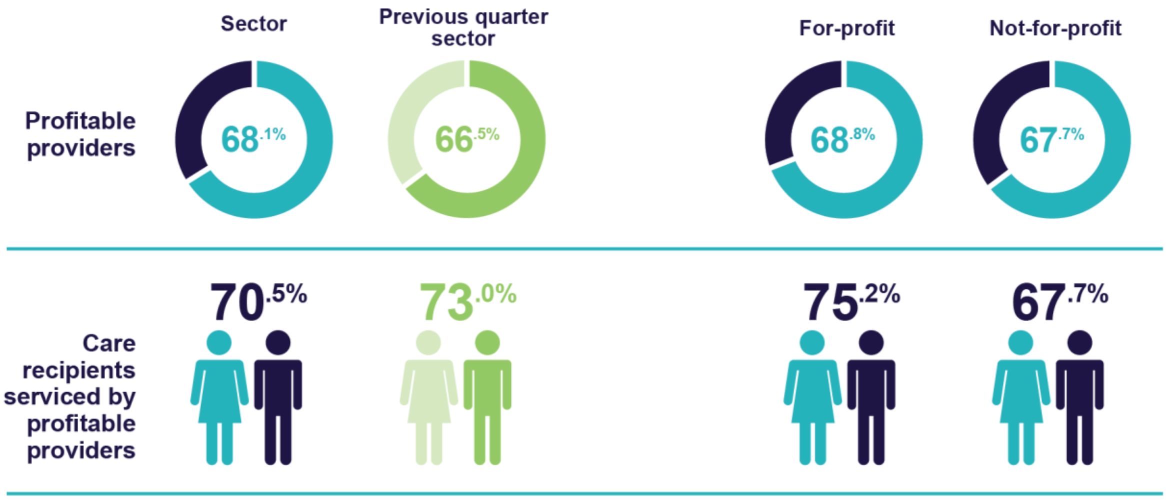


Figure 4 shows that an estimated 68.1 per cent of home care service providers reported a net profit before tax in quarter 3, compared to 66.5 per cent of providers in quarter 2. Profitable home care providers serviced 70.5 per cent of all care recipients in quarter 3.

Figure 4: Quarter 3 percentage of profitable home care providers and percentage of home care recipients serviced by profitable home care providers (estimate)



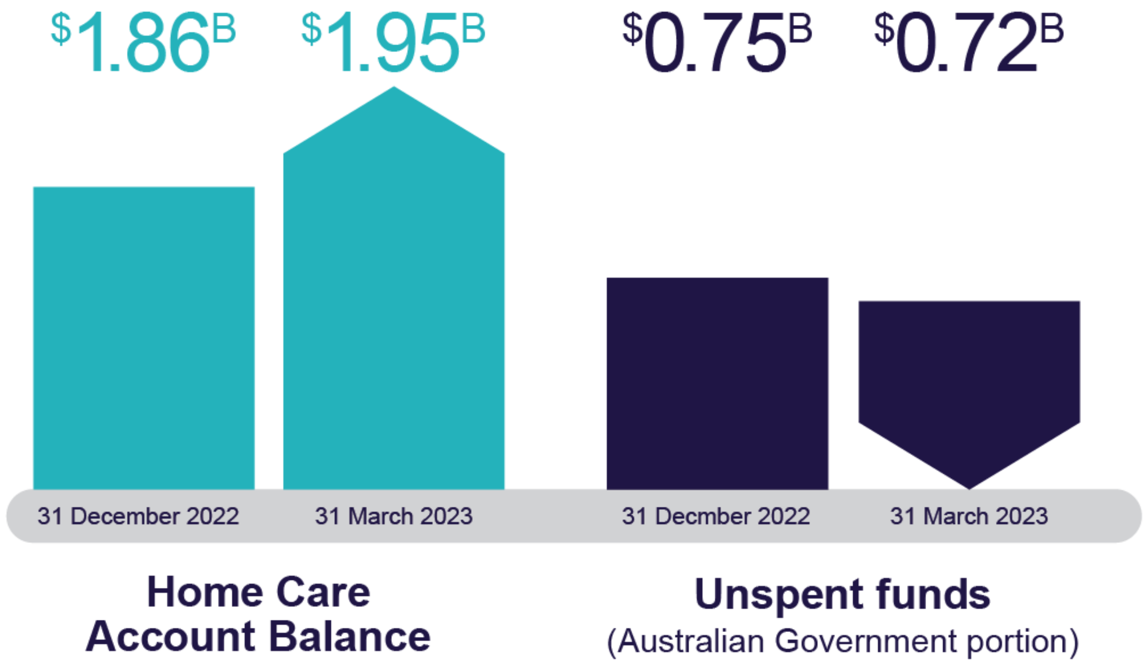
Home care account balance and unspent funds

Since 1 September 2021, any unspent Government subsidy accrued is held in an 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 to the recipient's Home Care Account Balance which is held by Services Australia.

The quarterly change in the Home Care Account Balance and the Australian Government portion of unspent funds is shown in Figure 5. 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.

There was an increase of $90 million in the total Home Care Account Balance at 31 March 2023, while unspent funds reduced by $30 million.

Figure 5: Home care account balance and Australian Government portion of unspent funds



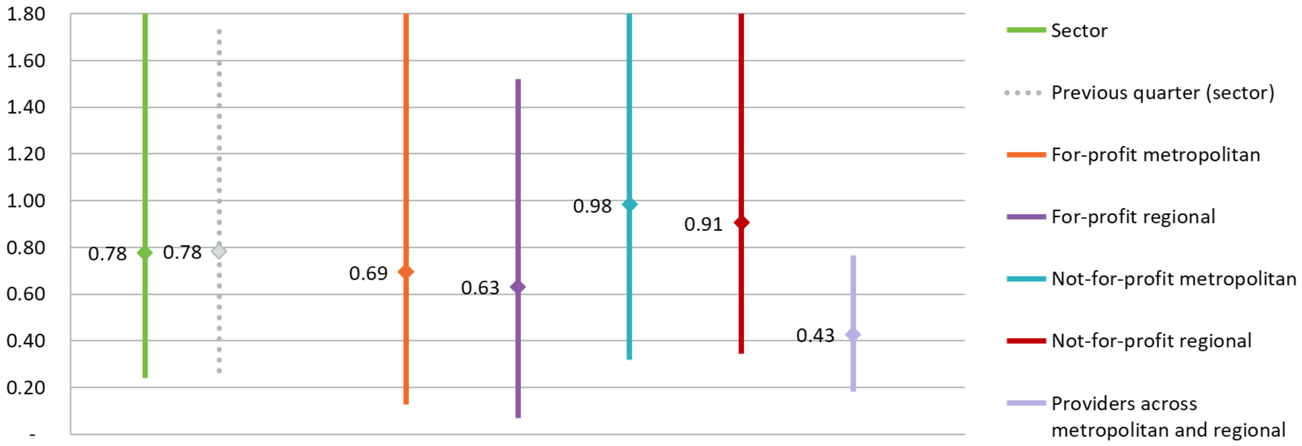
Liquidity

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 more than their cash and financial assets.

The March 2023 year-to-date median liquidity ratio for the sector was 0.78, which was the same as the December 2022 year-to-date position. This means for every $78 of cash and financial assets available, the provider had $100 of debt obligations.

Chart 21: Year-to-date 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

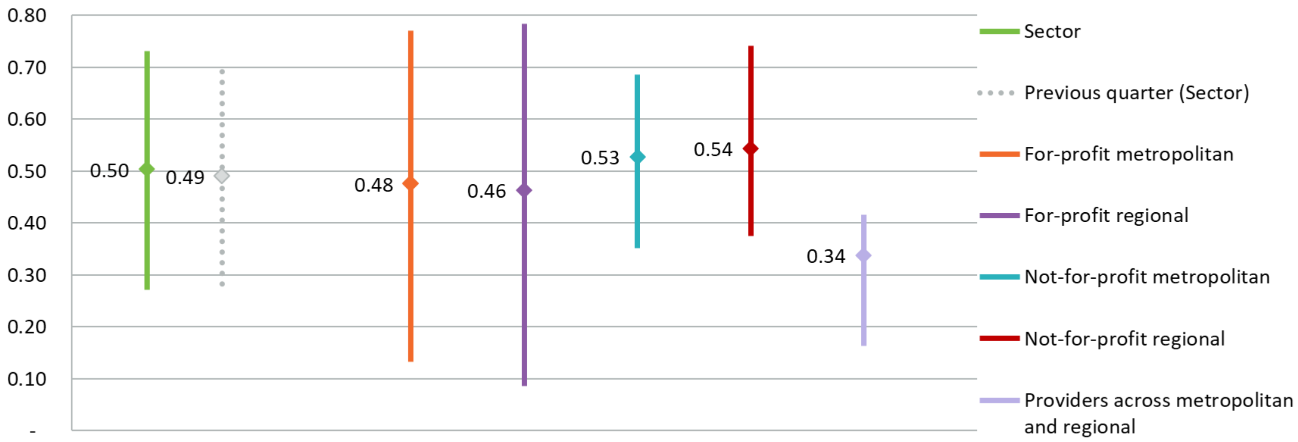
The capital adequacy ratio shown in Chart 22 measures providers' net asset position divided by total asset position (not including intangibles).

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 0.50, meaning for every $100 of assets they owned, $50 was funded through equity and $50 was funded through debt or other liabilities. This was an increase of 0.01 on the December 2022 year-to-date result for the sector. A small increase was relatively consistent across all provider types, except for providers across metropolitan and regional which was unchanged from the December 2023 year-to-date result.

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 22: Year-to-date median and quartile capital adequacy ratio of home care providers by provider type



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

Intangible assets are removed as they are not considered to have value in the event of insolvency. This provides a more realistic reflection of the available capital to absorb unforeseen circumstances.

Let’s change aged care together

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

Visit **agedcareengagement.health.gov.au**

Phone **1800 318 209** (Aged care reform free-call phone line)

For translating and interpreting services, call 131 450 and ask for 1800 318 209.

To use the National Relay Service, visit nrschat.nrscall.gov.au/nrs to choose your preferred access point on their website, or call the NRS Helpdesk on 1800 555 660.

Appendix 1

How to read the QFS

Comparison data

Comparison with the previous quarter's results are reported at the sector-level in charts, figures and tables to better understand changes or trends in financial performance.

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

Quartile charts

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

Provider type definitions

The percentage of services is calculated using the proportion of claim days from a provider. The classification of regional and metropolitan services is based on the ABS Remoteness Name category, used to determine the location of services in the National Approved Provider System (NAPS).

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.

Provider type	Definition
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. This acronym is used in tables and charts.

Previous snapshots and feedback

The first and second QFS report are available on the department's website.

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.