MIRUS AUSTRALIA

StewartBrown
Integrity + Quality + Clarity

A preview of the Aged Care Effectiveness Index

Webinar | 26 September 2024

Acknowledgement of Country

We acknowledge the Traditional Custodians of country throughout Australia and their connections to land, sea and community.

We pay our respects to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

Artwork "Wurinyan" meaning "Come together in love" painted by Muruwari artist Daisy Hill

This event qualifies for 1 CPD point. Add it to your log.

Please ask questions
in the chat

Agenda

1. Welcome

2. Survey findings

3. The origins of the ACE Index

4. Let's hear from the panel

5. The data

6. More from the panel

7. Q&A

8. Close

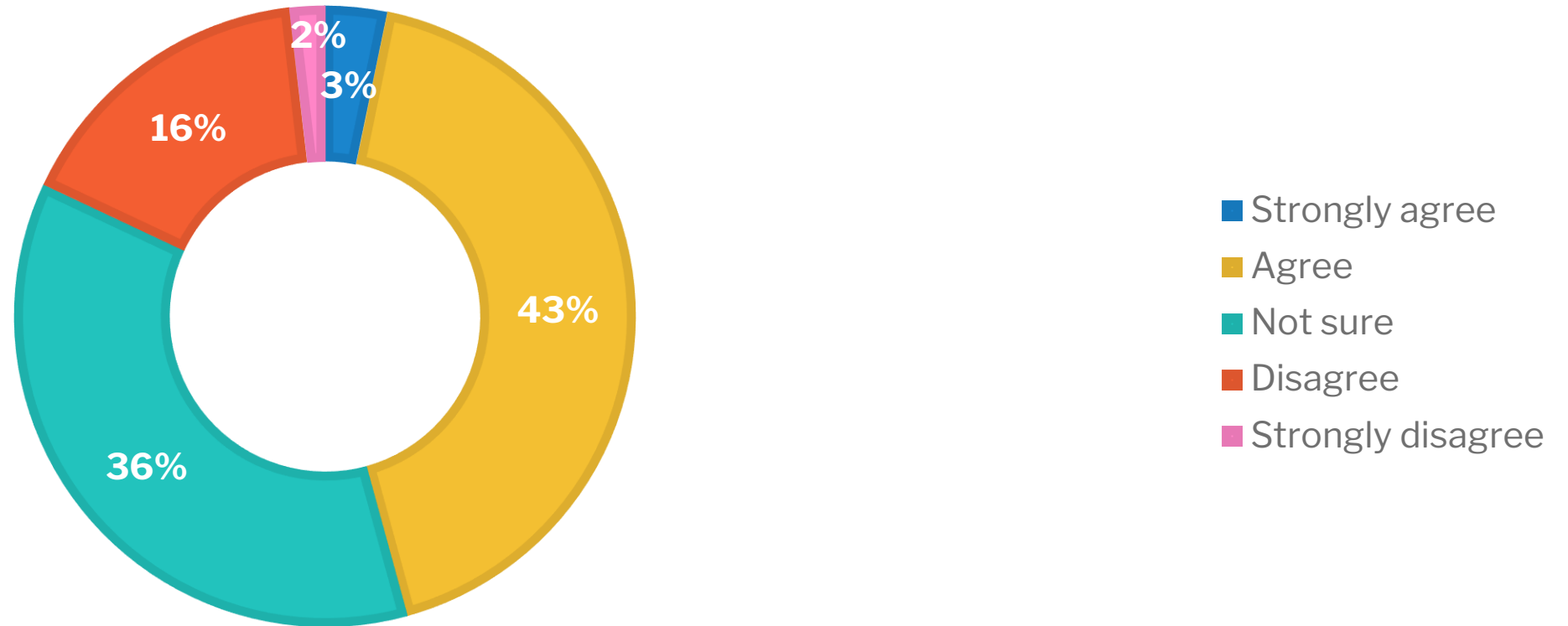# Hosts:
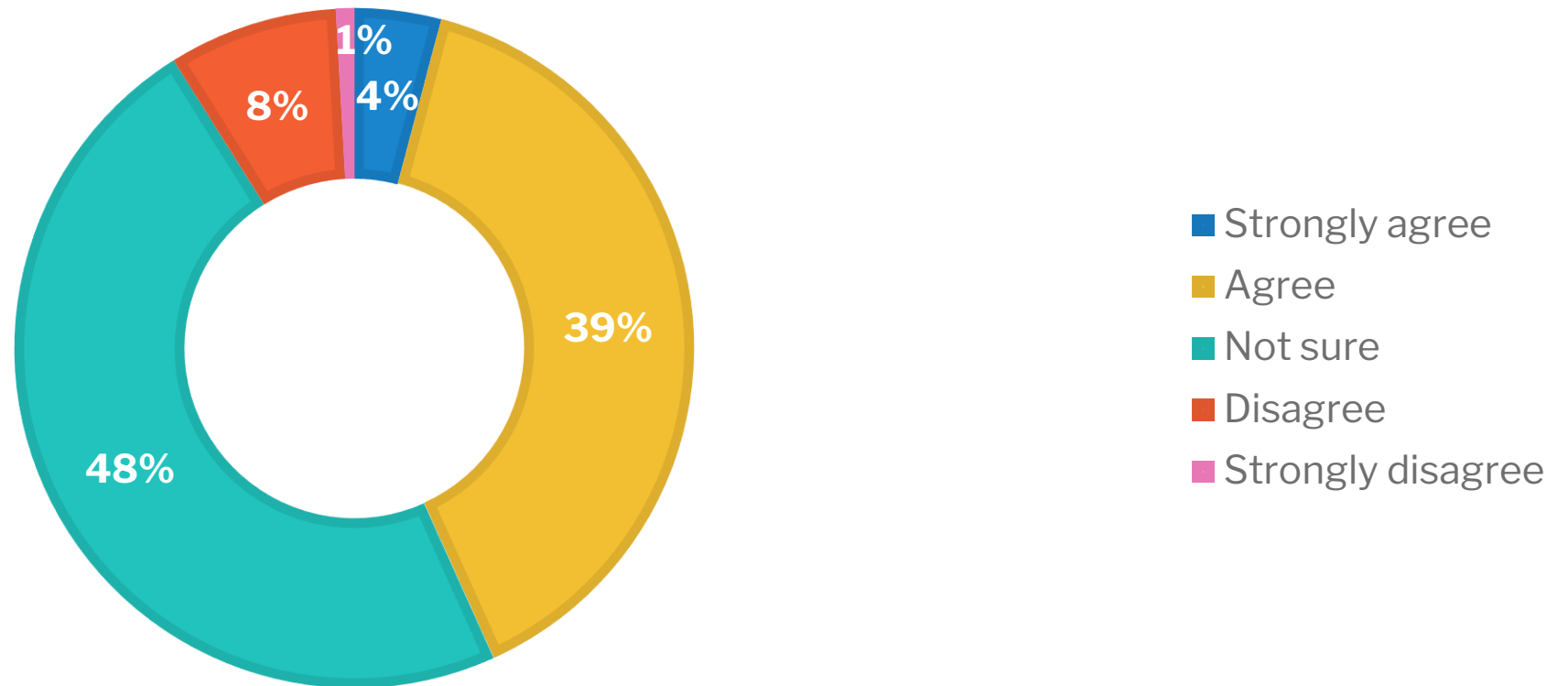
Andrew Farmer

Partner

andrew.farmer@mirus.group

Stuart Hutcheon

Partner at StewartBrown

stuart.hutcheon@stewartbrown.com.au

The reform changes over the last 5 years have made the industry more effective

Legend:
- Strongly agree
- Agree
- Not sure
- Disagree
- Strongly disagree

Pie chart values:
- 3% Strongly agree
- 43% Agree
- 36% Not sure
- 16% Disagree
- 2% Strongly disagree

Represents 492 responses across 255 organisations

The reform changes coming over the next 2 years will make the industry more effective

Legend:
- Strongly agree
- Agree
- Not sure
- Disagree
- Strongly disagree

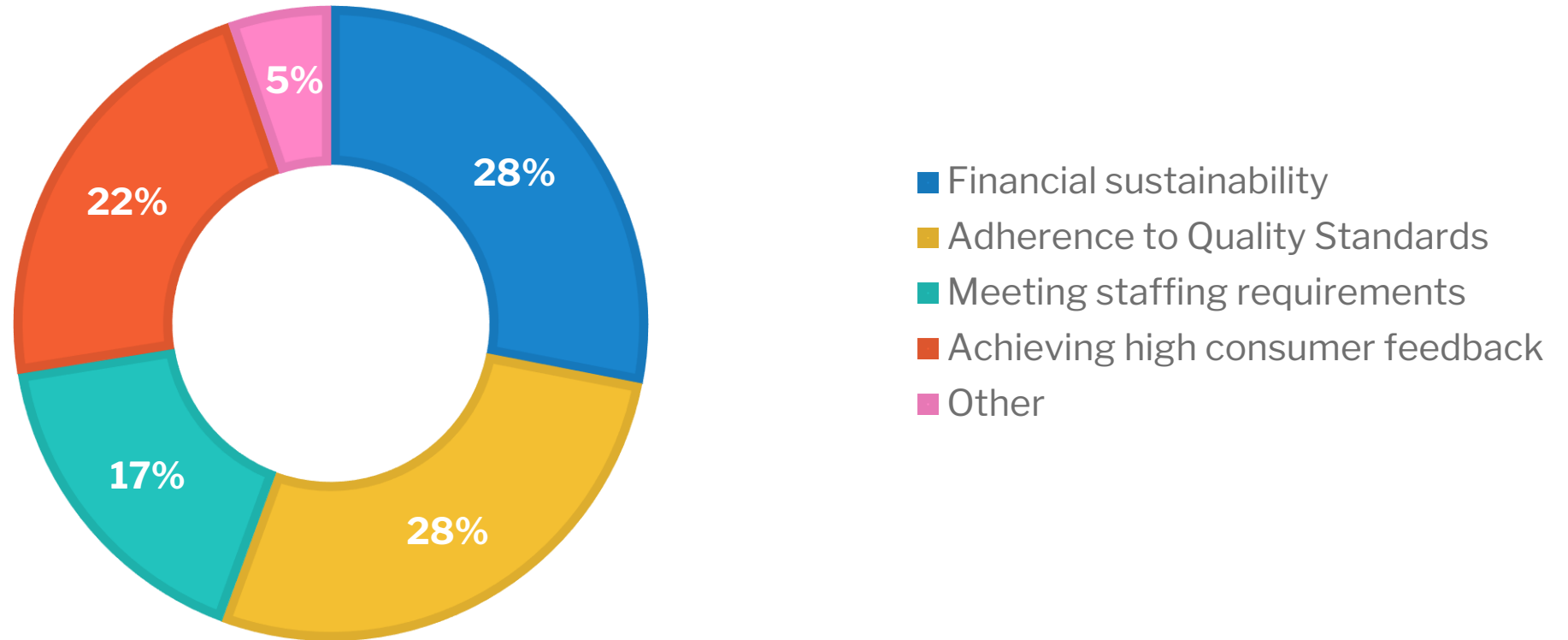Pie chart values: 4%, 39%, 48%, 8%, 1%

Represents 492 responses across 255 organisations

There is value in the industry having more performance-based data to show the public how well it performs

Legend:
- Strongly agree
- Agree
- Not sure
- Disagree
- Strongly disagree

Chart values: 21%, 58%, 14%, 7%, 0%
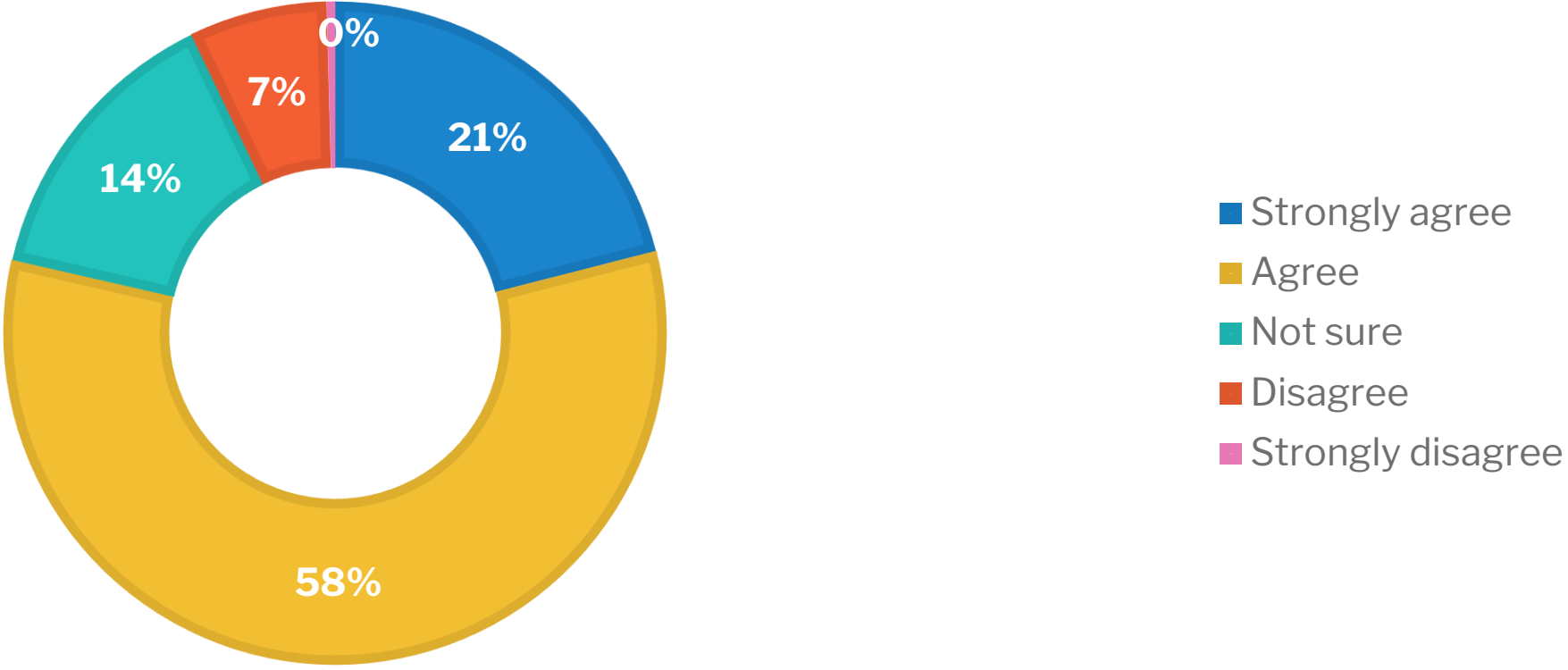
Represents 492 responses across 255 organisations

The most important aspect of performance is:

- ■ Financial sustainability
- ■ Adherence to Quality Standards
- ■ Meeting staffing requirements
- ■ Achieving high consumer feedback
- ■ Other

28%

28%

22%

17%

5%

Represents 492 responses across 255 organisations

Origin of the Index

- Poor public image before and even greater following the Royal Commission (no judgement)

- Several critical narratives in the public and government arenas that are not always accurate or based on dependable data

- A lack of published and reliable industry wide data

- **A lack of published or visible shared opinion from the industry on "how we think we are doing"**

What can we do about it?

The Aged Care Effectiveness (ACE) Index seeks to:

Draw a line in the sand and produce an opinion on how the industry is doing, **by the industry, for the industry** based on:

1. The data we have available, learning from what we know but also highlighting what data we need more of

2. Rating ourselves on our performance fairly and honestly

3. StewartBrown and Mirus Australia are industry participants but not providers so combine deep knowledge of the data and industry but some objectivity

Considerations for the data

- **Relevant metrics**: We've chosen metrics that directly relate to the quality of care provided to aged care residents. This includes factors such as customer satisfaction, staff-to-patient ratios, funding, and compliance with regulations.

- **Validity and reliability:** The metrics we've drawn on we believe are valid and reliable measures of performance. They aim to accurately reflect the quality of care and be consistent in their measurement over time.

- **Comparability:** We have looked at metrics that allow for meaningful comparisons between different aged care providers. This might involve standardising data or using benchmarks.

- **Transparency:** We must provide transparency about the methodology we used to calculate these insights including how each metric is measured, and any adjustments made for factors such as facility size or location.

What index structure is possible?

| Achieving financial sustainability	Performance to Quality standards	Meeting resourcing requirements	Ultimately delivering consumer satisfaction
What are the trends in financial data that might indicate an increasing ability to afford to support great care outcomes?	What are the trends in the mandatory quality measures, and what do they indicate about the sector?	Are there discernible trends in the resourcing data that would correlate to better care outcomes?	Ultimately (and this is hard to measure) what is the view of the customer on "value" and "effectiveness"?

Meet the panel
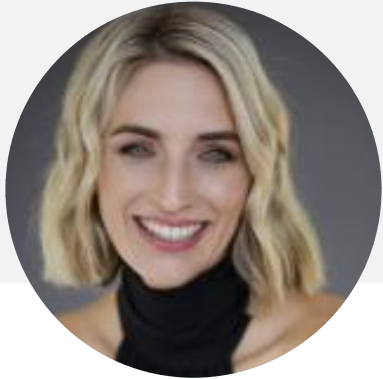
Melissa Argent

Chief Executive Officer at Rockpool Residential Aged Care

Sandra Hills

Chief Executive Officer at Benetas

Stephen Becsi

Chief Executive Officer at Apollo Care Alliance

Graeme Prior

Co-founder and CEO at Hall & Prior

Achieving financial sustainability

Key questions:

- How is the industry doing now against key available metrics?
- To what extent can we rate the industry on their "performance" within constraints that they do not entirely control?

AGED CARE SECTOR BRIEFING

Financial Sustainability and Accommodation

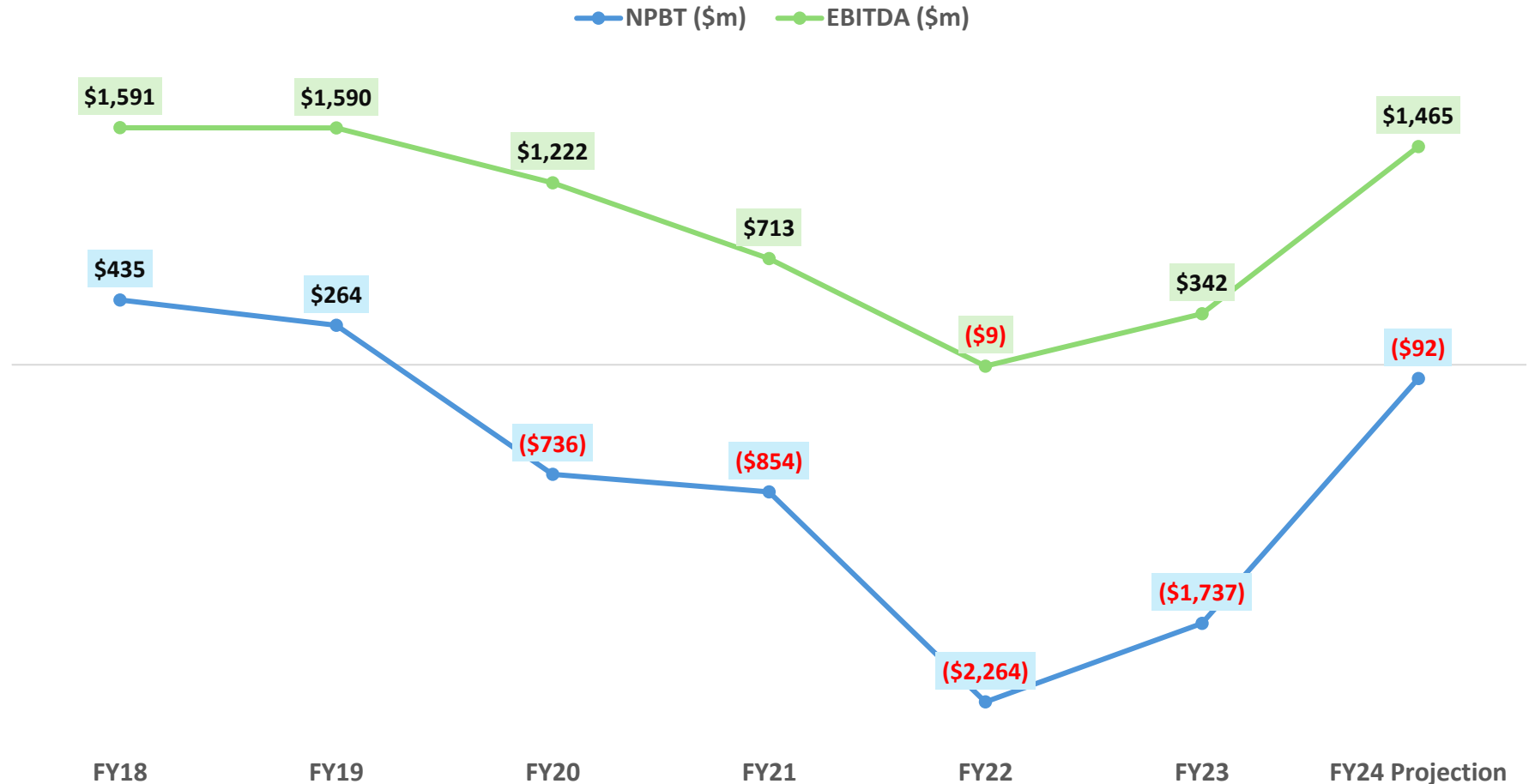# RESIDENTIAL CARE - FINANCIAL PERFORMANCE HISTORICAL TREND ($M)

Residential Aged Care Sector aggregate Financial Performance

This graph shows the actual aggregate financial performance of the residential aged care sector for FY18 (Financial Year) to FY23 and the FY24 Projection (based on the actual results for the nine months ended 31 March 2024).

The Department receives the detailed financial data from all providers as required under the *Aged Care Act*. The StewartBrown estimates are extrapolated from the granular quarterly Surveys.

The NPBT result for FY20 to FY24 amounts to an accumulated loss of $5 billion.

The EBITDA (cash) result on an asset base of $56 billion represents a 1.33% Return on Assets (ROI) which is significantly below a viable return.

Legend: NPBT ($m) — EBITDA ($m)

	FY18	FY19	FY20	FY21	FY22	FY23	FY24 Projection
EBITDA ($m)	$1,591	$1,590	$1,222	$713	($9)	$342	$1,465
NPBT ($m)	$435	$264	($736)	($854)	($2,264)	($1,737)	($92)

Residential Aged Care Sector aggregate financial performance (all facilities)
NPBT: Net Profit Before Tax
EBITDA: Earnings Before Interest, Tax, Depreciation, amortisation
Source: FY18 to FY23 Department of Health and Aged Care; FY24 StewartBrown projected based on Mar-24 YTD financials.

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RESIDENTIAL CARE - FINANCIAL PERFORMANCE HISTORICAL TREND ($ PBD)

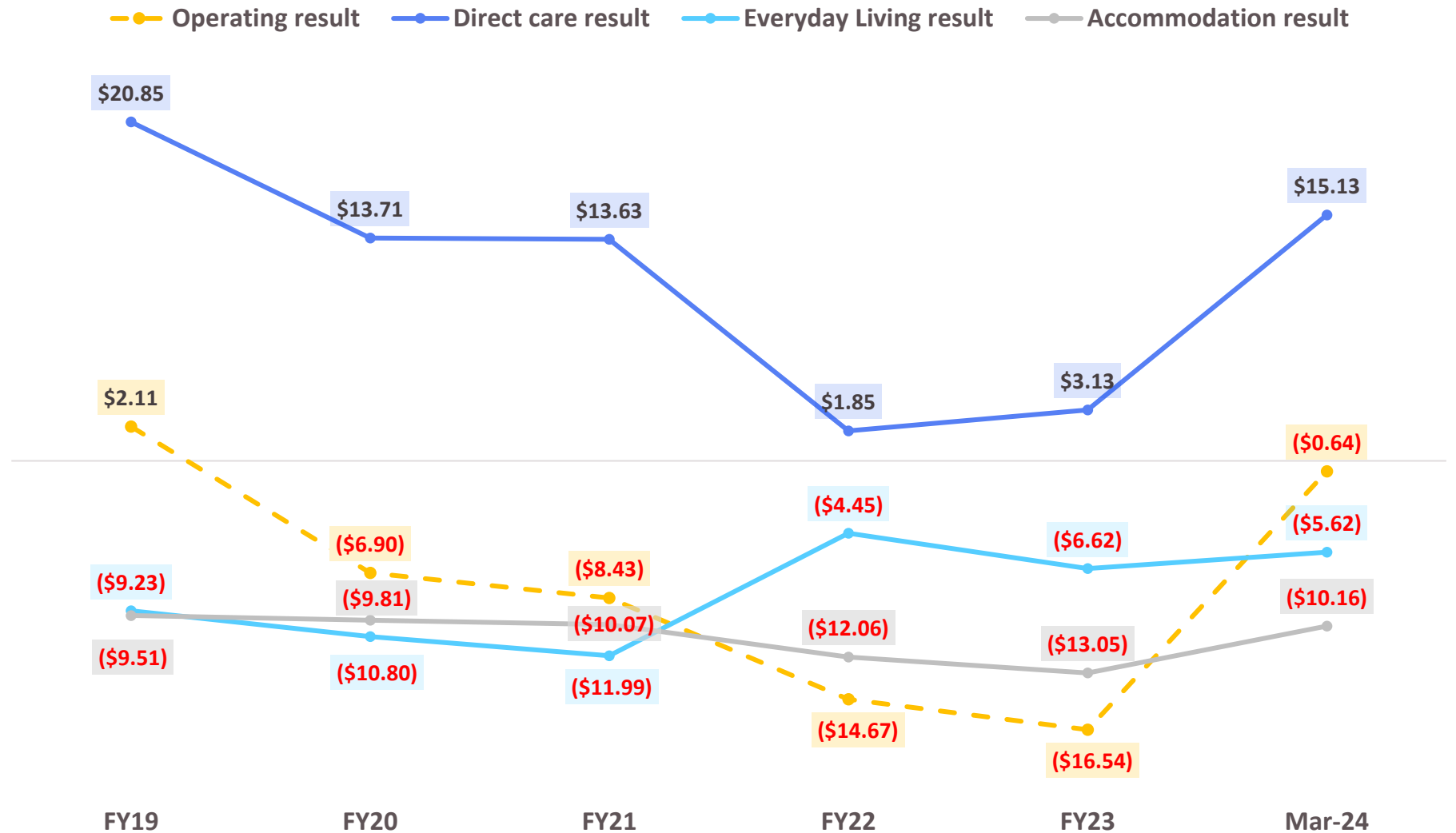## Residential Aged Care Financial Performance by Revenue Stream

This graph shows the margins by each of the respective revenue streams.

The *Direct care* result (dark blue graph line) shows that there has been a <u>positive margin</u> in each year (AN-ACC/ACFI subsidy being greater than the costs of providing direct care services). The former ACFI funding did not match the indexation required from FY20 to FY23 which eroded the margin in those years.

The AN-ACC subsidy has in part repaid the indexation gap from those years as well as providing full funding for the mandated direct care minutes whilst providers had not yet reached the target levels.

The *Everyday living* margin (light blue graph line) and *Accommodation* margin (grey graph line) have been in deficit in each year, as has been the case since the introduction of ACFI in 2008.

This is where the Taskforce focus was aimed, being what mechanisms are required to improve these margins which will then significantly improve the financial sustainability of the sector.

Legend: Operating result · Direct care result · Everyday Living result · Accommodation result

	FY19	FY20	FY21	FY22	FY23	Mar-24
Direct care result	$20.85	$13.71	$13.63	$1.85	$3.13	$15.13
Operating result	$2.11	($6.90)	($8.43)	($14.67)	($16.54)	($0.64)
Everyday Living result	($9.23)	($10.80)	($11.99)	($4.45)	($6.62)	($5.62)
Accommodation result	($9.51)	($9.81)	($10.07)	($12.06)	($13.05)	($10.16)

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New Residential Builds Required

This graph shows the projected for residential aged care places from 2023 (193,000 residents) to 2043 (400,000 residents).

The Taskforce Report provided data on the aged population growth and projected demand for aged care *(refer Appendix C: Statistical trends)* which highlighted that residential aged care would require increasing numbers of operational beds.

The Taskforce report further noted "Preliminary analysis undertaken for the Department of Health and Aged Care estimates an investment of $37 billion (in today's dollars) would be required to build the additional aged care rooms needed by older people in 2050. Over the next decade to 2030, additional investment of approximately $5.5 billion would be required to refurbish and upgrade existing aged care rooms, increasing to $19 billion by 2050. Current funding arrangements will not deliver the required amount of capital funding. (page 7)

There is already a current shortage of beds in certain geographic regions (e.g. Illawarra region) which particularly affects the health sector where the "bed blocking" impacts persons needing to enter hospital and no bed is available for them.
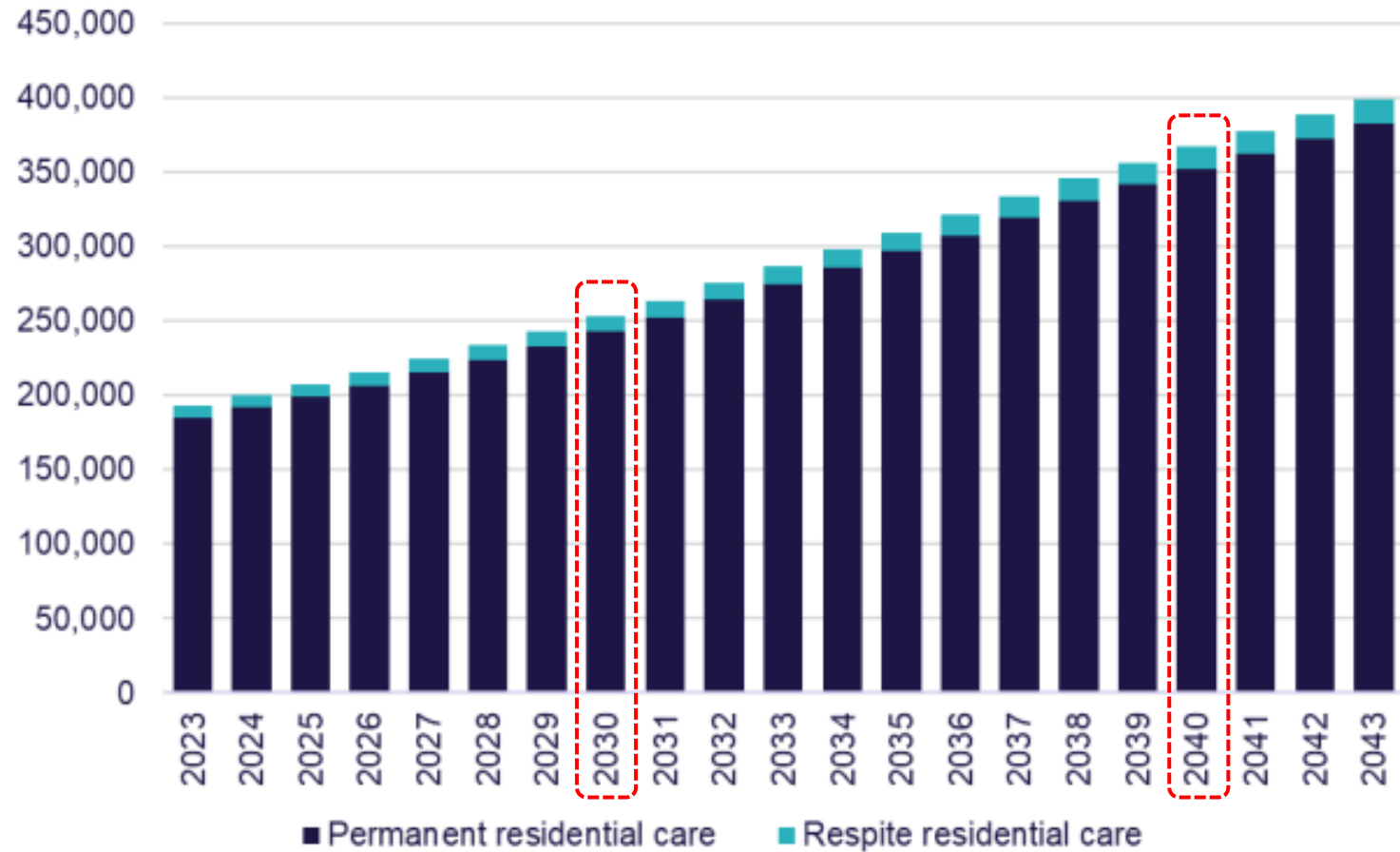
Source: *Financial Report on the Australian Aged Care Sector 2022-23 (page 127)*

Financial Sustainability

The funding reforms will have a significant positive benefit in ensuring the financial sustainability of the sector for the next generation. The level of the **improved operating performance will remain dependent upon** a number of factors:-

o **AN-ACC subsidy is sufficient** to meet the costs of providing the clinical and non-clinical direct care services with a sufficient margin to allow for continual improvement, innovation and diversity in care service delivery

o Maintaining **occupancy levels above 92.5%** of available beds

o **Increasing the accommodation price** in an orderly manner whilst maintaining the affordability for future residents

o Ensuring that the **Hotelling Supplement together with the Basic Daily Fee is sufficient to meet the actual costs** of providing these services

o Maintaining the rate used to determine the **DAP at being a floor of 8%** (this is effectively the Weighted Cost of Capital)

o **Increase the accommodation supplement** for financially supported residents if recommended by the independent review to ensure equity between financial and non-financially supported residents

o Ensuring that the **"thin markets" are appropriately funded**

*The **cost of building a new aged care home is upwards of $500,000 per bed (land/building/fittings/equipment)** and an aged care home has an effective life of 25 to 30 years (including refurbishments in this period to maintain the standard of accommodation).*

*An **EBITDA return of $20,000 per bed per annum represents a return on capital invested of 4% per annum**, which is low when compared to other commercial sectors. **This should be the starting point, not the end point** for the residential aged care sector to have long term viability.*

RESIDENTIAL CARE - EBITDA MODELLING ($PBPA)
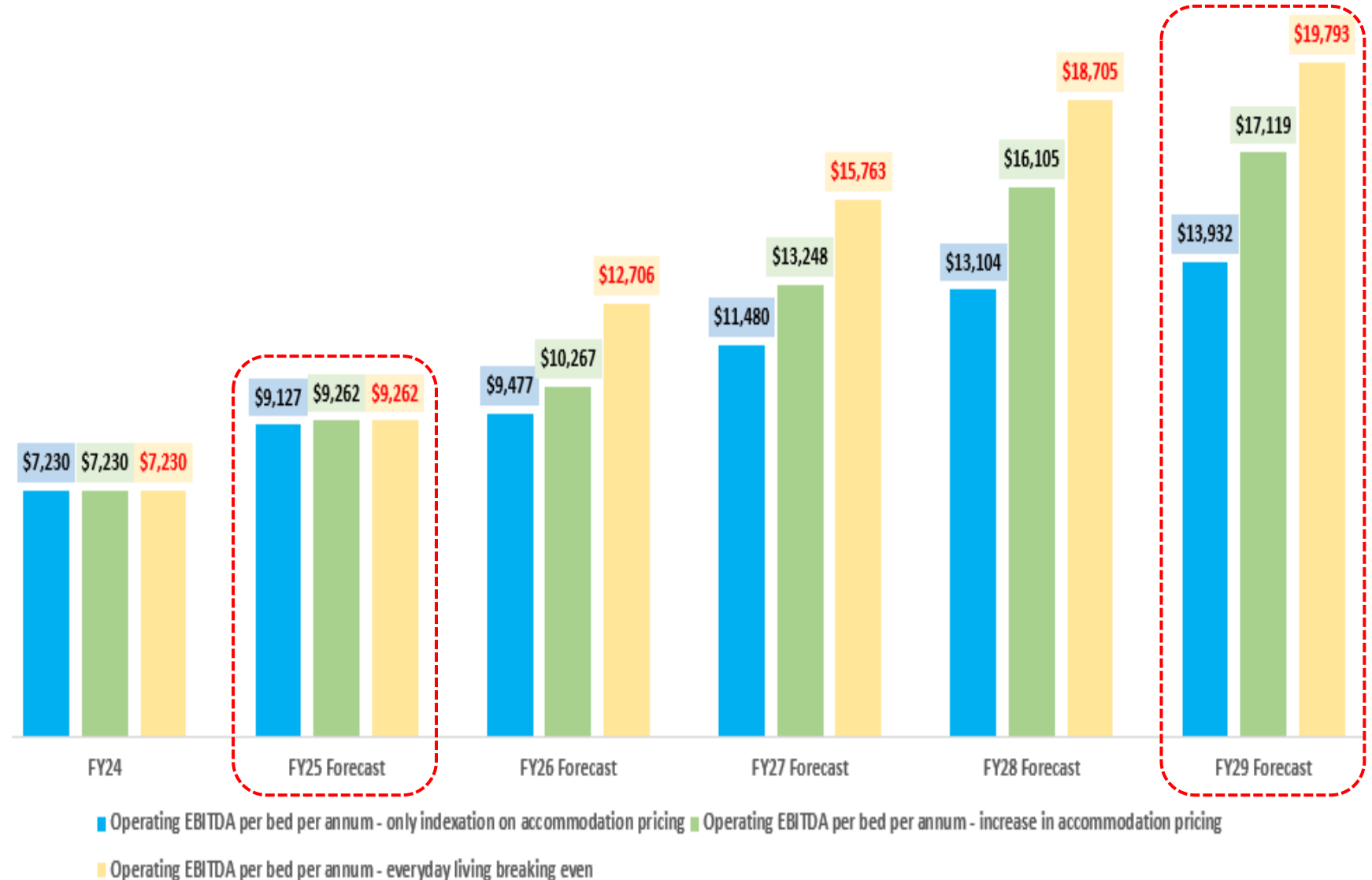
Modelling of Funding Reforms

Scenario 1
- Hotelling Supplement to be $14.91 per day from July 2025 (indexed)
- RAD retention of 2% pa
- RAD pricing (accommodation price) to be increased by CPI each year
- DAP pricing to be based on 8% pa floor (MPIR)

Scenario 2
- Hotelling Supplement to be $14.91 per day from July 2025 (indexed)
- RAD retention of 2% pa
- RAD pricing (accommodation price) to be progressively increased by 10% each year (to move toward an average of $700k by FY28
- DAP pricing to be based on 8% pa floor (MPIR)

Scenario 3
- Hotelling Supplement to be $22.41 per day from July 2025 (indexed) based on actual cost
- RAD retention of 2% pa
- RAD pricing (accommodation price) to be progressively increased by 10% each year (to move toward an average of $700k by FY28
- DAP pricing to be based on 8% pa floor (MPIR)

	FY24	FY25 Forecast	FY26 Forecast	FY27 Forecast	FY28 Forecast	FY29 Forecast
Operating EBITDA per bed per annum - only indexation on accommodation pricing	$7,230	$9,127	$9,477	$11,480	$13,104	$13,932
Operating EBITDA per bed per annum - increase in accommodation pricing	$7,230	$9,262	$10,267	$13,248	$16,105	$17,119
Operating EBITDA per bed per annum - everyday living breaking even	$7,230	$9,262	$12,706	$15,763	$18,705	$19,793

Legend:
- Operating EBITDA per bed per annum - only indexation on accommodation pricing
- Operating EBITDA per bed per annum - increase in accommodation pricing
- Operating EBITDA per bed per annum - everyday living breaking even

Financial sustainability poll :

What do you score the industry on a scale of 1-10? (1=poor 10=excellent)
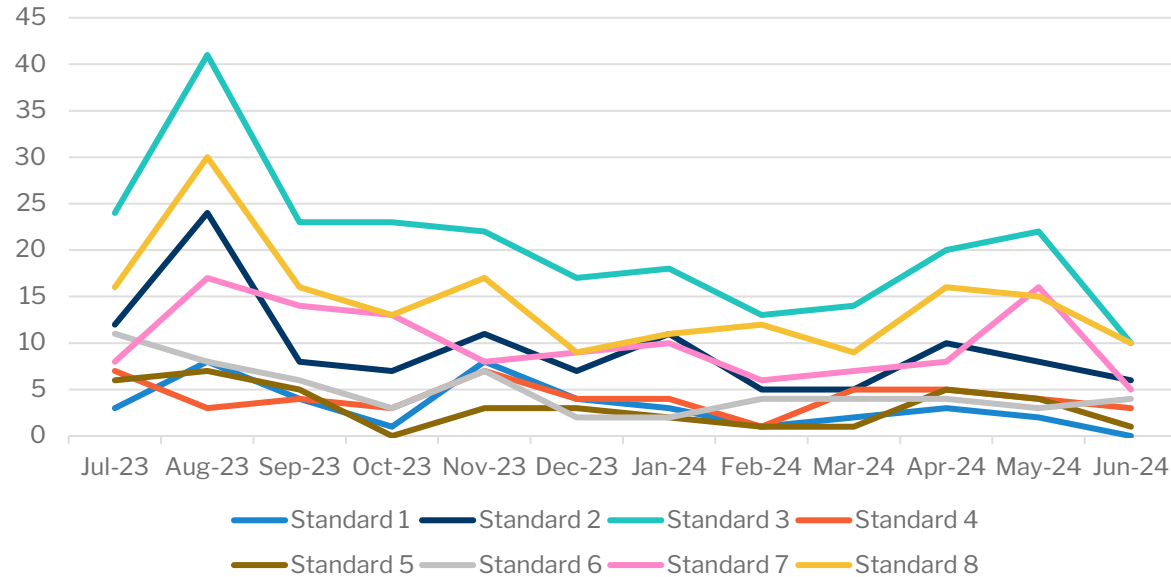
Performance to quality standards?

Key questions:

- How is the industry doing now against key available metrics?
- Is meeting the quality standards (minimum requirements) a high enough standard?

Trends in Compliance Actions

Non-Compliance Decisions

|	FY24 # of non-compliances
Standard 3 Personal care and clinical care	247
Standard 8 Organisational governance	174
Standard 7 Human resources	121
Standard 2 Ongoing assessment and planning with consumers	114
Standard 6 Feedback and complaints	58
Standard 4 Services and supports for daily living	50
Standard 1 Consumer dignity and choice	39
Standard 5 Organisation's service environment	38

Compliance Rating
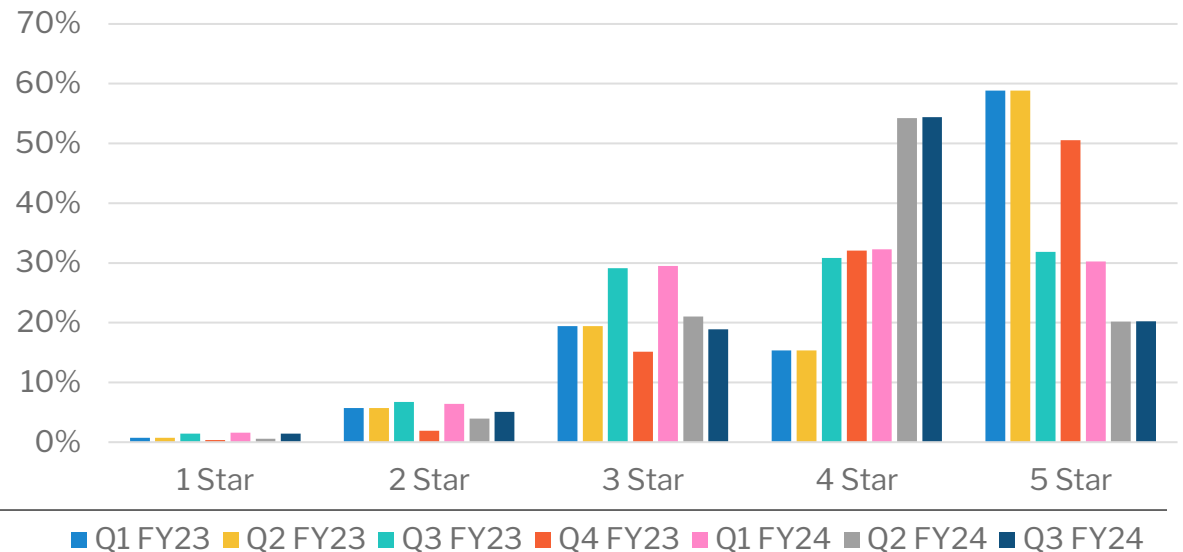
Quality Measures

Quality Rating

Legend: Q1 FY23, Q2 FY23, Q3 FY23, Q4 FY23, Q1 FY24, Q2 FY24, Q3 FY24
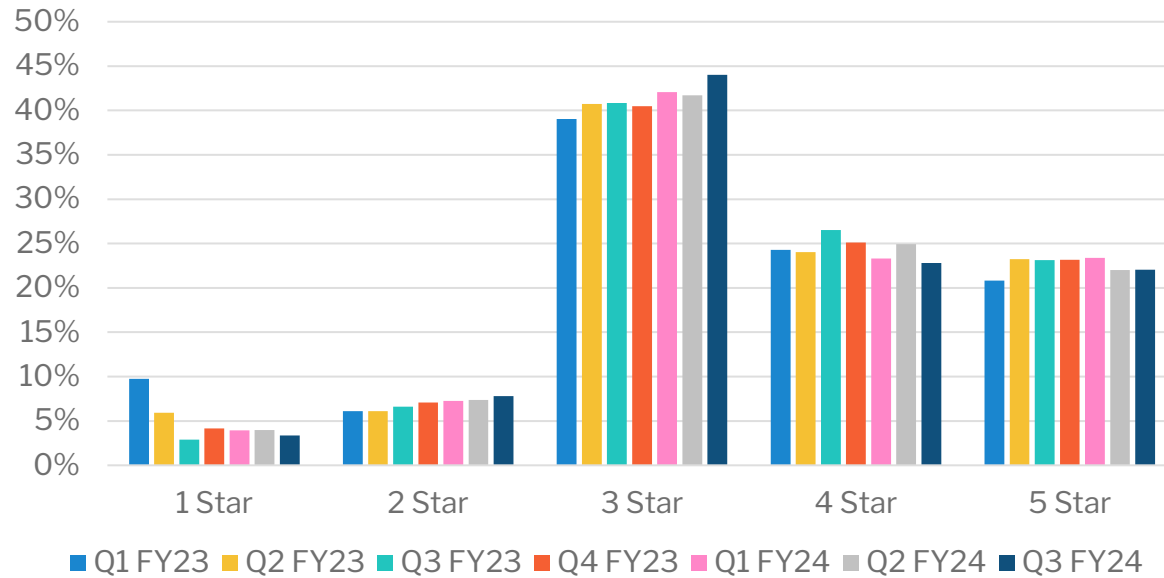
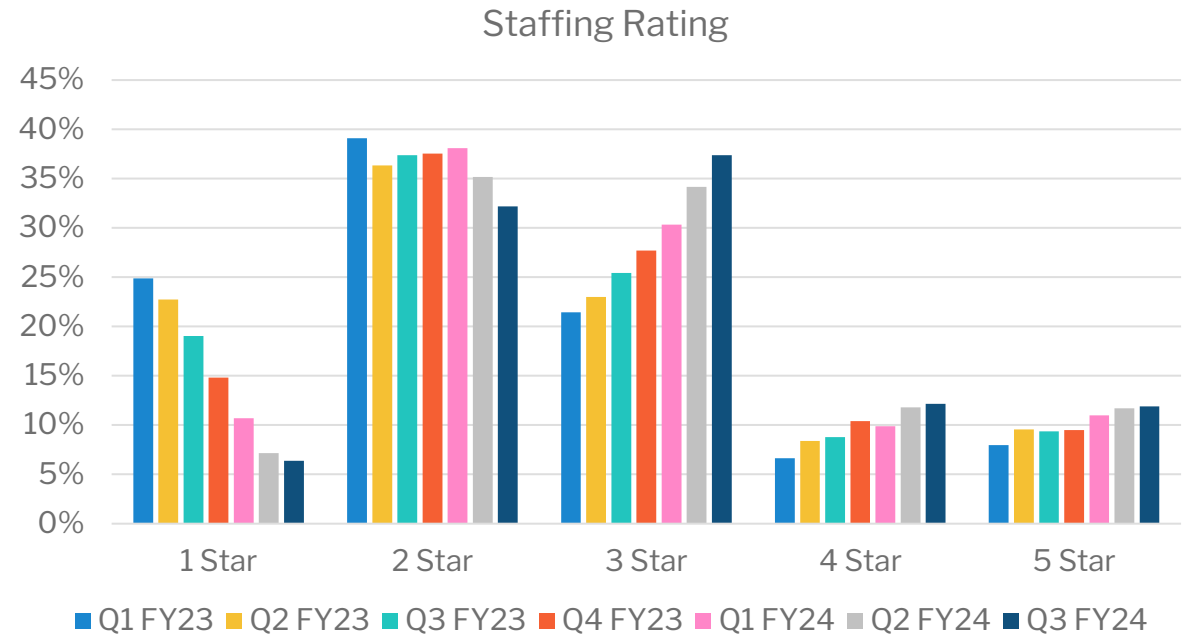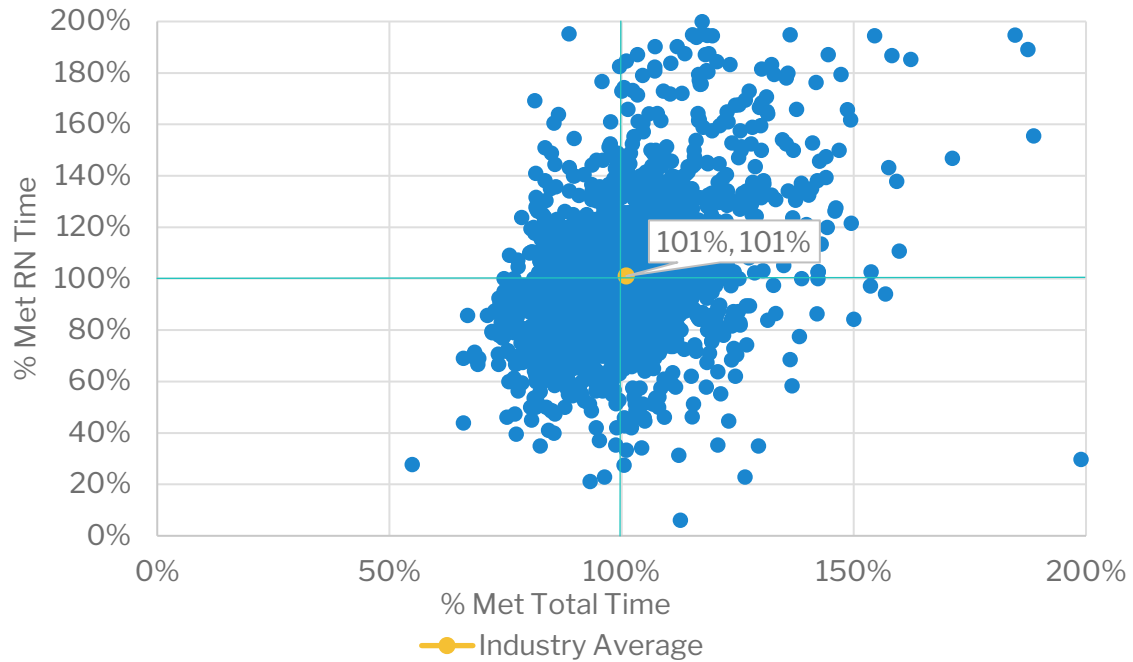| Quality Measure	Industry Average
Pressure injuries	>1%
Physical restraint	5.0%
Unplanned weight loss	5.4%
Multiple falls	25.9%
Falls w/ major injury	0.5%
9 or more medications	27.9%
Antipsychotic medications	3.4%

Quality standards poll :

What do you score the industry on a scale of 1-10?
(1=poor 10=excellent)

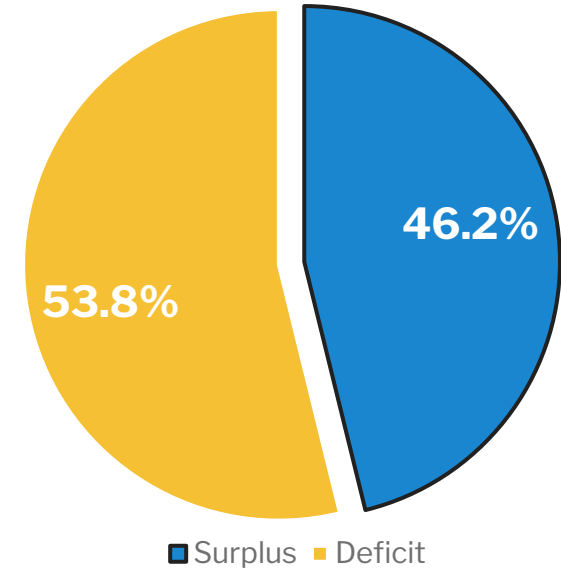# Meeting resourcing requirements
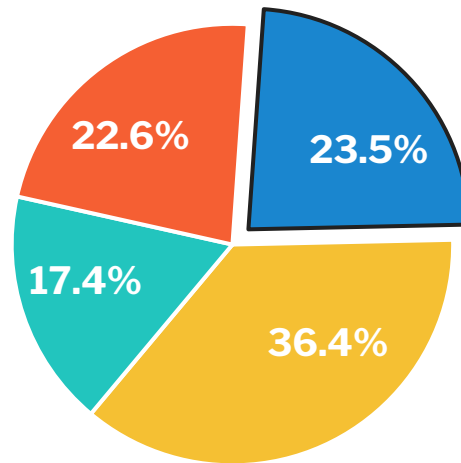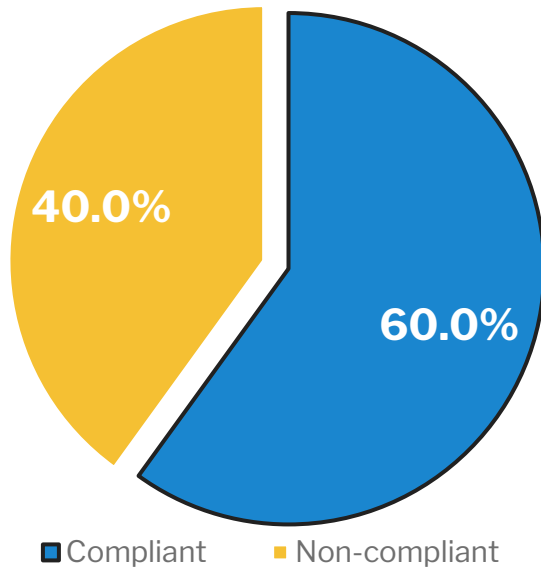
Key questions:

- How is the industry doing now against key available metrics?
- To what extent does meeting care minute requirements drive the "performance" of the industry?

Staffing to Care Minutes

101%, 101%

% Met RN Time

% Met Total Time

Industry Average

Staffing Rating

Q1 FY23 Q2 FY23 Q3 FY23 Q4 FY23 Q1 FY24 Q2 FY24 Q3 FY24

Care Minute Compliance & Surplus

Chart 1 (left):
- 40.0% Non-compliant
- 60.0% Compliant

Legend: ■ Compliant ■ Non-compliant

Chart 2 (center):
- 23.5% Surplus & Compliant
- 36.4% Deficit & Compliant
- 17.4% Deficit & Non-Compliant
- 22.6% Surplus & Non-Compliant

Legend: ■ Surplus & Compliant   ■ Deficit & Compliant   ■ Deficit & Non-Compliant   ■ Surplus & Non-Compliant

Chart 3 (right):
- 46.2% Surplus
- 53.8% Deficit

Legend: ■ Surplus ■ Deficit

Performance Quartiles

Surplus/Deficit Quartile	Average Staffing Rating	Avg Surplus/Deficit
1	2.56	$44.73
2	2.72	$8.83
3	2.90	-$16.48
4	3.14	-$59.77
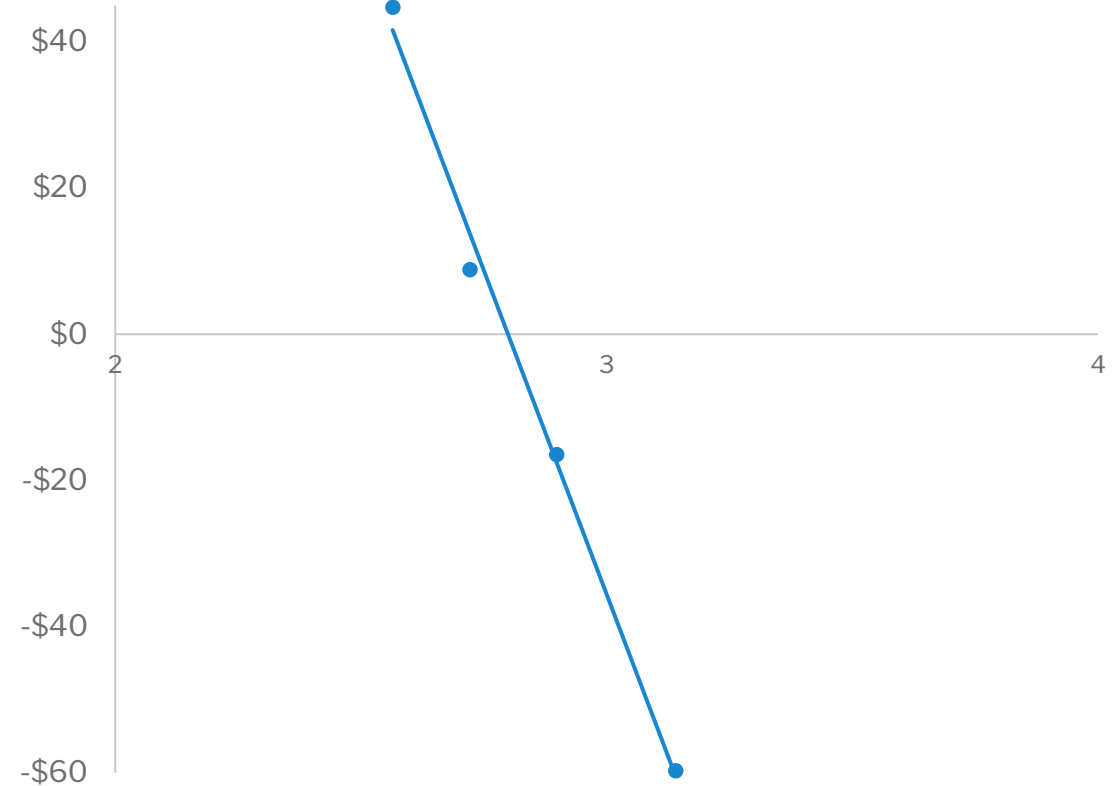
	FY23	FY24
Industry average Surplus/Deficit	-$10.90	-$4.33

Resourcing requirements poll:

What do you score the industry on
a scale of 1-10?
(1=poor 10=excellent)

Achieving customer satisfaction
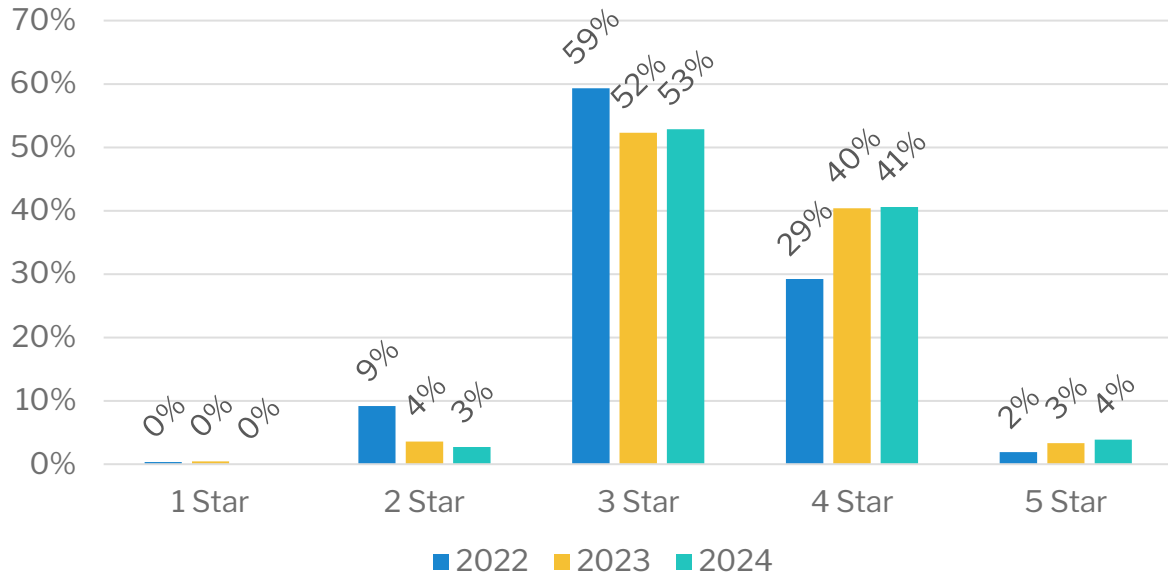
Key questions:

- How is the industry doing now against key available metrics?

- Is the proof of the pudding in the eating?

- How can we realistically/practically gain more frequent or more comprehensive data on how satisfied our residents are?

Customer Satisfaction

Resident Experience Rating

Bar chart showing Resident Experience Rating for 2022, 2023, 2024:
- 1 Star: 0%, 0%, 0%
- 2 Star: 9%, 4%, 3%
- 3 Star: 59%, 52%, 53%
- 4 Star: 29%, 40%, 41%
- 5 Star: 2%, 3%, 4%

Legend: 2022, 2023, 2024

2024	Always	Most of the time	Some of the time	Never
• Do staff treat you with respect?	69%	26%	5%	0%
• Do you feel safe here?	75%	21%	4%	1%
• Is this place well run?	43%	44%	12%	1%
• Do you get the care you need?	60%	33%	7%	1%
• Do staff know what they are doing?	42%	46%	12%	0%
• Are you encouraged to do as much as possible for yourself?	57%	30%	10%	3%
• Do the staff explain things to you?	42%	37%	18%	3%
• Do you like the food here?	27%	43%	26%	4%
• Do staff follow up when you raise things with them?	43%	40%	15%	2%
• Are staff kind and caring?	66%	29%	5%	0%
• Do you have a say in your daily activities?	66%	24%	8%	3%
• Do you feel at home here?	60%	27%	9%	5%

Customer satisfaction poll :

What do you score the industry
on a scale of 1-10?
(1=poor 10=excellent)

More from the panel

Melissa Argent

Chief Executive Officer at Rockpool Residential Aged Care

Sandra Hills

Chief Executive Officer at Benetas

Stephen Becsi

Chief Executive Officer at Apollo Care Alliance

Graeme Prior

Co-founder and CEO at Hall & Prior

"

Results of the polls.

How did you score the industry's performance?

Questions from the chat

Mirus Metrics

The only AN-ACC Management system in Aged Care

Mirus Metrics is the only AN-ACC funding application software in the industry that **combines** aged care **funding data**, industry **benchmarks**, and **forecasting insights** into one easy-to-navigate solution.

Scan the code to speak to one of our team

www.mirusaustralia.com/mirus-metrics

Get your copy of the Aged Care Effectiveness Index report

This inaugural report provides a comprehensive collection of **data points** that track the **effectiveness** and **sustainability** of the aged care industry across five key areas: Financial, Quality, Resourcing, Accommodation, and Consumer Feedback, providing a **clear picture** of the sector's trajectory.

Launching October 2024.

Scan QR code to register your interest and be the first to receive this exclusive report.

www.mirusaustralia.com/aged-care-effectiveness-index

Contact us

Andrew Farmer

Partner

andrew.farmer@mirus.group

Stuart Hutcheon

Partner at StewartBrown

stuart.hutcheon@stewartbrown.com.au

Tyler Fisher

Senior Manager

tyler.fisher@mirus.group

MIRUS
AUSTRALIA

1300 738 145 | info@mirusaustralia.com
mirusaustralia.com