

Financial Sustainability for Aged Care Providers

QLD State Conference

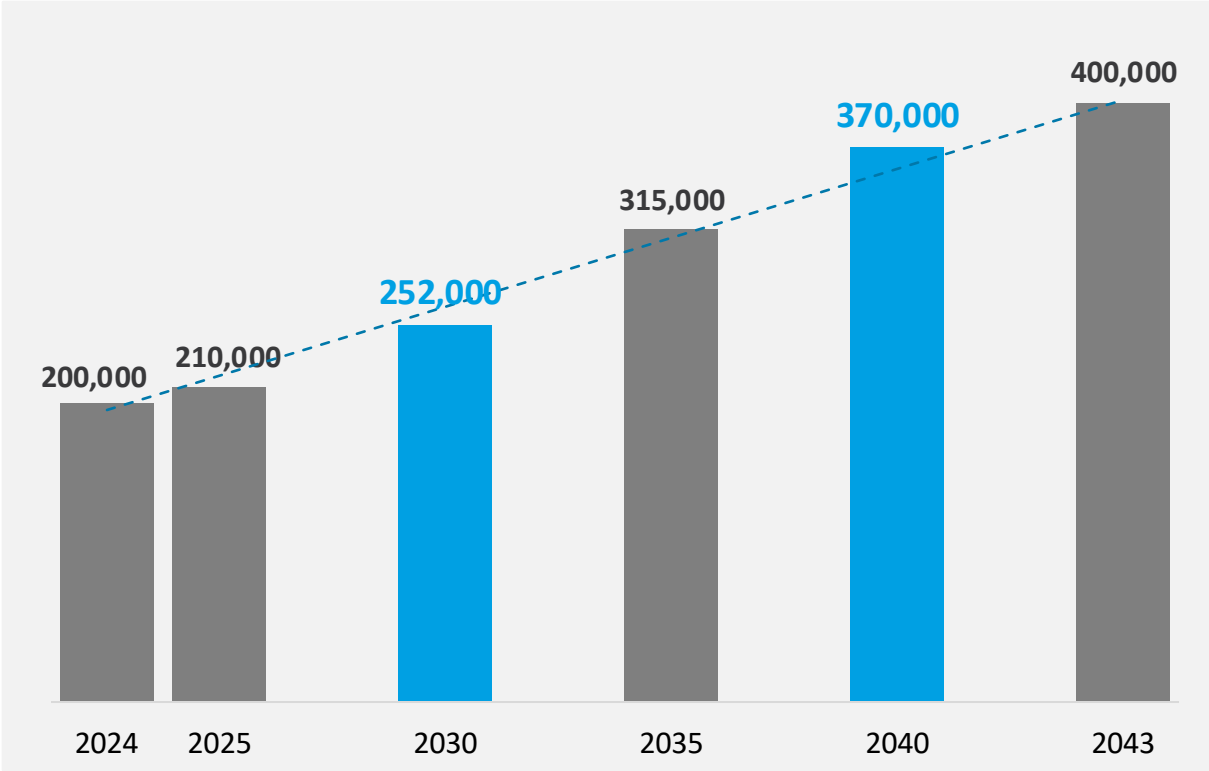
June 2025

Stuart Hutcheon

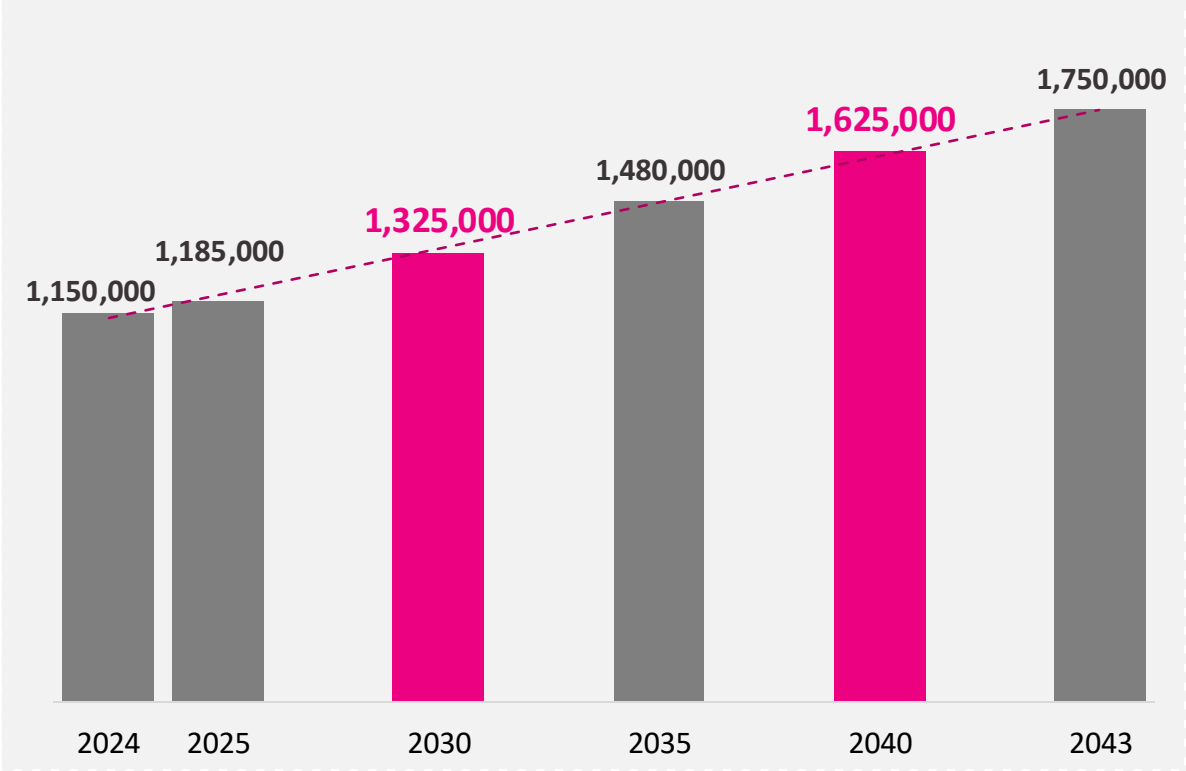


Projected Demand for Aged Care

Projected demand for residential care places (incl respite)



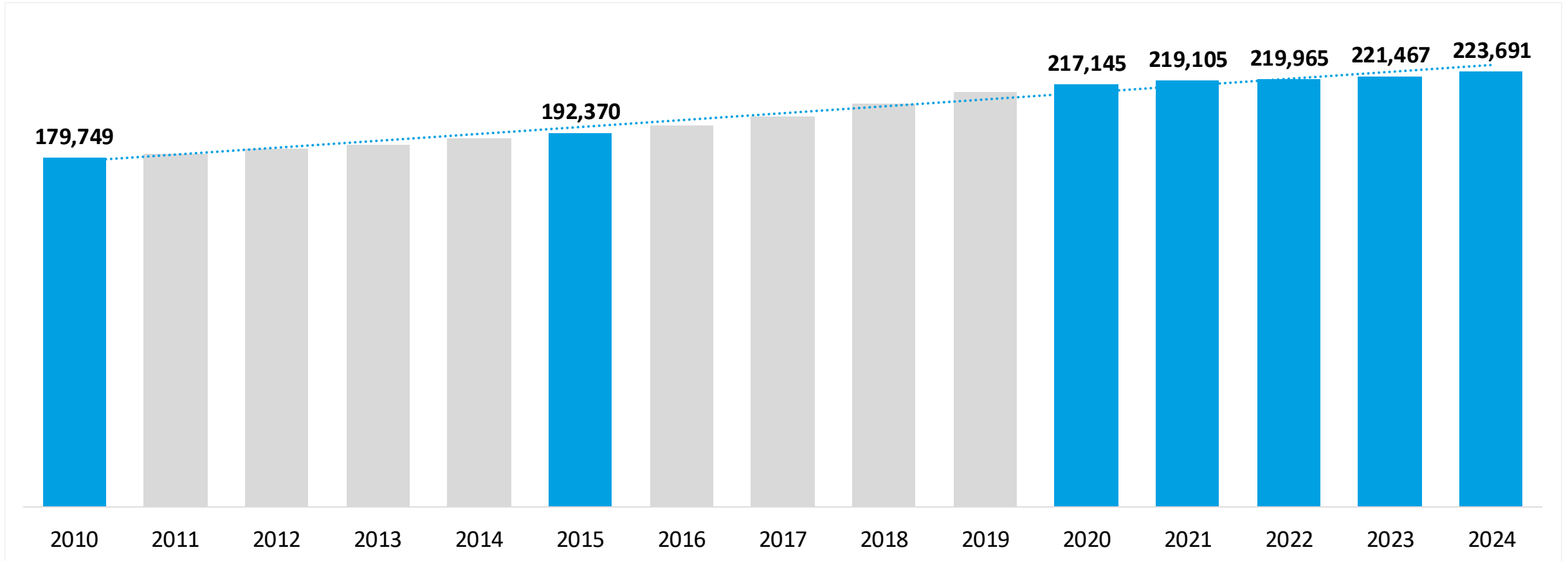
Projected demand for in-home care packages



Source: Financial Report on the Australian Aged Care Sector 2022-23

Approved Places in Residential Aged Care

Number of approved residential places trend from 2010 to 2024



Key Themes for Future Financial Performance

Investability

**Demand and
workforce**

**Balance Sheet
health**

**Liquidity and
Cash Flow**

**Financial
Performance**

**Efficiency and
cost control**

Size and scale

Strategic Plan

**Staff
Productivity**

**Partnering
and Growth**

Pricing

Leadership

Financial Performance Measures

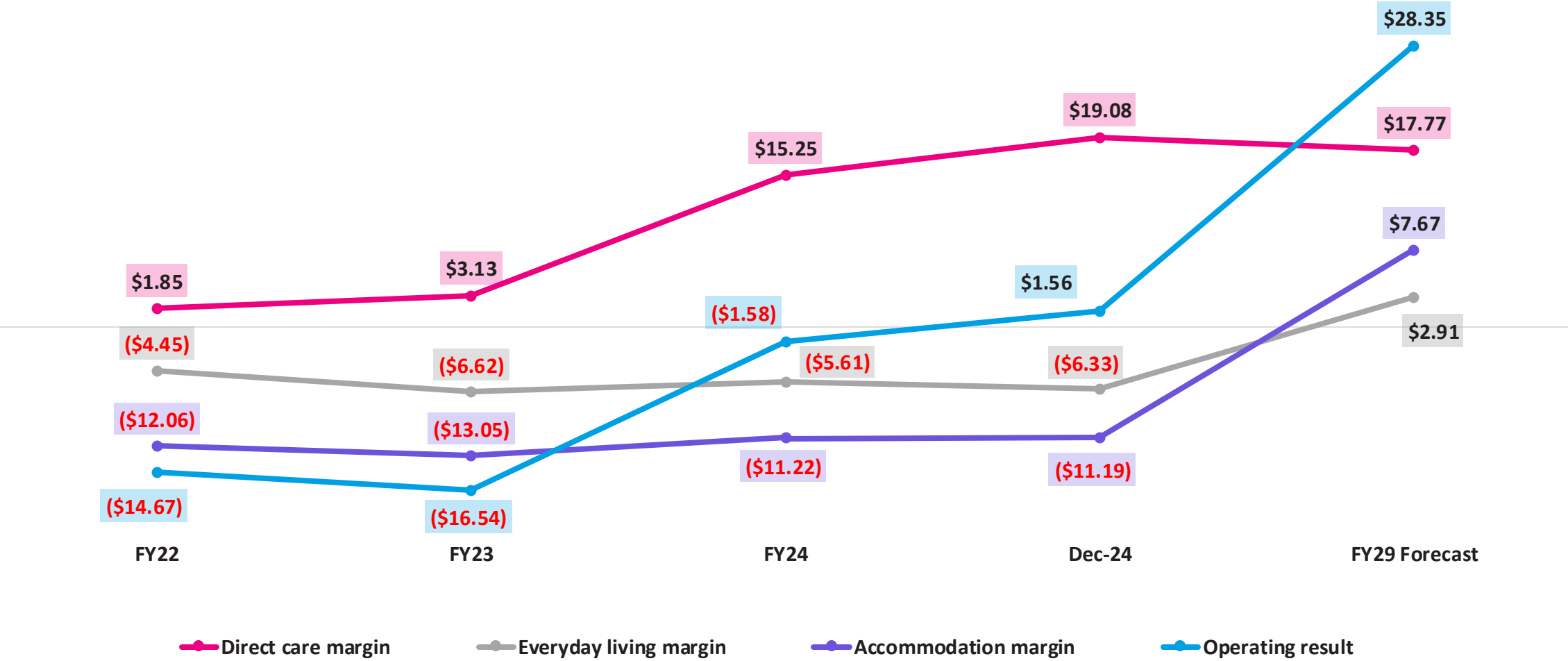
Viability: the ability of an organisation to maintain its operations and generate surpluses over the long term

Sustainability: operating the business in a manner without negatively impacting the environment, community or society as a whole

Investability: the quality of an organisation or asset to be financially attractive and continuing to be suitable for investment

“For the sector to continue to grow and meet the future demand and desired levels of service, it not only needs to remain **viable and sustainable**, but it needs to achieve a return that is considered “**investable**” (former *Aged Care Minister Anika Wells*).

Residential Results - Dec-24 YTD



Residential Care - Funding Reforms incremental benefit



Funding reforms - residential aged care

Financial sustainability

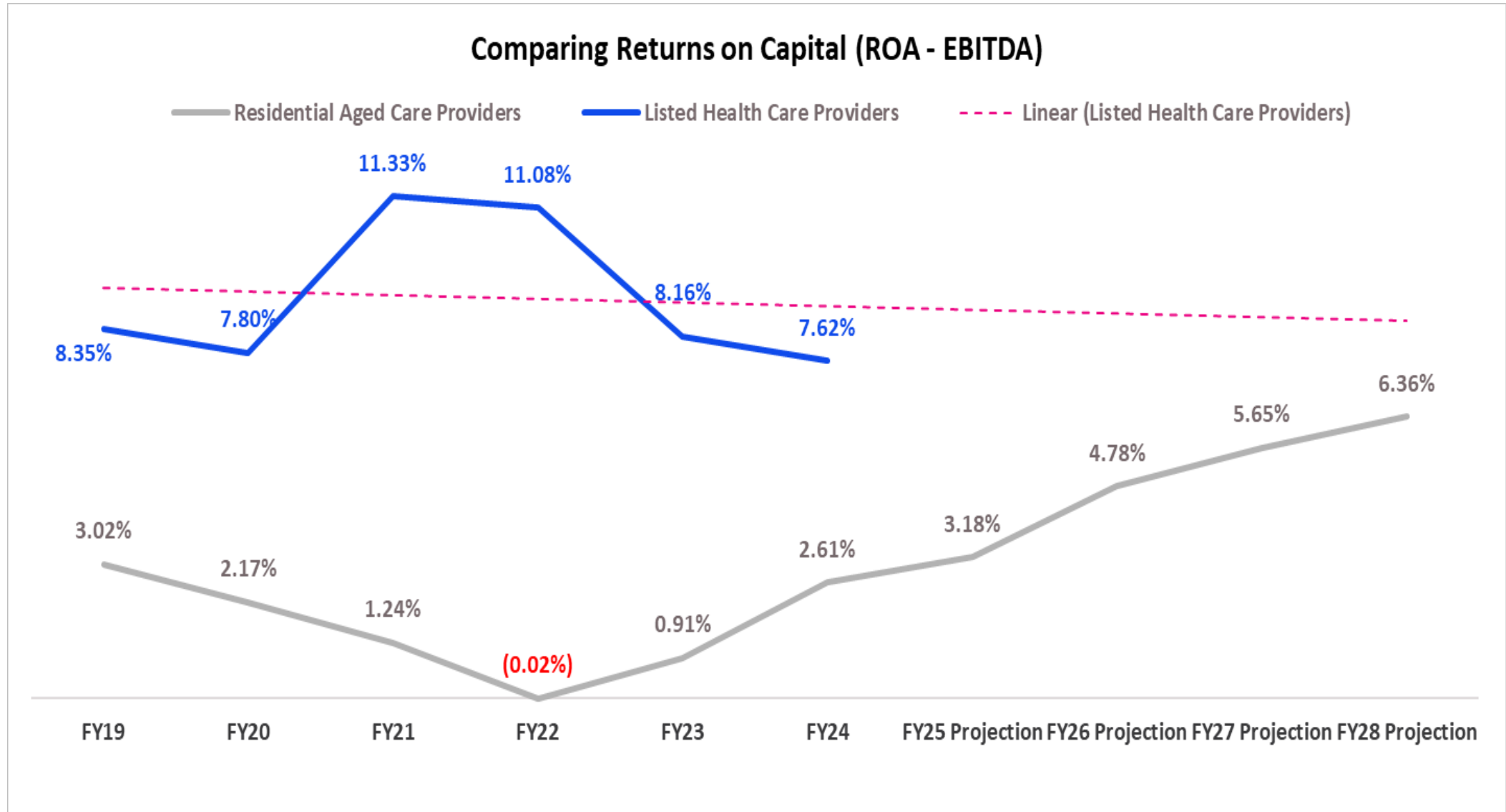
The funding reforms will have a significant positive benefit in ensuring the financial sustainability of the sector for the next generation. The level of the improved operating performance will remain dependent upon a number of factors:-

- 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
- Maintaining occupancy levels above 92.5% of available beds
- Maintaining the rate used to determine the DAP at being a floor of 8% (this is effectively the Weighted Cost of Capital)
- Increasing the accommodation price in an orderly manner whilst maintaining the affordability for future residents
- Ensuring that the Hotelling Supplement together with the Basic Daily Fee is sufficient to meet the actual costs of providing these services
- Increase the accommodation supplement for financially supported residents if recommended by the independent review to ensure equity between financial and non-financially supported residents
- Ensuring that the “thin markets” are appropriately funded

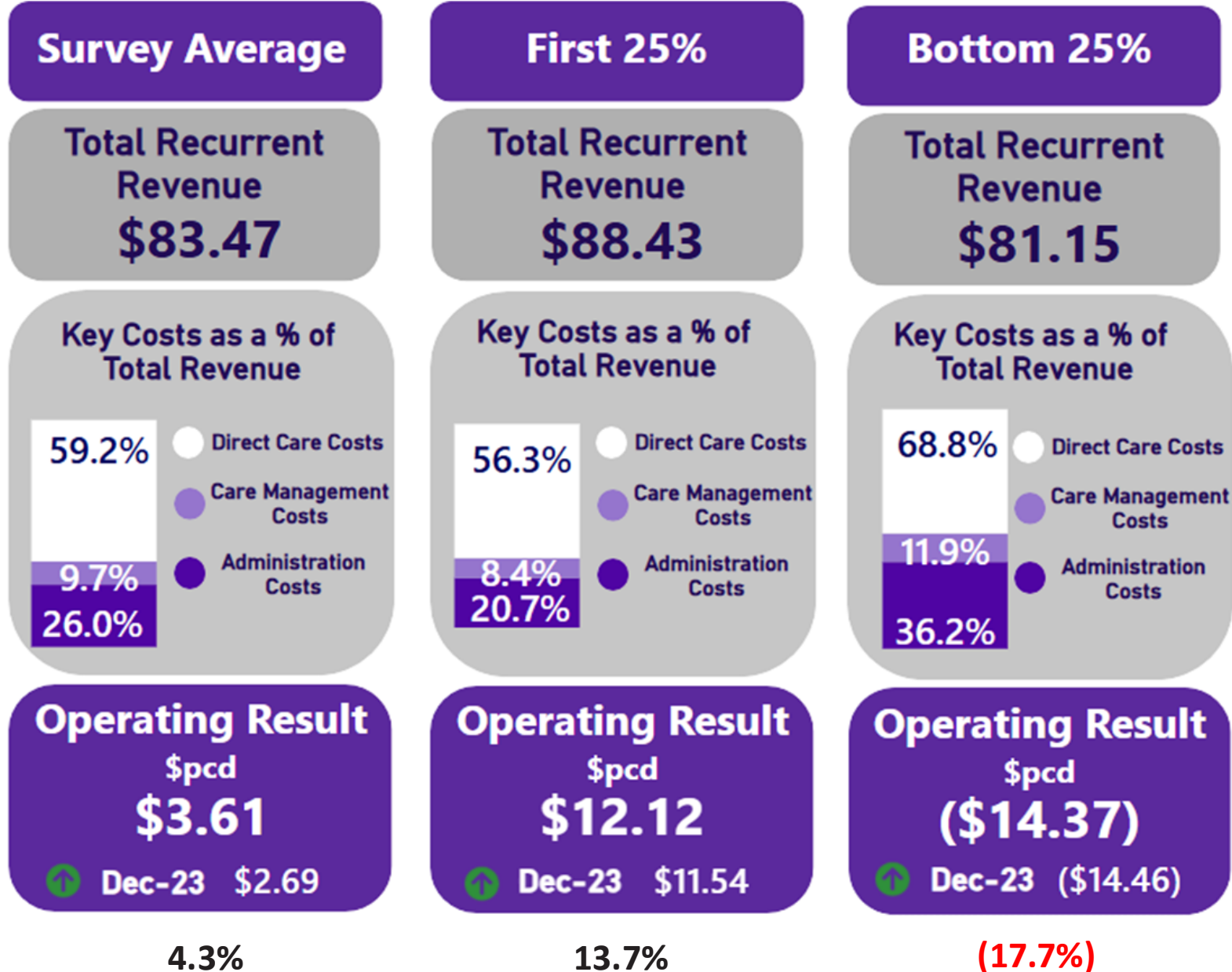
The cost of building a new aged care home is upwards of \$500,000 per bed (land/building/fittings/equipment) and an aged care home has an effective life of 25 to 30 years (including refurbishments in this period to maintain the standard of accommodation).

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 - Return on Capital Comparison



National Home Care Package Results: Dec-24 YTD



Viable profit margins – SaH Financial Impacts (SB)

(Dollars per package per day unless otherwise stated)	Current Position <i>Dec-24 Survey Average (Actual)</i>	Scenario 1 <i>Dec-24 Adjusted for Reforms</i>	Scenario 2 <i>Adjusted for Reforms + Increased Return</i>	Scenario 3 <i>Adjusted for Reforms + Increased Return</i>
Revenue				
Direct and brokered services	56.95	73.83	76.72	78.63
Care management	15.65	9.62	9.62	9.62
Package management	10.87	-	-	-
Total revenue	83.47	83.45	86.34	88.24
Costs				
Direct and brokered services	49.38	49.38	49.38	49.38
Care management	8.11	8.11	8.11	8.11
Administration and support services	22.36	22.36	22.36	22.36
Total costs	79.86	79.86	79.86	79.86
Operating result (per package per day)	\$ 3.61	\$ 3.59	\$ 6.48	\$ 8.38
Operating EBITDA (per package per annum)	\$ 1,561	\$ 1,554	\$ 2,608	\$ 3,304
KPIs				
<i>Operating result return on revenue</i>	<i>4.3%</i>	<i>4.3%</i>	<i>7.5%</i>	<i>9.5%</i>

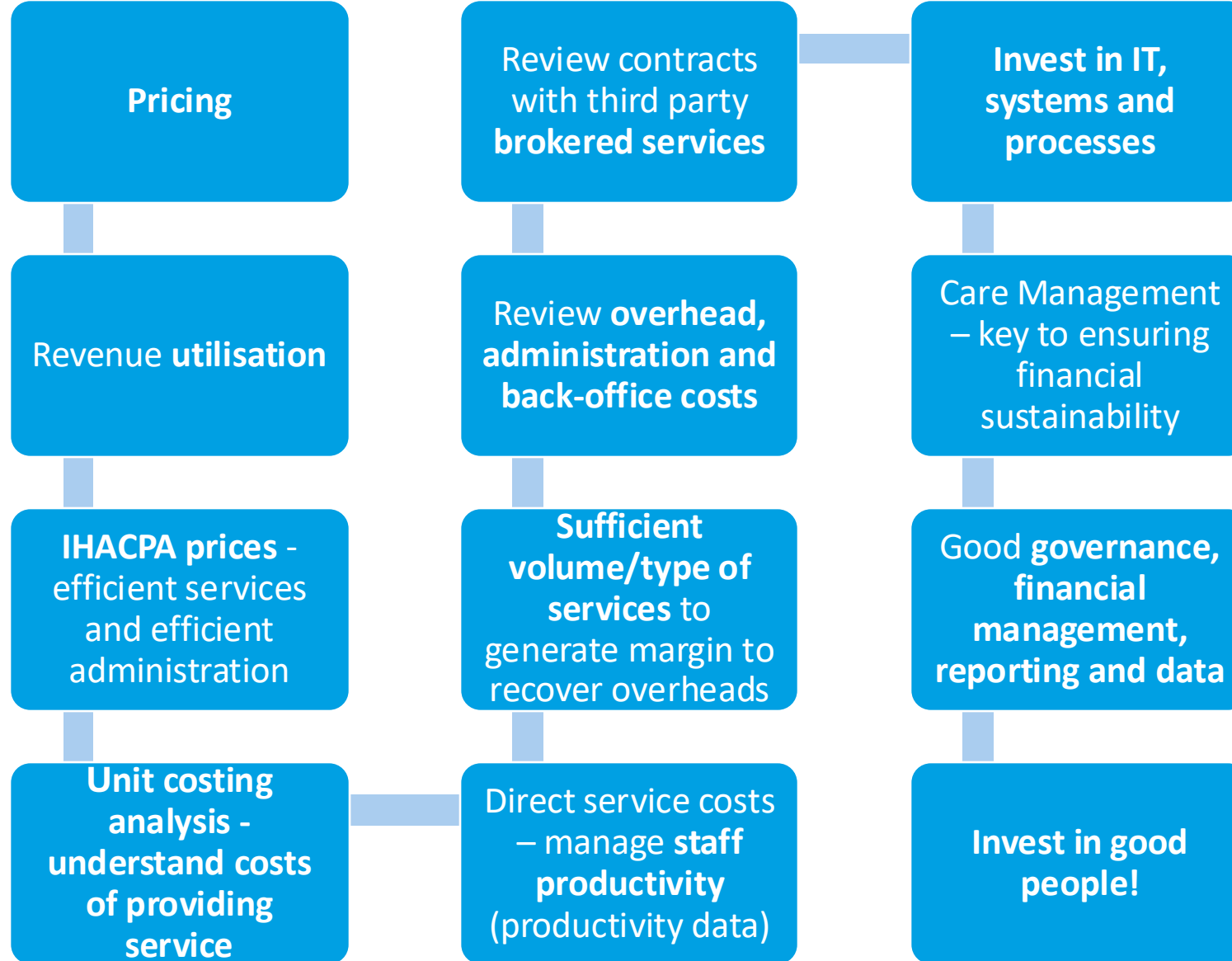
Viable Profit Margins - SAH Financial Impacts

(Dollars per package per day unless otherwise stated)	Current Position <i>Dec-24 Survey Average (Actual)</i>	Scenario 1 <i>Dec-24 Adjusted for Reforms</i>	Scenario 2 <i>Adjusted for Reforms + Increased Return</i>	Scenario 3 <i>Adjusted for Reforms + Increased Return</i>
KPIs				
<i>Operating result return on revenue</i>	4.3%	4.3%	7.5%	9.5%
<i>Direct & brokered service revenue increase %</i>		29.7%	34.7%	38.1%
Gross margin on direct and brokered services (dollars)	\$ 7.56	\$ 24.45	\$ 27.33	\$ 29.24
<i>Gross margin on direct and brokered services (%)</i>	13.3%	33.1%	35.6%	37.2%
Gross margin on care management (dollars)	\$ 7.54	\$ 1.50	\$ 1.50	\$ 1.50
<i>Gross margin on care management (%)</i>	48.2%	15.6%	15.6%	15.6%
<i>Direct and brokered services as % of revenue</i>	68.2%	88.5%	88.9%	89.1%
<i>Care management as % of revenue</i>	18.8%	11.5%	11.1%	10.9%
<i>Package management as % of revenue</i>	13.0%	0.0%	0.0%	0.0%
<i>Revenue utilisation</i>	86.8%	86.8%	89.8%	91.7%
Available package revenue (per client per day)	\$ 96.18	\$ 96.18	\$ 96.18	\$ 96.18
Available package revenue (per annum)	\$ 35,106	\$ 35,106	\$ 35,106	\$ 35,106

Financial Performance – Size and Scale

Operating Performance by Provider size	Up to 250 Packages	250 to 500 Packages	500 to 750 Packages	750 to 1250 Packages	1250 to 2000 Packages	2000 to 3000 Packages	3000 plus Packages
Annual Revenue (maximum)	\$6,626,283	\$14,373,216	\$21,066,961	\$35,919,040	\$53,075,002	\$83,016,453	
Financial Results (\$ per client day)							
Operating Revenue	\$72.62	\$78.76	\$76.96	\$78.73	\$72.71	\$75.81	\$82.29
Direct Care (internal and external)	\$45.98	\$49.88	\$45.55	\$45.87	\$43.86	\$45.09	\$50.19
Care Management	\$7.66	\$7.35	\$7.80	\$8.07	\$7.35	\$8.53	\$7.85
Administration and support services	\$17.96	\$21.36	\$21.46	\$21.20	\$17.46	\$18.10	\$20.42
Depreciation	\$0.38	\$0.31	\$0.33	\$0.27	\$0.36	\$0.86	\$0.56
Operating Result	\$0.63	(\$0.14)	\$1.82	\$3.31	\$3.66	\$3.24	\$3.28
Operating EBITDA (\$ per client per annum)	\$372	\$62	\$786	\$1,310	\$1,474	\$1,501	\$1,404
Key Performance Indicators							
<i>Direct Care Costs as % Revenue</i>	63.3%	63.3%	59.2%	58.3%	60.3%	59.5%	61.0%
<i>Care Management & Advisory as % of Revenue</i>	10.5%	9.3%	10.1%	10.3%	10.1%	11.3%	9.5%
<i>Profit margin %</i>	0.9%	(0.2%)	2.4%	4.2%	5.0%	4.3%	4.0%
<i>Level 1 Package mix %</i>	7.1%	5.8%	4.0%	6.7%	5.1%	4.8%	4.7%
<i>Level 2 Package mix %</i>	41.3%	38.5%	37.3%	38.1%	44.3%	39.7%	37.3%
<i>Level 3 Package mix %</i>	32.4%	32.2%	35.5%	34.1%	34.6%	35.2%	33.8%
<i>Level 4 Package mix %</i>	19.2%	23.5%	23.2%	21.1%	16.1%	20.2%	24.3%

Key indicators for financial viability and sustainability

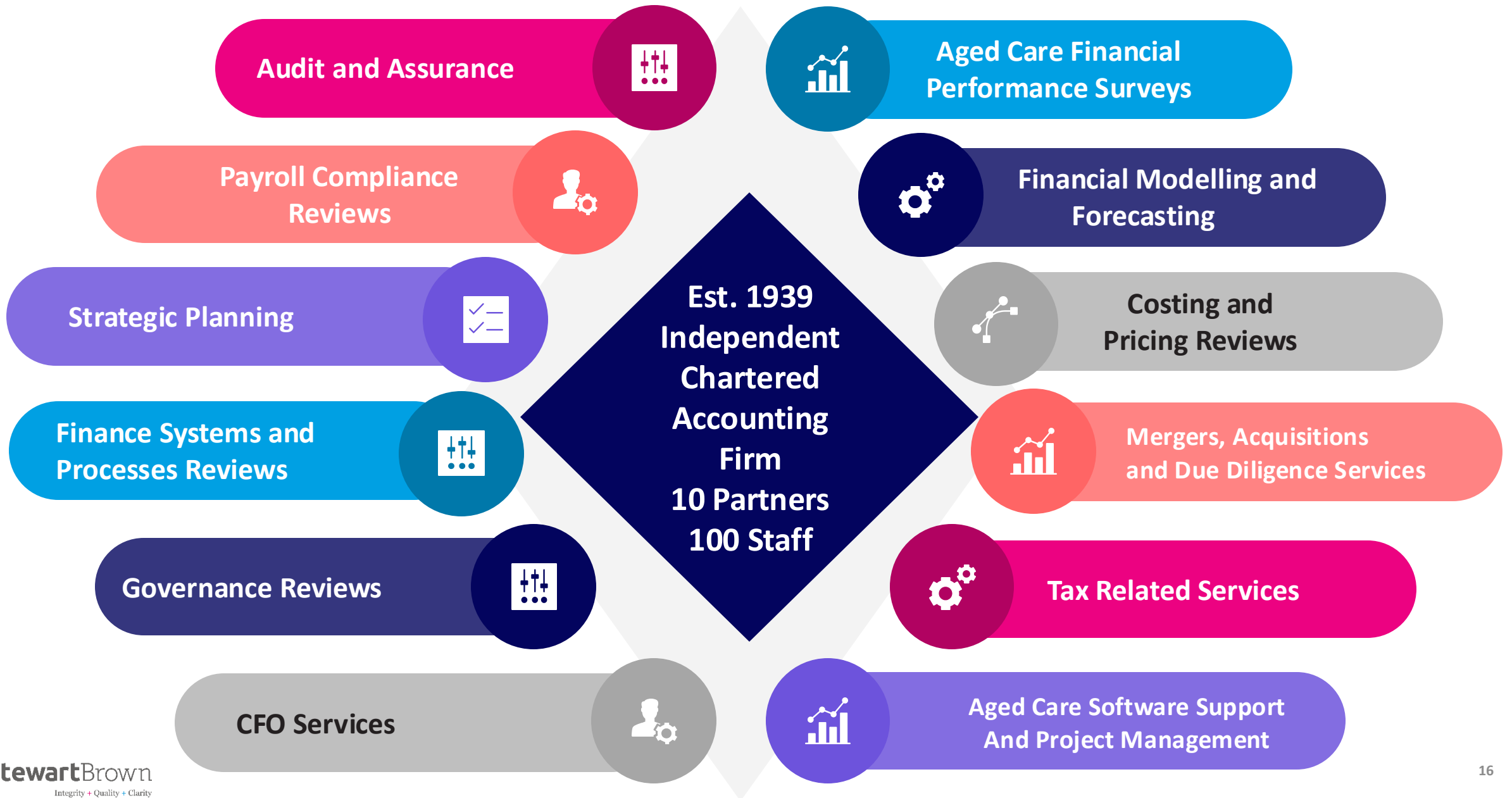


Prudential and Liquidity Considerations

	All \$'000	Small \$'000	Small/ Medium \$'000	Medium \$'000	Medium/ Large \$'000	Large \$'000
Assets	494,948	75,055	189,369	489,782	715,815	2,216,982
Liabilities	394,212	50,542	146,380	371,296	499,515	1,877,219
Net assets	100,736	24,513	42,989	118,486	216,300	339,763
Liquid assets	77,342	22,360	45,025	77,099	144,813	267,710
Property assets	309,528	43,874	112,388	332,111	535,221	1,311,542
Refundable loans	299,091	41,832	124,796	271,072	416,088	1,383,946
Liquid assets % refundable loans	26%	53%	36%	28%	35%	19%
Refundable loans % assets	60%	56%	66%	55%	58%	62%

	All \$'000	Small \$'000	Small/ Medium \$'000	Medium \$'000	Medium/ Large \$'000	Large \$'000
Current LMS %	24%	24%	20%	24%	22%	25%
Current LMS amount	18,331	5,270	9,139	18,470	32,349	66,004
Available liquid assets	59,011	17,090	35,886	58,629	112,464	201,706
ACQSC Proposed liquidity % (35/10/10)	58%	27%	41%	50%	45%	77%
ACQSC Proposed mandated liquid assets	44,498	6,086	18,338	38,557	65,148	205,783
Available liquid assets	32,844	16,274	26,687	38,542	79,665	61,927
Difference proposed mandated and current LMS amount	26,167	816	9,199	20,087	32,799	139,779
StewartBrown proposed % (25/5/2)	29%	14%	20%	24%	22%	39%
Proposed mandated liquid assets	22,411	3,042	9,009	18,786	32,334	105,365
Available liquid assets	54,931	19,318	36,016	58,313	112,479	162,345
Capital pipeline (all segments) (5 years) *	260,861	37,750	37,211	249,212	179,262	691,360
Capital pipeline (residential segment) (5 years) *	65,590	11,637	8,200	88,783	70,594	190,708

StewartBrown Aged Care Capability



About StewartBrown



#1

Accounting firm for Australian aged care



#1

Aged care financial benchmarking service



#1

Accounting firm for pro-bono services



80

Annual aged care audits



45+ years

Working with aged care providers



100+

Annual aged care consulting projects



35

Aged care team members



Audit and Assurance

External and internal audits

Prudential compliance statements

Funding acquittals



Business and Tax Advisory

Tax planning and advice

Tax return preparation

SMSF administration

Financial planning
(StewartBrown Advisory)



Consulting

Systems and process reviews

System implementation

Project management

Financial modelling

Merger and acquisition

Accounting support

Payroll health checks

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