

# The corporatisation of Australian residential aged care

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# Agenda

- Background
- Ownership trends in residential care
- Benefits and risks of consolidation
- Our findings:
  - Provider scale and quality of care
  - Home acquisitions and quality of care

# Background

The Royal Commission noted two major market trends:

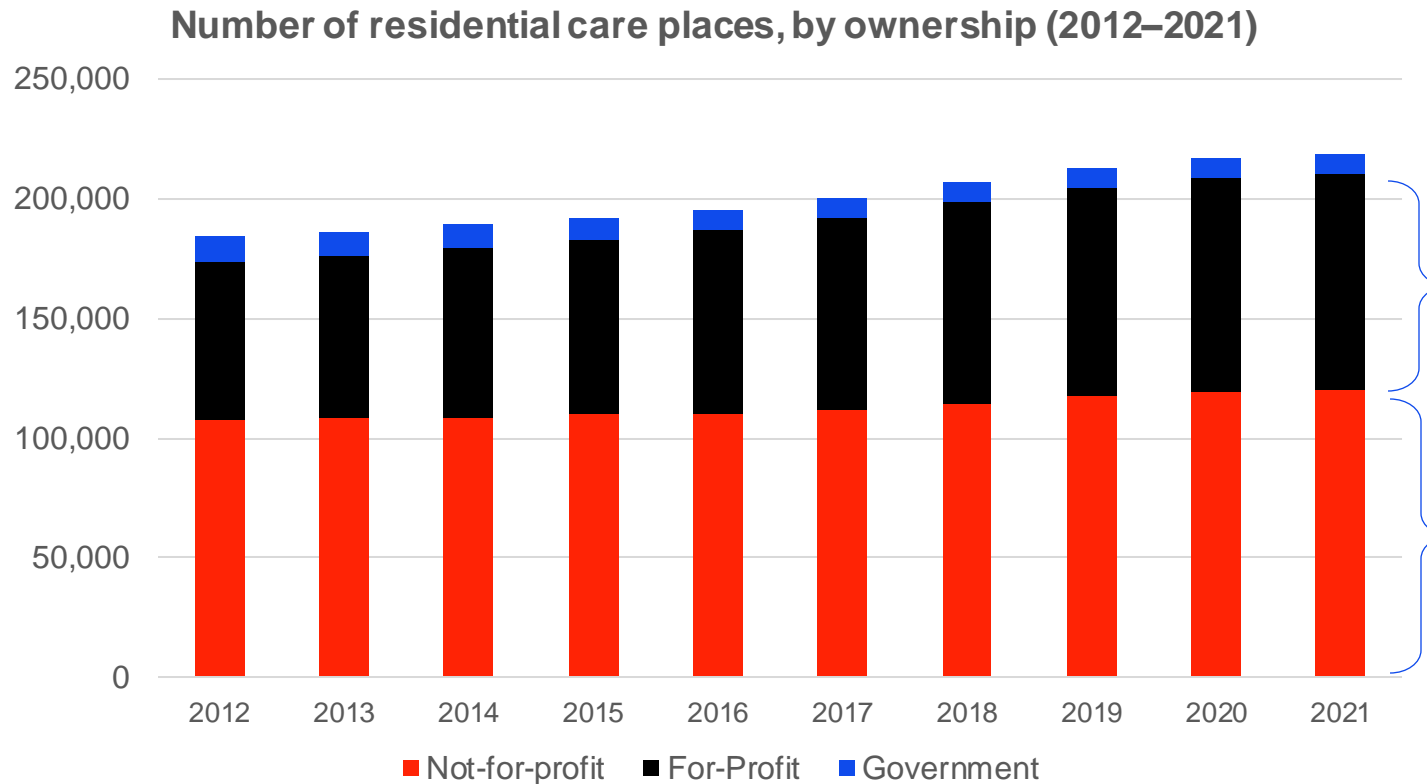
1. Growth in market share of **for-profit** providers
2. A shift towards **consolidation** of the aged care sector in the hands of fewer large-scale operators

Raised concerns about:

- Reduced competition, particularly in rural areas
- Trade-offs between profit and quality of care



# Trends in residential care



The growth in residential places has mainly occurred within **for-profit providers**

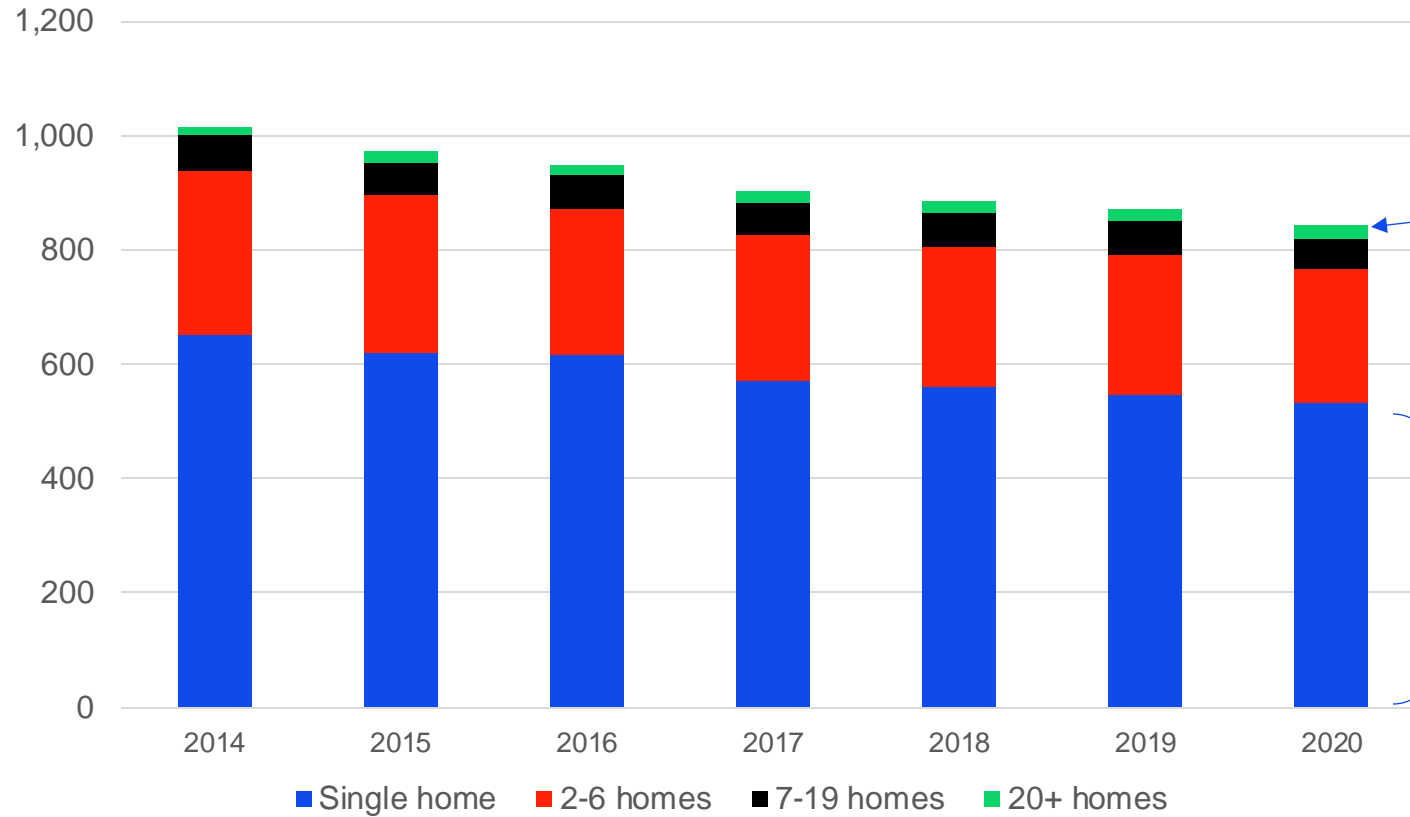
For profits now operate 41% of places, up from 36% in 2012

Not-for-profits market share has fallen slightly from 58% to 55%

Source: GEN-agedcaredata.gov.au, compiled from Aged Care Service List 2012-2021

# Trends in residential care

Number of providers, by provider scale (2014-2020)



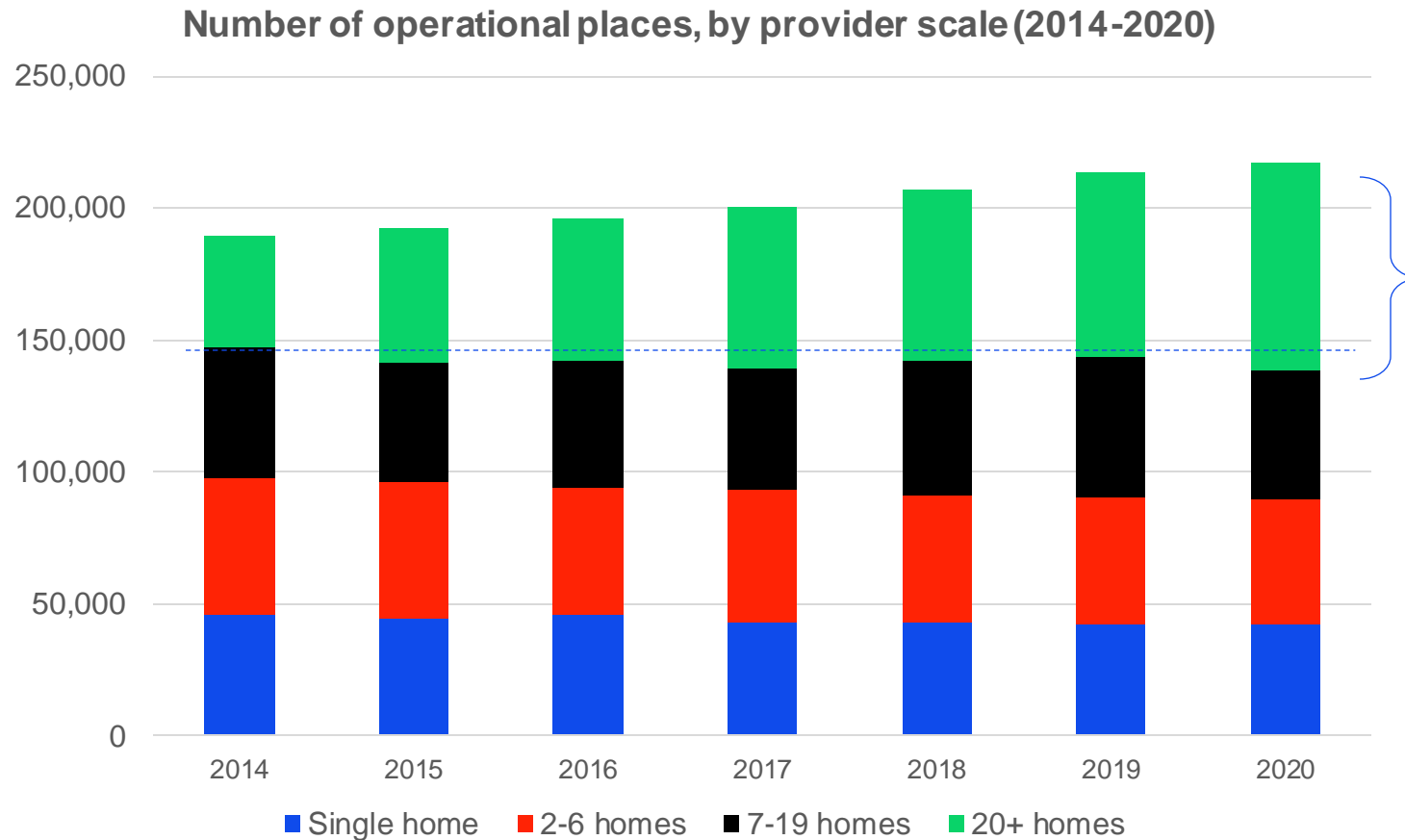
Market has continued to **consolidate** as number of providers has fallen

The number of very large providers has grown slightly, but still only 3% of total

Majority (63%) of providers are still single home operators, but numbers are falling

Source: Data compiled from Aged Care Financing Authority Annual reports

# Trends in residential care



Increased **concentration** of places within very large providers

Very large providers operate larger share (36%) of all places (up from 22% in 2014)

Fewer places are operated by smaller providers, despite growth in overall numbers

Source: Data compiled from Aged Care Financing Authority Annual reports

# Looking ahead

**Further market consolidation is expected, as providers face:**

- Worsening operating margins
- Workforce shortages
- Increased compliance requirements
- Ongoing impacts of COVID-19
- Declining occupancy

This is a dangerous place for small operators and many large providers are positioning to scale up and bunker down against more stormy weather.

- Ansell Strategic

# Potential benefits and risks of consolidation

## Benefits

- Increased standardisation of service delivery
- Corporate oversight and governance
- Knowledge sharing
- Economies of scale, leading to greater viability across sector

## Risks

- Disruptions to service delivery
- Excessive bureaucracy and layers of management
- Clash of cultures
- Focus on cost-cutting, particularly on staff



# Our analysis

Our team at **UTS Ageing Research Collaborative** investigated:

1. Does **provider scale** influence quality of care?
  - Complaints, hospitalisations and reportable assaults
2. What types of aged care homes are **targets for acquisitions**?
3. How do homes' **quality change** after acquisition?

Sample: 2,457 unique aged care homes, across 5 years (2015-2019)

Data: De-identified datasets obtained by the Royal Commission

# Provider scale and quality of care

## Does **provider scale** influence quality of care?

We compared quality outcomes (complaints, hospitalisations and reportable assaults) of homes operated by providers with different scales

- Controlling for number of beds, occupancy, resident acuity, home location, provider profitability
- Homes operated by **larger** providers had **higher rates of hospitalisations**
- Poorer quality was concentrated in homes operated by **large, for-profit providers**
- No significant association between scale and complaints or assaults

# Acquisitions of residential aged care homes

## What types of aged care homes are **targets for acquisitions**?

During time period, there was 561 changes of home ownership, involving 537 unique homes:

We studied **280 transactions**:

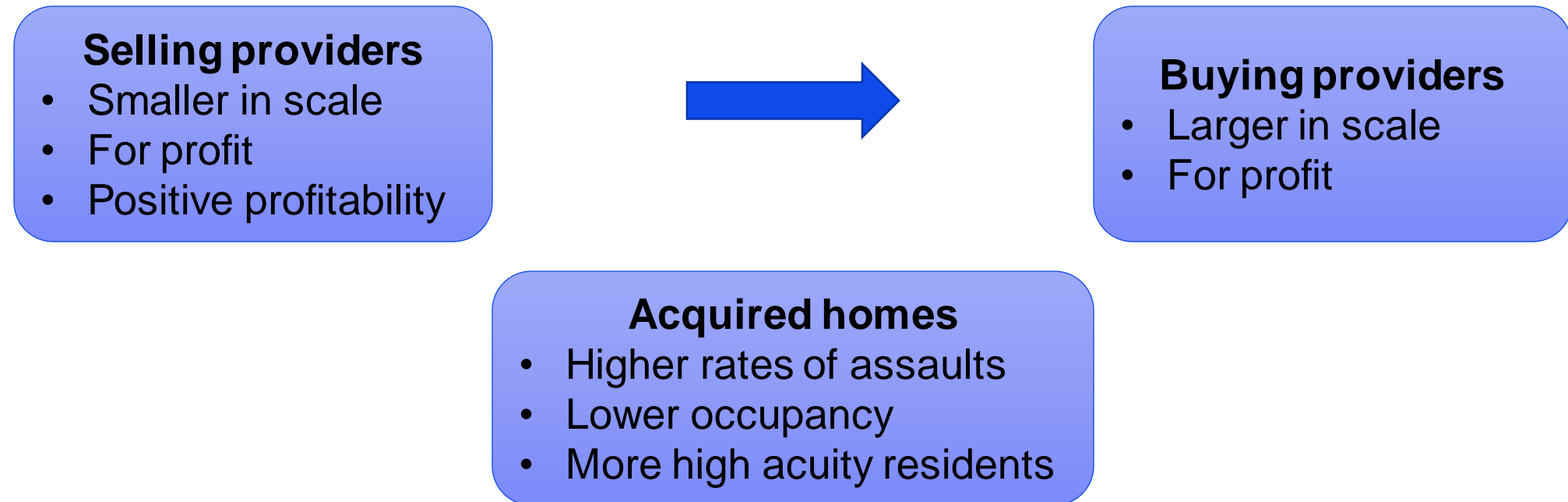
- 95 single → chain transactions
- 185 chain → chain transactions

		Acquiring provider			
		For Profit	Not for Profit	Govt	Total
Selling provider	For Profit	<b>151</b>	14	0	165
	Not for Profit	6	<b>99</b>	0	105
	Govt	1	2	7	10
	Total	158	115	7	<b>280</b>

We excluded 54 chain → single 'spin-off' transactions and 227 transactions with insufficient data

# Acquisitions of residential aged care homes

What types of aged care homes are **targets for acquisitions**?



# Acquisitions and quality of care

## How do homes' **quality change** after acquisition?

We examined the quality outcomes (complaints, hospitalisations and reportable assaults) of homes before and after acquisition, compared to non-acquired homes

- Controlling for provider scale and ownership, number of beds, occupancy, resident acuity, location
- Homes that are acquired then have significantly **higher rates of complaints**
- Higher complaints concentrated to homes that are acquired by a **low-quality provider**
- No significant change in assaults or hospitalisations

# Summary

- Increasing market share of larger providers is a concern, with evidence that larger provider scale is associated with poorer quality
- Acquisition patterns suggest further consolidation of the residential aged care market, with sales by single home operators to larger providers
- Acquisition targets tend to have poorer operational performance
- After acquisition, homes tend to have higher rates of complaints, indicating service disruption, particularly if acquired by low-quality provider