

Bankwest Future of Business: Focus on Aged Care

2018



FOR BUSINESS



Contents

Key Insights	4
Focus on Aged Care	5
What's driving industry growth?	6
Spotlight on Australia	7
Spotlight on Western Australia	8
What does the future hold?	9
What challenges does the industry face?	10
Where do the opportunities lie?	11
Forecasted industry growth	12





Key insights

Foreword

Understanding factors impacting your industry, and how other businesses in your industry are performing, can be a great gauge for how your business is tracking.

The Bankwest Future of Business: Focus on Aged Care Report is designed to give you a snapshot of the current and expected future state of your industry, which could help you plan and spark ideas. The report covers Australia's aged care sector, providing insight on residential care, home care and home support, summarising trends based on statistics from IBIS World, the Australian Bureau of Statistics and other reputable sources.

This year's report sees Australians continue to move towards home care, with the latest Aged Care Financing Authority data showing the number of people using home care and home support increased by 8.6% and 24.5% respectively in the year to June 2016. However, increased demand has created bottlenecks for the industry, with the queue for home care packages rising to 101,508 in September 2017.

The socialisation of robots within aged care is gaining traction, with increased research keeping pace with new products and designs. A University of Sydney study in 2017 found two thirds of staff members believed that robotics could be used to increase the well-being of patients. Robotics offer solutions for many

regional and remote centres that deal with chronic skill shortages. However, the success of robotic integration into aged care will depend on staff's ability to guide and include robotics into daily services and activities.

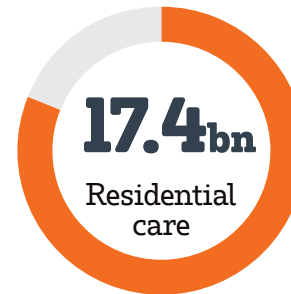
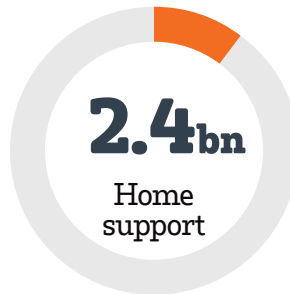
In addition to increased reliance on technology, the future of aged care is likely to include greater focus on dementia and the implications for both home and residential care.

Aged care providers with a better understanding of dementia and how to create services and facilities that accommodate dementia sufferers will benefit, as dementia prevalence is projected to increase 88.8% over the next 20 years to June 2037. Tasmania will be home to Australia's first dementia village, due for completion in late 2019. This is one of many creative living arrangements being developed in Australia's aged care sector to accommodate evolving customer preferences and develop more customer-centric design solutions.

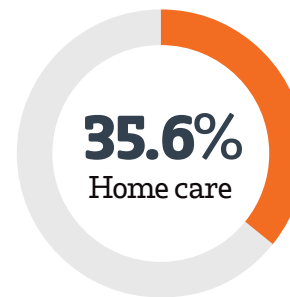
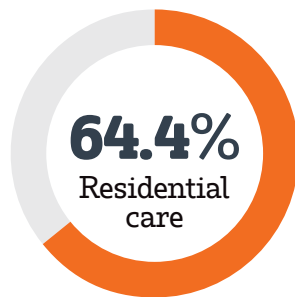
Focus on Aged Care

Australia's aged care industry continues to experience strong returns. The sector's \$21.5 billion revenue accounts for almost one percent of the nation's GDP.

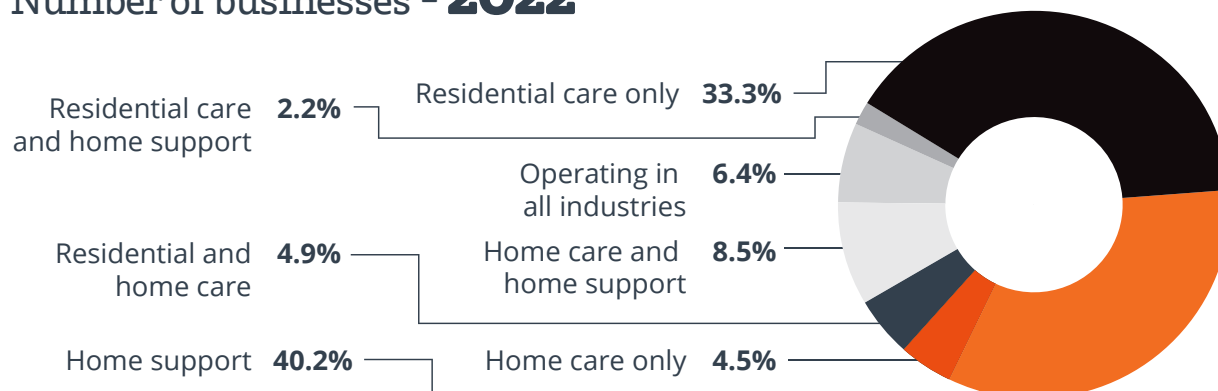
Industry revenue
\$21.5 billion



Number of employees
366,027



Number of businesses - 2022



Source: ACFA 2017

Aged Care customers

In the year to June 2017 within the residential aged care sector:



Despite residential care accounting for 80.9% of industry revenue, the sector services just 18.8% of aged care customers.

Total aged care customers: **1.3 m**

Home support **925,432**

Home care **88,875**

Residential care **234,931**

What's driving industry growth?

The number of Australians over the age of 70 as a percentage of the national population is growing.



Australians over the age of 70

8.9%
(2012)  **9.6%**
(2017)

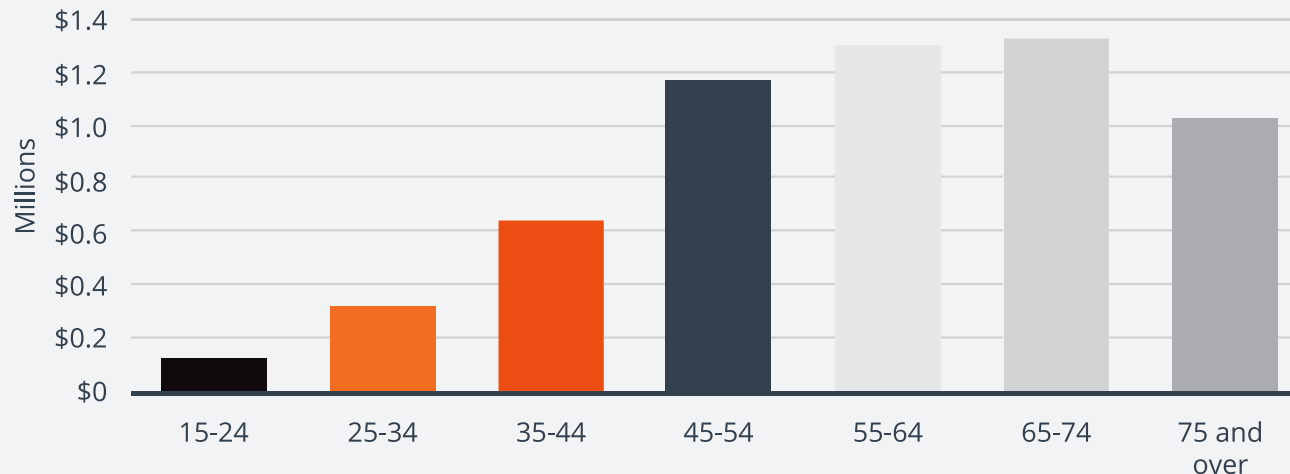


Western Australians over the age of 70

7.6%
(2012)  **8.0%**
(2017)

Australians aged between 65-74 have the highest average net worth across all age groups of Australia of \$1,329,000. Large wealth among the Baby Boomers has driven strong demand for luxury residential offerings, which is likely to continue as those aged 55-64 move into retirement.

Wealth by age (2015 - 16)



Source: ABS 6523

Government expenditure on Aged Care

Aged care revenue is highly dependent on government expenditure. Government expenditure accounts for 75.3% of aged care revenue nationally. The federal government's contribution to aged care continues to increase, reaching an estimated \$17.5 billion in the year to June 2017.

Government expenditure up

8.0%

in the year to June 2017.

Government expenditure forecast to rise by

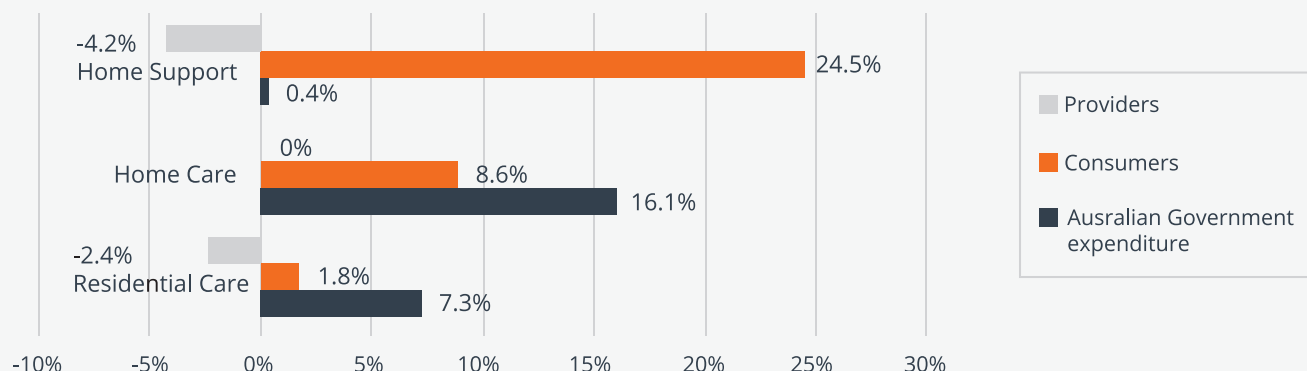
18.9%

in the three years to June 2020.

Spotlight on Australia

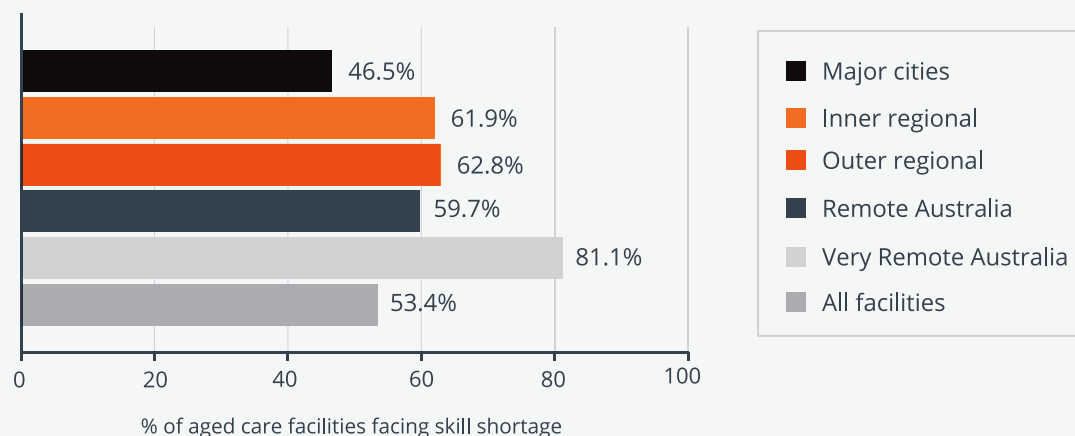
Demand for aged care is growing across the board, however demand for home care and support is growing at a faster rate. The number of aged care customers using home care and home support rose by 8.6% and 24.5% respectively in the year to June 2016. This growth follows a 12.5% increase in government funding of home support the previous year.

Growth in providers, places and Australian Government Expenditure (2015-16)



Regional aged care providers face different challenges to those operating in metropolitan areas. The more remote the aged care facility, the more likely they are to be facing a skill shortage.

Skill Shortage



Innovation

Residential aged care providers are building creative residential care facilities to accommodate a more discerning customer base. Australia's first dementia village, scheduled for completion late 2019, is being built by Glenview Community Services in the Tasmanian suburb of Glenorchy.

Other innovative residential care facilities include:



Lifestyle communities



Small house living



Farm based villages



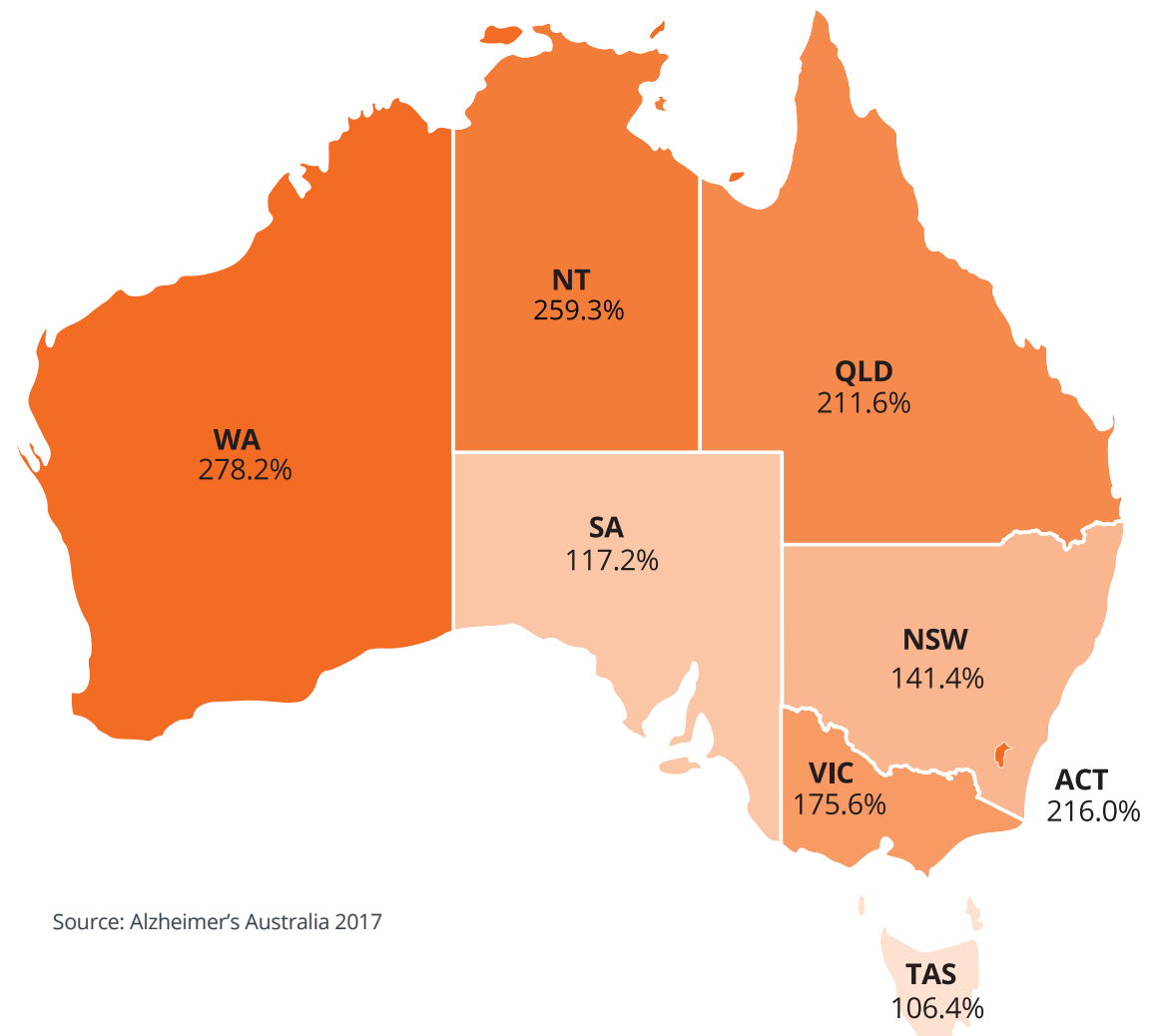
Shared living arrangements



Spotlight on Western Australia

Western Australia is forecast to see the greatest increase in dementia prevalence nationwide in the next 40 years. Rising dementia incidence has implications for aged care providers as they adjust their services to market directly to ageing Australians.

Projected increase in dementia (2016-2056)



Source: Alzheimer's Australia 2017

Western Australian aged care provider Brightwater was the first in Australia to introduce robotic technology into its aged care dementia facilities in 2015. A study released by Brightwater in 2017 found that humanoid robots influenced and encouraged social engagement for residents, while staff attitudes become more positive as they grew more familiar with the robots.

What does the future hold?

Strong wealth and a growing proportion of Australians approaching retirement age will see the delivery of more luxury residential aged care offerings. Approvals for aged care providers to charge more than the \$550,000 threshold for a refundable accommodation deposit (RAD) increased in the 12 months to June 2017.

In Perth's metropolitan area, refundable accommodation deposits are as high as \$1.25 million for a deluxe bedroom suite in Berrington's Subiaco facility.

Highest RAD in Perth Metropolitan area (December 2017)

Facility	Suburb	Postcode	State	Max-Rad*	Number of rooms
 Berrington Subiaco	Jolimont	6014	WA	\$1,250,000	110
 Regis North Fremantle	North Fremantle	6159	WA	\$1,218,000	1
 Rosewood Leederville	Leederville	6007	WA	\$1,200,000	22
 Mercy Place Mont Clare ¹	Claremont	6010	WA	\$1,125,000	2
 Opal Applecross	Applecross	6153	WA	\$1,100,000	7
 Opal Murdoch	Murdoch	6163	WA	\$900,000	6
 Mercy Place Mont Clare ²	Claremont	6010	WA	\$850,000	16
 Balmoral Aged Care	Como	6152	WA	\$850,000	18
 Bethanie Gwelup	Gwelup	6018	WA	\$800,000	1
 Braemar Cooina	Willagee	6156	WA	\$695,000	20

Source: Department of Health 2017

* Only the highest priced RAD for each service provider has been included.



- 1 Premium Executive Suite
- 2 Executive Suite

Dementia growth

Dementia rates have risen over the last 10 years to be the second leading cause of death among all Australian deaths. Aged care providers will need to ensure facilities and services can accommodate the higher care needs of dementia patients.

Increase in deaths due to disease (2011-2016)

Cause of death	2016	Increase 2011-2016
Ischaemic heart diseases	19,077	-11.4%
Dementia, including Alzheimer's disease	13,126	33.1%
Cerebrovascular diseases	10,451	-7.1%
Malignant neoplasm of trachea, bronchus and lung	8,410	3.6%
Chronic lower respiratory diseases	8,048	22.6%

Source: Department of Health 2017

The greatest challenge for aged care providers operating in the home care sector is the 101,508³ consumer queue for home care packages as of September 2017.

What challenges does the industry face?

The deregulation of the aged care industry has created strategic challenges for aged care providers. These include:



Contract compliance



More discerning customers



Managing home care package bottlenecks

What skills are most required from Australia's aged care workforce?

Dementia care training has been identified as the most needed area of training in both home care and residential care by members of the aged care workforce. The federal government plans to develop a nationally consistent dementia training program to streamline aged care workforce training.

Areas of training identified as most needed over next 12 months for the residential care workforce

	Registered nurses	Personal care attendants	Allied health workers
Home care/support	51.3%	63.3%	68.1%
Residential care	41.8%	61.0%	46.7%

Source: Aged Care Workforce Census 2016

Reductions in fringe benefit concessions to \$5,000 will place greater pressure on not-for-profit aged care facilities training and retaining staff. Working in aged care is sometimes seen as a stepping stone to other workplace opportunities.

Where do the opportunities lie?

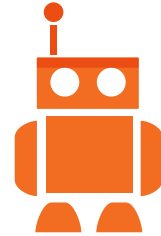
Loneliness and isolation are significant challenges facing aged care facilities in ensuring the well-being of their residents. The creation and testing of robotics in aged care is paving the way for their introduction within residential aged care facilities nationally. A study from the University of Sydney found:

67%

of staff members thought robotics would be beneficial to aged care (5% said no)



Technical difficulties such as voice recognition and technical failures remain a problem



Robotics have the capacity to increase engagement levels with aged care customers

The prevalence of dementia across Australia is projected to increase by 88.8% in the 20 years to June 2037. This will require changes in:



Service delivery



Staff training



Facilities



Home care model adaptation

Opportunities exist for aged care facilities that are quick to adapt their service models to be more customer-centric.

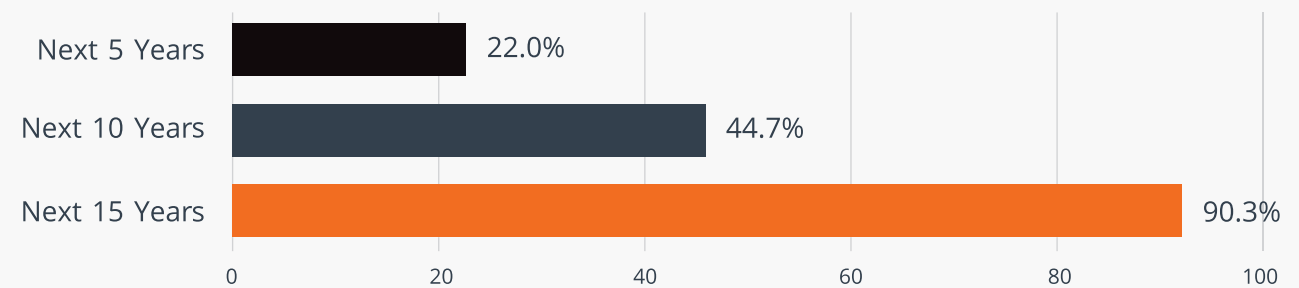




Forecasted industry growth

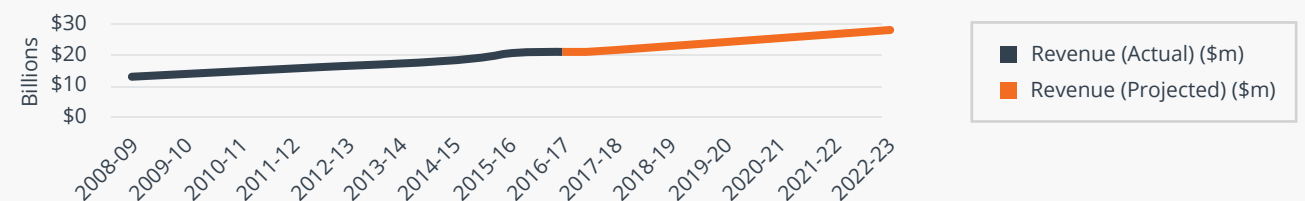
Australia's population over the age of 70 is projected to increase by 90.3% in the next 20 years to just over 4.5 million.

Increase in population over 70 in Australia



Australia's ageing population, the rising incidence of dementia and the level of wealth among those aged 55 and over will increase industry revenue by 24.5% in the five years to June 2022 with an annualised growth rate of 4.5%.

Residential aged care services revenue projections (2017-2023)





Sources

Australian Government Aged Care Financing Authority, Fifth report on the Funding and Financing of the Aged Care Sector July 2017, Canberra, 2017

Australian Government Department of Health. Commonwealth Home Support Program, Canberra, 2017

Australian Government Department of Health, Services and places in aged care GEN extract, Canberra, 2017

Australian Bureau of Statistics 3222.0 (November 2013), Population Projections Australia 2012 (base) to 2101, Population Projections Fact Sheet, available at: [http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/3222.02012%20\(base\)%20to%202101](http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/3222.02012%20(base)%20to%202101)

Australian Bureau of Statistics 6523.0 (September 2017), Household Income and Wealth, Australia, Household Income and Income Distribution, Australia 2015-16, available at: <http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/6523.02015-16>

Australian Government Department of Health. Home Care Packages Program Data Report, September 2017

Australian Government Institute of Health and Welfare. Aged Care Service Information, available at Home Care Packages Information, December 2017

Aged Care Residential Services in Australia, IBISWorld, September 2017

Brown, L., Hansnata, E., and Hai A L. Economic cost of Dementia in Australia. NATSEM at the Institute for Governance and Policy Analysis. University of Canberra Australia, 2017

Cognitive Decline Partner Center. Understanding the Impact of Socialisation Robots on the Social Engagement of Older Adults with Cognitive Decline. Perth, June 2017

Mavromaras, K., Knight, G., Isherwood, L., Crettenden, A., Flavel, J., Moskos, M., Smith, L., Walton, H., Wei, Z. The Aged Care Workforce. Australian Government Department of Health, March 2017



At Bankwest, we know that Business Banking is about more than just financial solutions.

We provide banking solutions to many of Australia's leading businesses, including those in aged care. Whether you require straightforward banking or a more customised solution, our team of experienced banking specialists can help.

Speak to one of our Business Banking Specialists today. Call us on 13 7000.

The information contained in this report is of a general nature and is not intended to be nor should be considered as professional advice. You should not act on the basis of anything contained in this report without first obtaining specific professional advice. To the extent permitted by law, Bankwest, a division of Commonwealth Bank of Australia ABN 48 123 123 124 AFSL/Australian credit licence 234945, its related bodies corporate, employees and contractors accepts no liability or responsibility to any persons for any loss which may be incurred or suffered as a result of acting on or refraining from acting as a result of anything contained in this report.



FOR BUSINESS