Bankwest Future of Business: Focus on Aged Care

2019 release

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FOR BUSINESS

Contents

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, summarising trends based on statistics from IBIS World, the Australian Bureau of Statistics and other reputable sources.

Australia's aged care sector continued to grapple with the shift to a consumer-directed care environment in 2018 and more recently the Royal Commission into Aged Care Quality and Safety. However, recent government announcements give reason for optimism.

The growing trend towards home care continues, with government spending across home care services increasing by 32.3% and package recipients rising by 28.9% in the year to June 2018. Home care is also playing a more significant role for those with higher care needs in Western Australia, with more than half of home care recipients (53.6%) receiving a higher level 3 or 4 package.[1]

In WA, higher occupancy rates of 93.2% relative to the national average of 90.3% bodes well for those looking to invest in residential aged care.[2] In Perth, the metropolitan north aged care planning region experienced a 13.9% increase in the number of residential places over the year to June 2018, the highest across all metropolitan areas in Perth.

Taking into account housing prices and population, WA boasts one of the largest markets for luxury residential care accommodation. Overall, approvals for residential places to be priced above the maximum Refundable Accommodation Deposit (RAD) cap grew by 65.6% in the year to June 2018. The highest RAD selling price in WA, at $1.6 million, is in West Perth. The 10 highest priced residential facilities in WA are spread throughout Perth's metropolitan area.[3]

The growth in home care looks set to continue as providers compete for a stake in the industry. The trialling of new staffing arrangements, possible allocation of residential care places to consumers, and ongoing inquiry into the sector mean businesses will need to be dynamic and responsive to industry changes. Consolidation is also likely as providers use mergers and acquisitions to build efficiency through scale.

The additional release of 10,000 home care packages and the allocation of a $320 million government funding boost to residential care is welcome news for the industry. The new packages help alleviate the pressure on providers as more than 100,000 people are waiting for their approved home care package. Looking ahead, residential aged care revenue is forecast to grow by 24.0% in the five years to June 2023[4], while home care is also forecast to grow as Australia's population ages.

[1] Productivity Commission 2019
[2] Productivity Commission 2019
[3] Department of Health 2019
[4] IBIS 2018

Industry overview

More than 1.3 million Australians received aged care services in the year to June 2018, driving growth in the $22 billion industry. While broad sector growth continues, so does the trend towards home care and support, with more than half (65.1%) of aged care consumers accessing home support.[5]

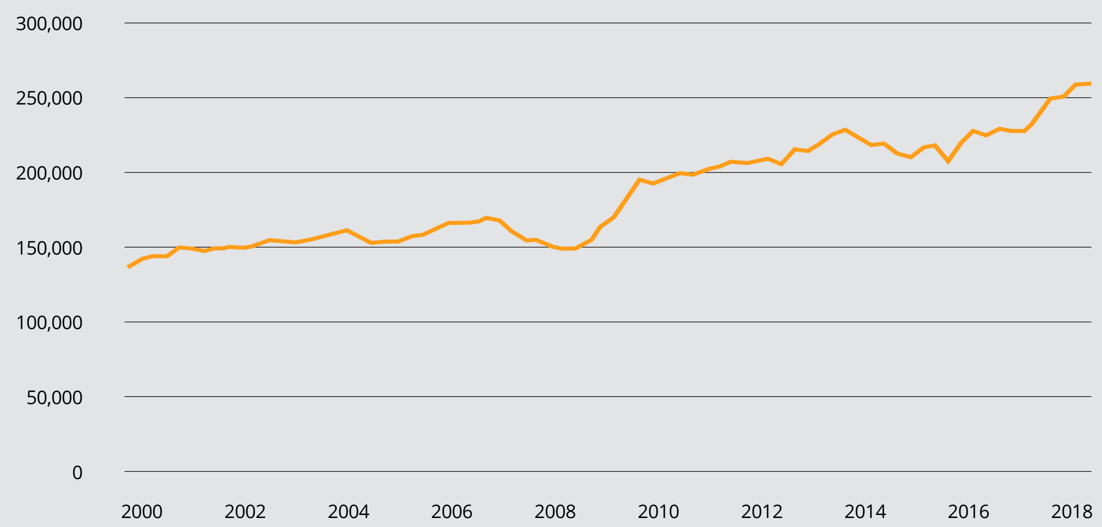
Drivers of industry growth*:

Government expenditure	↑ **4.7%** to $18.4 billion
Australia's population 70 & over	↑ **4.3%** to $2.7million
Residential places	↑ **1.4%** to 207,142
Home care places	↑ **28.6%** to 91,847

*Year to June 2018

Residential providers are focused on meeting staffing requirements in light of recent government inquiries. Employment in residential care services rose by 9.7% in the year to November 2018, to 259,674.[6]

Residential aged care employment, 2000-2018



Source: ABS 6291

[5]Productivity Commission 2019
[6]ABS 6291

Home care vs residential care

The less expensive home care packages are driving higher consumer contributions in home care relative to residential care, rising 78.6% and 18.4% respectively, in the four years to June 2017. Government funding and evolving consumer preferences are also seeing an increase in home care services offered and attracting more providers to the sector.

Number of providers

Home care:	**39.3%**
Residential care:	**-12.8%**

Number of consumers

Home care:	**17.6%**
Residential care:	**5.9%**

Consumer contribution

Home care:	**78.6%**
Residential care:	**18.4%**

Source: ACFA 2018

Australia's aged care workforce

Recent inquiries and reports have highlighted impending shortages and issues in retaining experienced and qualified staff in the aged care sector. The Royal Commission into Aged Care Quality and Safety and the establishment of the Aged Care Workforce Strategy Taskforce aim to probe and solve these problems.

The top three things that would prompt an employee to leave:[7]

44% Dissatisfaction with the direction the aged care industry is moving in

38% Better pay

36% A less stressful job

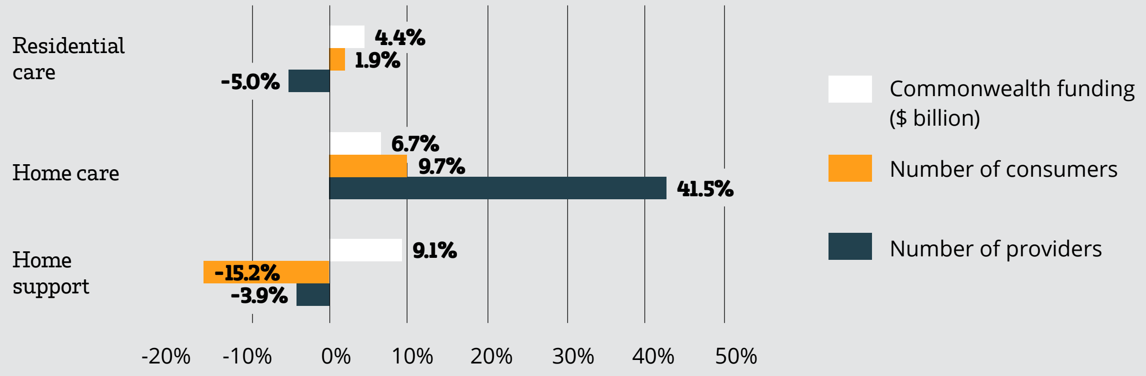
Across Australia, residential occupancy rates declined to 90.3%, the lowest level in 10 years. The decline suggests that providers are preparing for the nation's future need for residential care capacity to cope with population ageing. Despite the national decline, WA occupancy rates remain relatively healthy at 93.2% and well above the national average.

[7] Aged Care Strategy Workforce Strategy Taskforce 2018

Spotlight on Australia

The home care market continues to grow significantly following the government's deregulation of home care packages. The number of home care providers increased by 41.5% in the year to June 2017, while the number of residential and home support providers declined by 5.0% and 3.9% respectively.

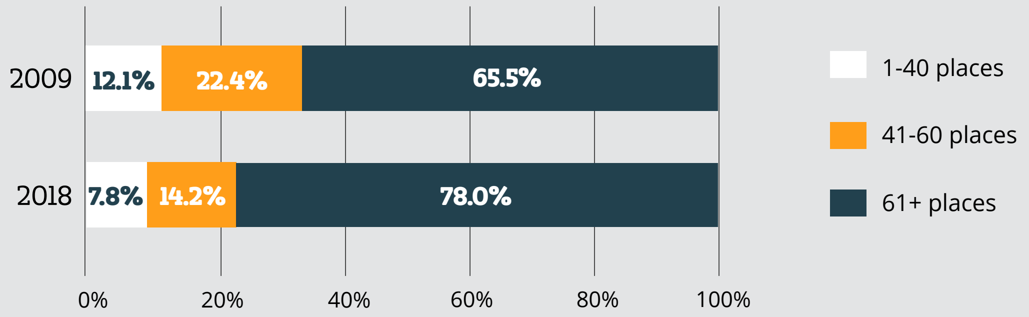
Changes in funding, consumers and providers by type of care, 2016-17



Source: ACFA 2018

The trend towards industry consolidation is evident in the increase in proportion of services with 61 or more places, rising to 78.0% in the year to June 2018, up from 65.5% in mid-2009

Operational places by service size, 2009 vs 2018



Source: Productivity Commission 2019

Spotlight on Western Australia

WA has the least number of residential care places relative to its over 70 population of any state. The low number of places and relatively high occupancy rates have caused greater reliance on higher level 3 and 4 packages. WA is the only state with more than half of home care package recipients receiving higher care packages.

Relative to every 1,000 people aged 70 and over, WA has:[8]

WA	National	
63.8	75.9	The least residential aged care places*
53.3	61.5	The least amount of residential care recipients*
53.6%	38.7%	The highest proportion of higher-level home care package recipients
20.8%	16.9%	The second highest proportion of for-profit home care packages

*Per 1,000 Australians aged 70 and over

Government expenditure in Western Australian aged care increased by 6.3% in the year to June 2018. This was driven by rises in funding for:[9]

Home care packages	↑ 32.4% to $254.0 million
Transition care program	↑ 35.4% to $28.3 million
Veteran affairs assistance	↑ 13.1% to $21.3 million

[8]Department of Health 2019
[9]Productivity Commission 2019

Western Australia had 896 rooms approved to be priced above the Refundable Accommodation Deposit cap of $550,000 in the year to June 2018, the third highest in the nation behind New South Wales and Victoria.[10]

[10]Aged Care Pricing Commissioner 2018

WA home care providers

The number of WA home care providers grew by 13.5% in the year to September 2018[11] to 151. Growth across the Perth metropolitan area was above the state average at 17.1% during the same period.

Changes in number of providers by Perth metro region:

Metro south east
31.3%

Metro south west
28.6%

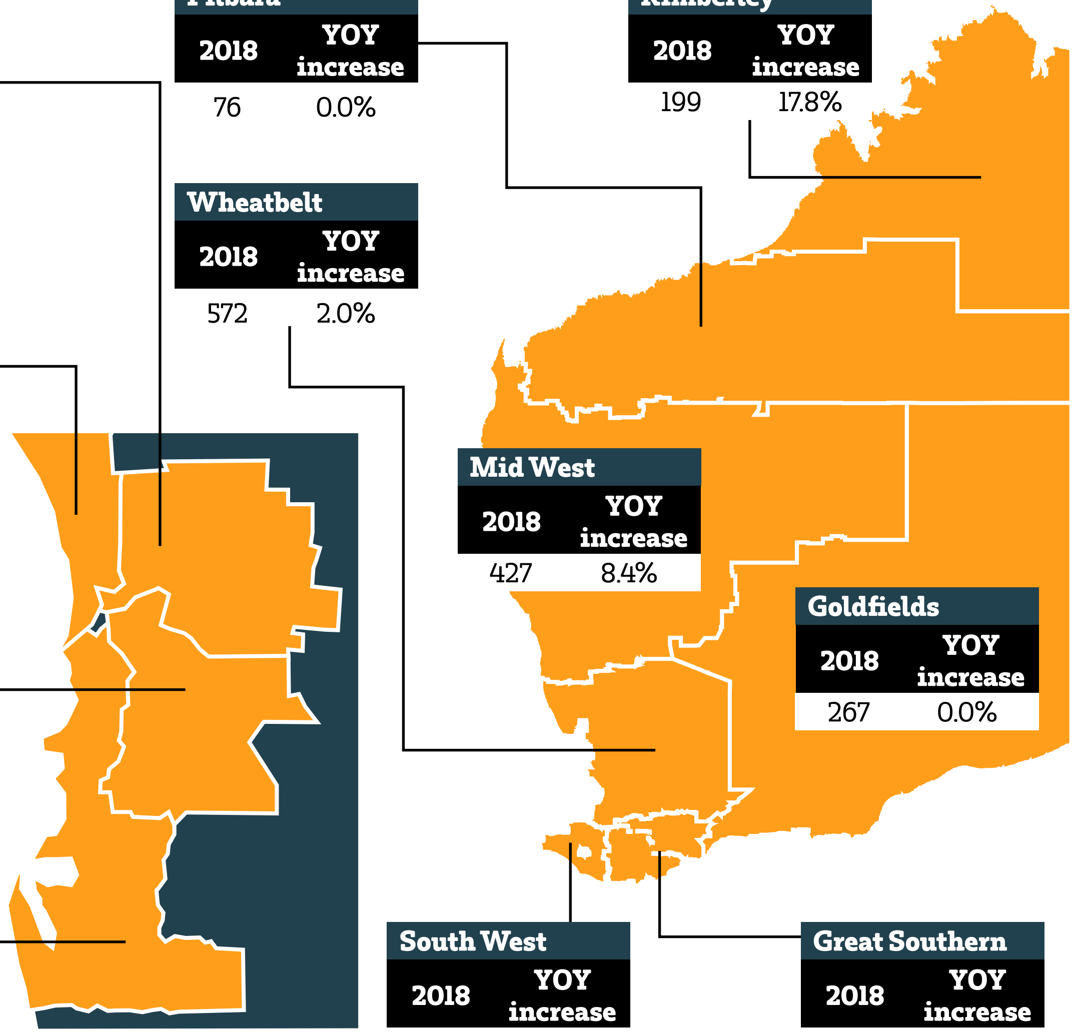
Metro north
11.5%

Metro east
7.7%

[11]Department of Health 2019

WA aged care beds

The number of residential places increased by 5.4% across WA in the year to June 2018, considerably higher than the 1.4% national average. Perth's metropolitan north saw the largest increase in residential places across the Perth metropolitan area, growing by 13.9% to 4,625.



	2018	YOY increase
Metropolitan East	2,531	5.0%
Metropolitan North	4,625	13.9%
Metropolitan South East	3,335	3.2%
Metropolitan South West	3,699	0.6%
Pilbara	76	0.0%
Wheatbelt	572	2.0%
Kimberley	199	17.8%
Mid West	427	8.4%
Goldfields	267	0.0%
South West	1,237	1.6%
Great Southern	515	0.2%

Source: Department of Health 2019

What does the future hold?

Residential care facilities are bringing more luxury accommodation to the market. Approvals for WA aged care residential places to charge more than the $550,000 threshold for a refundable accommodation deposit (RAD) increased by 65.6% to 2,261 in the year to June 2018.[12] In Perth's metropolitan area, refundable accommodation deposits fetch as high as $1.6 million for a penthouse suite in The Richardson's West Perth facility.

Highest RAD in Perth metropolitan area, December 2018

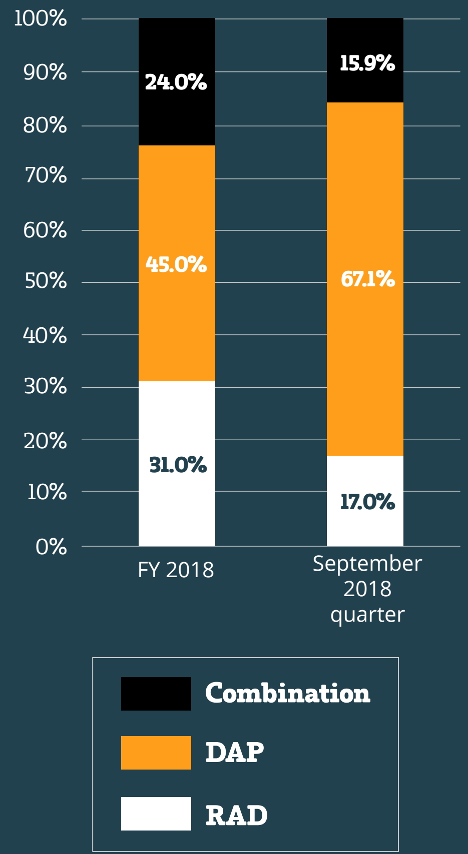
Facility		Suburb	Max RAD
The Richardson West Perth	1	WEST PERTH	$1,600,000
Regis Park	2	NEDLANDS	$1,400,000
Berrington Subiaco	3	JOLIMONT	$1,250,000
Regis Port Coogee	4	NORTH COOGEE	$1,250,000
Rosewood Care Leederville	5	LEEDERVILLE	$1,200,000
Regis North Fremantle	6	NORTH FREMANTLE	$1,200,000
Mercy Place Mont Clare	7	CLAREMONT	$1,125,000
Opal Applecross	8	APPLECROSS	$1,100,000
Opal Carine	9	CARINE	$1,100,000
Aegis Montgomery	10	MOUNT CLAREMONT	$950,000

Source: Department of Health 2019

[12]Aged Care Pricing Commissioner 2018

From RADs to DAPs

Across Australia, the proportion of new accommodation payments being made through Refundable Accommodation Deposits has shrunk to 17.0% in the September 2018 quarter, from 31.0% in the 2017/18 financial year.



Source: Stewart Brown 2018

Skill shortages and ratios a concern

Aged care facilities are substituting personal care workers for the more qualified, enrolled and registered nurses. The actual number of enrolled nurses employed is 69.1% below the estimated full-time-equivalent (FTE) staff required as at the 2016 census.

↓ Registered nurses **14.7%**

↓ Enrolled nurses **69.1%**

↑ Personal care workers **31.0%**

Source: Bankwest Curtin Economics Centre 2018

What challenges does the industry face?

Residential and home care come with their own distinct challenges due to funding arrangements, placement allocations and consumer preferences. More than two in five (41.4%) residential care providers are operating at a loss in the September quarter[13], as freezing of the Aged Care Funding Instrument continues.

Meanwhile, despite a 28.9% increase in home care package recipients in the year to June 2018[14], home care providers are still constrained by the queue of more than 100,000 Australians waiting for their allocated home care package.

Recent government inquiries are also creating unique challenges for providers including:

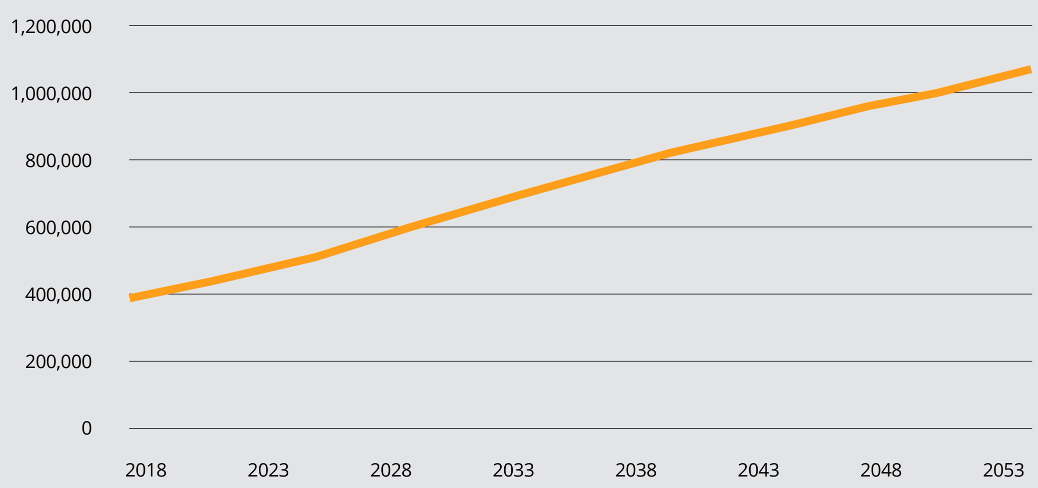
- Managing reputation and brand
- Adjusting staffing ratios to more qualified staff
- Dealing with concerns from aged care consumers

[13]Stewart Brown 2018
[14]Productivity Commission 2019

Where do the opportunities lie?

Opportunities exist for aged care providers to specialise in higher-level care such as dementia. Dementia prevalence in Australians aged 65 and over is forecast to grow by 41.6% in the 10 years to June 2028. The recent trend has been acknowledged by the newly established Aged Care Taskforce, and the emergence of new, specialised providers in both home and residential care.

Forecast dementia prevalence in Australians aged 65 and over, 2018-2053



Source: Alzheimer's Australia 2018

Future opportunities include:

- Train and educate employees
- Consult providers on the needs of those with dementia
- Provide specialised services catering to dementia-affected clients

How can providers leverage people and technology?

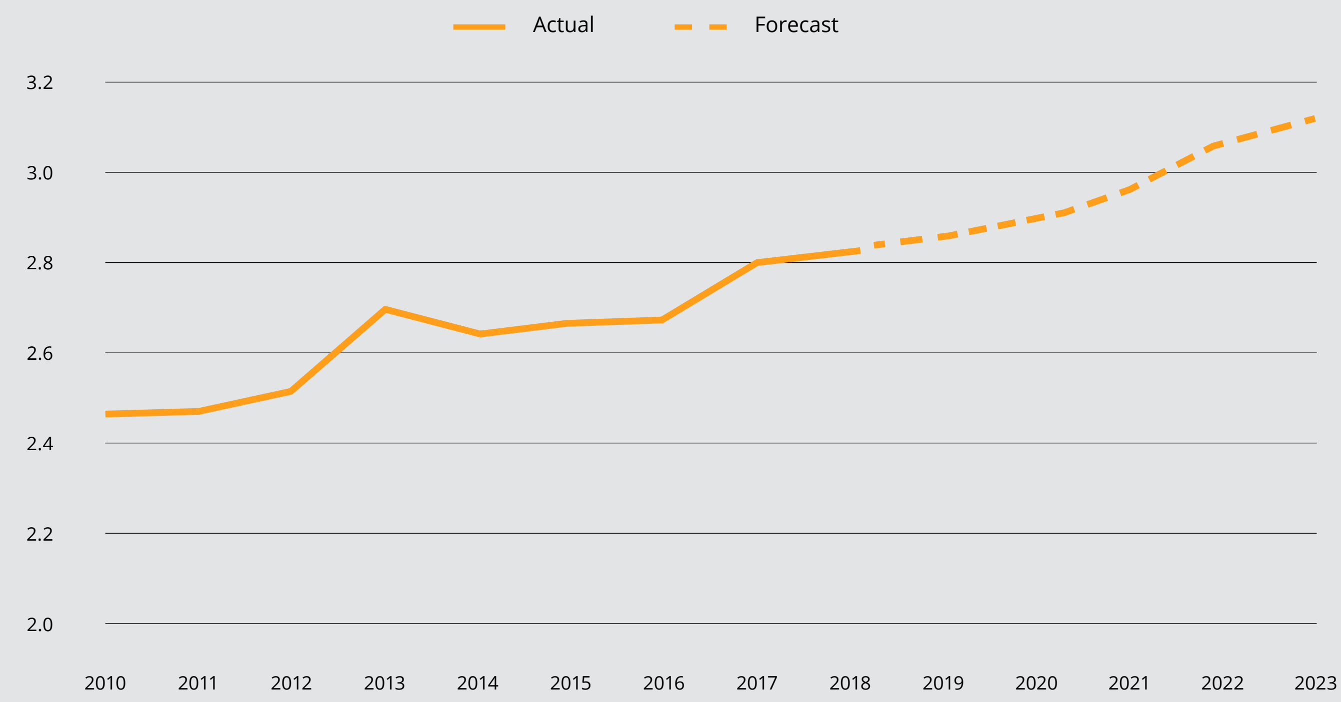
- Provide clear career pathways and incentives to retain experienced and trained staff
- Integrate new technologies (i.e. sensory, information management and health tracking technology) efficiently and effectively
- Build partnerships to leverage technology and people with specialist qualifications

Forecasted industry growth

Australia's residential care sector is forecast to see revenue grow by 24.0% over the next five years.[16] Over the next 10 years, Western Australia's population aged 85 and over is expected to grow by 43.3%, above the national average of 31.4% growth.[17]

Consolidation is expected to continue, with the number of establishments per provider rising by 9.5% in the five years to June 2023, in line with the declining number of providers during the period.

Establishments per provider, 2010-2023



Source: IBIS 2018

The Australian government has budgeted to boost aged care funding by 19.4% to $22.2 billion over the next three years.[15]

[15] ACFA 2018

[16] IBIS 2018
[17] ABS 3220

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