Bankwest Future of Business: Focus on Aged Care

2019 release
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.

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. 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.

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, while home care is also forecast to grow as Australia’s population ages.

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1Productivity Commission 2019
2Department of Health 2019
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*:

<table>
<thead>
<tr>
<th>Government expenditure</th>
<th>Residential places</th>
<th>Australia's population 70 &amp; over</th>
<th>Home care places</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>↑ 4.7% to $18.4 billion</td>
<td>↑ 1.4% to 207,142</td>
<td>↑ 4.3% to $2.7 million</td>
</tr>
</tbody>
</table>

*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

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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
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

Operational places by service size, 2009 vs 2018

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.

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

- Dissatisfaction with the direction the aged care industry is moving in (44%)
- Better pay (38%)
- A less stressful job (36%)

Source: Productivity Commission 2019

Source: ACFA 2018

Aged Care Strategy Workforce Strategy Taskforce 2018
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:

<table>
<thead>
<tr>
<th>Relative</th>
<th>WA</th>
<th>National</th>
</tr>
</thead>
<tbody>
<tr>
<td>The least residential aged care places*</td>
<td>63.8</td>
<td>75.9</td>
</tr>
<tr>
<td>The least amount of residential care recipients*</td>
<td>53.3</td>
<td>61.5</td>
</tr>
<tr>
<td>The highest proportion of higher-level home care package recipients</td>
<td>53.6%</td>
<td>38.7%</td>
</tr>
<tr>
<td>The second highest proportion of for-profit home care packages</td>
<td>20.8%</td>
<td>16.9%</td>
</tr>
</tbody>
</table>

*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:

- **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

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.

**Sources:**
- Department of Health 2019
- Productivity Commission 2019
- 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\(^\text{\textsuperscript{11}}\) 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: \textbf{31.3%}
- Metro south west: \textbf{28.6%}
- Metro north: \textbf{11.5%}
- Metro east: \textbf{7.7%}

\(^\text{11}\) 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. 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

<table>
<thead>
<tr>
<th>Facility</th>
<th>Suburb</th>
<th>Max RAD</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Richardson West Perth</td>
<td>WEST PERTH</td>
<td>$1,600,000</td>
</tr>
<tr>
<td>Regis Park</td>
<td>NEDLANDS</td>
<td>$1,400,000</td>
</tr>
<tr>
<td>Berrington Subiaco</td>
<td>JOLIMONT</td>
<td>$1,250,000</td>
</tr>
<tr>
<td>Regis Port Coogee</td>
<td>NORTH COOGEE</td>
<td>$1,250,000</td>
</tr>
<tr>
<td>Rosewood Care Leederville</td>
<td>LEEDEVILLE</td>
<td>$1,200,000</td>
</tr>
<tr>
<td>Regis North Fremantle</td>
<td>NORTH FREMANTLE</td>
<td>$1,200,000</td>
</tr>
<tr>
<td>Mercy Place Mont Clare</td>
<td>CLAREMONT</td>
<td>$1,125,000</td>
</tr>
<tr>
<td>Opal Applecross</td>
<td>APPLECROSS</td>
<td>$1,100,000</td>
</tr>
<tr>
<td>Opal Carine</td>
<td>CARINE</td>
<td>$1,100,000</td>
</tr>
<tr>
<td>Aegis Montgomery</td>
<td>MOUNT CLAREMONT</td>
<td>$950,000</td>
</tr>
</tbody>
</table>

Source: Department of Health 2019

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
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

Future opportunities include:

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

Source: Alzheimer’s Australia 2018

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. 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.

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.
Sources


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