

THE BOARD PACK FY22 - Q3 ELECTION ISSUE

Your quarterly snapshot of what's happened in the aged care sector and what it means for your organisation.

Operations & Compliance



Providers in Australia are currently delivering an average of 178 care minutes per resident per day. This falls short of the 200 minute average that will be mandated from October 2023. Under Labor, this increases to 215 minutes from October 2024.



The most frequent non-compliances remain under Standards 2, 3 and 8 in HC, and Standards 3, 7 and 8 in RAC with improvement in Standard 2 compliance.

Funding & Financing



EBITDAR performance continues to deteriorate across the sector. Average EBITDA for a RAC provider is ~\$3,700 PRPA and ~\$1,800 PCPA in home care.



Further details around the AN-ACC funding model and its roll-out have been revealed. The AN-ACC starting price is \$216.80 for 2022-23.

Regulation & Reform



The Department of Health consultation process for the development of a new regulatory framework continues from May to July 2022.



The second Aged Care Bill has lapsed. A new Bill will need to be passed under the newly elected Labor Government.

Workforce

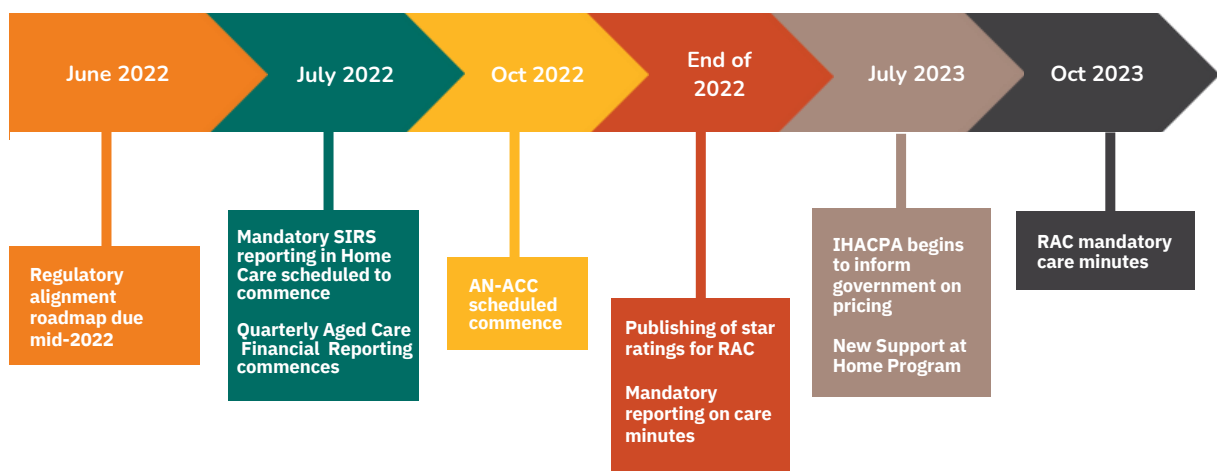


Hearings for the Work Value Case seeking a 25% increase in wages to the minimum awards commenced. Labor has committed to funding the outcome.



10,000 aged care workers across QLD and WA went on strike on 10 May 2022 due to the poor pay and working conditions, impacting almost 10,000 residents over 120 homes.

Other & Key Upcoming Changes



OPERATIONS & COMPLIANCE

TOPIC	SUMMARY	ACTIONS
CARE MINUTES	From October 2021, providers have been required to report on care staffing minutes at the facility level as part of the Aged Care Financial Report (ACFR). From October 2022, reporting on care minutes will move to a quarterly basis and will be included as part of the new Quarterly Financial Report (QFR). Furthermore, from October 2023 providers will be required to meet a mandatory care time standard of 200 minutes per resident per day (average). This will increase to 215 minutes by 2024 under Labor. Industry trends show that as of December 2021, homes across Australia are delivering an average of 178.22 care minutes per resident per day. Workforce shortages and declining financial performance create challenging conditions to meet the mandated minimums. Failure to meet these from October 2023 will have implications on compliance as well as the home's 'star rating', with the system being implemented in late 2022. Please refer to our 200 Care Minutes Article for further details.	Assess: How are you prepared to meet the mandated care minutes from next year in an environment where it is difficult to attract staff? Do you have the existing systems and processes to meet the additional reporting requirements? Ask: Are your operations dependent on key personnel or is there a systems-focussed approach?
QUALITY INDICATOR TRENDS	The latest December 2021 Residential Aged Care Quality Indicators Report showed the following trends: • The prevalence of pressure injuries has remained steady. • A reduction in the prevalence of restraints. • Unplanned weight loss has increased slightly. Early data on the new quality indicators (coming into effect on 1 July 2022) indicates: • Falls prevalence has remained steady. • A reduction in the proportion of residents prescribed 9 or more medications. • A reduction in the proportion of residents who received an anti-psychotic medication.	Ask: How are these indicators reported, measured, and monitored across your organisation? Are you measuring the new quality indicators? What frameworks are in place to support trend analysis and critical thinking regarding the indicators?

OPERATIONS & COMPLIANCE (CONT.)

TOPIC	SUMMARY	ACTIONS
SECTOR PERFORMANCE REPORTS	The <u>latest sector performance report (1 Oct – 31 Dec 21)</u> showed the following trends: Residential Aged Care: The Commission received 8 applications to become an approved provider of Residential Aged Care and only 2 of these were approved. The Commission conducted 127 RAC assessments and audits and found 86 services non-compliant (68% of services assessed). Non-compliances in Standards 3, 7 and 8 remain the most prevalent, however non-compliances in Standard 2 have decreased significantly. Of consumer complaints, the top complaint issue was personnel number/sufficiency. Home Care: In the past quarter the Commission received 227 applications to become an approved provider of home care, a 550% increase from last quarter. Only 4 were successful. Of 83 assessments and audits, 11 home care services were found to be non-compliant, most commonly in Standards 2, 3 and 8.	Ask: How many of your services are due for re-accreditation in the next year? How do you monitor and respond to your consumer complaints? With the new star rating system, monitoring satisfaction levels will become more important. Discuss: What plans are in place to undertake mock audits/reviews prior to re-accreditation?

Upcoming:

- New and revised quality indicators (falls and major injury and medication management) from 1 July 2022
- Pilot Monthly Care Statements program for resident in residential aged care from 1 July 2022
- Serious Incident Reporting Scheme (SIRS) expanded to in-home services from 1 July 2022*

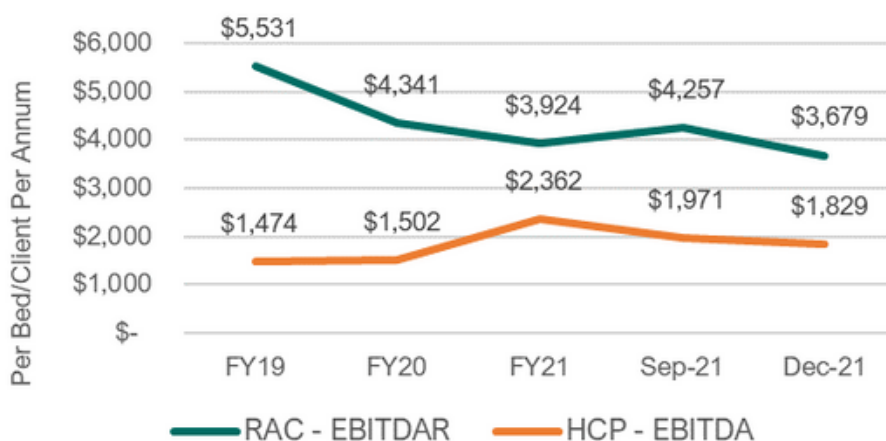
*pending the new Bill being passed

FUNDING & FINANCING



INDUSTRY EBITDA TRENDS

Average EBITDAR PRPA for RAC providers have deteriorated between Q1 and Q2 FY2022. Management of staffing and COVID-19 outbreaks have been key drivers. Home care financial performance has slightly decreased since the previous quarter.



Source: StewartBrown September 2021

ACTIONS

Assess:

Has your performance been consistent with, or worse than the trends highlighted in the survey results?

Have you assessed your staffing/agency, head office and other administrative expenses against industry levels?

TOPIC	SUMMARY	ACTIONS
AN-ACC	The Department has continued to release additional information around the AN-ACC care funding model and its roll-out on 1 October 2022. Key points for this quarter: - AN-ACC starting price is \$216.80 for 2022-23, incorporating the funding elements such as the current ACFI basic subsidy, indexation, homeless and viability supplement, \$10 per resident per day 2021 Basic Daily Fee supplement, and care minute funding uplift. - Guidance on how AN-ACC funding is calculated with publishing of the Base Care Tariffs. - A Transition Support Plan has been released with the AN-ACC Transition Fund expected to be open for applications in July. - Shadow assessments for all residential aged care services are expected to be completed by June 2022. Results for already completed assessments have been released here.	Assess: Have you estimated your AN-ACC funding levels based on your current resident mix and shadow assessments (if completed)?
FEDERAL BUDGET 21-22	The Morrison Government announced further investment of \$522 million in aged care through the Federal Budget 2022-23. Key elements of this funding include: \$345.7 million to improve medication management systems at facilities. \$48.5 million towards additional training places for personal care workers. \$20.1 million of additional funds to AN-ACC Transition Fund (now \$78.4) for first two years of new funding model. \$21.1 million to support a surge workforce for the Aged Care Quality and Safety Commission with audits. \$5.4 million towards consultation and development of new Support at Home regulatory framework. \$6.1 million rollout of regionally focused Department of Health staff in Primary Health networks.	Monitor: No action required at this stage

Upcoming:

- Quarterly Aged Care Financial Reporting commences (July 2022)

REGULATION & REFORM

TOPIC	SUMMARY	ACTIONS
DESIGN OF THE NEW REGULATORY FRAMEWORK FOR AGED CARE	The Department of Health is currently in the consultation stage in the design of a new regulatory framework for the industry. A concept paper was released in February 2022 with a consultation paper stated to be released in March/April 2022. Further consultation on specific structures of the framework is planned from May to July 2022.	Monitor: No action required at this stage.
IN-HOME AGED CARE SERVICES SIRS	The SIRS commenced for residential aged care in 1 April 2021 and from 1 July 2022 will be expanded to include in-home aged care services following consultations undertaken in August 2021. The timelines may be delayed due to Bill no. 2 lapsing.	Prepare: Does your organisation have adequate processes in place to enable SIRS reporting?
BED-READY RESIDENTIAL CARE PLACES	The Department has released a new form for approved RAC providers seeking allocation of new residential care places, that are in a position to provide care here .	Prepare: Are you prepared for the new process to seek places for any new developments?
SECOND AGED CARE BILL NOT PROCEEDING	The Coalition Government and Labor Party agreed to defer the second Aged Care Bill (Aged Care and Other Legislation Amendment (Royal Commission Response No.2) Bill 2021. Following this decision, the Bill lapsed at dissolution on 11 April 2022. This means that a new Bill (in its current or modified form) will need to be introduced and pass both houses to be legislated. It could impact the timeframes to introduce the AN-ACC funding system, SIRS reporting in home care and other areas. This also leaves an opportunity for the new Government to modify the Bill and reforms within it.	Monitor: No action required at this stage.

Upcoming:

- Release of the Support at Home Program service price list (originally expected in March but has been delayed)
- Reporting on service and care minutes in RAC through the Star Rating System (from end of 2022)
- Mandatory care minutes implemented from October 2023 for RAC
- Cessation of ACAR and allocation of RAC funding directly to consumers (1 July 2024)

TOPIC	SUMMARY	ACTIONS
HOME CARE WORKFORCE SUPPORT PROGRAM (VIC AND TAS)	The Home Care Workforce Support Program is an initiative of the Australian Government aimed at strengthening the personal care workforce. The Program will provide funding over two years from 2021-22 for targeted support to assist the aged care sector to increase the size of the personal care workforce. Through a consortium arrangement, the Human Services Skills Organisation will support the rollout of the program in Victoria and Tasmania. This is being rolled out between 2022 and 2024.	Monitor: N/A if you are outside of VIC and TAS. No further action required at this stage.
WORKFORCE STRIKE	Aged care workers in Queensland and Western Australia went on strike for 5 hours on 10 May, impacting 6 providers across over 120 homes and nearly 10,000 residents. Planned strikes in South Australia were delayed from Anglicare and Southern Cross Care's applications to the Fair Work Commission (FWC).	Monitor: No action required at this stage.
WORK VALUE CASE - AGED CARE INDUSTRY	The FWC has commenced hearings into applications brought by the unions to increase award wages for aged care on 26 April 2022. The unions are seeking a 25% increase to wages under the Aged Care Award 2010, the Nurse Award 2010, Community, Home Care and Disability Industry Award. This will cover nurses, personal care workers, recreational activities officers, catering, cleaning, administration and other staff. The newly elected Labor Government has announced it will fund the outcome of this case and supports higher wages for aged care workers.	Monitor: Ongoing monitoring of the outcome.
AGED CARE WORKFORCE BONUS PAYMENT	In February 2022, the Coalition Government announced an aged care workforce bonus of up to \$800 to care and support workers in home care and direct care workers, food preparation workers and cleaners in residential care. Payments were planned to be made in two instalments in February and early May.	Monitor: Ongoing monitoring of the outcome.
AGED CARE WORKFORCE ACTION PLAN 2022-2025	The Coalition Government released a workforce plan outlining their actions across three goals: to grow, upskill and enable an aged care workforce that delivers safe, high quality care that puts senior Australians first. The Government aims to achieve these goals through the delivery of workforce initiatives.	Monitor: No action required at this stage.

Upcoming:

- Decision by FWC on the 25% increase in the minimum award rate
- Introduction of the single assessment workforce (October 2022, to be rolled out with AN-ACC)

TOPIC	SUMMARY	ACTIONS
M&A	Activity in the mergers and acquisition space continues in the third quarter of FY22 with a number of transactions in the retirement living space: - Bethanie acquiring Bert England Lodge from the City of Rockingham (WA) (due for completion by May 2022). - EQT Infrastructure acquires Stockland Retirement living (February 2022). - Aware Super acquires a further 24.9% interest in Lendlease's retirement villages (March 2022). - Resthaven acquires Chiton Retirement Village (February 2022). - Medical & Aged Care Group acquires Grand Cedar Aged Care in Victoria (February 2022). - Continuing Health Care Group purchases Australian Unity's Lifestyle Manor Retirement Community (January 2022).	Discuss: What is your organisation's growth strategy?
REIT	Unlike Australia, Real Estate Investment Trusts (REITs) are one of the largest investors in residential aged care assets in other OECD countries. Heritage LifeCare's recent sale and leaseback of its New Zealand portfolio to Centuria is just one recent international example. We anticipate that the reforms and other sector trends will create an optimal environment for REIT investment in the sector. Likewise, with a decline in Refundable Accommodation Deposit (RAD) uptakes and declining margins, providers will be seeking alternative financing structures to sustain their future.	Discuss: Have you considered alternative capital financing structures for your balance sheet and future developments?
PEAK BODIES	The name of the new unified peak body representing Australia's aged care providers has been unveiled at the 2022 ACSA National Summit: Aged & Community Care Providers Association (ACCPA). 15 board members have been appointed with Dr Graeme Blackman and Cherylee Treloar announced as chair and deputy chair respectively. The Board has appointed current ACSA CEO, Paul Sadler as interim CEO from 1 July 2022.	Monitor: No action required at this stage.
LEADERSHIP	There has been a considerable level of turnover among Executives in aged care. Many of the departing Executives are resigning from their positions before a replacement can be sourced, leaving operators to navigate through this difficult period without stable leadership. This trend is symptomatic of the burn out among workers in the sector due to the challenges posed by the pandemic and ongoing funding pressures. <u>Please refer to our Third Wave article for further details.</u>	Discuss: Is there a succession plan in place at the Executive level? Have you consulted with your Executives to understand the levels of burn out, job satisfaction and some of their key challenges?

2022 ELECTION



The 2022 Federal Election took place on 21 May 2022. The Australian Labor Party won the Election and were sworn into parliament on 23 May 2022. Below are the policies that Labor has promised in relation to aged care:

TOPIC	PROMISED POLICIES
RESIDENTIAL AGED CARE	• 24/7 RNs from 1 July 2023. • 215 minutes of care per resident per day (average) including 44 minutes RN from October 2024. Labor will not change the planned introduction of 200 care minutes in October 2023. • Mandatory aged care food standards.
WORKFORCE	• Labor stated they will fund the outcome of the FWC case to increase staff minimum Award Rates. • Introduce a compulsory registration scheme for care workers. • Require providers to preference a direct employment workforce from January 2023. • Indirect initiatives that support the workforce include: ◦ 465,000 fee-free TAFE places (including 45,000 new TAFE places) which will include aged care certificates. ◦ 20,000 extra university places targeted towards areas with skills shortage (including engineering, nursing, tech, and teaching).
HOME CARE	• Caps on home care administration fees. • Introduce home care fee reporting requirements including the provision of monthly breakdowns of fees and services delivered.)
REGULATION	• Introducing a General Duty of Care for Approved Providers as well civil and criminal penalties which builds on Royal Commission recommendations 101 and 102. • Establish an Aged Care Complaints Commissioner (late 2022). • Give the Aged Care Quality and Safety Commission stronger investigative powers. • Mandatory reporting on care, nutrition, food, staff, profit, maintenance, cleaning, administration and more. • Expenditure and care time to be reported on MyAgedCare.

A GLASS HALF FULL

In 30 years working in this sector, the last 6 years have been the toughest I can remember. From the highs experienced shortly after Living Longer, Living Better, the 2016 Federal Budget cuts cascaded the industry into lows that none of us could have anticipated. A Royal Commission and COVID-19 have added to an almost unmanageable environment for providers and the people they care for.

And despite all those challenges, the sector remains broadly intact. There have been casualties along the way and there will be more pain with the “reform” initiatives, but the majority of providers will survive and emerge more resilient than ever (albeit with less robust balance sheets).

The remaining uncertainties will lift in the years to follow, and providers will start building again. There was no real structural reform from the Royal Commission and, so far, Labor’s aged care policies have been relatively conservative variations of the Coalition’s policies; mandating care hours, more reporting and heavier regulation.

However, this new Government has an opportunity to revisit the key recommendations of the Royal Commission ignored by the Morrison Government. With responsible means testing arrangements, this could improve accessibility and the quality of services on a more sustainable basis.

COVID-19 reminded us that there are few certainties in life. Many industries have been turned upside down as we have been forced to change our way of living. Yet we have all aged and evolved through that process. It is the one certainty that we can rely on. **And that truth means that the industry will always be essential, evolving and exciting as we find better ways to care for those that cannot care for themselves.**

Salute!

Cam Ansell

BOARD PRESENTATION

Ansell Strategic is available to present the above updates with your Board and further discuss what this means for your organisation. Please don’t hesitate to contact any of our directors.



Cam Ansell
Managing Director

Email:
cam@ansellstrategic.com.au



Daniel Lee
Director - Advisory

Email:
daniel@ansellstrategic.com.au



Amber Cartwright
Director

Email:
amber@ansellstrategic.com.au



Judi Coombe
Director - Operations

Email:
judi@ansellstrategic.com.au