Royal Commission
into Aged Care Quality and Safety

REPORT ON THE PROFITABILITY AND VIABILITY OF THE AUSTRALIAN AGED CARE INDUSTRY

RESEARCH PAPER 12

SEPTEMBER 2020

The Royal Commission into Aged Care Quality and Safety was established by Letters Patent on 8 October 2018. Replacement Letters Patent were issued on 6 December 2018, and amended on 13 September 2019 and 25 June 2020.

The Honourable Tony Pagone QC and Ms Lynelle Briggs AO have been appointed as Royal Commissioners. They are required to provide a final report by 26 February 2021.

The Royal Commission releases consultation, research and background papers. This research paper has been prepared by BDO for the information of Commissioners and the public. The views expressed in this paper are not necessarily the views of the Commissioners.

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21 JULY 2020

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GLOSSARY

Term	Definition
AASB	Australian Accounting Standards Board
ACFA	Aged Care Financing Authority
ACFI	Aged Care Funding Instrument
ACFR	Aged Care Financial Report
APCS	Annual Prudential Compliance Statement
AP	Approved Provider (note: Approved Providers in this report refers to Residential Aged Care providers that are required to submit annual financial data to the Australian Department of Health).
AN-ACC	Australian National Aged Care Classification
DAC	Daily Accommodation Contribution (for simplicity DAP is used to refer to both DAP and DAC in this report)
DAP	Daily Accommodation Payment
FP	For Profit
HC	Home Care
NFP	Not For Profit
Other Comprehensive Income	Other Comprehensive Income (As per AABS 101comprises items of income and expense (including reclassification adjustments) that are not recognised in profit or loss as required or permitted by other Australian Accounting Standards. This includes items like changes from revaluations and gains or losses on sale of some assets)
PP&E	Property, plant and equipment
RAC	Residential Aged Care
RAD	Refundable Accommodation Deposit
Related Party	A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the "reporting entity"). The circumstances where parties are related are described in ACFA's reporting requirement (see the Appendix A).
ROSA	Registry of Senior Australians

EXECUTIVE SUMMARY

Introduction

The Royal Commission into Aged Care Quality and Safety is inquiring into the quality of aged care services provided to Australians, the causes of any systemic failures, and any actions that should be taken in response. Financial arrangements for the sector are an important consideration.

The Royal Commission engaged BDO to provide an independent analysis of the finances of the aged care sector, including an assessment of profitability and financial viability, to inform the Commissioners' development of recommendations (this Report).

BDO's analysis covers finances for Approved Providers, Residential Aged Care and Home Care, with a focus on the most recent years. In this Report, we have considered these results in the context of the sector's commercial and operating model. We have also explored whether there are relationships between financial indicators and available care indicators.

The aged care commercial and operating model

The key features of the sector's commercial and operating model are important to understand since they are likely to influence the financial arrangements and behaviour of aged care providers.

Delivering services is one way that both Residential and Home Care providers generate value. Revenue is received from both the Australian Government and care recipients for a range of different services and expenses such as for labour and overhead expenses are incurred in the course of delivering services.

Another key driver of value for Residential Aged Care providers is property investment. The key elements of this driver are set out below:

- The providers may invest capital to build and maintain property (a facility) for the purpose of housing care recipients (or residents). The Government and care recipients pay for use of that facility (effectively rent). The care recipients can pay their portion of rent as either a daily fee or as a lump sum deposit to be held as a bond by the service provider. This is known as a Refundable Accommodation Deposit (RAD) or Refundable Accommodation Contribution and is fully refunded to the recipient or their estate upon exit. No interest is payable on the lump sum while the resident is in care. The full amount is underwritten by the Australian Government.
- Providers are also allowed to utilise group structures to maximise their returns and minimise risks. This is a perfectly legitimate model, however it does reduce transparency over the financial transactions within the aged care sector.

  For example, Approved Providers may transfer RADs received from clients to another entity in the form of a related party loan and that entity can use the funds to buy the property or other investments. Approved providers are not required to have priority over secured creditors or employees on this related party loan. This creates a possible situation where, if the provider were to become insolvent, the Government may have to refund the underwritten RADs to the care recipients (or their estates) and the property may remain with the related entity.

  The group structures can also be leveraged to optimise operational activities within a group. In such instances, related entities may be used to provide services to the provider at a fee (e.g. management fees). We have not come across any information in relation to the governance of this process during the course of our work.

Data sources

The analysis is based on a range of information acquired and provided by the Royal Commission under its legal authority and contract with BDO. The information was protected by BDO using a secure, restricted access IT environment. It was accessed only by staff who had passed screening and were engaged to perform the analysis. It was used only for the purpose authorised by the Royal Commission.

The primary source of financial information is the data collected by the Australian Department of Health that is used to produce annual reports by the Aged Care Financing Authority (ACFA). In much of the analysis we focus on the Financial Year (FY) ending 2018 since at the time of this report it is the most recent for which the dataset is finalised. FY2019 is missing a number of providers who report with a financial year ending after 30 June.

An important point to note is there were significant changes in the financial data that has been collected on aged care over the past 10 years. The granularity also differs for each of the service types. Approved Provider data is only collected in the Department of Health's Aged Care Financial Report (ACFR) from entities that provide Residential Aged Care. Entities which provide Home Care only are not required to report at the Approved Provider level. The reporting entities may be engaged in non-aged care activities as well as aged care.

The scope of BDO's engagement did not include auditing or cleansing of data. However, the financial data was reviewed for internal consistency and comparisons were made to other publicly available information. This resulted in detection and resolution of anomalies. Where there remain variances between sources, we have used the principal source and noted assumptions as appropriate.

Key financial results

At the Approved Provider level:

- Total income for FY2018 was $25.0Bn, total expenses was $23.9Bn, and profit was $1.1Bn (i.e. a profit margin of 4.4%). Non-aged care activities accounted for 23.6% of revenues, 26.0% of expenses and 55.4% of profits.
- On a per entity basis, Not For Profits were much larger than For Profits, however they had lower profits and profit margins. As a proportion of total expenses, Not For Profits reported higher depreciation and 'other' (which includes labour), while For Profits had higher interest, tax and related party management fees and rent for buildings.
- Aged Care Providers have the flexibility to structure their business as they deem appropriate. For example they may choose to fund their business using debt or equity, they may buy or rent property and they may elect to utlise the services of a management entity. Depending on these choices, providers can incur expenses such as interest, management fees and rent.
- Analysis at an individual provider level indicated that there were significant variances across individual providers across 'other' expenses (the largest single category), interest, management fees and rent. The variances may be driven by a range of factors including organisational structure and the non aged care related activities.
- The total assets for FY2018 was $73.4Bn, total liabilities were $50.5Bn, and equity was $22.8Bn. Not For Profits make up a majority of these aggregates – they owned 69.5% of the assets, 61% of the liabilities, and 89% of the equity. Non-aged care activities accounted for around 36.3% of Approved Provider assets, 29.0% of liabilities, and 52.8% of equity.

- While the aggregate equity position at the AP level is $22.8Bn, a more detailed analysis provides insights into the viability risk of the sector. Intangible assets account for $5.7Bn of assets and may not be realisable. Current and non-current loans receivable from related parties account for another $5.7Bn of the assets. RADs, which are underwritten by the Federal Government, account for $28.4Bn or 55% of total Approved Provider liabilities. These risks are higher in the For Profit Approved Providers.
- The aggregate Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) for For Profit Approved Providers was 12.16% of income, 4.19% of assets, and 38.14% of equity in FY2018. For Not For Profits it was 9.02% of income, 3.06% of assets, and 7.66% of equity. There is considerable variation across indivdual Approved Providers.

At the Residential Aged Care level:

- Total income in FY2018 was $18.1Bn, total expenses was $17.6Bn, and profit was $0.4Bn (i.e. a profit margin of 2.4%).
- Residential Aged Care services are labour and infrastructure intensive in nature. These types of costs account for over 80% of all expenses. Labour costs account for approximately 70% of total expenditure and infrastructure costs equate to approximately 12% of total expenditure.
- There are significant differences in the income and expense composition by ownership type. Commonwealth Government care and accommodation funding accounted for 68% of the total income among the For Profit providers and 69% for Not For Profits, compared with only 52% for Government providers (which are run by State Governments). State Government funding accounted for 20% of the income of these providers but less than 1% of the total income for For Profit and Not For Profits.
- For Profit Residential Aged Care providers receive approximately $16 more care income per subsidy day than Not For Profit providers ($237 vs $221 per subsidy day). $12 (or 79%) of this higher daily income is driven by a higher Commonwealth Subsidy and Supplement component.
- In FY2018 assets totalled $48.4Bn, liabilities were $36.6Bn, and equity (net assets) was $11.8Bn.
    - Property, Plant and Equipment assets have grown at a similar rate to RADs, suggesting a significant portion of RADs are invested in this asset type (86% in FY2018). Current asset are the other major component of assets – these are only collected as a single line item which means it is not possible to determine the nature and liquidity of current assets.
    - Intangible assets are significant ($5.3Bn) and the value of these may be less realisable than tangible assets, particularly where a provider is in financial distress. A significant portion ($3.3bn or 57%) of these assets are bed licences.
- Among For Profits, the aggregate EBITDA in FY2018 was 11.41% of income, 4.04% of assets, and 43.05% of equity. Not For Profits had EBITDA of 8.14% of income, 3.08% of assets, and 8.99% of equity.

At the Home Care level:

- In FY2018, total income was $2.1Bn, total expenses was nearly $2.0Bn, and profit was $74M (i.e. a profit margin of 3.6%). Not For Profits comprise around 75% of Home Care income and expenses, while For Profits are around 20% and Government around 5%.
- Administration expenses equate to around 29% of total expenses in For Profits, 28% in Not For Profits and 25% in Government services. While this this is noticeably higher than in Residential Aged Care (13% of expenses for the For Profits and Not For Profits, and 9% for Government providers), administration costs per claim day is lower in Home Care ($19 per day) than Residential Aged Care ($33 per day). It is also

worth noting that HC is likely to have additional logistical costs as the care recipients are in their own homes. This would typically require more administration support (e.g. rostering, travel etc.)

- Profit margins differ across ownership types. For Profit HC services were provided at an aggregate loss margin of 2.1% - examining the spread of results for individual providers shows that 67% of the For Profits were operating profitably at an average margin of 10.6%, which was reduced at an aggregate level by the remaining 33% of For Profits which made significant losses. The aggregate profit margin for Not For Profits was 4.7%.
- The aggregate EBITDA in FY2018 was 0.5% of income among For Profits, 5.37% among Not For Profits, and 8.16% among Government.
- Unspent package funds equate to $0.5Bn in FY2018, which represents 26% of total income and 37% of total cash and cash equivalents. The very limited financial reporting requirements placed on Home Care providers mean only these balance sheet items are collected. Providers with a cash balance less than the unspent packaged funds pose greater viability risk - there were 214 such providers in FY2018 (or 29% of Home Care providers).

Profitability of providers

The profitability of each provider has been assessed at an individual level using a holistic framework which is set out in Section 3 of this Report. EBITDA has been adopted as the key measure of Accounting Profit for the assessment of profitability. The assessment uses a threshold for profits and/or returns of $0, meaning entities with profit above $0 are classified as profitable. Operating cash flows has also been considered as part of this profitability assessment. We assessed each provider or service as ‘profitable’, ‘may be profitable’, ‘may be not profitable’ and ‘not profitable’.

The key results of the assessments for FY2018 are:

- 105 Approved Providers (13.3% of the total) were not profitable after considering both EBITDA and cash flows. These Approved Providers represent approximately $1.1Bn (4.2%) of the total income of the sector.
- 106 Residential Aged Care providers were not profitable after considering both EBITDA and cash flows. These providers are 12.1% of all Residential Aged Care services and account for approximately $0.9Bn (5.1%) of the total income.
- 216 Home Care providers (29.5%) were ‘not profitable’. These represent approximately $0.5Bn (25.7%) of the total income of all Home Care providers, and 8 million Home Care Package claim days (27.5% of total).

Further details, including of the shares whose profitability status is unclear, are contained in the tables below.

Profitability assessment, FY2018

		Ownership type			
		For Profit	Not for Profit	*Government*	Total
Approved Provider	Profitable	211 (73%)	368 (74%)	n/a	**579(74%)**
	May be profitable	14 (5%)	17 (3%)	n/a	**31 (4%)**
	May not be profitable	24 (8%)	48 (10%)	n/a	**72 (9%)**
	Not Profitable	42 (14%)	63 (13%)	n/a	**105 (13%)**
Residential Aged Care	Profitable	199 (69%)	329 (67%)	30 (32%)	**558 (64%)**
	May be profitable	33 (11%)	76 (15%)	13 (14%)	**122 (14%)**
	May not be profitable	32 (11%)	54 (11%)	5 (4%)	**91 (10%)**
	Not Profitable	25 (9%)	34 (7%)	47 (50%)	**106 (12%)**
Home Care	Profitable	162 (67%)	292 (71%)	63 (76%)	**517 (70%)**
	Not Profitable	78 (33%)	118 (29%)	20 (24%)	**216 (30%)**

Viability of providers

A number of similar definitions of viability are widely used by a range of reputable organisations and institutions. We have used the definition of the Australian Tax Office (ATO) as a starting point and then developed a detailed decision tree approach. Each provider is assessed as ‘viable’, ‘may be viable’ or ‘not viable’ based on whether it is profitable (in both accounting and operating cash flow terms), liquidity, ability to raise debt or equity capital, and ability to maintain profitability by liquidating some non-current assets. We would have wanted to consider each Providers’ access to external support but this information is not available.

As with profitability, the assessment of viability will depend on what is considered to be an acceptable threshold for each measure. For the ‘base case’ we have used thresholds of 1 for the liquidity ratio, 1.5 for the debt service coverage ratio, 2.5 for the interest coverage ratio, and 2.5% for net Non-Current Assets to be liquidated in order for an entity to achieve the target liquidity ratio.

A very important choice affecting the liquidity ratio is the proportion of RADs that one treats as current liabilities. Based on our analysis of the data, we consider a reasonable assumption to be that 80% of RADs are treated as non-current liabilities. We also present the results for 60% and 40% assumptions to show how sensitive the viability assessment is and as a form of ‘stress test’ to understand how resilient Approved Providers would be to a greater call on these liabilities.

The key results of the viability assessments for FY2018 at the 80% RADs threshold are:

- 65 (8.3%) of Approved Providers were assessed as ‘not viable’. These entities represent $1.0Bn (4.2%) of the total income. A further 305 (39%) of Approved Providers are assessed as ‘may be viable’. These account for $15.0Bn (60%) of total income. These proportions increase relatively modestly at the 60% and 40% sensitivities. At the 40% threshold, 98 (13%) are ‘not viable’ and 406 (52%) are ‘may not be viable’. There are higher proportions of the For Profits assessed as ‘not viable’ or ‘may not be viable’
- 85 (10%) of the Residential Aged Care providers are assessed as ‘not viable’, while 341 (39%) are assessed as ‘may be viable’. These proportions increase relatively modestly at the 60% and 40% sensitivities. At the 40% threshold, 143 (16%) are ‘not viable’ and 434 (50%) are ‘may be viable’. There are higher proportions of the For Profits and Government providers assessed as ‘not viable’ or ‘may be viable’.
- The absence of balance sheet information from the Government’s financial reporting collection means the viability of Home Care services is unknown.

Further details are set out in the tables below.

Viability assessment for Approved Providers, FY2018

		Ownership type			
		For Profit	Not for Profit	*Government*	Total
80% of RADs are NCLs (base case)	Viable	119 (41%)	298 (60%)	n/a	417 (53%)
	May be viable[(a)]	139 (48%)	166 (34%)	n/a	305 (39%)
	Not viable	33 (11%)	32 (6%)	n/a	65 (8%)
60% of RADs are NCLs	Viable	89 (31%)	253 (51%)	n/a	342 (44%)
	May be viable[(a)]	164 (56%)	196 (40%)	n/a	360 (46%)
	Not viable	38 (13%)	47 (10%)	n/a	85 (11%)
40% of RADs are NCLs	Viable	71 (24%)	212 (43%)	n/a	283 (36%)
	May be viable[(a)]	176 (61%)	230 (46%)	n/a	406 (52%)
	Not viable	44 (15%)	54 (11%)	n/a	98 (13%)

Note: a) May be viable can be profitable or not profitable - this split is shown in the graphs within this Report

Viability assessment for Residential Aged Care, FY2018

		Ownership type			
		For Profit	Not for Profit	*Government*	Total
80% of RADs are NCLs (base case)	Viable	119 (41%)	303 (62%)	29 (31%)	451 (51%)
	May be viable[(a)]	126 (44%)	160 (32%)	55 (57%)	341 (39%)
	Not viable	44 (15%)	30 (6%)	11 (12%)	85 (10%)
60% of RADs are NCLs	Viable	92 (32%)	256 (52%)	28 (30%)	376 (43%)
	May be viable[(a)]	147 (51%)	191 (39%)	54 (57%)	392 (45%)
	Not viable	50 (17%)	46 (9%)	13 (14%)	109 (12%)
40% of RADs are NCLs	Viable	71 (25%)	204 (41%)	25 (26%)	300 (34%)
	May be viable[(a)]	160 (55%)	222 (45%)	52 (55%)	434 (50%)
	Not viable	58 (20%)	67 (14%)	18 (19%)	143 (16%)

Note: a) May be viable can be profitable or not profitable - this is split in the graphs below

Finances and care indicators

The Royal Commission requested us to investigate the extent to which the financial data collected by the Department of Health shows correlations, if any, between the finances of aged care providers and the available care indicators in Australia.

Overall, our investigation found significant variance in the indicators between providers, but few and weak correlations between the care indicators and financial metrics. When comparing financials to the relative care indicator, we found only weak statistical associations.

We found a weak relationship with income which is driven by the component of Government funding that includes a higher payment for people who have higher care needs. There is a weaker relationship with care expenses. This seems to reflect that there is no direct driver between care needs and care expenditure like there is for care income, or the relationship is being masked by more significant drivers. The correlation between care needs and expenses is stronger with the Not For Profits than the For Profits. The correlation for Government providers is also lower than for the Not For Profits however the data is much more dispersed and has many providers spending large amounts per recipient.

The analysis of the other care metrics has consistently shown a high variance and low correlation in comparison to the care and hotel costs, as well as profitability. The low correlation can be partly explained by the large variance in the financial metrics and the way that financials are impacted by the significant variance in corporate structures and the nature of transactions across providers.

We note that there may be a range of other underlying reasons why the statistical associations are weak. For example, staff working in aged care services are not homogenous – some are naturally more caring than others.

Closing remarks

In the course of completing our analysis for this Report, we have made a number of observations in relation to the aged care sector which we believe may be useful for consideration in the context of potential improvements to the sector and any future analysis of this nature.

- The current model favours more sophisticated providers who have the necessary financial acumen to manage diverse portfolios and capital structures. Theoretically, allowing providers the flexibility to utilise complex structures to maximise returns may imply that the Australian Government has to fund the sector less than it would otherwise have had to if such flexibility did not exist. On the other hand, a possible issue with this relatively complex model is that it arguably weakens the link between the drivers of return and the quality of aged care service provided by the provider.

  In our view, it is perfectly reasonable to allow APs to use group structures. A lack of governance and transparency on the entities within the group, however, increases risk of loan recoverability and understanding of returns.

  We would advise caution in the implementation of any new policies in this area. It is likely that any new policies would have significant implications on the return on investment for investors and is likely to have a significant impact on the sector as a whole. There is insufficient data to determine this impact at this stage.

- An improvement in transparency would positively impact the extent of analysis possible and allow for more informed decision making in relation to policies and/or investment decisions. These considerations include obtaining greater transparency into:

  i. Returns or losses made from Approved Provider funds by related parties (e.g. interest savings, investment returns including unrealised gains on asset value, and/or improved borrowing capacity).

  ii. The extent to which any related parties are supporting the activities of the Approved Provider (including its ability to continue operating as a going concern).

  iii. The profitability and viability of any related parties to the extent that it is needed to ascertain whether the Approved Provider can recover related party receivables.

  iv. Financial support that may be available from related parties and whether this is optional or has been committed to.

v. The terms of transactions with related parties including finance (interest), rent, management fees, administration fees, labour hire and various other services.

vi. Further information on the non-aged care related activities conducted by Approved Providers.

- In relation to the Government's data governance arrangements, it may be very useful to have a clear process whereby required data fields are reviewed, monitored and updated regularly in line with the strategic and regulatory requirements of the Government.
- Other key reporting obligations for consideration include requiring all Home Care providers to report at the Approved Provider level and reporting on the recoverability of any loans made by Approved Providers.
- Given the significant effort required to analyse the data for this Report, the ability to readily produce a reliable, consistent set of data as the 'source of truth' is likely to increase the efficiency of any future analysis and reduce risk.

1. INTRODUCTION

The Royal Commission into Aged Care Quality and Safety is inquiring into the quality of aged care services provided to Australians, the causes of any systemic failures, and any actions that should be taken in response. Financial arrangements for the sector are an important consideration.

The Royal Commission engaged BDO to provide an independent analysis of the finances of the aged care sector, including an assessment of profitability and financial viability, to inform the Commissioners' development of recommendations.

BDO's analysis covers finances over the past 10 years, with a focus on the most recent three years. We have assessed results from a range of perspectives including ownership, service type, and entity size. We have considered these results in the context of the sector's commercial and operating model. We have also explored whether there are relationships between financial indicators and available care indicators.

The analysis is based on information acquired by the Royal Commission under its legal authority. The information was provided to BDO with strict confidentiality protocols to ensure sensitive information is protected. The primary source of financial information is the data collected by the Australian Department of Health that are used to produce annual reports by the Aged Care Financing Authority (ACFA).

The scope of BDO's engagement did not include auditing or cleansing of data. However, the financial data was reviewed for internal consistency and comparisons were made to other publicly available information. This resulted in detection and resolution of anomalies. Where there remain variances between sources, we have used the principal source and noted assumptions as appropriate.

This report is structured as follows:

- Section 2 describes the aged care sector's commercial and operating models. We consider it to be important context and are of the view that it will assist the reader to better understand the financial analysis.
- Section 3 explains the methodology for the financial analyses, including the datasets and how profitability and viability has been assessed. This section is important context designed to assist the reader better understand how the analysis has been carried out in this Report.
- Sections 4 provides the financial analysis of the entities which are Approved Providers (APs) of aged care services.
- Section 5 reports on the financial analysis of Residential Aged Care (RAC) services (aged care facilities, often referred to as called nursing homes. It does not include retirement villages.).
- Section 6 reports on the financial analysis of Home Care (HC) services, which are aged care services provided to people living in their own homes. Home Support services are not included as they are not included in the financial information.
- Section 7 summarises the key insights from our investigation of relationships between financial indicators and care indicators.
- Section 8 sets out BDO's closing remarks, a high level overview of key lessons we have learnt or observations we have made in the course of completing the financial analysis for the Royal Commission.

2. THE AGED CARE COMMERCIAL AND OPERATING MODEL

The key features of the sector's commercial and operating model are important to understand since they are likely to influence the financial arrangements and behaviour of aged care providers.

The **commercial model** refers to how the organisation captures value. There are two main sources of value in the sector: service delivery and property investment.

Service delivery is performed by both Residential and Home Care providers. Residential Aged Care providers deliver services within a facility while home care providers deliver services to people in their own homes. Expenses are incurred in delivering services, such as for labour and overhead expenses (like management and corporate services). Revenue is received from both the Australian Government and care recipients: in Residential Aged Care this is on a 'per bed day' basis with the amounts varying based on the level of care the residents are assessed as needing, and care recipients are able to purchase 'additional services' or 'extra services' for fees. In Home Care, each recipient has an individual 'budget' they can spend for services they choose. The level of Government contribution (as opposed to user contributions) is subject to means testing of each care recipients' incomes and assets. The Government also pays a variety of supplements depending on the characteristics of a person or facility (for example, there is a 'viability' supplement to help pay the cost of services in rural and remote areas). Service providers may aim to increase their profit in service delivery by increasing their revenues (by increasing resident numbers, which may require additional property investment, or by increasing the claim amounts or fees) and/or reducing costs (which may or may not have an impact on quality of care).

Property investment is a significant feature of Residential Aged Care providers. The providers may invest capital to build and maintain property (a facility) for the purpose of housing care recipients (or residents). The Australian Government may make a contribution for the use of the property for each resident, which is effectively a payment of rent. Residents also pay for the use of the property in one or a combination of two ways:

- They can pay a daily fee (effectively rent) known as either a Daily Accommodation Payment (DAP) or Daily Accommodation Contribution (DAC). This is based on a percentage yield on the value of the portion of the property they occupy. The rate is set by providers with reference to the Maximum Permissible Interest Rate, which is set by the Australian Government.
- They can pay the service provider a lump sum deposit to be held as a bond by the service provider. This is known as a Refundable Accommodation Deposit (RAD) or Refundable Accommodation Contribution. The concept is that the value of the deposit represents the value of the portion of the property they occupy. The deposit is returned to the resident (or their estate) in full upon exit, or if the deposit is used to pay for other aged care fees the balance is returned. No interest is payable on the lump sum while the resident is in care. The full amount is underwritten by the Australian Government.

The Residential Aged Care providers can use the lump sum deposits paid by residents for a range of permitted uses including offsetting the debt on the property investment (albeit only after the property is constructed), generating an interest saving on the debt, or generating returns by investing the deposits elsewhere. This suggests, that as long as a service provider can maintain residents to occupy the places in their facilities, they have a natural incentive to build more properties (assuming they have a positive view on the long term property market in Australia).

The **operating model** (how the organisations run themselves) has two key features which are likely to be significant drivers of provider behaviour: governance around the ownership of property assets, and reporting and acquittal obligations.

Governance around the ownership of property assets is under the Aged Care Act 1997, and in particular involves the completion of an Annual Prudential Compliance Statement (APCS). However, an approved provider can own the property asset under a different entity (most likely without recourse). The different entity can be privately owned. Providers can also transfer the funds received from RADs from clients (which are underwritten by the Australian Government) to another entity in the form of a related party loan and use the funds to buy the property or other investments (having regard to Section 52N.1 of the Aged Care Act 1997).

It is likely that the Government would rank equally with unsecured creditors and would rank behind secured creditors and employees in the event of a wind up. This creates a possible situation where, if the service provider were to become insolvent, the Government would have to refund the RADs to their clients (or their estates), but the property would remain with the related entity of the service provider, with the insolvent entity having a claim against the related party.

We note that there may be other legislative, regulatory or contractual instruments which mitigate the risk of Government being ranked equally to unsecured creditors. For example, the Government may be able to link the recoverability of RADs to the value and transfer of the bed licences associated with the Approved Provider in an insolvency event in a manner which effectively increases its ranking among creditors. We are not aware of any such instruments and have been instructed by the Royal Commission to assume that they do not exist.

There are legitimate reasons to allow service providers the opportunity to own assets under a different entity including tax minimisation, portfolio risk management, and maximisation of returns generated (which in turn can benefit the aged care sector). The current approach of having no priority or obligations to report on the related entity, however, may influence the behaviour of service providers in unintended ways and lead to adverse outcomes for the taxpayer.

The lack of transparency can also affect operational expenses. For example, under a group structure it may be perfectly reasonable for a related party to draw from the service provider's service delivery revenue (which is mostly funded by the Australian Government) in the form of a management fee or other expenses for services rendered to the provider. We have not come across any information in relation to the governance of this process during the course of our work.

A review of the policies and obligations in relation to the provision of data and reporting by service providers is beyond the scope of this report. However, from the data we analysed, it is possible to conclude that there is inconsistency in reporting behaviour as well as between reporting requirements and the enforcement of those requirements. There may be no obligation to report on related parties, and in the case of Home Care, there does not appear to be any obligation to report at the Approved Provider level (this leads to reduced transparency on the financial arrangements in this sector).

3. OVERVIEW OF METHODOLOGY

In this section we provide a high level overview of the data used in the analysis and how BDO has approached the analysis of profitability and viability in a robust, defensible framework which allows for the analysis of the data from multiple dimensions in a consistent manner.

We note that the final assessment of profitability and viability will depend on what is considered to be an acceptable threshold for each measure (e.g. an organisation will be considered profitable if it makes $1 of profit vs it will only be considered profitable if it makes a 5% profit margin). The threshold level set will differ depending on the user and the purpose for which the analysis is being conducted. We have built a data analytics model which allows the Commission complete flexibility to set different thresholds, analyse multiple scenarios and test sensitivities of variables.

The thresholds selected can have a significant impact on the analysis and conclusions drawn. We have not provided an opinion on what are the most appropriate thresholds in this Report. For the purposes of this Report, we have, however, selected a 'base case' scenario having regard to a range of sources and our professional expertise and experiences. All of our references to profitability and viability in this Report are only applicable to the thresholds set for the particular scenarios we have reported and are based only on the data available to us.

Similarly, we have used a number of measures which we have considered in assessing the profitability and viability of the sector. We note, however, that the measures we have selected had regard to the availability, granularity and overall quality of the data that was provided to us. A list of other measures were also considered but could not be completed as a result of data limitations. We were, however, able to draw significant insights from the data that was available and the additional measures would have only added further detail to the analysis. BDO has made a series of observations in relation to data collection and analysis throughout the course of this Report.

3.1. DATA SOURCES AND STRUCTURE

In addition to publicly available information, BDO's analysis is based on the information provided by the Royal Commission described below.

This information was acquired and provided by the Royal Commission under its legal authority and contract with BDO. The Royal Commission supplied through a secure transmission process and without any information identifying individual people.

The information was protected by BDO using a secure, restricted access IT environment. It was accessed only by staff who had passed screening and were engaged to perform the analysis. It was used only for the purpose authorised by the Royal Commission.

Description	Reference period
Approved Provider financial information by provider by year from Department of Health	FY2009 to FY2019*
Residential Aged Care financial information by provider by year from Department of Health	FY2009 to FY2019*
Home Care financial information by provider by year from Department of Health	FY2014 to FY2019*
Stewart Brown financial information by provider by year	FY2015 to FY2019
Organisational type by provider by year from Department of Health	FY2009 to FY2019
Residential care bed days by provider by year from Department of Health	FY2015 to FY2019

Description	Reference period
Details on the relative care needs of Residential Aged Care residents by provider by year, compiled by the Royal Commission using a mapping between the Aged Care Funding Instrument and Australian National Aged Care Classification	FY2015 to FY2019
Sanctions by provide by year from the Aged Care Quality and Safety Commission	FY2015 to FY2019
Customer Experience Reports by customer by year from the Aged Care Quality and Safety Commission	FY2017 to FY2019
Details of Aged Care Quality and Safety Commission accreditation visits by provider by year	FY2015 to FY2019
Expected outcomes not met by provider by year from the Aged Care Quality and Safety Commission	FY2015 to FY2019
Complaints by provider by year from the Aged Care Quality and Safety Commission	FY2015 to FY2019
Medical based indicators compiled by the Registry of Senior Australians (ROSA) by provider by year	FY2015 to FY2017

* FY2019 is missing a number of providers who report with a financial year ending after 30 June.

An important point to note is there were significant changes in the financial data that has been collected on aged care over the past 10 years. The most recent three financial years have the most detail and consistency and have been used for any detailed analysis over time.

The granularity also differs for each of the service types. Financial data at the Approved Provider level is only collected by the Australian Department of Health from entities that provide Residential Aged Care, some of whom also provide Home Care. In recent years, this data has not been collected from Government providers. Home Care providers are not required to report at the Approved Provider level unless they are also Residential Aged Care Providers. The reporting entities may be engaged in non-aged care activities as well as aged care. As such the financial data reported at the AP level is only a subset of the total sector data. We recommend that readers use caution when referring to analysis at the AP level

A summary of the data available and how it is used in this Report is provided below.

<table>
<tr><th></th><th>Income and Expenses</th><th>Assets and Liabilities</th></tr>
<tr><td>AP Level</td><td>Included:
• RAC only providers
• RAC and HC providers
• Non aged care activities of ‘RAC only’ and ‘RAC and HC’
• RAC and HC and Non aged care activities
Excluded:
• Government owned providers in FY2018 and FY2019
• ‘HC only’ providers
The components of the AP level are visually represented below:
<table><tr><td>‘RAC Only’</td><td>‘RAC & HC’</td><td>Non aged care activities</td></tr></table></td><td>Total assets and liabilities (becomes less transparent when the AP has Non aged care activities)
Can split RAC component as APs are also required to report at RAC level.
Can only split a small portion of HC component
The components of the AP level are visually represented below:
<table><tr><td>RAC</td><td>HC only Cash & one liability</td><td>Remainder of HC and Non aged care activities</td></tr></table></td></tr>
<tr><td>RAC Level</td><td>RAC only providers
RAC portion of ‘RAC and HC’ providers</td><td>RAC only providers
RAC portion of ‘RAC and HC’ providers</td></tr>
</table>

	Income and Expenses	Assets and Liabilities
HC Level (ex Home Support)	HC only providers HC portion of 'RAC and HC' providers	Only have cash and liquid assets and one liability (unspent home care package funds) for all HC providers NB: cannot tell which assets and liabilities of the AP belong to HC – HC providers are not required to report assets and liabilities for HC and so cannot be analysed.

While providers are required to provide financial information on their aged care businesses, not all providers have done so, as shown in the following comparison to numbers published in the Aged Care Financing Authority (ACFA) reports. Our analysis is based on the financial information for the providers that supplied information.

	FY2019		FY2018		FY2017		FY2016		FY2015		FY2014	
	RAC	HC	RAC	HC	RAC	HC	RAC	HC	RAC	HC	RAC	HC
ACFA report			886	873	902	702	949	496	972	504	1,016	504
ACFA dataset	870	918	877	733	893	553	947	444	998	435	1,001	445
Difference			9	140	9	149	2	52	-26	69	15	59
Difference %			-1%	-16%	-1%	-21%	0%	-10%	3%	-14%	-1%	-12%

In much of the analysis we focus on FY2018 since at the time of this report it is the most recent financial year for which the dataset has been made available to us. FY2019 is missing a number of providers who report with a financial year ending after 30 June. The numbers of entities reporting data in FY2018 are shown below. Appendix A contains the relevant ACFR definitions for this year.

	For Profit	Not for Profit	Government	Total
Approved Provider	291 entities	496 services	Data not reported	787 entities
Residential Aged Care	289 services	493 services	95 services	877 services
Home Care	240 services	410 services	83 services	733 services

3.2. ASSESSING PROFITABILITY

In its simplest form, profit is defined as the revenue less expenses. The measure of profit is affected by which transactions are categorised as revenue and/or expense items. The guidelines for the categorisations are set by the Australian Accounting Standards Board (AASB).

There are a number of measures of profit which are commonly used in assessing the profitability of organisations. The measures we have considered are set out in the table below. These were selected from a range of sources including the Australian Accounting Standards, the International Valuation Standards, Australian case law (ASIC vs Plymin), measures used in the Aged Care sector (e.g. ACFA reports), and our own professional experience and expertise. Such measures of profitability are often analysed as a proportion of Revenue (referred to as a Profit Margin), Total Assets (referred to as a Return on Assets), and Total Equity (referred to as a Return on Equity).

Profitability Measure	Comments
Net Profit After Tax (NPAT) Including Other Comprehensive Income	Net Profit After Tax (NPAT). This is a measure of profit after tax. This is useful when assessing profit available for distribution. As this measure includes other comprehensive income, which consists of items of income and expense such as the gain or loss on sale of a property that are not part of an organisation's regular day to day business such as gain on revaluation of property, it is an all-inclusive measure of profit.
Net Profit Before Tax (NPBT) Including Other Comprehensive Income	Net Profit Before Tax (NPBT) is commonly used when assessing overall profitability. As it does not include the impact of income tax, it is useful when comparing entities that are taxed and untaxed (such as profit and most not-for-profit entities).
NPBT Excluding Other Comprehensive Income	Same as NPBT above less 'other comprehensive income'. Removal of other comprehensive income minimises the impact of one off events.
Earnings Before Interest and Tax (EBIT) Excluding Other Comprehensive Income	Earnings Before Interest Tax (EBIT). This deducts Depreciation and Amortisation from EBITDA (below) and is used in a similar way to EBITDA.
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) Excluding Other Comprehensive Income	Earnings Before Interest Tax Depreciation and Amortisation (EBITDA). This measure seeks to remove the impact of capital structures and non-cash items, which increases comparability between entities and can assist when considering cash flow. EBITDA is commonly used by banks, financial institutions and markets when assessing profitability and key ratios. We have used this measure in assessing the aged care industry.
Operating cash flows	This shows the cash an entity generates after accounting for cash outflows to support operations and maintain capital assets. Operating cash flow excludes depreciation and amortisation (non-cash items), but includes changes in equipment, assets and working capital (taken from the balance sheet). This is an important measure as the other measures of profitability do not provide visibility of the changes in cash flow caused by factors such as principal repayments and capital acquisitions and sales. Operating cash flow is lower than accounting profit when non-cash items (e.g. gains on asset revaluations) are included as accounting revenue or cash outflows are not included as accounting expenses (e.g. principal component of a loan repayment). Operating cash flow is higher than accounting profit where cash inflows are not included as revenue or non-cash items are included as accounting expenses.

We have classified our assessment of each entity's profitability using the framework below. As there are a range of profitability measures, each of which incorporates different levels of expenses, one measure needs to be chosen as a base case assessment. We have adopted EBITDA as the base measure of earnings because it provides greater comparability between entities by removing the impact of items which typically differ across entities based on decisions made by the entity (e.g. the decision to borrow money, set the depreciation and amortisation rates of assets, and tax structuring). The ACFA report also uses EBITDA as the preferred measure of earnings.

We have selected profitability threshold of $0 for the base case scenario. This means that entities with profit above $0 are classified as profitable. We have analysed profit margins (i.e. profit as a proportion of income) where relevant throughout this Report to better understand the extent of profitability.

In addition to the accounting measure of profit, we have also included a measure of operating cash flows as part of our profitability assessment under the base case scenario. We consider this to be important as accounting profits can often be due to technicalities in the classification of revenue and expenses under the Accounting Standards. In addition, we have adjusted our measure of operating cash flows to exclude any cash out flows relating to loan repayments. Loan repayments are typically dependent on the financing structure elected by an entity and are more relevant to consider in the assessment of viability rather than profitability.

Other thresholds have been analysed for the purposes of scenario and sensitivity analysis. We performed our analysis using a model which allows flexibility to set different thresholds and test sensitivities.

Figure 1 Classification of the profitability of an entity

		Operating cash flows	
		Negative	Positive
Accounting profit	Profit	May be not profitable	Profitable
	Loss	Not profitable	May be profitable

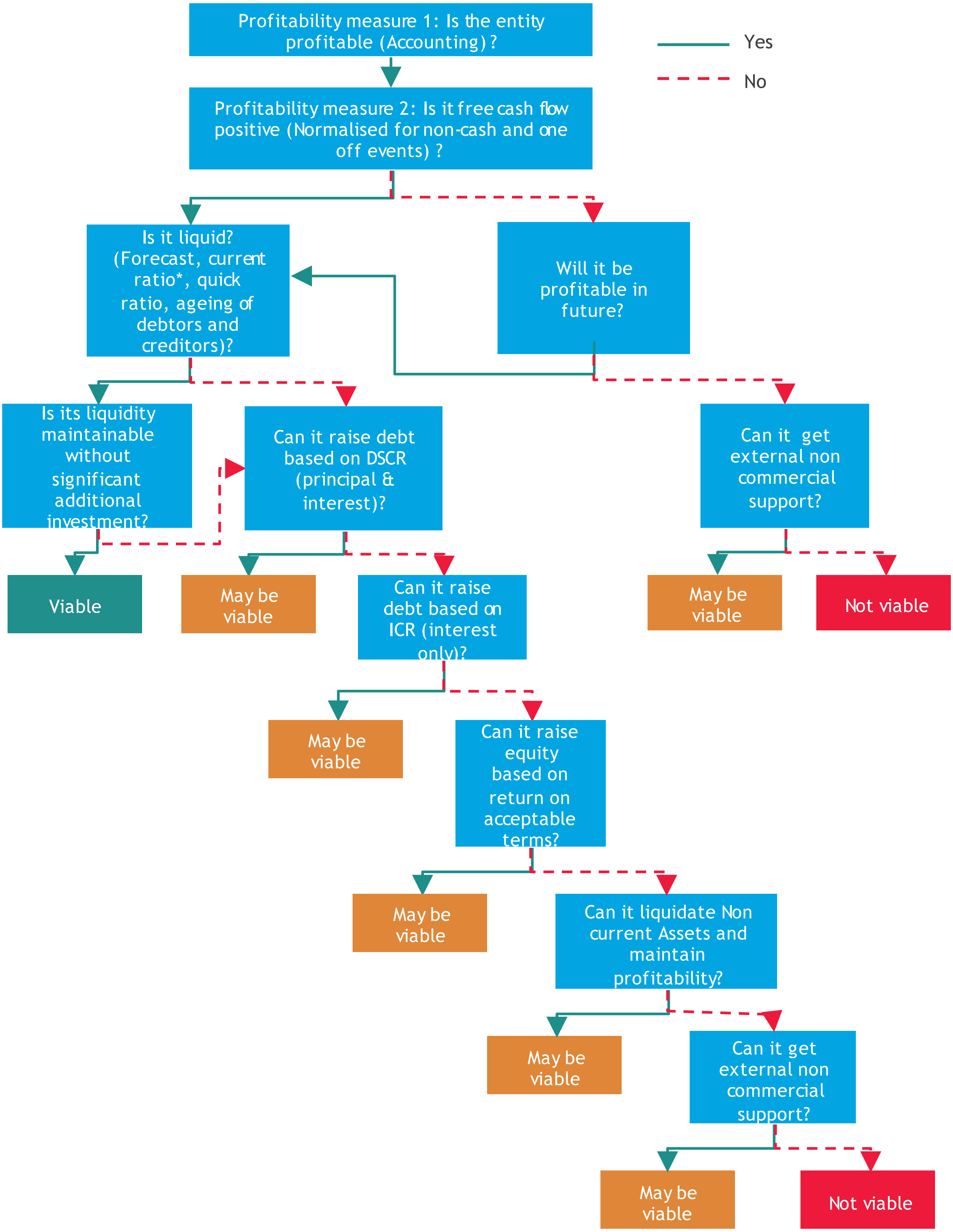
3.3. ASSESSING VIABILITY

A number of similar definitions of viability are widely used by a range of reputable organisations and institutions. For the purposes of this Report we have used the definition of the Australian Tax Office (ATO) as a starting point. The ATO states that a business is viable where either:

1. it is returning a profit that is sufficient to provide a return to the business owner while also meeting its commitments to business creditors, or
2. it has sufficient cash resources to sustain itself through a period when it is not returning a profit

We have then developed a detailed approach which is set out in the form of a decision tree.

Figure 2 Decision tree to classify assess the viability of an entity



The decision tree assessment broadly considers the questions set out below.

Questions	Comments
1. Is the service provider profitable (in both accounting and operating cash flow terms)?	Profitability forms a key part of viability, and we have considered profitability from both an accounting and cash perspective. It is possible to be operating profitably, yet be cash flow negative. This is because expenses such as principal repayments on loans are not included in the calculation of profit.
2. Does the service provider have sufficient liquidity which it can maintain without significant additional investment?	To be viable, an entity needs sufficient funds to pay its debts when they fall due. We would typically also consider whether or not the entity can maintain its level of liquidity without requiring significant additional investment to grow or maintain its revenues (e.g. building renovations). This information is not available from the data provided for this report. The relevant information and measures typically used to assess liquidity include: a) The current ratio, i.e. the ratio of current assets to current liabilities. We note that RADs are classified as current liabilities due to the Accounting Standards. The data however suggests that only a proportion of RADs are typically payable within a 12 month period, for this reason we have developed the capability in our model to analyse scenarios where various proportions of RADs are included in the assessment of the current ratio. b) The quick ratio, i.e. the ratio of cash and near cash equivalents to current liabilities. The current asset data assessed is not granular enough to assess this metric. c) The aging of debtors and creditors. A key indicator of liquidity issues is that an entity owes money to creditors for significantly long periods of time. This information is not available from the data provided for this report. d) A forecast or budget from the organisation showing its future profitability position. This information is not available from the data provided for this report.
3. Can the service provider raise debt or equity capital at a reasonable cost?	An entity can attempt to raise funds in the form of debt or equity. Debt is generally raised through loans from banks and other financial institutions. When assessing loan applications, a key consideration is applicants' ability to service debt commitments (interest and/or loan repayments). Financiers may also consider what assets can be provided as collateral. The relevant measures typically used to assess a company's ability to raise debt include: a) Debt service coverage ratio, i.e. the ratio of profit to an entity's debt servicing obligations (including principal and interest) for the year. b) Interest coverage ratio, i.e. the ratio of profit to an entity's interest obligations for the year. The source of new equity depends on circumstances, with new third party equity generally linked to the return being generated.
4. Can the service provider liquidate some non-current assets and maintain profitability?	An entity can increase its liquidity by selling non-current assets. It is important to note that selling non-current assets at a fair market value may take time, and may adversely impact revenues and profitability. It is also important to consider any liabilities associated with the non-current assets which may prevent its sale or reduce funds available from the sale (e.g. a loan for a property typically needs to be repaid when the property is sold). To analyse an entity's ability to sell non-current assets in order to improve its liquidity we considered two factors: a) The entity's non-current liabilities (e.g. payable loans which may be backed by the non-current asset being considered for sale). b) The net non-current assets which need to be sold in order to increase liquidity to a sufficient level (all else equal, an entity required to sell a smaller proportion of net non-current assets is likely to be relatively more viable than one requiring to sell a higher proportion of net non-current assets).

Questions	Comments
5. Can the service provider access external support, which may be motivated by a non-commercial purpose?	Some service providers have access to funding from parent or other related entities which are driven by non-commercial purposes (e.g. government, religious or benevolent institutions) or because funding the service provides strategic or commercial benefits to the related entity. This information is not available from the data provided for this report.

As with profitability, the assessment of viability will depend on what is considered to be an acceptable threshold for each measure. The threshold level will differ depending on the judgement of the analyst and the purpose for which the analysis is being conducted. For the ‘base case’ we have used thresholds of:

- 1 for the liquidity ratio, which means an entity could, if required, liquidate its current assets to cover its current liabilities over the next twelve months. This indicates that the business holds sufficient liquid assets to discharge its liabilities due in the next twelve months. A ratio of 1 was also deemed appropriate under Australian Case Law in the case of (ASIC V Plymin).
- 1.5 for the debt service coverage ratio which means that an entity’s annual profit is at least 1.5 times greater than the minimum loan repayments (principal and interest). This measure is typically used by banks and other lenders as covenants on loans. We have had regard to our extensive experience in working with and within the banking sector in selecting 1.5 as the base case scenario for this Report.
- 2.5 for the interest coverage ratio. This is very similar to the debt service coverage ratio above except that this time the calculation considers interest payments only (i.e. no principal repayments).
- 2.5% for net Non-Current Assets to be liquidated in order for an entity to achieve the target liquidity ratio. As outlined above, entities can sell non-current assets to achieve liquidity, however, this can take time and it may be difficult to liquidate only a small proportion of a large asset. We have selected a relatively low proportion for the base case scenario as it may be difficult to achieve liquidity in a timely manner and at fair market value.

A very important choice affecting the liquidity ratio is the proportion of RADs that one treats as current liabilities. As noted earlier, within the Accounting Standards all RADs are technically current liabilities. If one uses this definition, all or most residential care providers would be unviable. A more pragmatic approach is to assume that when a RAD must be repaid, a new RAD will be acquired soon after.

Approved Providers are required to indicate what proportion of RADs are expected to be paid out in the next 12 month period. In the data provided, Approved Providers anticipate approximately 40% of RADs to be paid out in a 12 month period. Typically a proportion of the RADs paid out are replaced within 12 months by a new RAD. We consider a reasonable assumption for the ‘base case’ assessment to be that 20% of RADs will be paid out over a 12 month period, or in other words, 80% of RADs are non-current liabilities. We also present the results for 60% and 40% assumptions to show how sensitive the viability assessment is and as a form of ‘stress test’ to understand how resilient Approved Providers would be to a greater call on these liabilities.

4. APPROVED PROVIDERS

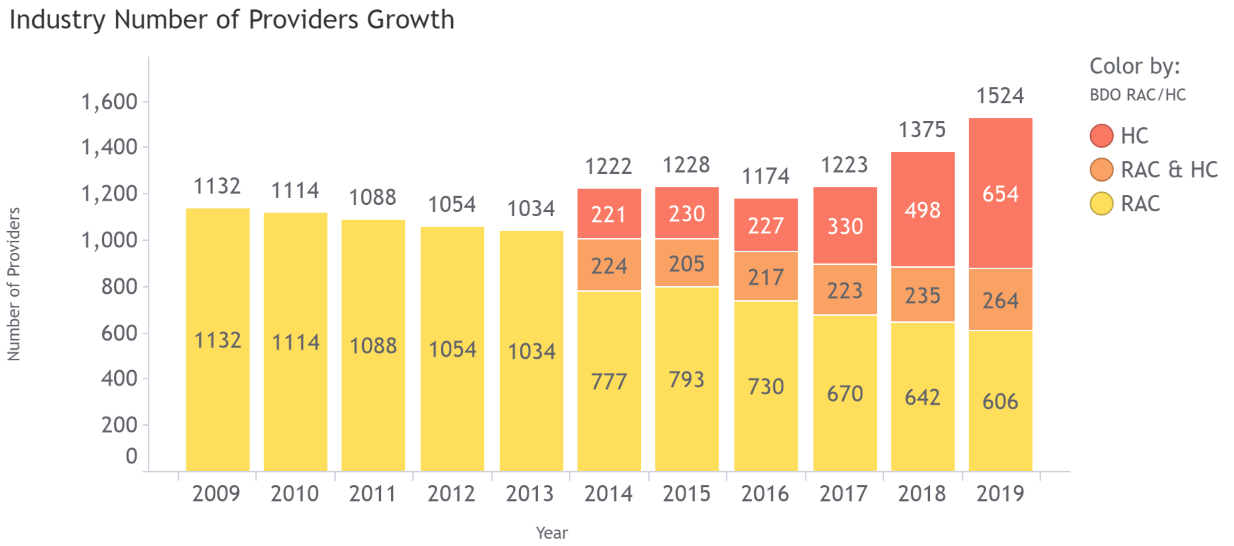
As noted in Section 3.1, the analysis of the financial data at the Approved Provider level is complex due to different reporting obligations by the Department of Health. As such the financial data reported at the AP level is only a subset of the total sector data. We recommend that readers use caution when referring to analysis at the AP level, specifically we note the following in relation to the financial data at the AP level in this Report:

- It only includes 'RAC only' Providers, and 'RAC and HC' Providers. It also includes the non-aged care components of these entities.
- It excludes all Government owned providers in FY2018 and FY2019, and 'HC only' Providers. The Department of Health does not require these entities to report at the AP level.

4.1. PROVIDERS

Figure 3 shows there has been an overall upward trend in the number of Approved Providers since FY2013. The growth has been in Home Care following the commencement of the Home Care Packages program in FY2014. Note that Figure 4.1 includes APs which do not report financial data at the AP level (i.e. HC Only providers and Government Owned providers). In addition, the FY2019 numbers in Figure 4.1 exclude a number of providers who had not yet reported to the Department of Health, which we understand is because they report using a financial year ending after 30 June.

Figure 3 Number of Approved Providers by entity type



In Figure 4, we see the market share taken by the largest 10 individual Approved Providers has grown, as it has for the second largest 50. In addition, there can be multiple Approved Providers within an organisational structure or group of affiliated organisations (refer to Appendix B for more detail). When this affiliation is taken into account, the market shares are more concentrated as shown in Figure 5.

Figure 4 Approved Providers by income size

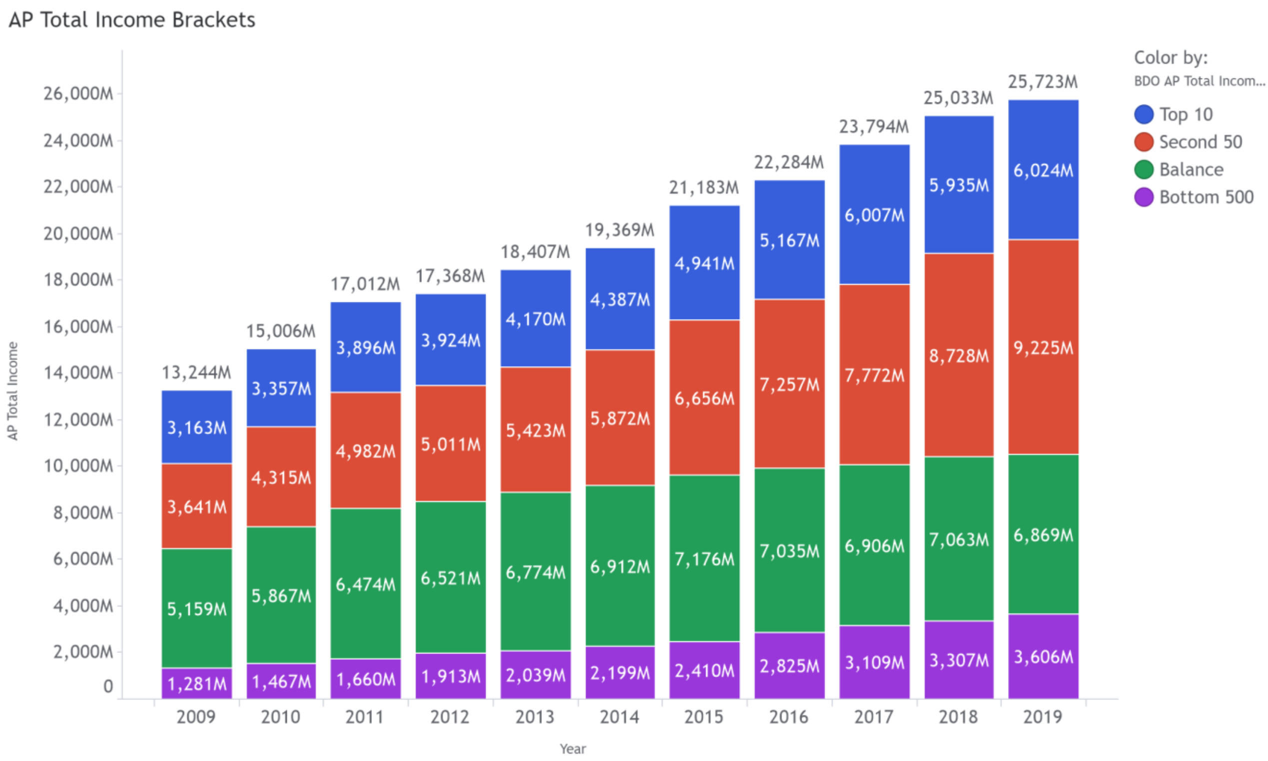
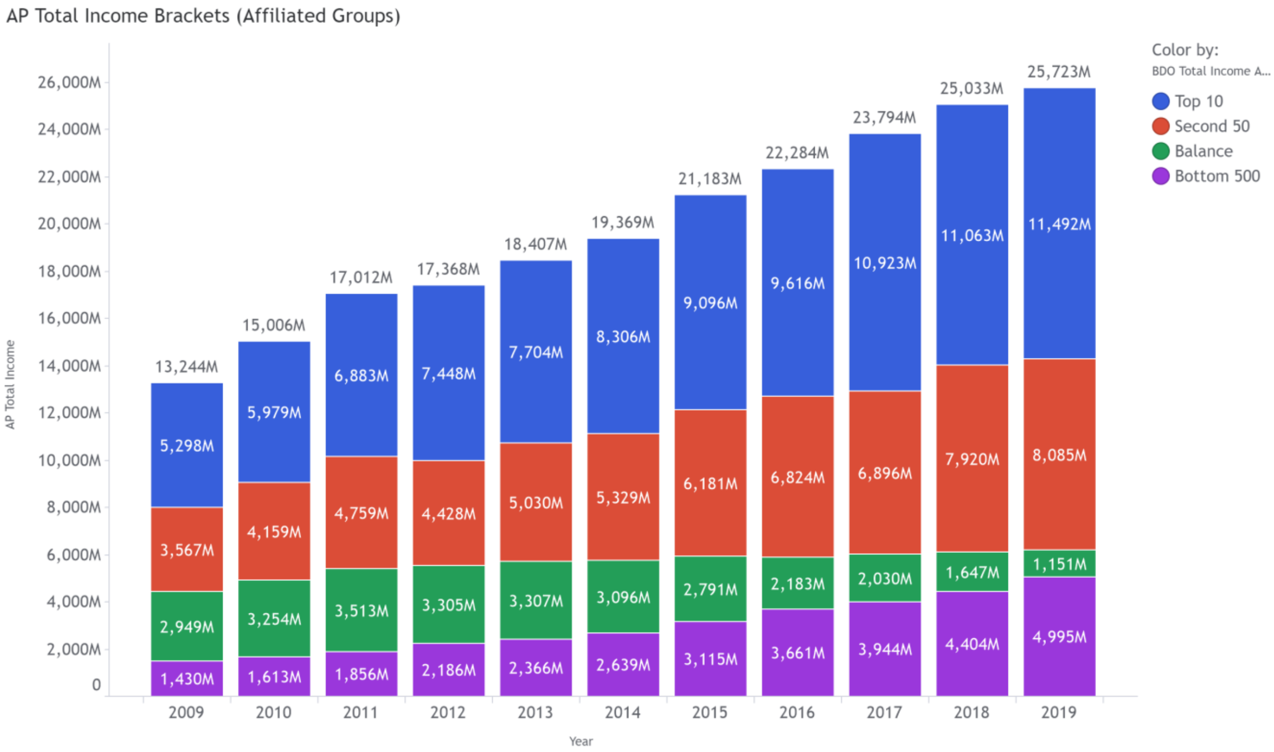


Figure 5 Affiliated groups of Approved Providers by income size



4.2. INCOME, EXPENSES AND PROFIT

As noted in Section 4 above, the financial data reported at the AP level is only a subset of all APs (it does not include 'HC Only' and Government Owned providers).

The income of entities who report at the AP level has increased by approximately 7.3% per annum between FY2009 and FY2018[1] and their expenses grew by approximately 6.7% per annum over the same period (Figure 6)[2]. The total income reported at the AP level for FY2018 was $25.0Bn, total expenses were $23.9Bn, and

[1] We have not referenced FY2019 in this analysis as a number of providers had not yet reported for this period at the time of data collection.
[2] Data from Government owned APs is not reported in FY2018 and FY2019

profit was $1.1Bn (a profit margin of 4.4%). Most of these profits are earned by the largest 60 Approved Providers (Figure 7).

Figure 6 Income, expenses and profit for Approved Providers

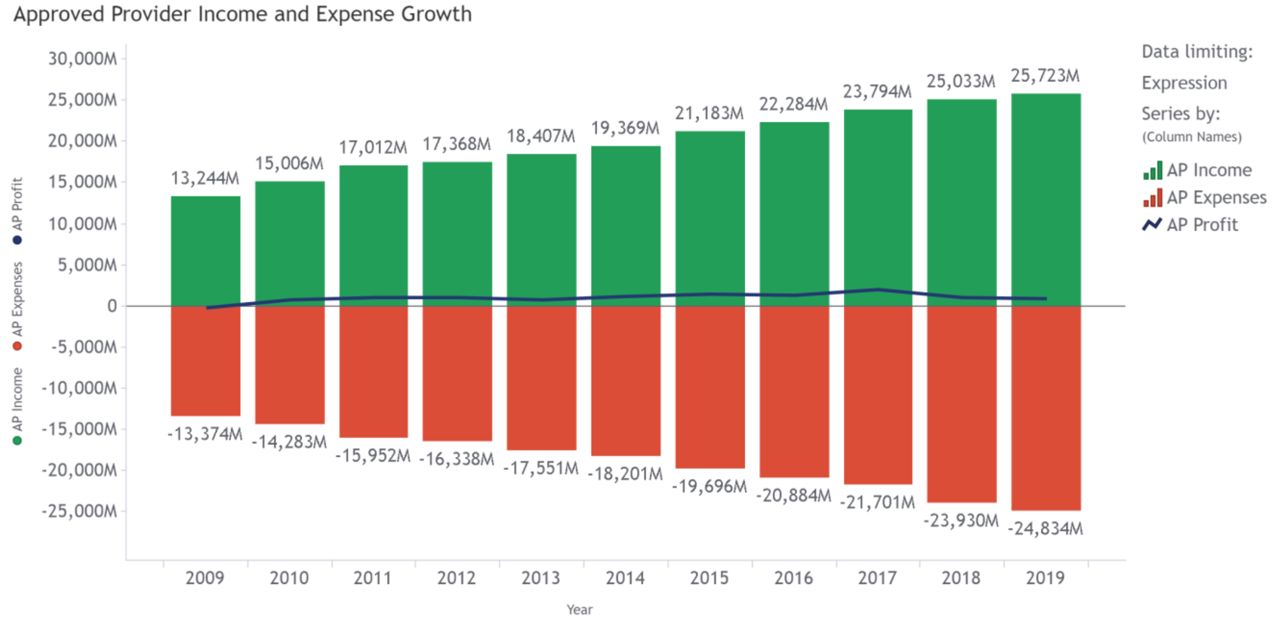
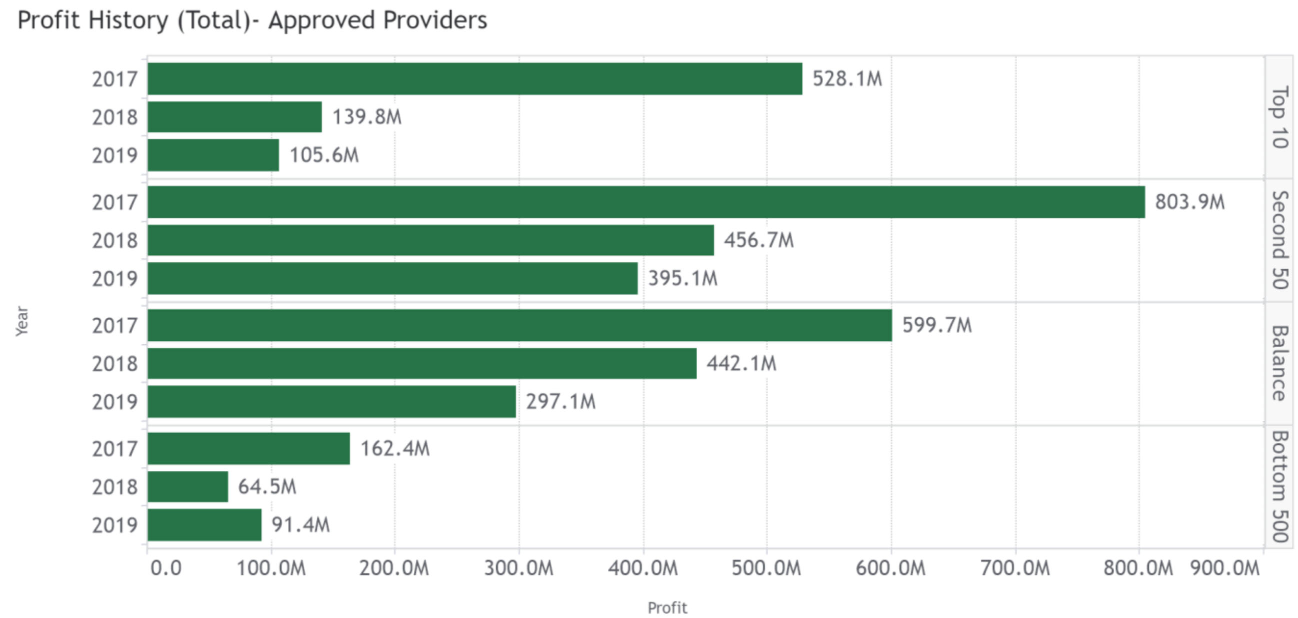


Figure 7 Approved Provider profits by size, FY2017-FY2019



For indicative purposes only, the total figures reported at the Approved Provider level for Residential Aged Care and Home Care for FY2018 equate to:

- Income of $18.3Bn, which was 73.1% of income reported at the AP level, indicating that non-aged care activities comprised the remaining 26.9%.

- Expenses of $17.7Bn, which was 74.0% of expenses reported at the AP level, indicating that non-aged care activities comprised the remaining 26.0%.
- Profit of $0.6Bn, which was 54.6% of profit reported at the AP level, indicating that non-aged care activities comprised 55.4% of profits reported at the AP level.

The data available does not make it possible to analyse what these non-aged care activities are, how those activities are funded, and the extent to which any surpluses/losses from those activities are utlised/funded by the aged care activities.

Table 4.1 contains a detailed breakdown of income and expenses reported at the AP Level in FY2018 by ownership type. The breakdown is broadly similar in FY2017 and FY2019 (each item represented similar proportions).

The one noteworthy difference is that Labour expenses have been reported in the FY2019 data whereas in prior years they are reported as part of the Other expenses category (the sums of these amounts are broadly similar between years). In FY2019, Labour accounted for 73% of the total of Labour and Other expenses. We note that the definition of management fees "to govern and manage operations" means there could be a labour component in those figures as well.

Table 4.1 Approved Provider income, expenses and profit, FY2018

	Total amounts			Per entity		
	FP ($M)	NFP ($M)	Total ($M)	FP ($M)	NFP ($M)	Total ($M)
AP Income Operating	7,280.4	15,720.4	23,000.9	25.0	31.7	29.2
AP Income Non-operating	184.0	760.1	944.2	0.6	1.5	1.2
AP Income Interest Related	140.1	50.6	190.7	0.5	0.1	0.2
AP Income Interest Unrelated	46.3	194.3	240.6	0.2	0.4	0.3
AP Income Investment	17.5	195.0	212.5	0.1	0.4	0.3
AP Income Other Comprehensive	45.7	398.9	444.6	0.2	0.8	0.6
AP Total Income	**7,714.1**	**17,319.3**	**25,033.4**	**26.5**	**34.9**	**31.8**
AP Expenses Labour	-	-	-	-	-	-
AP Expenses Interest Related	45.9	10.5	56.5	0.2	0.0	0.1
AP Expenses Management Fees Related	361.6	168.0	529.6	1.2	0.3	0.7
AP Expenses Management Fees Unrelated	4.3	44.0	48.3	0.0	0.1	0.1
AP Expenses Rent for Buildings Related	306.2	43.8	350.1	1.1	0.1	0.4
AP Expenses Rent for Buildings Unrelated	50.3	112.5	162.7	0.2	0.2	0.2
AP Expenses Other	6,008.0	14,990.8	20,998.8	20.6	30.2	26.7
AP Expenses Amortisation	11.4	60.2	71.6	0.0	0.1	0.1
AP Expenses Depreciation	284.5	1,007.6	1,292.1	1.0	2.0	1.6
AP Expenses Interest Unrelated	-	-	-	-	-	-
AP Expenses Interest Other	111.5	103.2	214.7	0.4	0.2	0.3
AP Expenses Tax (Refund)	97.5	0.6	98.1	0.3	0.0	0.1
AP Total Expenses	**7,283.8**	**16,646.6**	**23,930.4**	**25.0**	**33.6**	**30.4**
AP Profit	**430.3**	**672.7**	**1,103.0**	**1.5**	**1.4**	**1.4**
AP Profit Margin	**5.6%**	**3.9%**	**4.4%**	**5.6%**	**3.9%**	**4.4%**

On a per entity basis, Not For Profits were much larger than For Profits, however they had lower profits and profit margins. As a proportion of total expenses, Not For Profits reported higher depreciation and ‘other’ (which includes labour as noted), while For Profits had higher interest, tax and related party management fees and rent for buildings.

Aged Care Providers have the flexibility to structure their business as they deem appropriate. For example they may choose to fund their business using debt or equity, they may buy or rent property and they may elect to utlise the services of a management entity. Depending on these choices, providers can incur expenses such as interest, management fees and rent.

The analysis above has been carried out at an aggregate level. We have also undertaken some analysis at an individual provider level and found that there were significant variances across individual providers across ‘other’ expenses (the largest single category), interest, management fees and rent. The distribution of these items are illustrated in Figures 8 to 11 below.

We have shown the distributions for both related party and non related party transactions for indicative purposes. As noted throughout this report APs are likely to use group structures and have related party transactions for a number of valid reasons. The use of related party transactions does, however, reduce the level of transparency on the transactions from the data available.

We also note that the large distribution in expenses across individual providers may also be related to the non aged care activities of each organisation.

Having regard to the above, it is difficult to draw definite conclusions about the underlying drivers of the distribution of expenses across individual entities from the data available. To illustrate the impact of these distributions on the aggregate figures, however, we have calculated how these expense categories would change in FY2018 if they the share of total expenses were capped to exclude the impact of high values at the individual provider level.

For this illustrative analysis we used both the 75th percentile as well as the upper inner fence, defined as the 75th percentile plus 1.5 times the interquartile range i.e. the range between the 75th and 25th percentiles. Adjusting to these thresholds would impact the expense categories by the following ranges:

- Total management fees would reduce by $161.2 - 226.4M (27.2 – 38.1% of the FY2018 total). Related party management fees would reduce by $ 131.8 - 191.7M (24.2 – 35.2% of the FY2018 total) and unrelated party management fees would reduce by $29.1 - 34.3M (60.2 – 70.9% of the FY2018 total).
- Total rent would reduce by $6.1 - 47.7M (1.2 - 9.2% of the FY2018 total). Related party rent for buildings would reduce by $0.1 - 31.9M (0.3 - 9.1% of the FY2018 total) and unrelated party rent would reduce by $4.4 - 11.0M (2.7 - 6.8% of the FY2018 total).
- Total interest expense would reduce by $83.2 – 128.2M (30.7 – 47.3% of the FY2018 total). Related party interest expenses would reduce by $8.6 – 24.0M (15.3 – 42.5% of the FY2018 total) and unrelated party rent would reduce by $64.2 – 89.1M (29.9 – 41.5% of the FY2018 total).

Note the reductions reported here for related and unrelated do not tally exactly to the totals because a small proportion of providers split expenses in both categories.

Figure 8 Approved Provider ‘Other’ expenses, FY2018

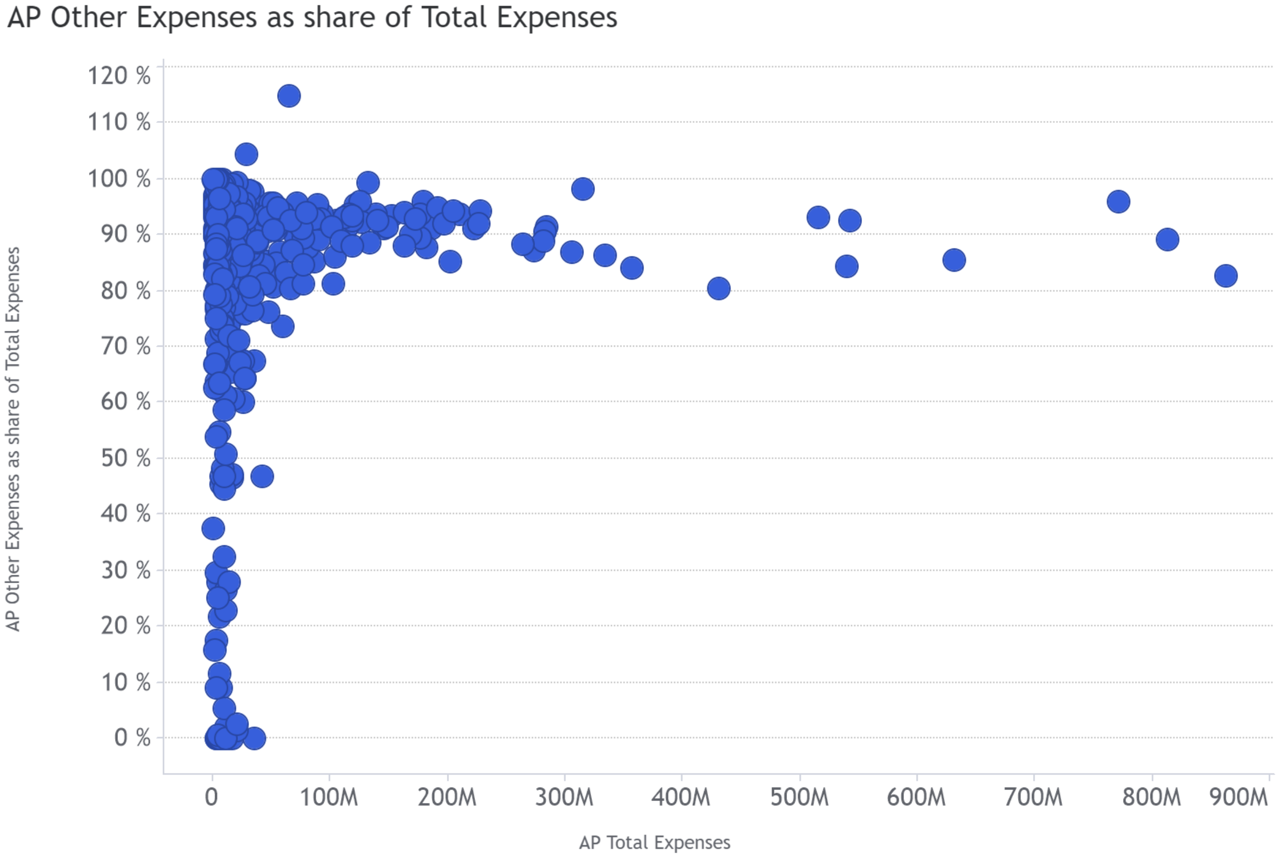


Figure 9 Approved Provider Management Fee expenses

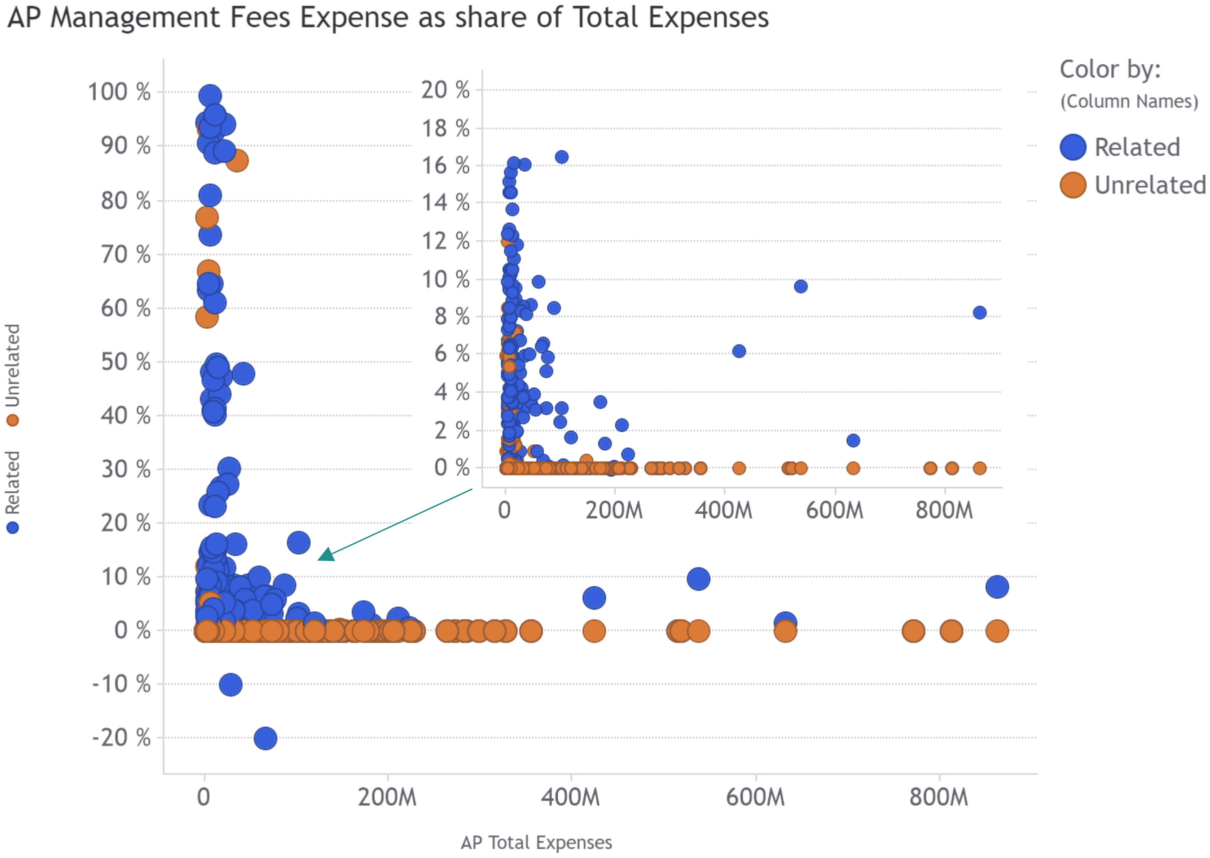


Figure 10 Approved Provider Rent for Buildings expenses

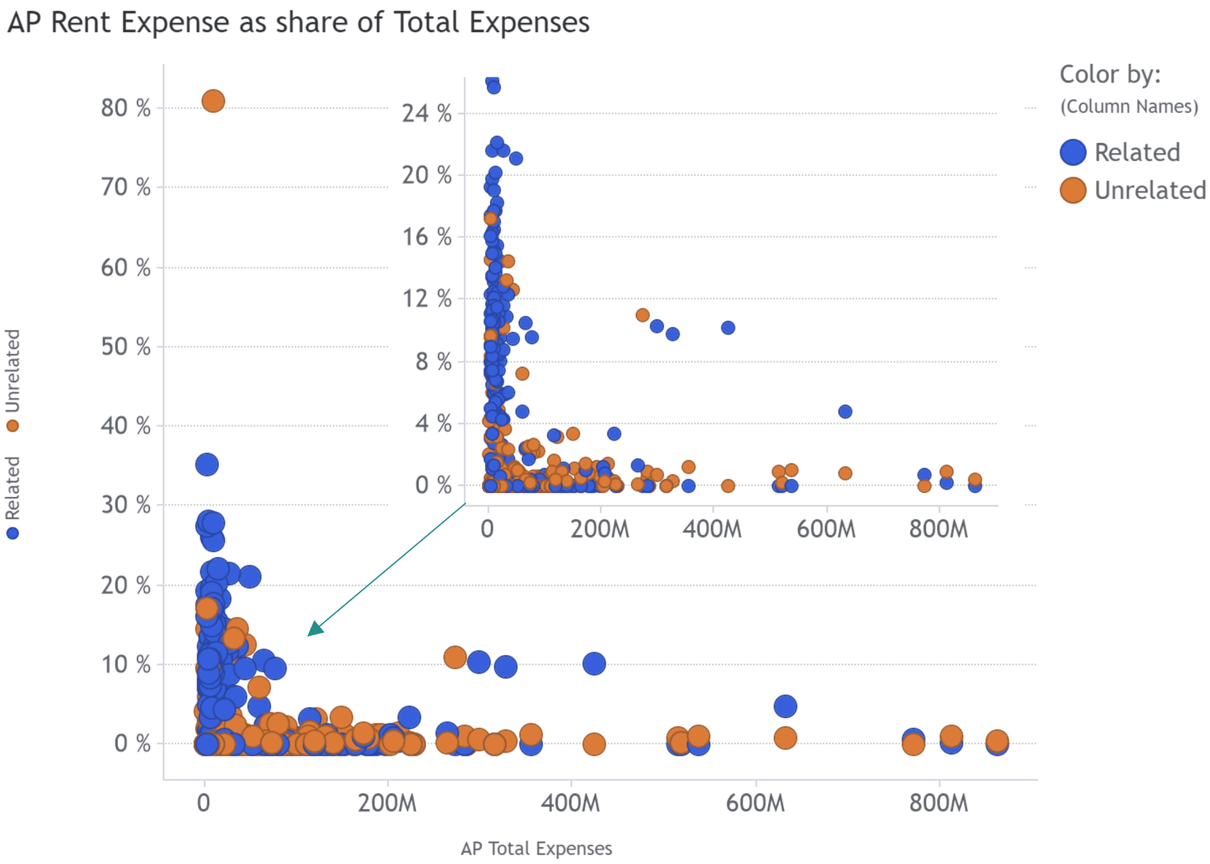


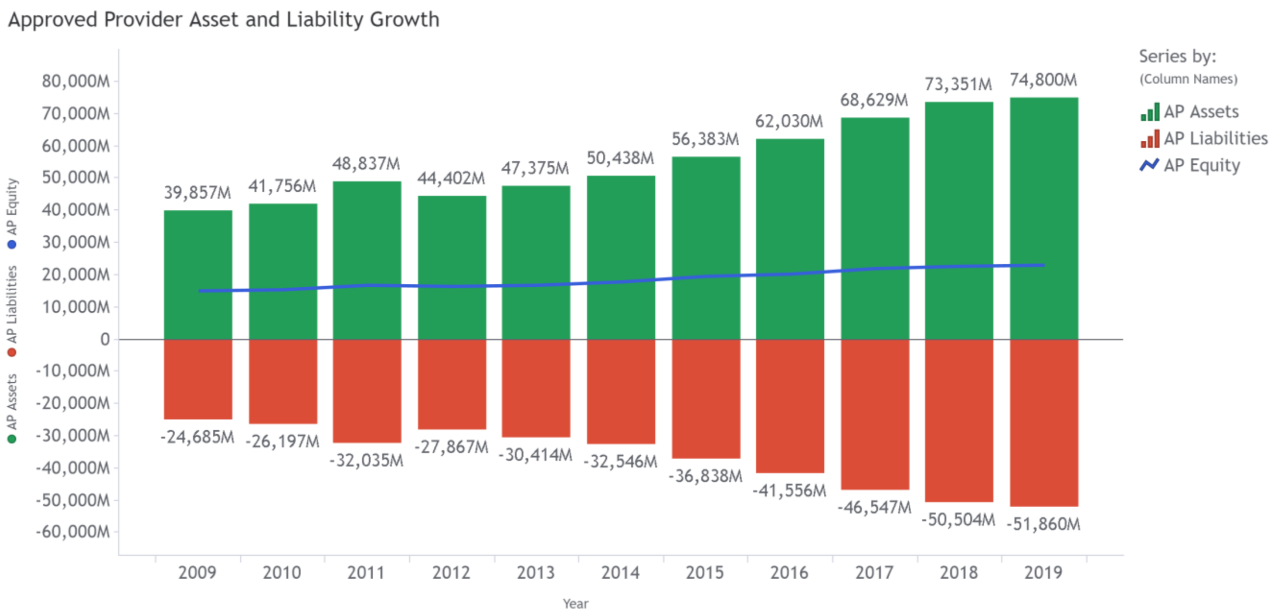
Figure 11 Approved Provider Interest expenses, FY2018

More detailed analysis of Income and Expenses by ownership type over time and by size of Approved Providers is set out in Appendix E of this Report.

4.3. ASSETS AND LIABILITIES

Assets reported at the Approved Provider level (i.e. excluding HC Only and Government Owned Providers) grew by approximately 7.0% per annum between FY2009 and FY2018 while liabilities reported at the AP level grew by approximately 8.3% per annum (Figure 12). Equity (often referred to as 'Net Assets') reported at the AP level has grown from $15.2Bn in FY2009 to $22.8Bn in FY2018 (approximately 4.7% per annum).

Figure 12 Assets and liabilities reported at the Approved Provider level



The total assets reported at the AP level for FY2018 is $73.4Bn, total liabilities are $50.5Bn, and equity is $22.8Bn. Not For Profits make up a majority of these aggregates – they owned 69.5% of the assets, 61% of the liabilities, and 89% of the equity. Table 4.2 gives a detailed breakdown of the components, by ownership and per entity.

Table 4.2 Approved Provider assets and liabilities, FY2018

	Total amounts			Per entity		
	FP ($M)	NFP ($M)	Total ($M)	FP ($M)	NFP ($M)	Total ($M)
AP CA Cash and Cash Equivalents	1,948.7	6,941.0	8,889.7	6.7	14.0	11.3
AP CA Financial Assets/Investments	131.0	3,534.3	3,665.3	0.5	7.1	4.7
AP CA Trade Receivables (Less Provs)	258.3	559.3	817.6	0.9	1.1	1.0
AP CA WIP - Other inc Retiremnt Liv	0.3	51.3	51.6	0.0	0.1	0.1
AP CA WIP - RAC ex Retiremnt Living	2.5	145.6	148.1	0.0	0.3	0.2
AP CA WIP - Other Current Assets	502.6	816.8	1,319.4	1.7	1.6	1.7
AP CA RADS RAC	416.1	687.8	1,103.9	1.4	1.4	1.4
AP CA RADS Other	7.1	91.0	98.1	0.0	0.2	0.1
AP CA Loans Receivable Unrelated	0.3	7.3	7.6	0.0	0.0	0.0
AP CA Loans Receivable Related	2,319.9	396.0	2,715.9	8.0	0.8	3.5
Total Current Assets	**5,586.8**	**13,230.4**	**18,817.2**	**19.2**	**26.7**	**23.9**

	Total amounts			Per entity		
	FP ($M)	NFP ($M)	Total ($M)	FP ($M)	NFP ($M)	Total ($M)
AP NCA Financial Assets/Investments	212.3	1,275.1	1,487.4	0.7	2.6	1.9
AP NCA WIP - RAC ex Retiremt Living	462.8	909.3	1,372.1	1.6	1.8	1.7
AP NCA WIP - Other inc Retiremt Liv	5.6	688.5	694.1	0.0	1.4	0.9
AP NCA PP&E	7,323.8	23,948.7	31,272.5	25.2	48.3	39.7
AP NCA Investment Properties	1,611.4	8,484.5	10,095.9	5.5	17.1	12.8
AP NCA Loans Receivable Unrelated	163.1	96.0	259.1	0.6	0.2	0.3
AP NCA Loans Receivable Related	2,500.1	441.0	2,941.1	8.6	0.9	3.7
AP NCA Intangibles	4,210.6	1,471.1	5,681.7	14.5	3.0	7.2
AP NCA Other	331.8	398.7	730.5	1.1	0.8	0.9
Total Non-Current Assets	**16,821.5**	**37,712.9**	**54,534.4**	**57.8**	**76.0**	**69.3**
Total Assets	**22,408.3**	**50,943.3**	**73,351.6**	**77.0**	**102.7**	**93.2**
AP CL Unspent Home Care Package	5.7	297.1	302.8	0.0	0.6	0.4
AP CL RADS RAC	13,545.9	14,432.7	27,978.6	46.5	29.1	35.6
AP CL RADS Other	285.6	9,783.9	10,069.5	1.0	19.7	12.8
AP CL Loans Unrelated	521.7	422.1	943.8	1.8	0.9	1.2
AP CL Loans Related	1,204.1	164.8	1,368.9	4.1	0.3	1.7
AP CL Employee Benefits/Provisions	485.7	1,428.6	1,914.3	1.7	2.9	2.4
AP CL Other	1,219.6	2,154.1	3,373.7	4.2	4.3	4.3
Total Current Liabilities	**17,268.3**	**28,683.3**	**45,951.6**	**59.3**	**57.8**	**58.4**
AP NCL AP Loans Unrelated	1,358.8	988.6	2,347.4	4.7	2.0	3.0
AP NCL Loans Related	743.2	101.6	844.8	2.6	0.2	1.1
AP NCL Employee Benefits/Provisions	100.2	227.0	327.2	0.3	0.5	0.4
AP NCL Other	478.3	554.3	1,032.6	1.6	1.1	1.3
Total Non-Current Liabilities	**2,680.5**	**1,871.5**	**4,552.0**	**9.2**	**3.8**	**5.8**
Total Liabilities	**19,948.8**	**30,554.8**	**50,503.6**	**68.6**	**61.6**	**64.2**
Net Assets	**2,459.5**	**20,388.5**	**22,848.0**	**8.5**	**41.1**	**29.0**

Approved Providers' assets and liabilities consist of aged care related items and non aged care items. For indicative purposes only, the amounts separately reported for Residential Aged Care and Home Care in FY2018 equate to:

- Assets of $46.7Bn, or 63.7% of Approved Provider assets, indicating that non-aged care activities comprised the remaining 36.3%.
- Liabilities of $35.9Bn, or 71.0% of Approved Provider liabilities, indicating that non-aged care activities comprised the remaining 29.0%.
- Equity of $10.8Bn, or 47.2% of Approved Provider equity, indicating that non-aged care activities comprised the remaining 52.8%.

As with income and expenses, the data available does not make it possible to analyse what these non-aged care activities are or their relationship to aged care activities, if any.

At the total AP level, total assets exceed total liabilities by $22.8 Bn (i.e. equity). A more detailed analysis, however, provides greater insights into the viability risk of the sector (a portion of which is carried by the Australian Government):

a. Intangible assets account for $5.7Bn of assets. These assets may not be realisable, which would reduce the equity to $17.0Bn.

b. Current and non-current loans receivable from related parties account for $5.7Bn of the assets, which if not recoverable would reduce the equity to $17.0Bn (or $11.3Bn if intangible assets are also not realisable). The risk is that when related parties are involved, the Approved Provider may not actually be able to call upon the receivable when it needs to, or the related party may become insolvent which would mean the Approved Provider may not be able to recover its receivable. It is not possible to analyse from the data the extent to which these related party receivables are created from RADs, however we have analysed movements in RADs and net related party loans, and have found many instances where there is a strong correlation.

c. RADs account for $28.4Bn or 55% of total Approved Provider liabilities. RADs are underwritten by the Federal Government and thus expose the Government to the insolvency risk of the Approved Providers. That is, if the Approved Providers become insolvent, there is a risk that the Government would have to refund some or all of the RADs to the residents.

d. These risks are higher in the For Profit Approved Providers. Equity equals $2.5Bn, while intangible assets are $4.2Bn, and would result in a net liability position at the AP level of $1.7Bn if not realisable. Related party receivables are $4.8Bn and would result in a net liability position of $2.3Bn if not recoverable (or $4.0Bn if combined with the scenario where the intangible assets are also not realisable). RADs are $13.7Bn or 67% for the For Profit Approved Providers' liabilities.

e. The risks are higher in entities which are currently not profitable or entities which have a negative net asset position. As set out in the subsequent sections, 386 RAC providers (or 44%) are not profitable and account for $9.0Bn or 32% of the total RADs. Also 426 RAC providers (or 48.6%) have a liquidity ratio of less than 1 and account for $12.8Bn or 45.2% of the total RADs. (Note: The reference to RAC providers here is because RADs are only applicable to Residential Aged Care and are not relevant to Home Care.)

The priority of liabilities owed to any other creditors for the Approved Providers, including secured creditors and employees, will also impact the level of risk exposure for the Government. It is likely that the Government would rank equally with unsecured creditors and would rank behind secured creditors and employees in the event of a wind up.

We note that there may be other legislative, regulatory or contractual instruments which mitigate the risk of Government being ranked equally to unsecured creditors. For example, the Government may be able to link the recoverability of RADs to the value and transfer of the bed licences associated with the Approved Provider in an insolvency event in a manner which effectively increases its ranking among creditors. We are not aware of any such instruments and have been instructed by the Royal Commission to assume that they do not exist.

There are a number of key differences in the balance sheets of the For Profits and Not For Profits which reflect that the For Profits are more likely to be utilising a group structure involving related parties. This is evident from:

a. Proportionately lower cash and other investments within the Approved Provider. This may suuggest that investments are made via a related entity (and it also suggests cash flow pressure from within the Approved Provider).

b. Proportionately higher related party receivables (i.e. loans made to the related party by the AP), which would reflect cash outflows to the related parties, including the significant amount from RADs. For Profits also have proportionately higher related party payables (i.e. loans taken from the related party by the AP) which is in line with the hypothesis that these entities often manage finances under a group structure and transfer money to and from entitites within the group as and when required.

c. Proportionately higher debt (from both related and unrelated parties). The source of the debt would be dependent on the most optimal commerical terms available to the For Profits.

d. Proportionately less Property, Plant and Equipment (including investment properties) within the AP entity. They are more likely to make their investments through another entity within the group.

It is not unusual for entities to use group structures to maximise returns and minimise risk through a range of strategies. This is perfectly reasonable. Under the current reporting obligations, however, the transfer of funds to a related party results in a significant loss in transparency and traceability. As examples, it is currently not possible to analyse from the data how a related party is utlising funds received, whether or not it is generating any gains or losses, and to ascertain the viability of the related party entity to which the funds may have been transferred to. There is also a lack of transparency in relation to the terms of any related party agreements including fees charged, loan period, and security. This lack of transparency limits the ability to assess the recoverability of any loans made to related parties by the Approved Provider.

4.4. MARGINS AND RETURNS

It is possible to calculate a reported profit margin, return on assets and return on equity from the data provided. However, our view is that consideration should also be given to any gains or losses made by related parties to the extent that they can be attributed to capital obtained from the sector (for example, how RADs are used to make gains). It is possible that such gains or losses are quite significant given the total value of RADs in aged care ($28.4Bn in FY2018).

In our view, shareholders of individual Approved Providers would consider such benefits when evaluating their investment in the sector. The data that would be required to develop this more holistic, true return, is not available within the ACFR. Approved Providers do not have an obligation to report it. The accounting challenges of deriving a true return are explained below in Box 1.

Notwithstanding this limitation, we have examined margins and returns from the data reported. Our analysis of reported profit margins and returns for FY2018 are set out in Table 4.3. The profit and return metrics have been reported in a number of categories to give an indication of the wide distribution of results across individual Approved Providers. These categories are:

- Weighted averages – The result if the sector was treated as one single consolidated AP (or can be considered mathematically as the averages for each metric weighted by Income)
- Median – The result of the AP at the midpoint of all APs for that particular metric
- Quartile 1 - The result of the AP at the 25th percentile of all APs for that particular metric (i.e. the bottom 25% of the sector have a lower figure than this)
- Quartile 3 - The result of the AP at the 75th percentile of all APs for that particular metric (i.e. the top 25% of the sector have a higher figure than this)

Using EBITDA as the reference point, the measures of profit margin vary between Quartiles 1 and 3 from 2.02% to 16.03%, while the return on assets ranges from 0.96% to 7.61%, and return on equity ranges from 2.34% to 80.72%.

As would be expected, the For Profits have stronger EBITDA margins and returns than the Not For Profits, especially in the return on equity results which are 5 times larger at the weighted average level (this is reflective of the fact that For Profits are likely to have less equity as they are likely to distribute profits to shareholders while NFPs are likely to retain them).

Table 4.3 Approved Provider margins and returns, FY2018

	For Profit				Not for Profit				Total
	W'ted Average	Q1	Median	Q3	W'ted Average	Q1	Median	Q3	W'td Average
Profit Margins									
NPAT (Incl. Comp.) / Total Income	5.58%	-1.66%	3.19%	9.46%	3.88%	-3.16%	2.77%	9.06%	4.41%
NPAT (Excl. Comp.) / Total Income	5.02%	-1.49%	3.14%	9.18%	2.19%	-3.38%	1.94%	7.76%	3.06%
NPBT (Incl. Comp.) / Total Income	6.84%	-1.23%	4.09%	12.00%	3.89%	-3.16%	2.77%	9.09%	4.80%
NPBT (Excl. Comp.) / Total Income	6.28%	-1.23%	3.94%	11.06%	2.19%	-3.38%	1.94%	7.83%	3.45%
EBIT / Total Income	8.32%	-0.09%	5.11%	13.22%	2.85%	-2.67%	2.74%	8.15%	4.54%
EBITDA / Total Income	12.16%	2.02%	8.50%	16.03%	9.02%	2.77%	8.70%	14.37%	9.98%
Return on Assets									
NPAT (Incl. Comp.) / Total Assets	1.92%	-0.79%	1.72%	4.74%	1.32%	-0.97%	0.85%	2.89%	1.50%
NPAT (Excl. Comp.) / Total Assets	1.73%	-0.61%	1.65%	4.59%	0.74%	-1.04%	0.64%	2.38%	1.04%
NPBT (Incl. Comp.) / Total Assets	2.36%	-0.48%	1.94%	5.89%	1.32%	-0.97%	0.85%	2.89%	1.64%
NPBT (Excl. Comp.) / Total Assets	2.16%	-0.44%	1.87%	5.69%	0.75%	-1.04%	0.64%	2.38%	1.18%
EBIT / Total Assets	2.87%	-0.02%	2.60%	6.26%	0.97%	-0.79%	0.79%	2.48%	1.55%
EBITDA / Total Assets	4.19%	0.96%	3.75%	7.61%	3.06%	0.98%	2.83%	4.37%	3.41%
Return on Equity									
NPAT (Incl. Comp.) / Total Equity	17.50%	1.38%	14.34%	63.53%	3.30%	-2.58%	2.14%	6.80%	4.83%
NPAT (Excl. Comp.) / Total Equity	15.74%	1.38%	14.06%	59.45%	1.86%	-2.80%	1.62%	5.49%	3.35%
NPBT (Incl. Comp.) / Total Equity	21.46%	1.61%	19.61%	72.36%	3.30%	-2.58%	2.14%	6.80%	5.26%
NPBT (Excl. Comp.) / Total Equity	19.71%	1.61%	18.93%	69.34%	1.86%	-2.80%	1.62%	5.49%	3.78%
EBIT / Total Equity	26.11%	3.22%	21.66%	73.74%	2.42%	-2.11%	2.15%	5.96%	4.97%
EBITDA / Total Equity	38.14%	5.88%	23.69%	80.72%	7.66%	2.34%	6.33%	10.96%	10.94%

Box 1: The challenge of measuring Approved Providers' true returns

If RADs have been used to make an investment by the Approved Provider, it is difficult to determine how much was invested, for how long and for what return. The practical challenge is best illustrated by an example.

> Assume an Approved Provier uses $1m of RADs to pay down outstanding debt of $10m on a property facility. The Approved Provider will gain an interest saving on the $1m reduction in debt which is not possible to track in annual financial statements. If the property asset then increases in value by $2m, is 10% of that gain attributable to the RAD or can one argue that the property would have gone up in value even without the RAD investment? Similarly, would the scenario change if the $1m of RADs was used to contribute towards the settlement of a property facility with no debt?

It is likely in this example that the value attributed to the RAD is dependent on whether the RAD is to be treated as an equity investment (reflects ownership) or a debt investment (reflects a loan type arrangement where interest is to be paid). If it is an equity investment a portion of the gain in the property value would have to be allocated to the RAD. If it is treated as a debt investment, the property gain would not be allocated to the RAD.

If an Approved Provider operates within a group structure and transacts with related parties including transferring RADs, the lack of transparency and traceability of the investment of RADs increases even further. One way to recognise a return for the Approved Provier for lending the RAD amount to a related party is for the Approved Provider to charge interest at a market rate. Interest revenue from related parties are reported at the Approved Provider level, however the following issues make it difficut to align the reported amount to the RAD:

a. The interest revenue is not reported by aged care activities and non aged activities (i.e. at the Residential Aged Care and Home Care level interest revenue is not split by related party and non related party revenue).

b. The amount of RADs invested, the period for which the investment was made and the interest rate charged is not reported. This is because balance sheets provide point in time figures as at the end of the reporting year (30 June for most entities in Australia). It is possible that the loan balances and agreements may have fluctuated significantly throughout the year.

c. Information on loan terms and/or any documentation on agreements are not reported by the Approved Provider.

Another method entities may use to recognise a return for the Approved Provider is the attribution of returns generated by the related party to the RADs lent. Such gains may or may not be transferred to the Approved Provider and can theoretically be:

a. Formally transferred to the Approved Provider and recorded as income from related party investments.

b. Not formally transferred to the Approved Provider but used by the related party to fund the operations of the Approved Provider as part of the group of entities.

c. Not transferred or used for the benefit of the Approved Provider in any way.

A further consideration is the impact the RAD has on an Approved Providers' borrowing capacity or its access to more attractive investment opportunities (e.g. opportunities which have minimum capital requirements). This is also difficult to assess in practice.

In Table 4.4, we have set out the comparison of the margins and returns generated by For Profit Approved Providers in Australia to listed companies in the aged care sector in other broadly comparable jurisdictions (North America, Europe and the Asia-Pacific). We have also included a comparison to the publicly available data for listed Australian companies in the aged care sector. These medians have been calculated using data about individual aged care providers sourced from Standard and Poor's Capital IQ service as well as a search by BDO of industry reports. Further information about the margins and returns of these overseas aged care providers is contained in Appendix C.

The analysis suggests that there is overlap in the ranges achieved and those of comparable organisations in broadly comparable jurisdictions (i.e. the results are broadly comparable). The one exception however, is the Return on Equity measure, where the Approved Provider dataset shows a significantly higher result. Interestingly, the publicly available data on listed Australian aged care companies shows a much lower Return on Equity measure which are relatively more in line with the other jurisdictions. This would indicate that unlisted For Profit Approved Providers behave quite differently from their counterparts (for example they may be distributing a higher proportion of profits out of the entity (and retaining less). This would reduce the equity value and increase the Return on Equity measure).

For illustrative purposes, we also undertook a comparison of the returns against a range of different Australian industries as set out in Table 4.5.

Table 4.4 International comparisons of For Profit aged care margins and returns, 2018

	Profit Margin *NPAT (Excl. Comp.) / Total Income*			Return on Assets *NPAT (Excl. Comp.) /Assets*			Return on Equity *NPAT (Excl. Comp.) /Equity*		
	Q1	Median	Q3	Q1	Median	Q3	Q1	Median	Q3
All Australian For Profit APs	**-1.49%**	**3.14%**	**9.18%**	**-0.61%**	**1.65%**	**4.59%**	**1.38%**	**14.06%**	**59.45%**
Australia listed	4.54%	6.47%	7.62%	1.36%	1.96%	2.43%	3.65%	4.69%	11.16%
Asia-Pacific	1.31%	2.88%	6.53%	2.76%	3.73%	4.88%	8.78%	9.97%	16.13%
Europe	0.93%	3.84%	6.56%	0.94%	2.37%	4.26%	6.49%	8.19%	14.63%
United States & Canada	-4.73%	2.83%	6.02%	-4.78%	0.00%	5.03%	-11.01%	1.03%	14.29%

Source: Approved Provider Data Analysis in Table 4.3, BDO analysis of Standard and Poor's Capital IQ service and industry reports

Table 4.5 Average profit margins and returns in selected Australian industries CY2018

Australian Industry	Profit Margin (Average) *NPAT (Excl. Comp.) / Total Income* CY2018[(a)]	Return on Assets *NPAT (Excl. Comp.) /Assets* CY2018[(a)]	Return on Equity *NPAT (Excl. Comp.) /Equity* CY2018[(a)]
All Australian For Profit APs[(a)]	**5.0%**	**1.7%**	**15.7%**
Aged care	5.6%	1.8%	10.1%
Consumer discretionary	5.0%	5.1%	7.9%
Consumer staples	4.8%	7.1%	16.1%
Energy	8.0%	4.3%	8.6%
Financials	22.9%	0.9%	10.4%

Australian Industry	**Profit Margin (Average)** *NPAT (Excl. Comp.) / Total Income* CY2018[(a)]	**Return on Assets** *NPAT (Excl. Comp.) /Assets* CY2018[(a)]	**Return on Equity** *NPAT (Excl. Comp.) /Equity* CY2018[(a)]
Health care	6.5%	5.9%	13.5%
Industrials	4.5%	4.2%	9.0%
Information technology	2.4%	3.1%	4.1%
Materials	9.5%	6.4%	11.9%
Real estate	36.6%	1.9%	10.2%

Source: Approved Provider Data Analysis in Table 4.3, BDO analysis of Standard and Poor's Capital IQ service
Note: a) The Approved Provider Data shown is Financial Year 2018 data, all other data points are Calendar Year 2018

4.5. PROFITABILITY ASSESSMENT

Applying the methodology described in section 3 of this report, our assessment is that in FY2018 there were 105 Approved Providers (13.3% of the total) that should be classified as not profitable after considering both EBITDA and cash flows. These Approved Providers represent approximately $1.1Bn (4.2%) of the total income of the sector.

Table 4.6 Profitability assessment for Approved Providers, FY2018 (base case)

	Ownership type			
	For Profit	Not for Profit	*Government*	Total
Profitable	211 (73%)	368 (74%)	n/a	579(74%)
May be profitable	14 (5%)	17 (3%)	n/a	31 (4%)
May not be profitable	24 (8%)	48 (10%)	n/a	72 (9%)
Not Profitable	42 (14%)	63 (13%)	n/a	105 (13%)

We have assessed an additional 72 Approved Providers (9.1%) as 'may not be profitable' because their cash flows are negative despite showing a positive accounting profit. These 72 Approved Providers represent $1.4Bn (5.4%) of the total income of all Approved Providers.

- In the case of the For Profits, 42 Approved Providers (14.4%) are assessed as 'not profitable'. These represent $0.4Bn (4.7%) of total For Profit income. A further 24 Approved Providers (8.2%) are classified as 'may not be profitable' and account for $0.3Bn (4.4%) of the total For Profit income.
- The Not For Profits have similar proportions. We assessed 63 of the Not For Profit Approved Providers (12.7%) as 'not profitable' and these account for $0.7Bn (4.0%) of the total Not For Profit income. A further 48 (9.7%) are deemed 'may not be profitable', combining for $1.0Bn (5.9%) of the total Not For Profit income.

The results of the profitability assessment vary depending on the choice of profit metrics. Figure 13 and Figure 14 give the reader a sense of the impact of each metric. The last row of each graph is the overall assessment of profitability which is the intersection between cash flows and the selected profit metric (in this case EBITDA). The way to interpret these Figures is that if the profit metric were changed, the overall assessment would change as follows: where the profit metric is green and cash flow is pink, the overall assessment becomes yellow; where the profit metric is pink and cash flow is green, the overall assessment becomes light green; where the profit metric and cash flow are the same colour, the overall assessment takes on that colour.

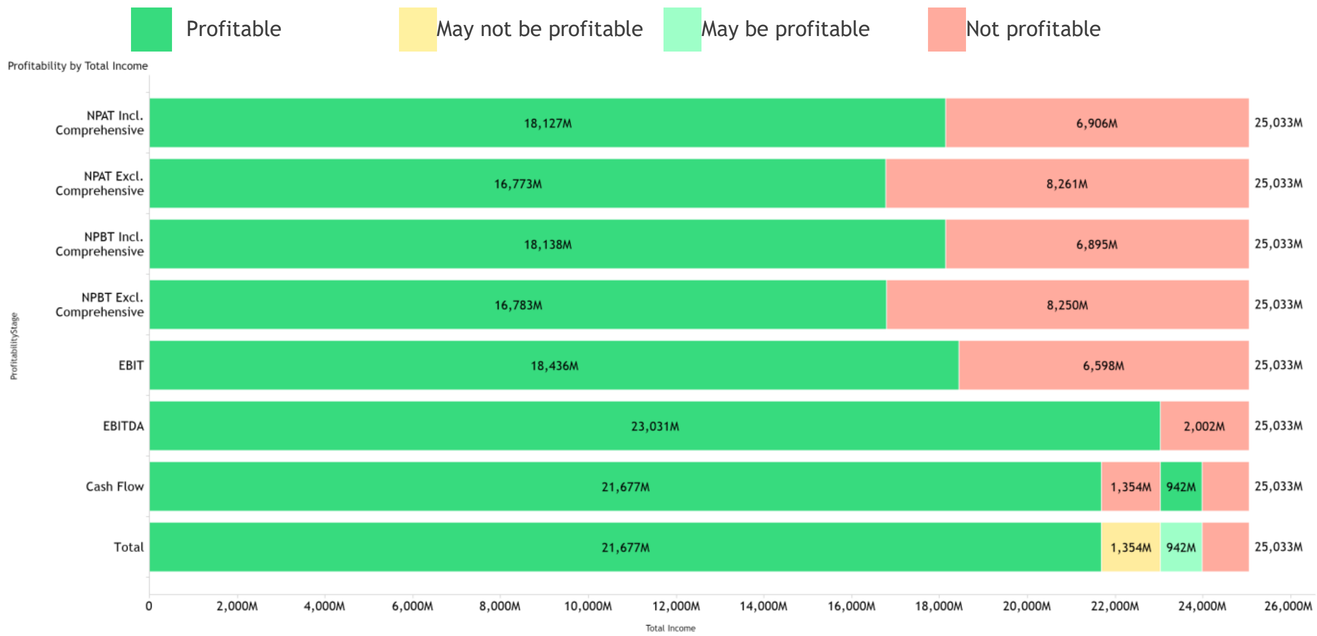
For example, if instead of EBITDA we use 'NPAT excluding other comprehensive income', 140 Approved Providers (17.8%) would be deemed to be not profitable instead of the 105 (13%) using EBITDA. These 140 Approved Providers represent $1.7Bn (6.7%) of the total income compared to $1.1Bn (4.2%) using EBITDA. A further 37 Approved Providers (4.7%) would be deemed to be 'may not be profitable' instead of 72 using EBITDA. These 37 Approved Providers account for $0.7Bn (3.0%) of the total income whereas the assessment using EBITDA is $1.4Bn (5.4%).

In the assessment of cash flows, 225 For Profits (77.3%) and 385 Not For Profits (77.6%) had positive results. These shares decrease materially if related party debt payments are included in the analysis. These payments are excluded as they arguably relate to the analysis of viability more so than profitability.

If we were to ignore cash flows and consider only accounting profits (EBITDA), the proportion of Approved Providers assessed as 'not profitable' would be larger among For Profits than the Not For Profits (19.2% versus 16.1%). If instead we used 'NPBT excluding other comprehensive income', there would be a larger proportion of 'not profitable' APs among Not For Profits (38.3% versus 29.3%). This is because depreciation, amortisation and interest expenses are proportionately higher in Not For Profits.

Figure 13 Profitability by number of Approved Providers FY2018 (base case)

Figure 14 Profitability by Total Income FY2018 (base case)



4.6. VIABILITY ASSESSMENT

In section 3 we described the methodology for the viability assessment including the thresholds used. As explained in that section, a particularly important choice in the viability assessment is the share of RADs that one considers to be non-current liabilities. Under the accounting standards all of RADs are current liabilities which would mean all Approved Providers are assessed as unviable. In reality though, not all RADs turnover within 12 months and those paid out may be replaced. We have chosen to use for the 'base case' an assumption that 80% of RADs are non-current liabilities. We also have also varied this assumption to 60% and 40% to show how sensitive the assessment is and as a 'stress test' to understand the resilience of Approved Providers).

The results of the viability assessment for FY2018 are shown in Table 4.7.

- After transferring 80% of RADs to non-current liabilities, 65 (8.3%) of Approved Providers are assessed as 'not viable'. These entities represent $1.0Bn (4.2%) of the total income. A further 305 (39%) of Approved Providers are assessed as 'may be viable'. These account for $15.0Bn (60.1%) of total income.
- If instead 60% of RADs are treated as non-current liabilities, the numbers of Approved Providers assessed as 'not viable' increases to 85 (10.8%), which comprise $1.5Bn (6.0%) of total income. The number assessed as 'may be viable' also increases to 360 (45.8%), representing $16.7Bn (65.7%) of total income.
- Further decreasing the non-current share of RADs to 40% results in 98 (12.5%) of Approved Providers being 'not viable'. These entities have $1.6Bn (6.5%) of total income. The number of Approved Providers classified as 'may be viable' rises to 406 (51.5%), representing $17.9Bn (71.6%) of total income.

Table 4.7 Viability assessment for Approved Providers, FY2018

		Ownership type			
		For Profit	Not for Profit	*Government*	Total
80% of RADs are NCLs (base case)	Viable	119 (41%)	298 (60%)	n/a	417 (53%)
	May be viable[(a)]	139 (48%)	166 (34%)	n/a	305 (39%)
	Not viable	33 (11%)	32 (6%)	n/a	65 (8%)
60% of RADs are NCLs	Viable	89 (31%)	253 (51%)	n/a	342 (44%)
	May be viable	164 (56%)	196 (40%)	n/a	360 (46%)
	Not viable	38 (13%)	47 (10%)	n/a	85 (11%)
40% of RADs are NCLs	Viable	71 (24%)	212 (43%)	n/a	283 (36%)
	May be viable	176 (61%)	230 (46%)	n/a	406 (52%)
	Not viable	44 (15%)	54 (11%)	n/a	98 (13%)

Note: a) May be viable can be profitable or not profitable - this is split in the graphs below

While the proportions of entities that are profitable are broadly similar in the base case between For Profits and Not For Profits, a larger proportion of the For Profits are classified as 'Profitable and may be viable'. The share of For Profits is 37.1%, representing 59.8% of total For Profit Income. This compares to 22.6% for Not For Profits, or 52.8% of total Not For Profit income. The key driver of this difference is the liquidity ratio. A larger proportion of the For Profits which are profitable have a liquidity ratio under 1 (116 out of 235 or 49.3%). Among the Not For Profits this is 118 out of 416 or 28.3%. All but 8 of these For Profits, and all but 6 of these Not For Profits, satisfy the remaining viability thresholds.

A plausible reason for the lower liquidity ratio in the For Profit sector is the use of group structures and related party entities. Approved Providers in both the For Profit and Not For Profit sectors can and transfer assets including cash across entities within a group for a number of reasons including the management and optimisation of capital within the group. The data available for the purposes of this report did not include information on related entities.

Further details on the base case viability assessment for Approved Providers are provided in Figure 15 and Figure 16. Each bar of the graph shows the results of the tests for viability progressively applied to each entity in accordance with the decision tree in section 3. That is, the first bar shows the results after the profitability test, the second bar shows the results with the liquidity test also applied, and subsequent bars show how the results continue to change as further tests are applied. The last bar sets out the overall assessment of viability.

It is apparent in the Figures that liquidity is a significant driver of the viability assessment. In the base case, where 80% of RADs are treated as non-current liabilities, 299 Approved Providers (38.0%) do not meet the liquidity threshold. These entities represent $14.7Bn (59.7%) of total Approved Provider income. These results incorporate current receivables from related parties for the liquidity calculation, since there is no indication these receivables are not recoverable. If these receivables were not recoverable the number of Approved Providers unable to meet the liquidity threshold would rise to 354 (45.0%). These Approved Providers account for $15.8Bn (64.4%) of the total income.

Looking further at Figure 16, of the 299 Approved Providers that failed the liquidity threshold, there are 220 which subsequently meet the debt and interest serviceability thresholds. A further 14 then satisfy the net non-current asset threshold. These 234 Approved Providers account for $14.1Bn (56.3%) of the total income.

Figure 15 Viability of Approved Providers by number of providers, FY2018 (base case)

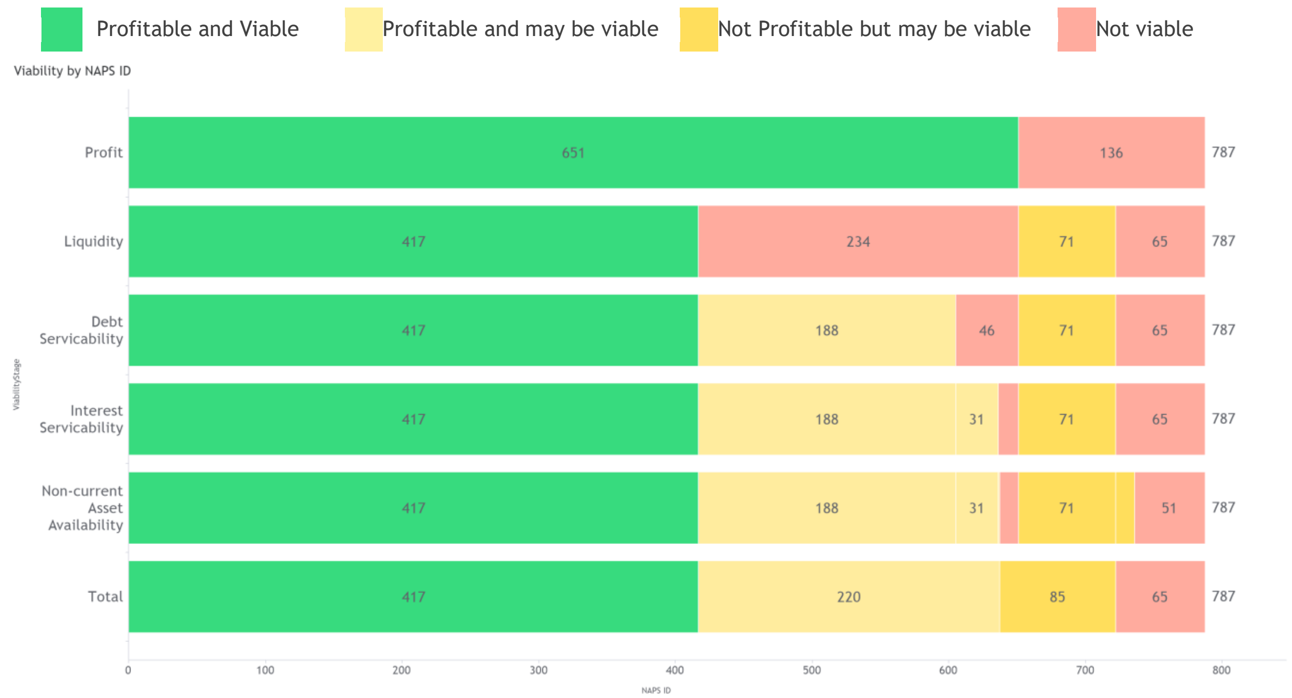
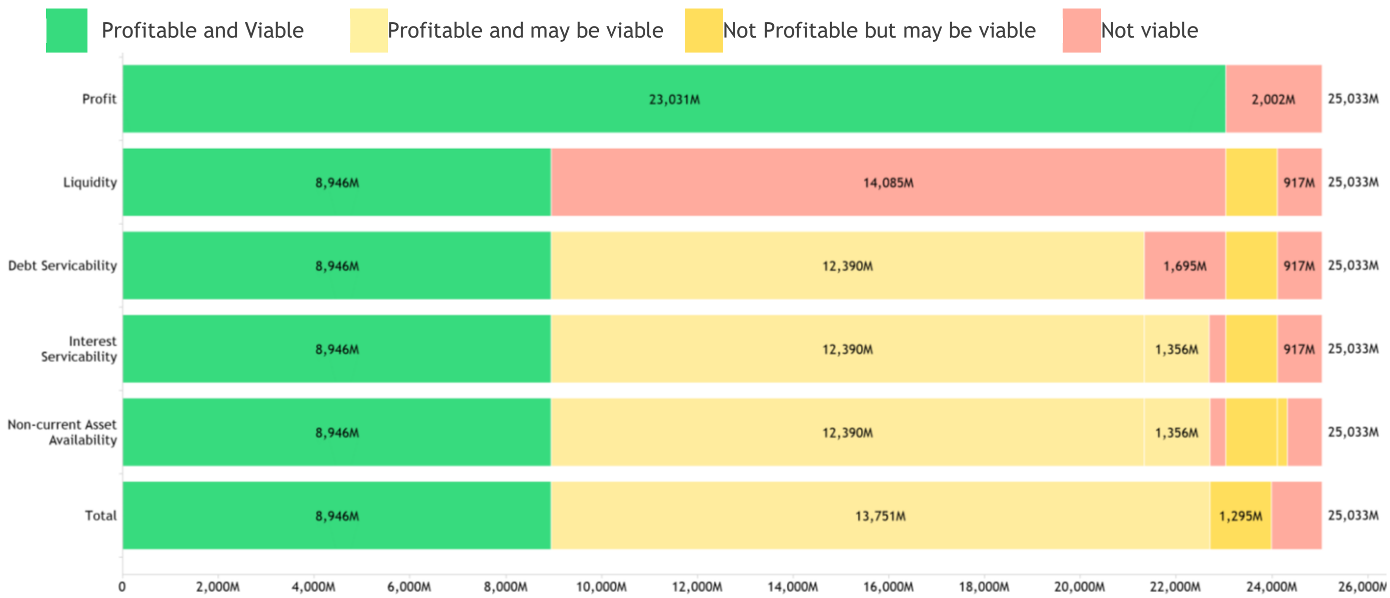


Figure 16 Viability of Approved Providers by Total Income, FY2018 (base case)



5. RESIDENTIAL AGED CARE

5.1. PROVIDERS

In section 4 we saw the number of Residential Aged Care providers gradually declined between FY2009 and FY2019, from 1,132 to around 870 (noting FY2019 is distorted by missing providers who have different year end reporting dates). Figure 17 and Figure 18 shows decline in provider numbers has been part of increasing market share by the largest Residential Aged Care providers and affiliated groups of providers.

Figure 17 Individual Residential Aged Care providers by income size

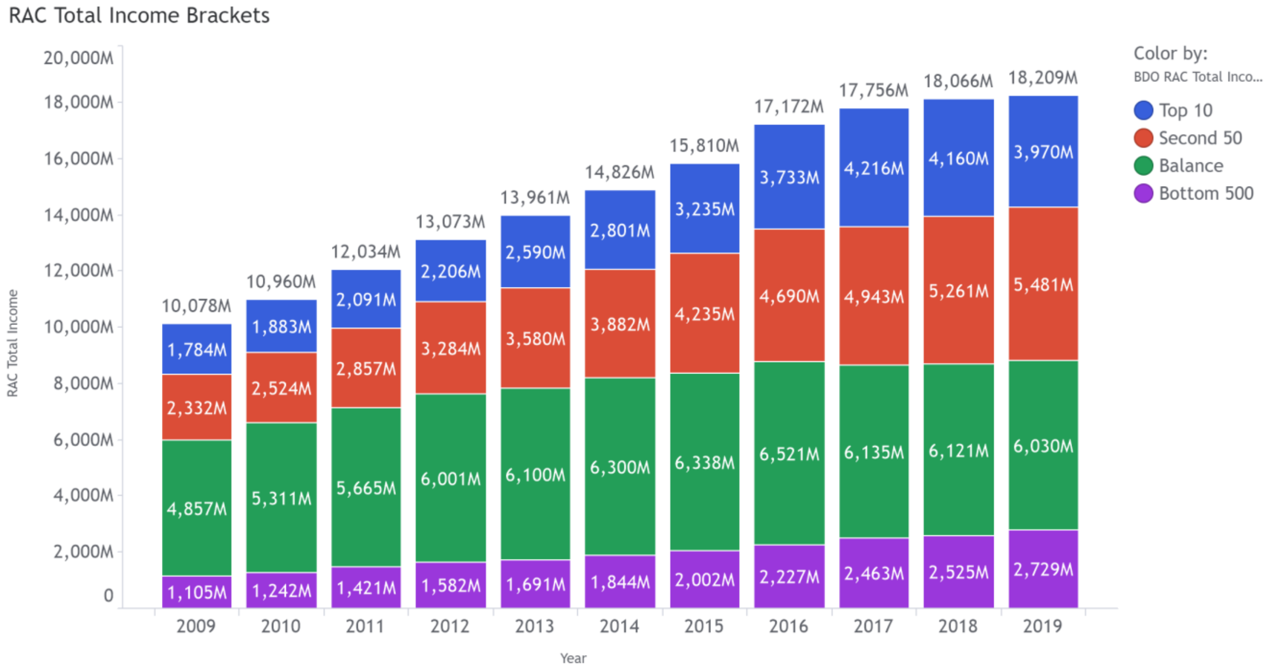
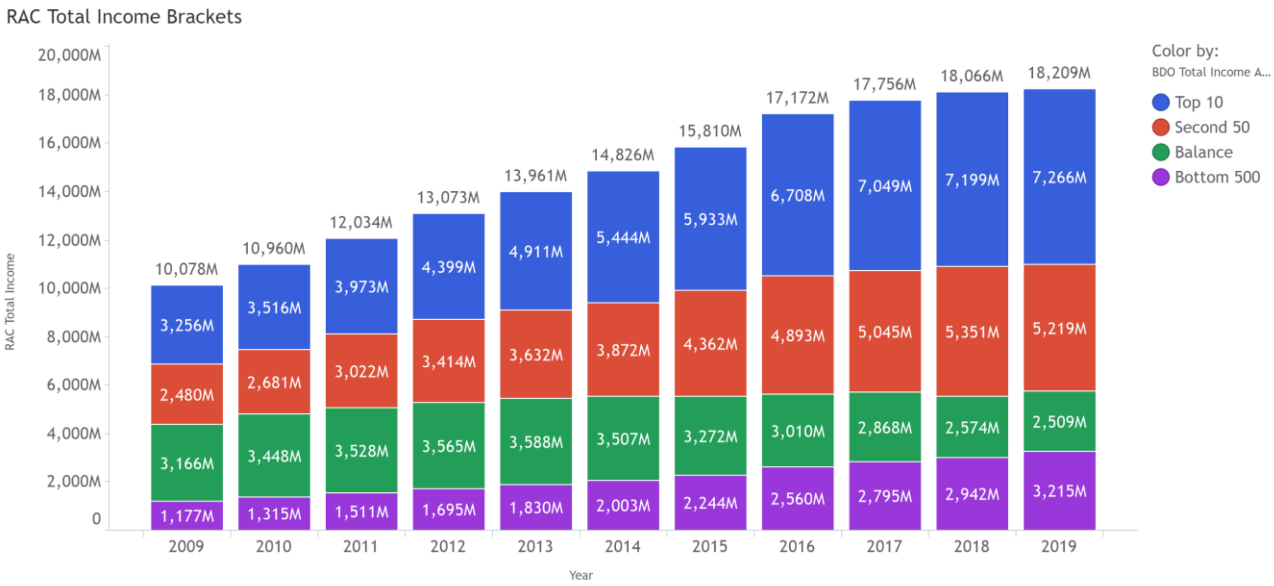


Figure 18 Affiliated groups of Residential Aged Care providers by income size



5.2. INCOME, EXPENSES AND PROFIT

The Residential Aged Care sector's income has increased by approximately 6.7% per annum between FY2009 and FY2018[3] while expenses have grown by around 6.4% per annum (Figure 19).

In FY2018, total income was $18.1Bn, total expenses was $17.6Bn, and profit was $0.4Bn (i.e. a profit margin of 2.4%). Most of the profits are earned by the largest 60 Approved Providers as seen in Figure 20.

[3] We have not referenced FY2019 in this analysis as a number of providers had not yet reported for this period at the time of data collection. FY2019 is also affected by Residential Aged Care providers receiving a one off assistance payment.

Figure 19 Income, expenses and profit for Residential Aged Care providers

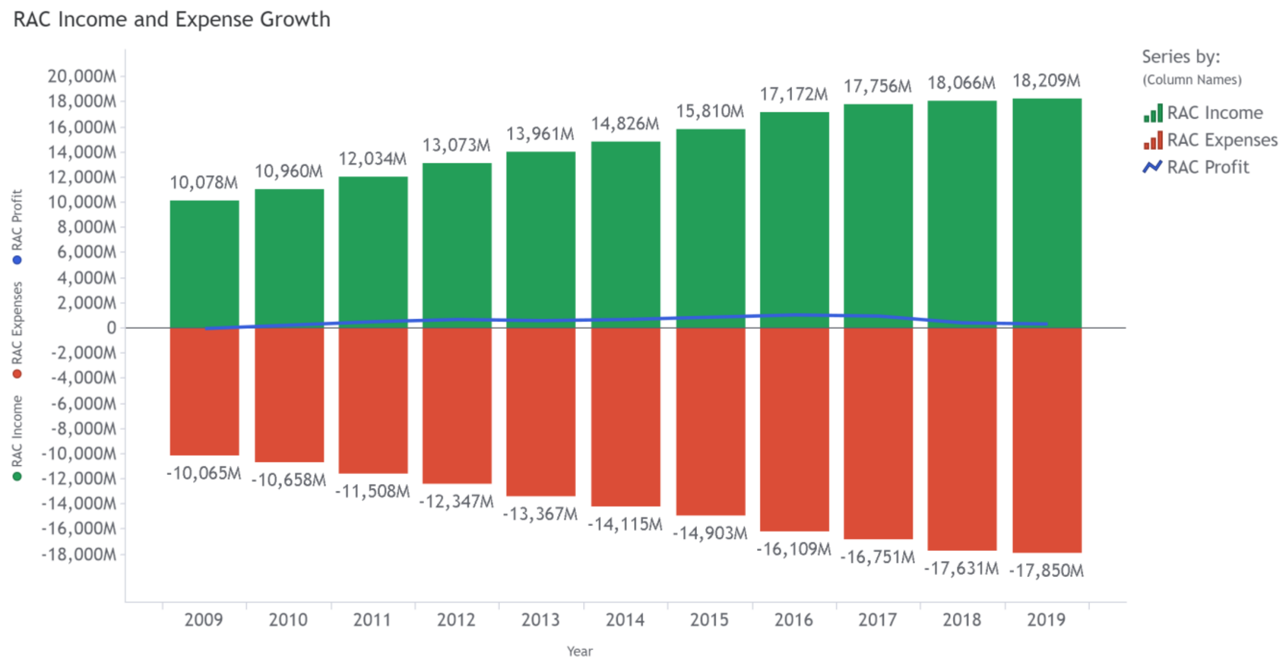
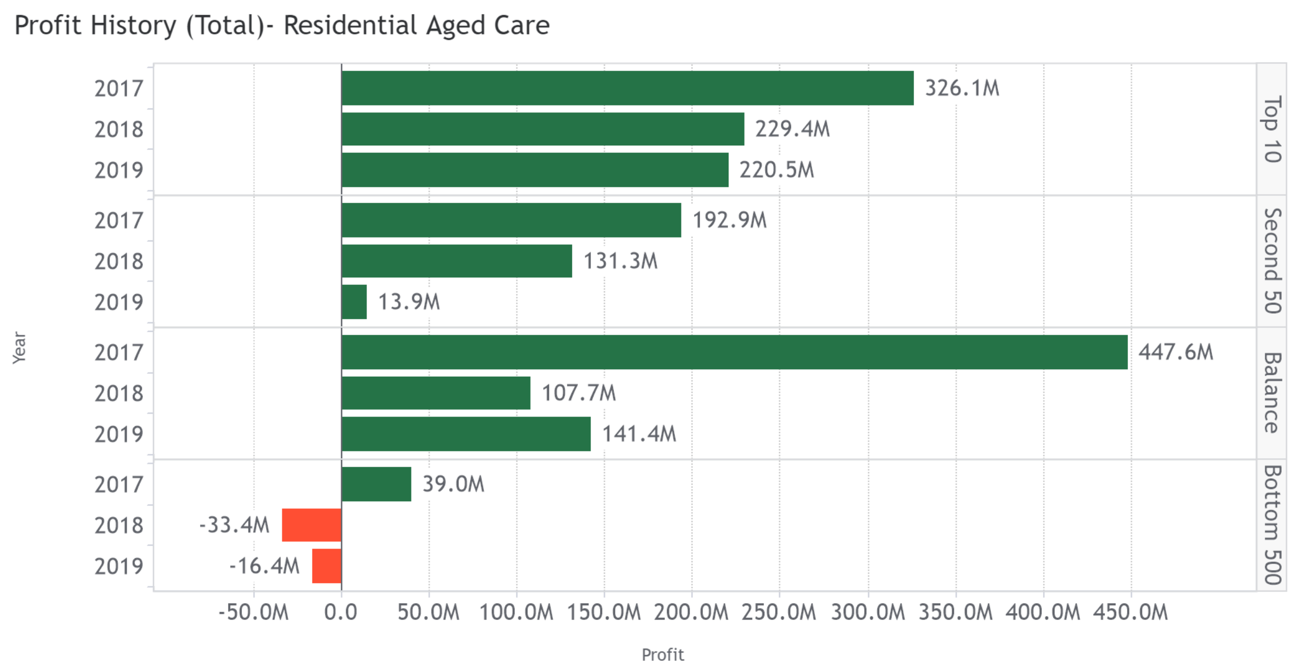


Figure 20 Residential Aged Care profits by provider size, FY2017-FY2019



With reference to the detail for FY2018 set out in Table 5.1, we note that Residential Aged Care services are labour and infrastructure intensive in nature. These types of costs account for over 80% of all expenses. Labour costs are spread across multiple expense categories which sum to $12.4Bn (70%) of total expenditure. Providers have different ways of paying for infrastructure: the expenses are spread out across accommodation, interest and depreciation totalling $2.1Bn (12%) of total expenditure.

We also note that there are significant differences in the income and expense composition by ownership type.

- Commonwealth Government care and accommodation funding accounted for 68% of the total income among the For Profit providers and 69% for Not For Profits, compared with only 52% for Government providers (which are run by State Governments). State Government funding accounted for 20% of the income of these providers but less than 1% of the total income for For Profit and Not For Profits.
- For Profit RAC providers receive approximately $16 more care income per subsidy day than Not For Profit providers ($237 vs $221 per subsidy day). $12 (or 79%) of this higher daily income is driven by a higher Commonwealth Subsidy and Supplement component. The underlying drivers of this difference may be the differences in care needs of patients across ownership types or the manner in which providers apply the Aged Care Funding Instrument (ACFI) assessments which determine how much funding the Government pays for each care recipient. We note the Department of Health has a regular program of auditing ACFI assessments and routinely downgrades the assessments of a large portion of its sample (39% - 50% of assessments were downgraded in the four quarterly audits of FY2018).[4] More detailed analysis on this matter has been completed by the Australian Health Services Research Institute, at the University of Wollongong.[5]

Table 5.1 Residential Aged Care income, expenses and profit, FY2018

	Total amounts				Per subsidy day			
	FP($M)	NFP($M)	GOV($M)	Total($M)	FP($)	NFP($)	GOV($)	Total($)
Care - Sub & Supp (Cwlth)	4,571.8	6,241.0	430.9	11,243.7	176.76	164.32	151.20	168.58
Care - Sub & Supp (State)	1.4	41.5	172.0	214.9	0.05	1.09	60.35	3.22
Care Basic Daily Fee	1,282.0	1,833.0	138.3	3,253.4	49.57	48.26	48.54	48.78
Care Means Tested Care Fees	237.9	249.4	16.6	504.0	9.20	6.57	5.81	7.56
Care Other	24.6	21.9	2.3	48.7	0.95	0.58	0.80	0.73
Accom Sub & Supp (Cwlth)	369.9	601.1	37.1	1,008.1	14.30	15.83	13.02	15.12
Accom Sub & Supp (State)	8.0	15.2	9.8	33.0	0.31	0.40	3.42	0.49
Accom Resid Fees ex extra Serv	278.8	430.7	31.3	740.8	10.78	11.34	10.98	11.11
Accom Extra Service Fees	92.7	26.1	0.5	119.3	3.58	0.69	0.18	1.79
Accom Additional Service Fees	86.7	10.0	0.0	96.7	3.35	0.26	0.00	1.45
Accom Bond retentions	17.2	21.5	1.6	40.2	0.66	0.56	0.55	0.60
Accom Captl Grants(Cwth&State)	1.0	47.6	7.9	56.5	0.04	1.25	2.77	0.85
Other Donations & Fundraising	0.9	27.0	1.2	29.0	0.03	0.71	0.41	0.44
Other Interest	153.4	162.8	10.0	326.2	5.93	4.28	3.50	4.89
Other	145.0	127.0	18.8	290.8	5.61	3.34	6.60	4.36
Other Comprehensive Gain on Sale of Assets	12.4	10.3	0.5	23.2	0.48	0.27	0.19	0.35

[4] https://www.health.gov.au/resources/publications/aged-care-funding-instrument-acfi-review-quarterly-reports
[5] Kobel C and Eagar K (2020) Technical mapping between ACFI and AN-ACC. Australian Health Services Research Institute, University of Wollongong.

	Total amounts				Per subsidy day			
	FP($M)	NFP($M)	GOV($M)	Total($M)	FP($)	NFP($)	GOV($)	Total($)
Other Reval of Assets (Inc)	4.7	18.9	14.3	37.9	0.18	0.50	5.01	0.57
Total Income	**7,288.4**	**9,884.9**	**892.9**	**18,066.2**	**281.79**	**260.26**	**313.33**	**270.88**
Care Labour	3,435.7	4,995.3	537.7	8,968.7	132.84	131.52	188.68	134.47
Care Labour Contract	-	-	-	-	0.00	0.00	0.00	0.00
Care Labour Other	214.2	337.9	36.2	588.4	8.28	8.90	12.71	8.82
Accomodation Labour	87.4	151.5	44.8	283.7	3.38	3.99	15.72	4.25
Accomodation Repair & maint	175.5	279.0	23.2	477.6	6.78	7.35	8.13	7.16
Accomodation Other	191.3	287.9	18.5	497.8	12.13	1.13	0.09	5.35
Hotel Labour	640.2	859.0	101.2	1,600.4	7.40	7.58	6.50	7.46
Hotel External Service Orgns	141.7	233.4	9.2	384.3	24.75	22.62	35.50	23.99
Hotel Internal Service Orgns	9.6	78.0	24.0	111.5	5.48	6.15	3.24	5.76
Hotel Other	270.9	411.1	40.5	722.4	0.37	2.05	8.42	1.67
Accomodation Rent	313.7	43.0	0.3	357.0	10.47	10.82	14.20	10.83
Admin Management Fees	289.4	295.8	18.3	603.5	11.19	7.79	6.42	9.05
Interest	129.5	56.3	1.0	186.7	15.35	14.08	13.53	14.55
Admin Labour	397.0	534.8	38.6	970.4	8.43	10.93	10.22	9.93
Admin Other	218.1	415.2	29.1	662.4	2.12	3.39	5.50	2.99
Other Reval of Assets (Dec)	25.2	7.8	5.6	38.7	0.98	0.21	1.98	0.58
Other Loss on sale of assets	1.9	7.4	0.1	9.4	0.07	0.19	0.02	0.14
Other	54.8	128.7	15.7	199.3	5.01	1.48	0.35	2.80
Amortisation	12.2	13.7	0.1	26.0	0.47	0.36	0.02	0.39
Depreciation	265.5	626.5	50.9	942.9	10.27	16.49	17.87	14.14
Total Expenses	**6,873.9**	**9,762.5**	**994.8**	**17,631.1**	**265.77**	**257.04**	**349.09**	**264.36**
Profit	**414.5**	**122.4**	**(101.9)**	**435.1**	**16.03**	**3.22**	**-35.76**	**6.52**
Profit Margin	**5.7%**	**1.2%**	**(11.4%)**	**2.4%**				

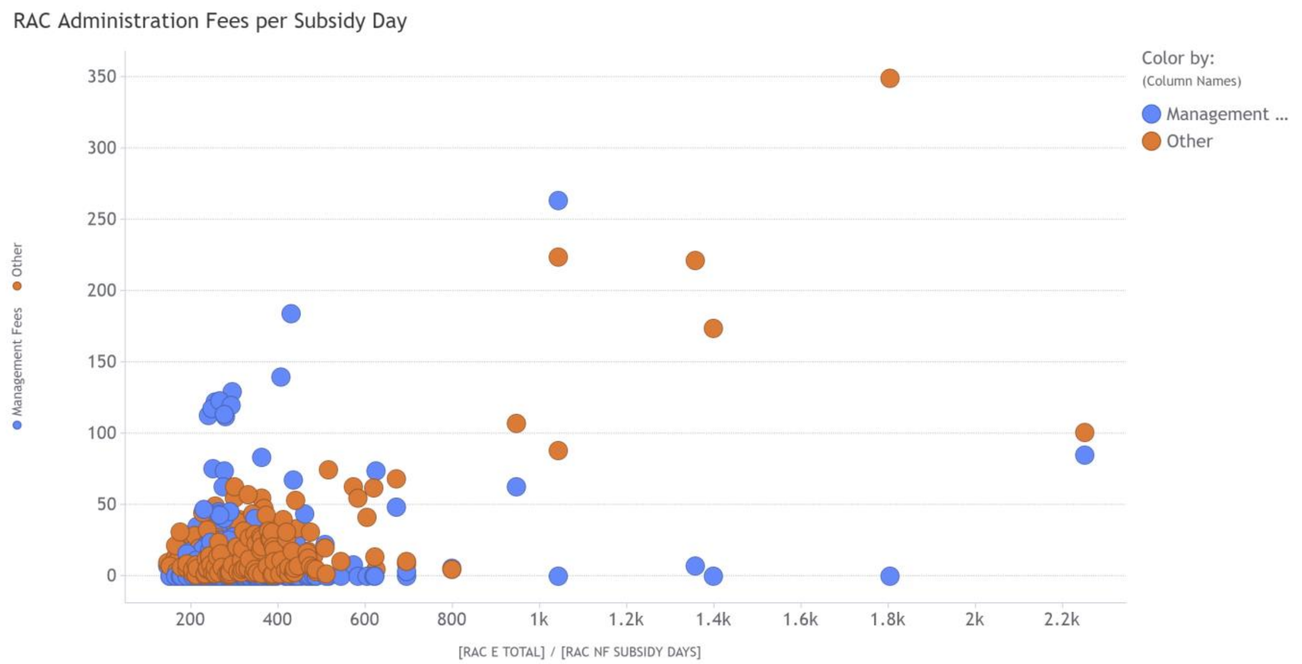
- Care and Hotel expenses equate to 77% of care income in For Profits, 82% for Not For Profit providers and 99% for Government run providers.
- Accommodation expenses equate to 90% of accommodation income in For Profits, 66% in Not For Profits and 99% for Government providers. The relatively high accommodation costs in For Profits is driven by higher ‘accommodation other’ costs ($12.13 per subsidy day compared to $1.13 for Not For Profits and $0.09 for Government providers). This likely reflects the For Profit services being provided under a group structure. In contrast, the driving factor for the higher accommodation costs in the Government services is labour ($15.72 per subsidy day compared to $3.38 for For Profits and $3.99 for Not For Profits).
- Administration and other expenses were 14% of total expenses in the For Profits and Not For Profits, but 10% for Government Providers.
- Profit margins among For Profit RAC Providers were 6% in FY2018, which compares with 1% among the Not For Profits. Government services were provided at a loss.

The analysis above has been carried out at an aggregate level. We have also undertaken some analysis at an individual provider level and found that there were significant variances across individual providers for certain expenses. These variances stem from the fact that Aged Care Providers have the flexibility to structure their business as they deem appropriate, including the use of group structures and related party transactions (refer to Sectio 4.2 for more detail).

Figure 21 shows some providers had very large management fee expenses as part of this overall administration cost. As in Section 4.2, we note that it is difficult to draw definite conclusions about the underlying drivers of the distribution of expenses across individual entities from the data available.

To illustrate the impact of these distributions on the aggregate figures, however, we have calculated how these expenses would change in FY2018 if they were capped to exclude the impact of high outliers at the individual provider level. We adopted the same approach for RAC providers as we have for Approved Providers (refer to Section 4.2 for more detail). Our analysis suggests that setting the upper thresholds for management fees to the 75th percentile and the 75th percentile plus 1.5 x the interquartile range would result a reduction in total expenses for FY2018 by $55.5M (4.4% of total expenses) for the 75th percentile, and a reduction of $242.9M (19.2% of total expenses) for the 75th percentile plus 1.5 times the interquartile range.

Figure 21 Residential Aged Care administration fees, FY2018



In conducting our analysis we also examined differences by size and location.

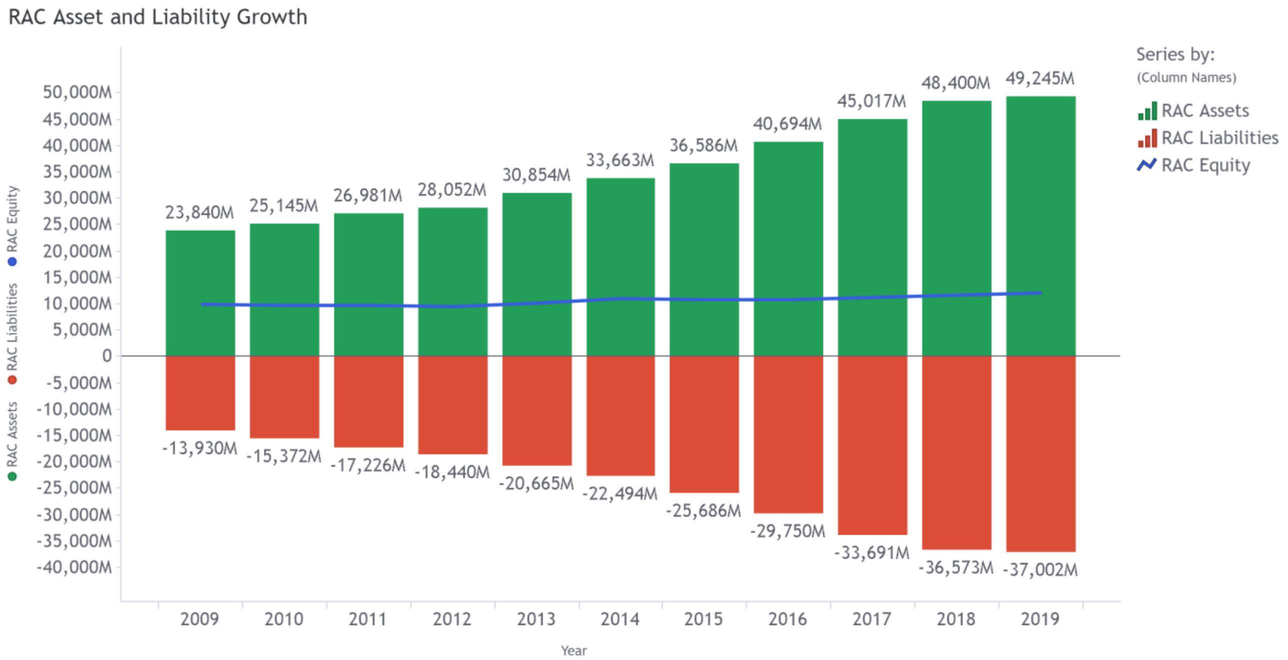
We found significant differences in income and cost per care recipient across provider sizes: the bottom 500 Residential Aged Care providers earn $5,100 less per care recipient than the average income per care recipient of the remaining providers, and incur approximately $600 less expenditure per care recipient than the remaining providers.

More detailed analysis of Income and Expenses by ownership type over time, size and profitability of RAC Providers is set out in Appendix E of this Report.

5.3. ASSETS AND LIABILITIES

Assets of Residential Aged Care providers have increased by approximately 8.2% per annum between FY2009 and FY2018 while liabilities reported at the AP level increased by approximately 11.3% per annum (Figure 22). Equity reported at the RAC level has grown from $9.9Bn in FY2009 to $11.8Bn in FY2018 (approximately 2.0% per annum).

Figure 22 Assets and liabilities for Residential Aged Care



In FY2018 assets totalled $48.4Bn, liabilities were $36.6Bn, and equity was $11.8Bn. The details of this are displayed in Table 5.2. We see that Residential Aged Care services are capital and infrastructure intensive given the very high share of total assets in Property, Plant and Equipment (PP&E).

PP&E assets represent 86% of RADs liabilities. PP&E has grown at a similar rate to RADs, suggesting a significant portion of RADs are invested in PP&E. The total amount of RADs invested in PP&E is unclear as some RAD funds are loaned to related parties that may then invest in PP&E.

Loan liabilities of Residential Aged Care providers represents 17.9% of PP&E assets (47% For Profit and 5% for NFP). This relatively low leverage ratio, particularly in the case of Not For Profits, suggests that a significant portion of the funds from RADs are being used to fund the equity in those PP&E assets.

Current asset are the other major component of assets. There is no visibility on the make up of current assets recorded at the Residential Aged Care service level as they are reported as a single line item. This means it is not possible to determine the nature and liquidity of current assets. At a practical level, balance sheets can be difficult to apportion across business divisions. For example, where bank accounts are used by more than one business division, this would generally be treated as a pooled asset.

Intangible assets are significant. The realisable value of intangible assets may be less than tangible assets, particularly where a provider is in financial distress. The realisable value of intangible assets differ depending on the type of assets. In the case of Residential Aged Care, data from the Approved Provider level suggests that a significant portion ($3.3bn or 57%) of these assets are bed licences. There is a market for bed licences and their value differs for entities that are operating as a going concern versus those that are not.

In the Table we also see For Profits have a significantly higher average value of RADs per care recipient ($188k) than the Not For Profits ($138k) and Government ($69k). The high average RADs per care recipient could reflect that RADs are central to the For Profits commercial mode, but also factors such as the For Profits attracting more affluent residents and operating in locations that have higher property values.

Table 5.2 Residential Aged Care assets and liabilities, FY2018

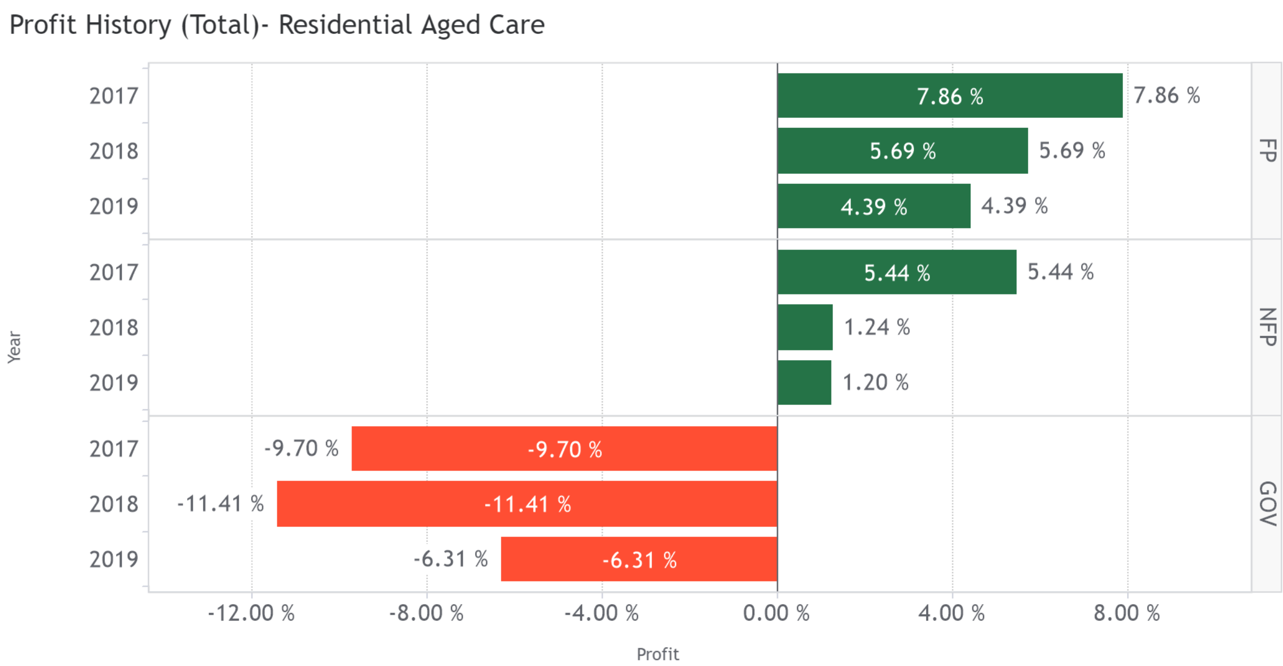
	Total amounts				Per subsidy day			
	FP ($M)	NFP ($M)	GOV ($M)	Total ($M)	FP ($)	NFP ($)	GOV ($)	Total ($)
RAC CA Other	5,431	8,110	560	14,101	209.99	213.52	196.56	211.42
RAC Total Current Assets	5,431	8,110	560	14,101	209.99	213.52	196.56	211.42
NCA PP&E	7,609	15,792	1,000	24,402	294.21	415.80	350.92	365.87
NCA Investment Properties	882	149	22	1,053	34.09	3.93	7.55	15.78
NCA Intangibles	4,082	1,252	6	5,340	157.81	32.96	2.25	80.06
NCA Other	2,577	864	64	3,505	99.63	22.76	22.32	52.55
Total Non-Current Assets	15,149	18,058	1,092	34,299	585.73	475.45	383.04	514.27
Total Assets	**20,581**	**26,168**	**1,652**	**48,400**	**795.72**	**688.97**	**579.60**	**725.69**
CL Loans Unrelated	319	194	1	514	12.34	5.12	0.18	7.71
CL Loans Related	1,193	95	1	1,289	46.15	2.49	0.48	19.33
CL RADS	13,318	14,403	536	28,257	514.94	379.22	187.94	423.68
CL Other	1,267	1,733	128	3,128	48.98	45.62	44.97	46.90
Total Current Liabilities	16,098	16,425	666	33,189	622.41	432.45	233.56	497.62
NCL Loans Unrelated	1,306	409	1	1,716	50.50	10.76	0.41	25.73
NCL Loans Related	747	107	1	855	28.90	2.81	0.20	12.81
NCL Other	497	273	44	814	19.21	7.19	15.41	12.21
Total Non-Current Liabilities	2,550	789	46	3,385	98.61	20.76	16.02	50.75
Total Liabilities	**18,648**	**17,214**	**711**	**36,573**	**721.02**	**453.22**	**249.58**	**548.37**
Equity	**1,932**	**8,954**	**940**	**11,827**	**74.70**	**235.75**	**330.01**	**177.32**

5.4. MARGINS AND RETURNS

It is possible to calculate a reported profit margin, return on assets and return on equity from the data provided. It is however, very important to note that data on related party entities is not available and this data would be required to develop a more holistic understanding of returns. It is currently not possible, for example, to determine the value of any gains or losses generated by related party entities from any related party loans with the Approved Provider. Notwithstanding this significant limitation, a number of reported profit margins and returns for each data segment are set out below:

Our analysis indicates that there has been a decrease in profitability in the Residential Aged Care sector over time. The profit margin has decreased from 5.7% in FY2017 to 3.9% in FY2019. The amount differs across ownership types with For Profit margins decreasing from 7.9% to 4.4%, Not For Profit margins decreasing from 5.4% to 1.2%, and Government margins improving from a loss margin of 9.7% to a loss margin of 6.3%.

Figure 23 Residential Aged Care NPAT margin by ownership type, FY2017-FY2019



A more extensive set of profit metrics for FY2018 is given in Table 5.3. The figures in Table 5.3 show the weighted average and median profit margins, returns on equity and returns on assets are positive for both For Profits and Not For Profits, however, they are negative for Government providers. Return on equity was relatively very high for a majority of the For Profit providers with at least one quarter reporting a return on equity of greater than 71.9%. (Refer to section 4.4 and Appendix C for a comparison of margins and returns for providers from other broadly comparable jurisdictions).

There is a significant variance in profitability across different entity sizes. The top 10 Residential Aged Care Providers have an average profit margin of 5.5% while the Bottom 500 average a loss margin of 1.3%.

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Table 5.3 Residential Aged Care margins and returns, FY2018

	For Profit				Not for Profit				Government			
	Weighted Average	Q1	Median	Q3	Weighted Average	Q1	Median	Q3	Weighted Average	Q1	Median	Q3
Profit Margins												
NPBT (Incl. Comp.) / Total Income	5.69%	-1.26%	3.61%	10.89%	1.24%	-4.85%	0.50%	7.46%	-11.41%	-28.58%	-11.73%	0.44%
NPBT (Excl. Comp.) / Total Income	5.83%	-1.26%	3.56%	10.87%	1.10%	-5.16%	0.40%	6.98%	-12.44%	-26.81%	-11.54%	-0.30%
EBIT / Total Income	9.64%	0.60%	6.46%	13.88%	7.57%	0.19%	6.39%	12.37%	-6.73%	-20.94%	-3.52%	3.83%
EBITDA / Total Income	11.41%	1.64%	8.33%	15.71%	8.14%	0.74%	7.00%	12.89%	-6.62%	-20.94%	-3.52%	3.85%
Return on Assets												
NPBT (Incl. Comp.) / Total Assets	2.01%	-0.52%	1.93%	5.41%	0.47%	-1.86%	0.16%	2.71%	-6.17%	-18.73%	-5.70%	0.21%
NPBT (Excl. Comp.) / Total Assets	2.06%	-0.58%	1.91%	5.38%	0.41%	-2.03%	0.12%	2.69%	-6.72%	-16.91%	-5.47%	-0.07%
EBIT / Total Assets	3.41%	0.31%	2.91%	7.20%	2.86%	0.17%	2.30%	4.93%	-3.64%	-11.42%	-2.53%	1.74%
EBITDA / Total Assets	4.04%	0.88%	3.72%	7.55%	3.08%	0.24%	2.51%	5.03%	-3.58%	-11.27%	-2.53%	1.74%
Return on Equity												
NPBT (Incl. Comp.) / Total Equity	21.45%	-0.15%	17.28%	66.96%	1.37%	-4.49%	0.73%	6.59%	-10.84%	-24.66%	-4.63%	2.92%
NPBT (Excl. Comp.) / Total Equity	21.98%	-1.11%	16.67%	58.23%	1.21%	-4.94%	0.65%	6.42%	-11.81%	-24.44%	-4.63%	2.76%
EBIT / Total Equity	36.35%	0.84%	18.97%	66.20%	8.36%	-0.07%	5.25%	11.92%	-6.39%	-18.76%	-0.70%	5.54%
EBITDA / Total Equity	43.05%	1.32%	20.06%	71.90%	8.99%	0.40%	5.81%	12.43%	-6.28%	-18.76%	-0.70%	5.70%

5.5. PROFITABILITY ASSESSMENT

There are 106 Residential Aged Care providers which have been assessed as not profitable after considering both EBITDA and cash flows. These providers are 12.1% of all Residential Aged Care services and account for approximately $0.9Bn (5.1%) of the total income of all services. This would suggest that on average the entities assessed as 'Not profitable' are smaller in size than the average entity.

There are an additional 91 Residential Aged Care providers (10.4%) with cash flows that are negative despite showing a positive accounting profit. These are assessed as 'may not be profitable'. These 91 represent $2.5Bn (13.6%) of the total income of all Residential Aged Care providers, which would suggest that on average they are slightly larger in size than the average entity.

Table 5.4 Profitability assessment for Residential Aged Care, FY2018 (base case)

	Ownership type			
	For Profit	Not for Profit	*Government*	Total
Profitable	199 (69%)	329 (67%)	30 (32%)	**558 (64%)**
May be profitable	33 (11%)	76 (15%)	13 (14%)	**122 (14%)**
May not be profitable	32 (11%)	54 (11%)	5 (4%)	**91 (10%)**
Not Profitable	25 (9%)	34 (7%)	47 (50%)	**106 (12%)**

As explained in this earlier analysis for Approved Providers, the choice of profit metric, and whether or not to include 'other comprehensive income', makes a difference in the assessment of accounting profit. However, once cash flows are taken into consideration, the assessment of profitability is not materially different. For example, when using 'NPBT excluding other comprehensive income' as the profit metric, 138 RAC Services (15.7%) are deemed 'not profitable', representing $1.5Bn (8.3%) of the total income. A further 59 RAC Services (6.7%), representing $1.9Bn (10.4%) of the total income, are classified as 'may not be profitable'. The number of providers with positive cash flow is 232 (80.3%) of the For Profits, 405 (82.1%) of the Not For Profits, and 43 (45.3%) of the Government providers.

The results of the assessment using EBITDA as the measure of Profit are very similar for the For Profit and Not For Profits. Government, on the other hand, has a much higher portion of entities that are 'not profitable'. This is unsurprising given Government is likely to run aged care services to deliver a social service for the community rather than as a commercial enterprise.

- 25 of the For Profits (8.7%) are 'not profitable', representing $140M (1.9%) of the total For Profit income in Residential Aged Care. A further 32 providers (11.1%), representing $1.4Bn (19.0%) of the total For Profit income, are assessed as 'may not be profitable'.
- 34 of the Not For Profit providers (6.9%) are 'not profitable'. These comprise $331M (3.4%) of the total Not For Profit income. A further 54 providers (11.0%) are 'may not be profitable'. These equate to $1.1Bn (10.6%) of the total Not For Profit income in Residential Aged Care.
- 47 of the Government entities (49.5%) are 'not profitable', representing $444M (49.7%) of the total Government income in Residential Aged Care. A further 5 Government providers (14%) are deemed 'may not be profitable'. These account for $26M (2.9%) of the total Government income in Residential Aged Care.

If considering the accounting profits only (in this case EBITDA), the proportion of For Profit and Not For Profit providers that are 'not profitable' is similar at 20.1% and 22.3% respectively, with Government much higher at 63.2%. The differences are increased if 'NPBT excl5uding other comprehensive income' is used as the metric. The number of 'not profitable' providers increases to 31.1% of For Profit, 47.9% for Not For Profit, and 74.7% for Government. The extent of the change on Not For Profits is because amortisation was relatively high for these providers.

Further details of the profitability assessment of Residential Aged Care are set out below in Figure 24 and Figure 25. NPAT is not included in this assessment as tax expenses are not captured in the Residential Aged Care data. The last row of each graph sets out the overall assessment of profitability based on the selected profit metric (EBITDA) and cash flow.

Figure 24 Profitability of RACs by number of providers, FY2018 (base case)

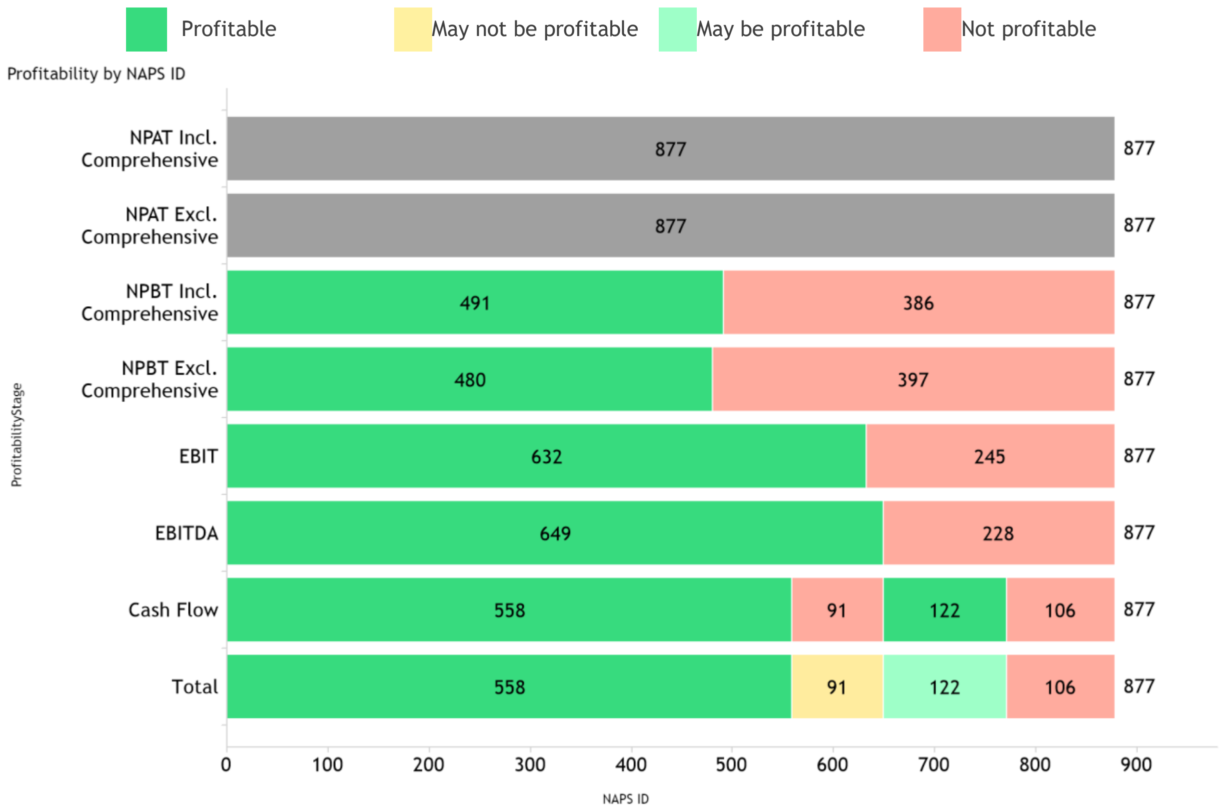


Figure 25 Profitability of RACs by Total Income, FY2018 (base case)

5.6. VIABILITY ASSESSMENT

The table below shows the viability assessment for Residential Aged Care. Because Approved Providers can undertake multiple types of activities (Residential, Home Care, Non-aged care), the assessment of RAC providers effectively relates to the analysis of a component of the Approved Provider rather than an entity in its own right.

As explained in Section 3, the viability assessment includes a key assumption that a share of RADs should be treated as non-current liabilities rather than as current liabilities. The base case assumption is a share of 80%, however two sensitivities are also presented for a 60% share and 40% share. This gives a sense of how resilient the providers are to changes in their liquidity.

Table 5.5 Viability assessment for Residential Aged Care, FY2018

		Ownership type			
		For Profit	Not for Profit	*Government*	Total
80% of RADs are NCLs (base case)	Viable	119 (41%)	303 (62%)	29 (31%)	451 (51%)
	May be viable[a]	126 (44%)	160 (32%)	55 (57%)	341 (39%)
	Not viable	44 (15%)	30 (6%)	11 (12%)	85 (10%)
60% of RADs are NCLs	Viable	92 (32%)	256 (52%)	28 (30%)	376 (43%)
	May be viable[a]	147 (51%)	191 (39%)	54 (57%)	392 (45%)
	Not viable	50 (17%)	46 (9%)	13 (14%)	109 (12%)
40% of RADs are NCLs	Viable	71 (25%)	204 (41%)	25 (26%)	300 (34%)
	May be viable[a]	160 (55%)	222 (45%)	52 (55%)	434 (50%)
	Not viable	58 (20%)	67 (14%)	18 (19%)	143 (16%)

Note: a) May be viable can be profitable or not profitable - this is split in the graphs below

In the base case where 80% of RADs are non-current liabilities, a total of 85 (10%) of the Residential Aged Care providers are assessed as 'not viable', while 341 (39%) are assessed as 'may be viable'. These proportions increase relatively modestly at the 60% and 40% sensitivities. At the 40% threshold, 143 (16%) are 'not viable' and 434 (50%) are 'may be viable'. There are higher proportions of the For Profits and Government providers assessed as 'not viable' or 'may be viable'.

Figure 26 to Figure 28 give more detail for each step of the viability assessment for the 80% base case scenario. Each bar shows the results for one of the tests in the viability decision tree. The last row of each graph sets out the overall assessment of viability.

- 275 providers (31.4%) do not meet the liquidity threshold (this is represented by the 198 and 77 entities that are shaded pink on the liquidity row in Figure 26). These entities represent $7.9Bn (43.6%) of the total Residential Aged Care income and 29M (43%) of the total subsidy days.
- 170 of the 198 providers that are profitable (based on EBITDA) and do not satisfy the liquidity threshold, are subsequently able to pass the debt and interest serviceability and non-current asset availability thresholds (and are thus classified as 'profitable and may be viable').
- 151 of the 228 providers that are not profitable (based on EBITDA) satisfy the liquidity threshold and a further 20 are subsequently able to pass the non-current asset availability threshold (and are thus classified as 'profitable and may be viable').
- 85 (9.7%) which represent $0.9Bn (4.8%) of the total RAC Service income and 3m (4.3%) of the total subsidy days do not satisfy any of the tests and have been classified as not viable.

In the assessment, the proportion of entities which are profitable are broadly comparable across the For Profit Sector and the Not For Profit Sector. However, a larger proportion of For Profits are classified as 'Profitable and may be viable' (32.1% of For Profits versus 14.4% of Not For Profits). The key driver of this difference is the liquidity ratio - more of the For Profits have liquidity below the threshold of 1. A reason for this could be the use of group structures and related party entities by the For Profits.

Government Residential Aged Care providers clear the profitability test at a low rate (only 36.8% are profitable) and only 6 pass the liquidity test. However, all but 11 (11.6%) are able to satisfy the remaining viability tests. Being Government owned, these entities are likely to be supported by government in any event.

Figure 26 Viability of RAC by number of entities, FY2018 (base case)

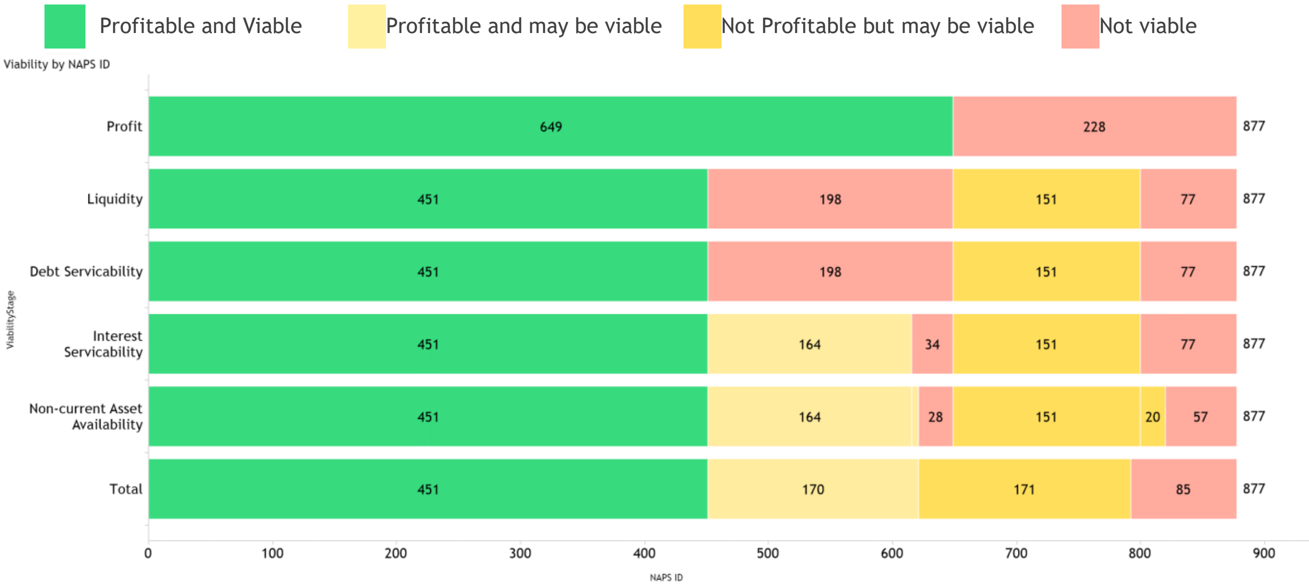
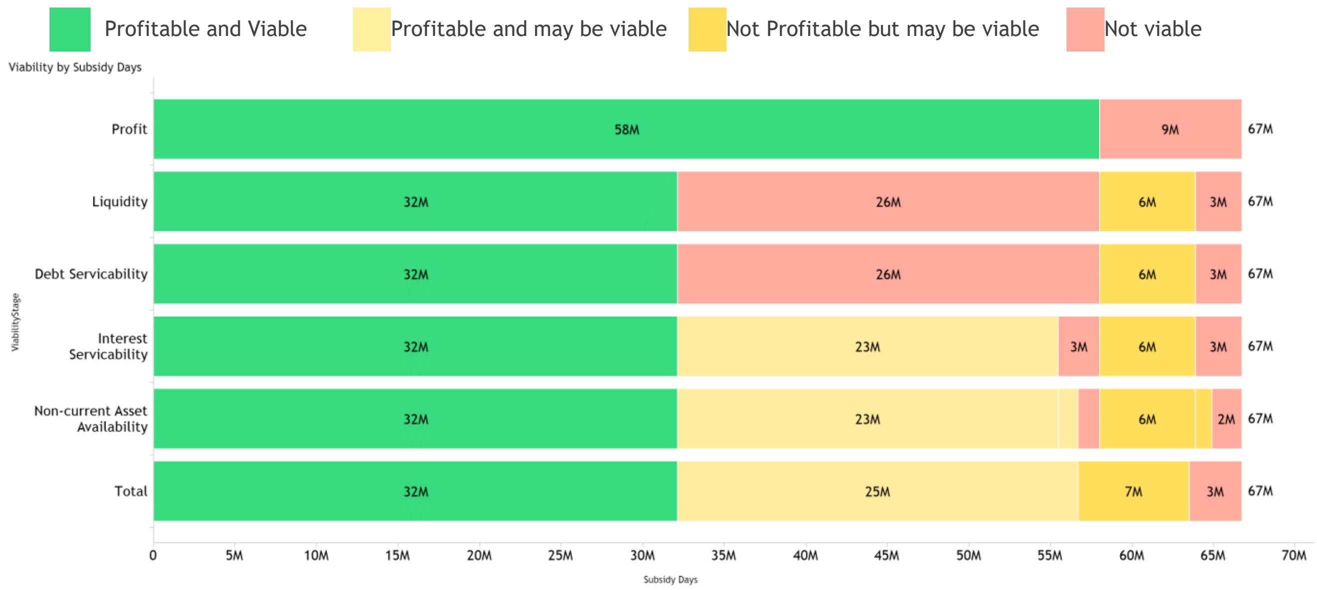


Figure 27 Viability of RAC by income, FY2018 (base case)

Figure 28 Profitability of RAC by subsidy days, FY2018 (base case)



In the next section of this report we turn attention to the results for Home Care where there has been a significant expansion since the introduction of the Home Care Packages program. It is worth noting this expansion also has implications for Residential Aged Care providers. The increased availability of Home Care should result in more people staying home for care longer, which in turn may increase the acuity of those people entering Residential Aged Care, shorten their tenure and increase the rate of turnover of care recipients in Residential Aged Care. A higher turnover of care recipients would impact the cash flow of Residential Aged Care providers because of RAD turnover. This may in turn impact viability of Residential Aged Care providers and increase the likelihood of the Government having to pay out on RADs which it has underwritten.

6. HOME CARE

6.1. PROVIDERS

The analysis of Home Care providers in this Report is relatively limited due to data availability. Home Care providers are not required to provide data at the Approved Provider level unless they also provide Residential Aged Care. As such, a significant portion of Home Care providers do not report financial information at the entity level, they simply report on the HC component of their business, and that too at a more limited level than RAC providers.

In Section 4 we saw there was a significant expansion in the number of Home Care providers following the commencement of the Home Care Packages program in August 2013. In FY2014 the number reporting financial information to the Department of Health was 445, which compares with 733 (65% higher) in FY2018 and 918 (106% higher) in FY2019. Figure 29 and Figure 30 show the largest providers and groups of affiliated providers have been gaining market share over this time which is not revealed when looking at individual providers.

Figure 29 Individual Home Care providers by income size

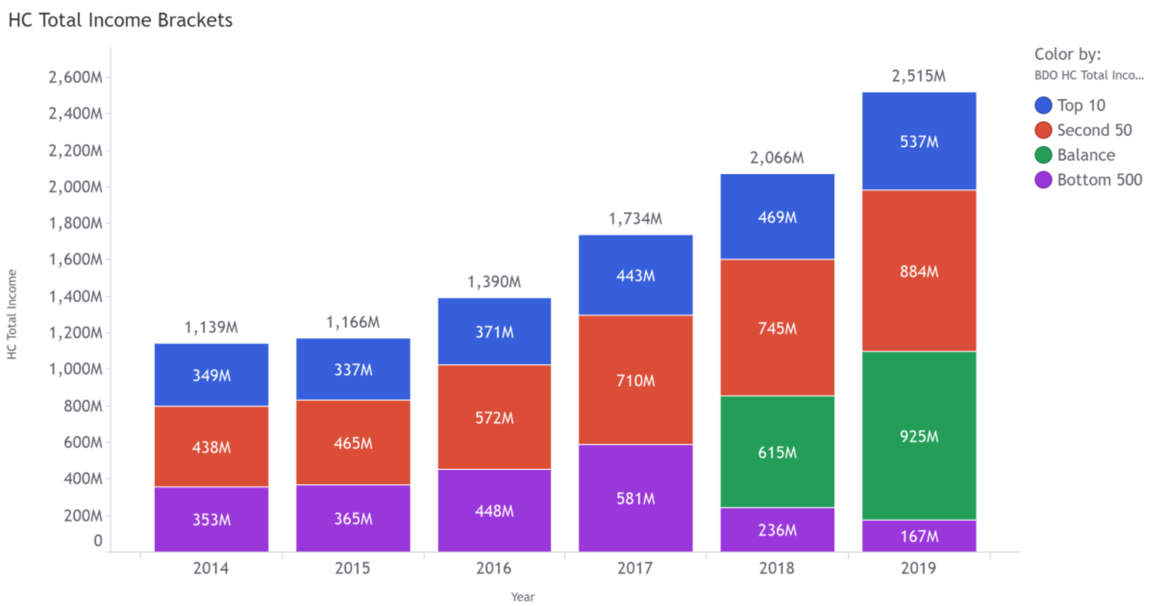
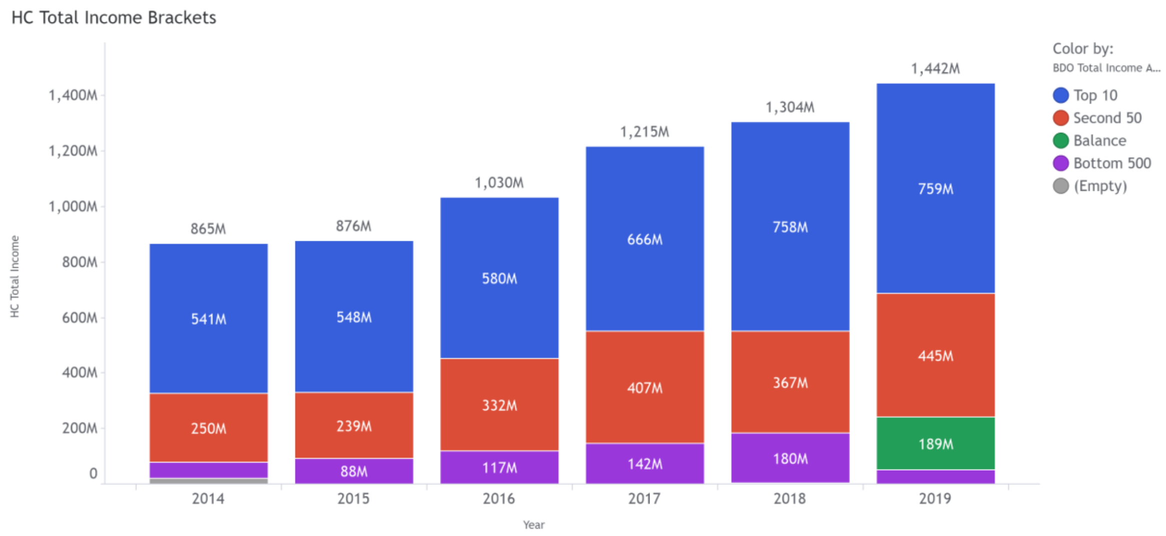


Figure 30 Affiliated groups of Home Care providers by income size



6.2. INCOME, EXPENSES AND PROFIT

Not all of the Home Care providers registered have reported data. Based on the data for those which have reported, Home Care income has grown at around 16.1% per annum since FY2014, with expenses increasing at 17.8% per annum (Figure 31). In FY2018, total income was $2.1Bn, total expenses was nearly $2.0Bn, and profit was $74M (i.e. a profit margin of 3.6%). There appears to be a significant difference in the performance of Home Care providers by size between FY2017 and FY2019. The largest 10 providers operated at a loss in FY2018 and FY2019 as shown in Figure 32 and Figure 33. The second 50 providers have achieved significantly higher profit per entity in FY2018 and FY2019 than the other segments Figure 32. .

The analysis over the past three years also indicates that there has been a decrease in profitability in the Home Care sector over time with the profit margin decreasing from 10.7% in FY2017 to 3.7% in FY2019. The amount differs across ownership types with For Profit HC margins decreasing from 18.3% to 0.4%, NFP HC margins decreasing from 9.5% to 4.4% and Government HC margins decreasing from 8.6% to 6.2%.

Figure 31 Income, expenses and profit for Home Care

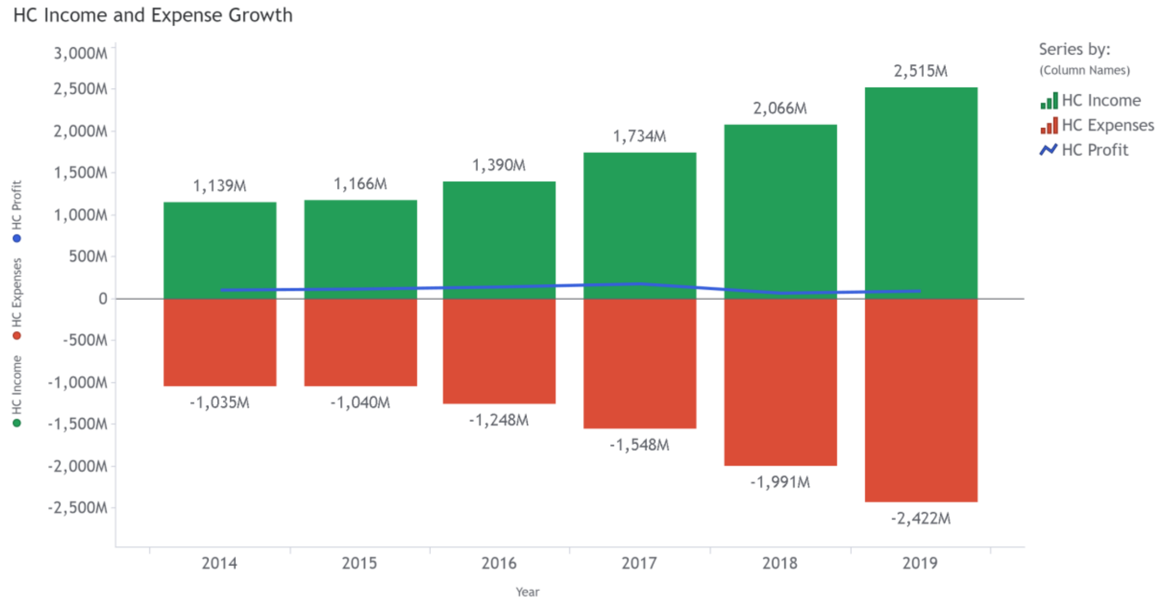


Figure 32 Home Care profits per provider by provider size, FY2017-FY2019

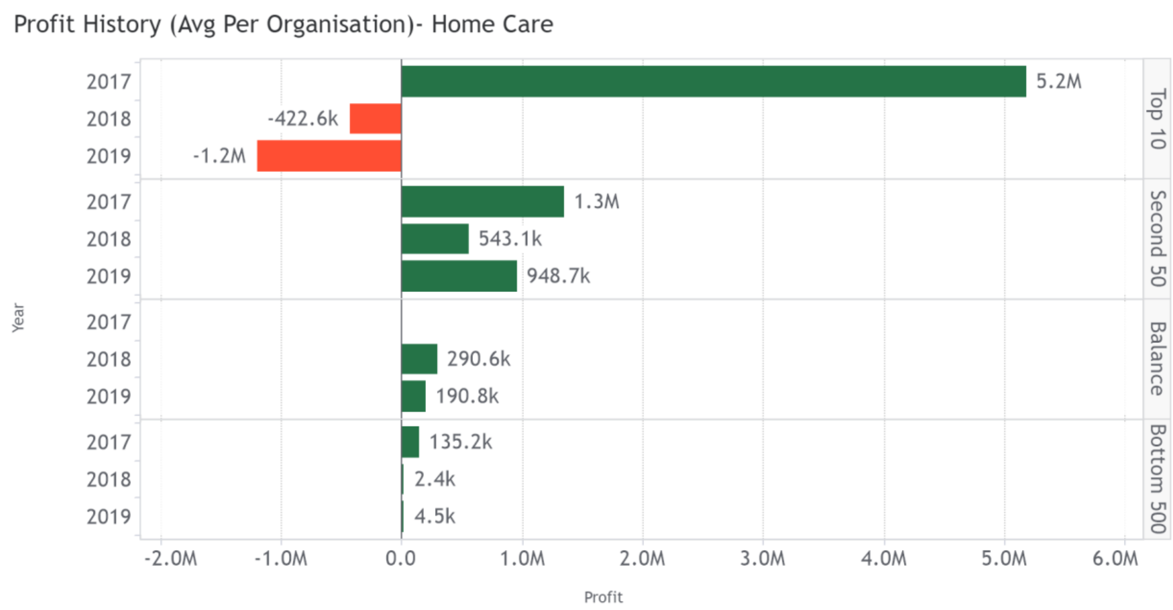


Figure 33 Home Care profits by provider size, FY2017-FY2019

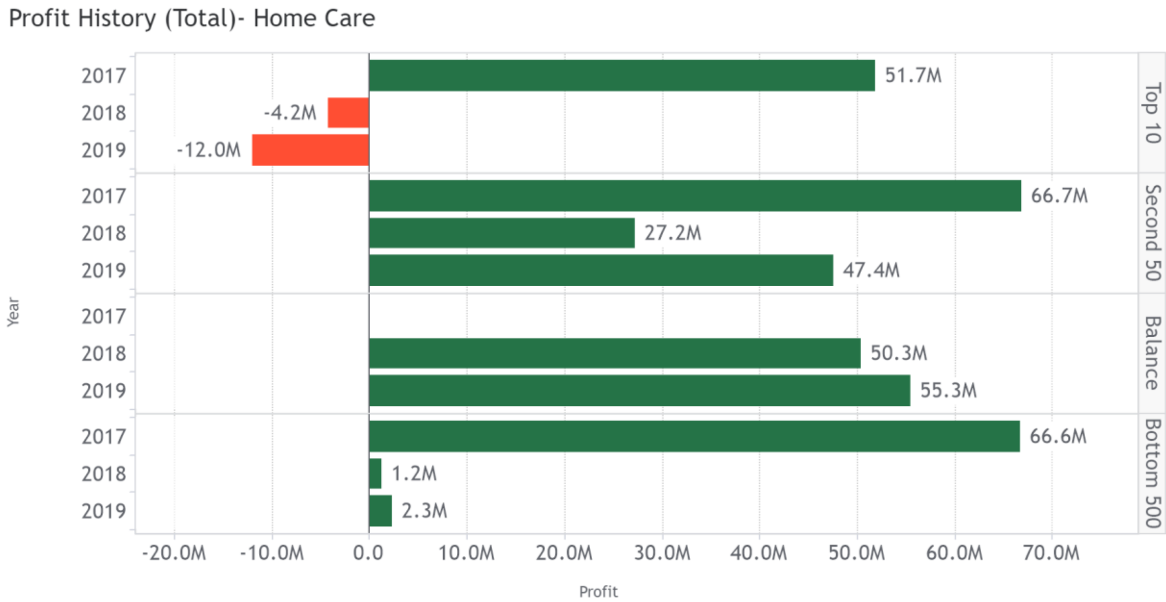


Table 6.1 contains the income and expense items for FY2018. The level of detail is much less than at the Approved Provider and Residential Aged Care levels as the ACFR financial reporting requirements are far lower. Home Care providers are only required to report at the Approved Provider level if they also deliver Residential Aged Care services, which the vast majority do not.

- Not For Profits comprise around 75% of Home Care income and expenses, while For Profits are around 20% and Government around 5%.
- Administration expenses equate to around 29% of total expenses in For Profits, 28% in Not For Profits and 25% in Government services. While this this is noticeably higher than in Residential Aged Care (13% of expenses for the For Profits and Not For Profits, and 9% for Government providers), administration costs per claim day is lower in HC ($19 per day) than RAC ($33 per day).

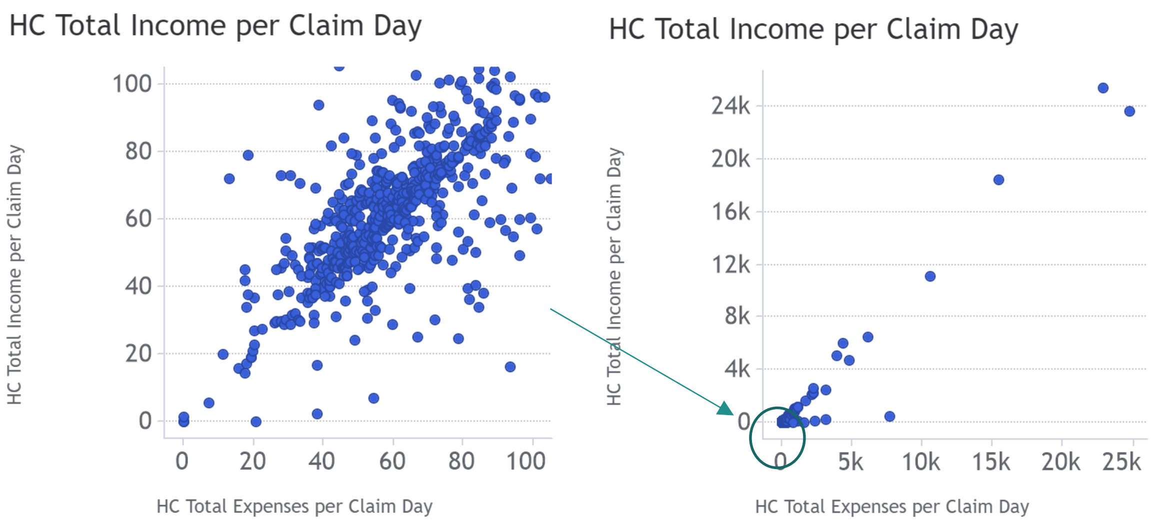
  It is also worth noting that HC is likely to have additional logistical costs as the care recipients are in their own homes. This would typically require more administration support (e.g. rostering, travel etc.)
- The total HC income for FY2018 is $2.1Bn, total expenses is $2.0Bn, and a profit of $74.4m (i.e. a profit margin of 3.6%). Analysis by Ownership type indicates that the profit margins differ across ownership types. For Profit HC services are provided at an aggregate loss - 67% of the For Profit HC Services do provide the services profitably at a profit margin of 10.6% but the remaining 33% make significant losses.
- HC providers who are are not profitable have care expenses which are greater than care income across all ownership types.

Figure 34 shows the spread of income and expenses across individual providers. Care is the largest component of both income and expenses and accounts for the most variation between the results for indivdual providers. Across all ownership types, the Home Care providers which are not profitable have care expenses greater than care income. Overall, care expenses equate to 90% of care income among the For Profits, 100% in the Not For Profits and 108% in Government services.

Table 6.1 Home Care income, expenses and profit, FY2018

	Total amounts				Per HCP claim day			
	FP ($M)	NFP ($M)	GOV ($M)	Total ($M)	FP ($)	NFP ($)	GOV ($)	Total ($)
Income Care Provision of Care Charged	278.5	1,024.3	71.8	1,374.6	66.93	45.05	36.55	47.63
Income Admin Client/Case Management Fees	28.6	231.3	18.9	278.8	6.87	10.17	9.64	9.66
Income Care Admin Fees	43.9	279.2	23.9	347.0	10.55	12.28	12.15	12.02
Income Other Unspent Package Funds	-	-	-	-	0.00	0.00	0.00	0.00
Income Other Exit Amounts Deducted	0.2	4.0	0.5	4.7	0.05	0.17	0.26	0.16
Income Other	30.3	28.6	1.6	60.5	7.27	1.26	0.83	2.09
Total Income	**381.5**	**1,567.3**	**116.7**	**2,065.5**	91.67	68.94	59.44	71.57
Expenses Care Staff Wages	193.8	631.8	34.3	859.8	46.56	27.79	17.46	29.79
Expenses Care Sub-Contracted Client Services	32.1	231.9	31.9	295.9	7.72	10.20	16.23	10.25
Expenses Care Related Expenses	24.2	163.3	11.5	198.9	5.80	7.18	5.85	6.89
Expenses Admin and Management Fees	44.7	235.9	13.5	294.2	10.75	10.38	6.89	10.19
Expenses Admin Wages	70.0	182.2	13.3	265.5	16.82	8.01	6.78	9.20
Expenses Other	14.8	38.0	2.7	55.5	3.55	1.67	1.39	1.92
Expenses Depreciation	6.1	10.7	0.3	17.1	1.46	0.47	0.14	0.59
Expenses Interest	4.0	0.1	-	4.2	0.96	0.01	0.00	0.14
Total Expenses	**389.7**	**1,494.0**	**107.5**	**1,991.1**	**93.64**	**65.71**	**54.72**	**68.99**
Profit	**(8.2)**	**73.3**	**9.3**	**74.4**	**(1.97)**	**3.22**	**4.72**	**2.58**
Profit Margin	**(2.1%)**	**4.7%**	**7.9%**	**3.6%**				

Figure 34 Home Care income by expenses, FY2018



More detailed analysis of Income and Expenses by ownership type over time and by size of Home Care providers is set out in Appendix E of this Report.

6.3. ASSETS AND LIABILITIES

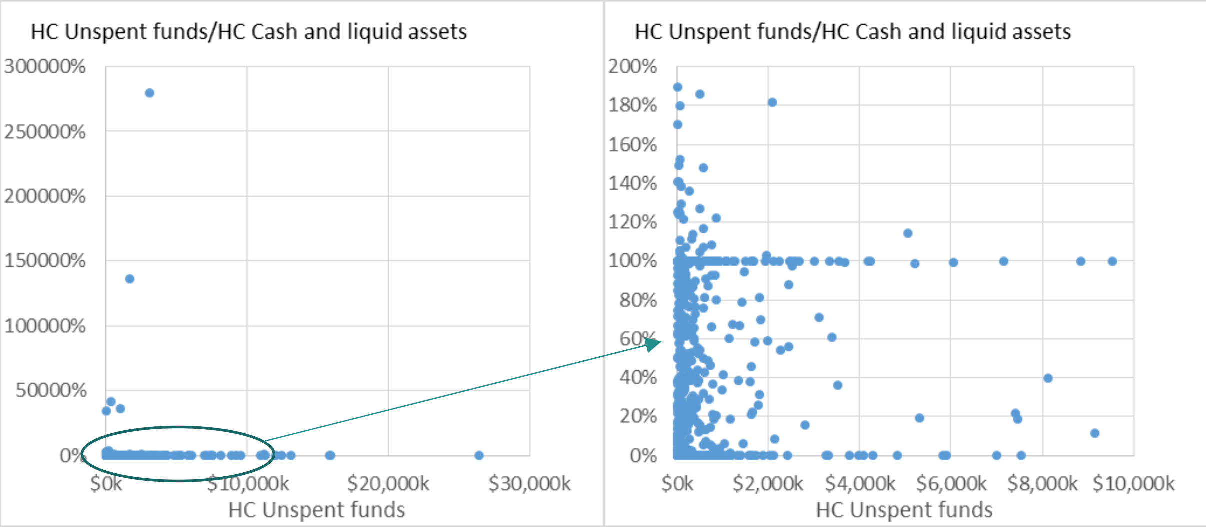
The very limited financial reporting requirements placed on Home Care providers mean that no balance sheet information is available except for two line items: cash and unspent home care package funds. These are shown in Table 6.2.

Unspent package funds equate to $0.5Bn which represents 26% of total income and 37% of total cash and cash equivalents. Providers with a cash balance less than the unspent packaged funds pose greater viability risk - there were 214 such providers in FY2018 (or 29% of Home Care providers). Figure 35 shows the distribution of this ratio across the Home Care providers.

Table 6.2 Home Care providers' assets and liabilities, FY2018

	Total amounts				Per claim day			
	FP ($M)	NFP ($M)	GOV ($M)	Total ($M)	FP ($)	NFP ($)	GOV ($)	Total ($)
HC Current Assets (Cash)	215.9	1,083.3	156.0	1,455.1	51.87	47.65	79.43	50.42
HC Unspent Funds	81.0	420.3	37.9	539.2	19.47	18.48	19.28	18.68
Net Reported Assets	**134.8**	**663.0**	**118.2**	**916.0**	**32.40**	**29.16**	**60.16**	**31.74**
Unspent Funds as a proportion of Income	21%	27%	32%	26%				
Unspent Funds as a proportion of Cash	38%	39%	24%	37%				

Figure 35 Home Care unspent funds/cash and liquid assets, FY2018



6.4. MARGINS AND RETURNS

It is possible to calculate a reported profit margins from the data provided but not return on assets or equity since that information is not part of the ACFR requirements. Margins are shown in Table 6.3 however, as explained in detail in section 3, data on related party entities is not available and this data would be required to develop a more holistic understanding of returns. It is currently not possible, for example, to determine the value of any gains or losses generated by related party entities from any related party loans.

Table 6.3 Home Care providers' margins, FY2018

	Weighted Average	Q1	Median	Q3
For Profit				
NPBT (Incl. Comp.) / Total Income	-2.15%	-6.05%	4.38%	12.88%
EBITDA / Total Income	0.50%	-4.45%	5.53%	13.71%
Not for Profit				
NPBT (Incl. Comp.) / Total Income	4.68%	-1.28%	3.80%	13.60%
EBITDA / Total Income	5.37%	-1.02%	4.51%	14.32%
Government				
NPBT (Incl. Comp.) / Total Income	7.93%	-0.06%	5.35%	16.77%
EBITDA / Total Income	8.16%	0.00%	5.52%	18.48%
Total				
NPBT (Incl. Comp.) / Total Income	3.60%	-2.47%	4.14%	13.54%
EBITDA / Total Income	4.63%	-1.39%	4.90%	14.43%

The Not for Profits and Government providers were profitable as a whole during FY2018 whereas the For Profits made an aggregate loss (on NPBT) or narrowly avoided loss (on EBITDA). Examing the spread of results for individual providers shows that 67% of the For Profits were operating profitably at a healthy margin of 10.6%, but the average was dragged down by remaining 33% which made significant losses.

We examined these results over time and found the profit margins in Home Care had decreased from 10.7% in FY2017 to 3.7% in FY2019. The change varies by ownership types: For Profit providers saw their margins decrease from 18.3% to 0.4%, while Not For Profit providers had their margins decrease from 9.5% to 4.4%, and the margins of Government providers decreased from 8.6% to 6.2%.

6.5. PROFITABILITY ASSESSMENT

The profitability assessment framework we developed and explained in section 3 involves assessing both profit metrics and cash flow. Cash flow information is not available because balance sheet information is not collected from Home Care providers as part of the ACFR reporting requirements. We therefore consider profitability using profit metrics only.

Using EBITDA, 216 Home Care providers (29.5%) have been assessed as 'not profitable'. These represent approximately $0.5Bn (25.7%) of the total income of all Home Care providers, and 8M Home Care Package claim days (27.5% of total).This would suggest that the entities assessed as 'not profitable' are slightly smaller in size than the average entity.

Table 6.4 Profitability assessment for Home Care providers, FY2018

		Ownership type			
		For Profit	Not for Profit	*Government*	Total
Home Care	Profitable	162 (67%)	292 (71%)	63 (76%)	**517 (70%)**
	Not Profitable	78 (33%)	118 (29%)	20 (24%)	**216 (30%)**

For Profits have the highest rate of being 'not profitable' (32.5%), slightly above Not For Profits. These providers account for a similar proportion of total Home Care income, suggesting they are similar in size to the average entity. The 24% of Government providers assessed as 'not profitable' account for only 8% of income from Government providers, suggesting they are much smaller in size than the average entity.

Figure 36 Number of Home Care providers by profitability, FY2018

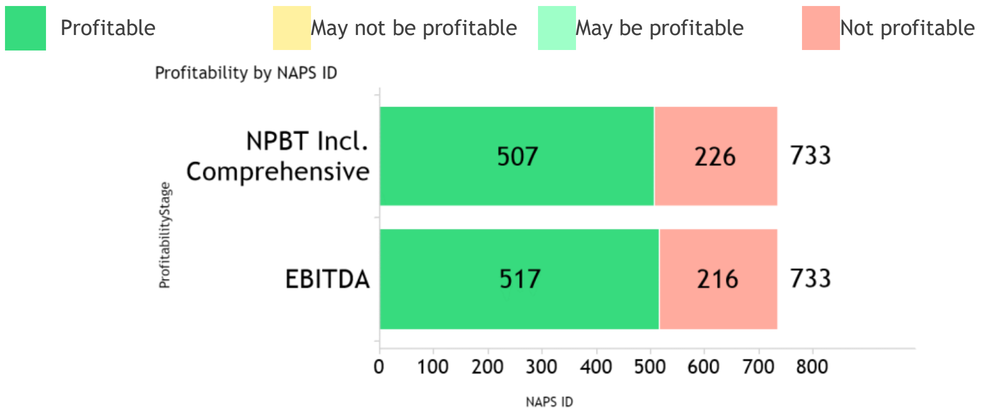
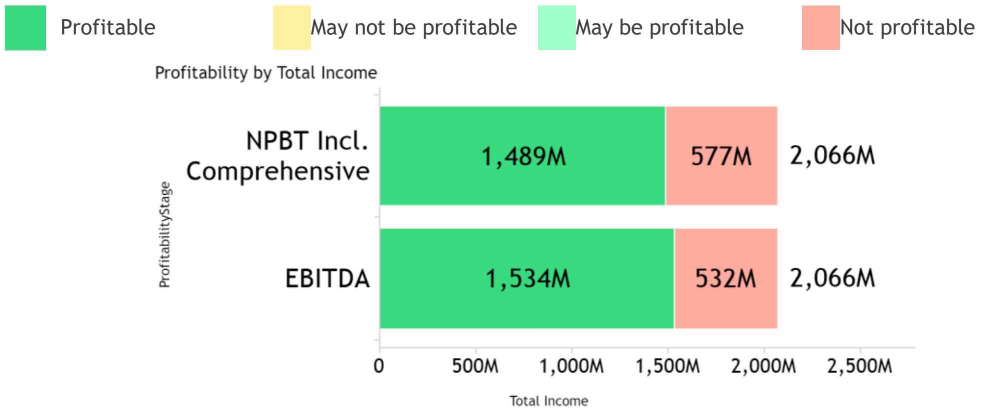


Figure 37 Total income of Home Care providers by profitability, FY2018



6.6. VIABILITY ASSESSMENT

The absence of balance sheet information also means the viability of Home Care services is unknown. We understand that the Government is evaluating the option of changing the payment arrangements for Home Care providers. Balance sheet information would be useful for such evaluations. Further information on this evaluation has been announced by the Department of Health.[6] Home Care providers are currently paid one month in advance and the change being considered will involve them instead making a claim at the end of each month and then being paid, similar to the NDIS. The Government is also considering gradually reducing the amount of unspent funds held by providers by reducing the proportion of new payments made to the provider on the behalf of the care recipient. Such changes are likely to impact on working capital and may require measures to give protection/support to the providers.

Balance sheet information would also be useful to better understand the Home Care sector and this understanding may lead to additional benefits for the sector as a whole (e.g. policies to improve operational outcomes, attract investment into the sector, etc.).

[6] See Aged Care Financing Authority (2020), Consideration of the Financial Impact on Home Care Providers as a Result of Changes in Payment Arrangements, https://www.health.gov.au/sites/default/files/documents/2020/01/consideration-of-the-financial-impact-on-home-care-providers-as-a-result-of-changes-in-payment-arrangements_0.pdf.

A further statement about the Government's intention to implementation these changes is published at https://www.health.gov.au/health-topics/aged-care/aged-care-reforms-and-reviews/improved-payment-arrangements-for-home-care.

7. FINANCES AND CARE INDICATORS

The Royal Commission requested us to investigate the extent to which the financial data collected by the Department of Health shows correlations, if any, between the finances of aged care providers and the available care indicators in Australia. We understand that the extent to which a relationship may exist between the sector's finances and quality care outcomes for care recipients is a topic of great interest to aged care policy makers.

We investigated this relationship using an array of indicators that were acquired by the Royal Commission under its legal authority, including:

- A relative care needs indicator compiled by the Royal Commission using a methodology developed by the Australian Health Services Research Institute at the University of Wollongong.
- The quality indicator suite developed by the Registry of Senior Australians (ROSA).
- Hospitalised days from Department of Health datasets.
- Regulatory indicators from the Aged Care Quality and Safety Commission (complaints, serious risks, expected outcomes not met, and sanctions).
- Care recipient satisfaction, as measured using the Consumer Experience Reports of the Aged Care Quality and Safety Commission.

These indicators are for Residential Aged Care and were compiled to the Approved Provider level. Indicators for Home Care were unavailable.

A brief summary of the results of our investigation is provided below. Further information about the data sources, methods and results are provided in Appendix D.

Overall, our investigation found significant variance in the indicators between providers, but few and weak correlations between the care indicators and financial metrics.

When comparing financials to the relative care indicator, we found only weak statistical associations.

- There is a weak relationship with income which is driven by the component of Government funding that includes a higher payment for people who have higher care needs. However the care payment still sets a constrained funding envelope within which the providers have to operate to avoid loss making on care. This is reflected in the fairly tight clustering of results among the For Profits and Not For Profits.
- There is a weaker relationship with care expenses. This seems to reflect that there is no direct driver between care needs and care expenditure like there is for care income, or the relationship is being masked by more significant drivers. The providers may vary in how they utilise the additional funding they receive for people of higher care needs. For example, providers may allocate differing portions of the payment for higher care needs to other relevant costs which contribute indirectly towards quality care (e.g. additional governance and risk management costs).
- The correlation between care needs and expenses is stronger with the Not For Profits than the For Profits. The correlation for Government providers is also lower than for the Not For Profits however the data is much more dispersed and has many providers spending large amounts per recipient.

The analysis of the other care metrics has consistently shown a high variance and low correlation in comparison to the care and hotel costs, as well as profitability. The low correlation can be partly explained by the large variance in the financial metrics and the way that financials are impacted by the significant variance in corporate structures and the nature of transactions across providers as explained in earlier sections of this Report.

We note that there may be a range of other underlying reasons why the statistical associations are weak. For example, staff working in aged care services are not homogenous – some are naturally more caring than others. It could be argued that an increase in expenditure to increase the number of staff performing care duties may not necessarily improve the quality of care if those staff are not well trained, or there are not effective management and governance processes, or there is not an organisational culture that encourages performance and quality.

8. CLOSING REMARKS

In the course of completing our analysis for this Report, we have made a number of observations in relation to the aged care sector which we believe may be useful for consideration in the context of potential improvements to the sector and any future analysis of this nature. We note at the outset there may be practical challenges to addressing these issues that we may have not considered and that improvements are likely to come at a cost (both in terms of resource effort and money).

Commercial model observations

In Section 4 of this Report, we have outlined the challenges of measuring the total return on investment in the Aged Care sector. These challenges primarily stem from the limited transparency in relation to how group structures and related parties are used by providers to generate returns. This makes it difficult to distinguish returns generated by the group from those generated as a result of funding received from the Aged Care sector. In this section we note a number of specific additional observations in relation to this:

The current model favours more sophisticated providers who have the necessary financial acumen to manage diverse portfolios and capital structures. Such providers are likely to generate better risk adjusted returns from the sector than those who are less sophisticated. DAPs provide the protection against this to an extent (it effectively sets the floor value for the bottom end of the return on property component).

Theoretically, allowing providers the flexibility to utilise complex structures to maximise returns may imply that the Australian Government has to fund the sector less than it would otherwise have had to if such flexibility did not exist. On the other hand, a possible issue with this relatively complex model is that it arguably weakens the link between the drivers of return and the quality of aged care service provided by the provider.

In our view, it is perfectly reasonable to allow APs to use group structures. A lack of governance and transparency on the entities within the group, however, increases risk of loan recoverability and understanding of returns. We believe that giving consideration to how these challenges can be addressed without having a significant adverse impact on the sector would be useful to all key stakeholders (including care recipients). The banking sector and other regulated industries may provide guidance on better practice on how to manage such risks (assessment and minimisation of default risk for loans).

We would advise caution in the implementation of any new policies in this area. It is likely that any new policies would have significant implications on the return on investment for investors and is likely to have a significant impact on the sector as a whole. There is insufficient data to determine this impact at this stage. A more detailed analysis of the various policy options in relation to the commercial components could be undertaken, however this analysis is beyond the scope of this report.

Improving Transparency

We have set out below some considerations which we believe may assist with improving transparency within the sector. An improvement in transparency would positively impact the extent of analysis possible and allow for more informed decision making in relation to policies and/or investment decisions. These considerations include:

b. Returns or losses made from Approved Provider funds by related parties (e.g. interest savings, investment returns including unrealised gains on asset value, and/or improved borrowing capacity). Broadly the components include a commercial return for the Approved Provider on the funds lent to the related party (similar to a debt investment by the Approved Provider), and the total return generated by the related party or the group based on the funds from the Approved Provider (similar to an equity investment by the Approved Provider).

c. The extent to which any related parties are supporting the activities of the Approved Provider (including its ability to continue operating as a going concern).

d. The profitability and viability of any related parties to the extent that it is needed to ascertain whether the Approved Provider can recover related party receivables. This may include a requirement for financial reporting and the extension of securities and guarantees to all entities in the consolidated group level.

   For entities with high viability risk based on their financial metrics (refer to Section 3.3), it may be also useful to understand what financial support is available from related parties and whether this is optional or has been committed to. This could be assessed through the provision of the supporting entities' financials and a letter of support. Where the information is coming from Audited accounts, there should be an assessment as to the collectability of debtors.

e. The terms of transactions with related parties including finance (interest), rent, management fees, administration fees, labour hire and various other services. Currently it is not possible to ascertain from annual financial statements whether these expenses occur at an arm's length between related parties. For example, it is not possible to determine the interest rate charged on related party loans and determine whether the rates are commercial.

f. Further information on the non-aged care related activities conducted by Approved Providers. Additional data would give transparency on the returns or losses made in these non-aged care activities, the extent to which the non-aged care component is contributing to the returns of the Approved Provider, and the risks to the Approved Provider associated with those non-aged care activities and how the risks are managed.

   The ability to report on the return of each activity is dependent on the quality of financial information and how well an entity allocates items. There are many allocation decisions that will influence the results as ultimately an entity involved in more than one business will have shared resources. Consider the example of a payroll officer that processes payrolls for the whole of an organisation. Costs associated with the payroll officer need to be apportioned (e.g. wages, leave, super, payroll tax, training, capital costs of computers, depreciation, computer support, software licences, building space, etc.). There are multiple ways to apportion such items and achieving consistency across the sector is likely to be challenging.

Understanding governance and financial reporting obligations

We do not have insight into the Department of Health's current data governance arrangements however we believe it would be very useful to have a clear process whereby required data fields are reviewed, monitored and updated regularly in line with the strategic and regulatory requirements of the Government.

A key issue is that not all Home Care services are required to report at the Approved Provider level. Those that do are not required to apportion all of their items across Residential Aged Care and Home Care activities. The lack of balance sheet items reported at the Home Care level makes it difficult to assess the profitability and viability of the Home Care services and also the viability of Approved Providers who provide Home Care services only. It also makes it difficult to estimate the size of the sector and the relative sizes of the aged care and non-aged care activities offered by Approved Providers. We note more comprehensive information about the sector's performance may be useful to investors and potential investors and may have a positive effect on the supply of services.

Information about the recoverability of loans made by Approved Providers is another key consideration. Approved Providers are likely to be of equal rank to unsecured creditors. While the legislation makes it clear that the loans are to be on commercial terms, the nature of the security is key if there is an insolvency event.

Improving data quality.

A significant effort spanning a period of months was required to cleanse, collate and align the ACFR data. Each year of ACFR data is comprised of multiple separate data files and there are multiple versions of each file. The data was not in a consistent format or with consistent labelling. Errors and inconsistencies were identified which needed to be resolved to a satisfactory level in order to commence analysis.

The ACFR data fields and definitions have also changed considerably over the past decade. The differences were so vast that it was not feasible to compare data at a granular level for years before FY2017. Understanding the differences in the data definitions across years was also challenging as metadata was fragmented and not entirely clear.

This increased the effort required to examine the sector, the risk of error in the evaluation and the risk of inconsistencies in the evaluation if undertaken by various organisations. The ability to readily produce a reliable, consistent set of data as the 'source of truth' would have been useful to us and it is likely to increase the efficiency of any future analysis and reduce risk.

APPENDIX A: ACFR DEFINITIONS IN 2017-18

The following data item descriptions are reproduced from the Department of Health's "Definitions for the Aged Care Financial Report" for 2017-18. Minor edits have been made for readability and consistency with the data labels used in this report.

Approved Provider level

AP Income and Expenses	
Operating Income	Income derived from goods and services the company provides. Government Subsidies. Daily Accommodation Payment. Resident Fees. Extra Service Fees. Accommodation Bond Retentions. Other operating income.
Investment Income/(Loss)	Income received from investment assets. Stocks. Mutual funds. Capital gains. Dividends. Sale of securities.
Interest Income - Related Parties	Interest received from related parties. Interest paid to the provider in relation to a related party loan.
Interest Income - Other	Interest received from non-related parties. Interest paid to the provider in relation to the company relating to a receivable. Interest received from a bank.
Other Non-Operating Income	All other income that cannot be allocated in the above items. Donations. Gain on sale of assets. Asset revaluation. Membership fees.
Depreciation	The decrease in value of assets (fair value depreciation) and the allocation of the cost of assets to periods in which the assets are used. Land. Buildings. Motor Vehicles.
Amortisation	Allocating the cost of an intangible asset over a period of time. Goodwill. Patents. Trademarks. Copyrights.
Rent for Buildings - Related Parties	Amount paid to a related party under a tenancy agreement for use of a premises. Property Company owns the premises and the aged care company pays rent to the related party.
Rent for Buildings - Non Related Parties	Amount paid under a tenancy agreement for use of a premises (not a related party). Rent paid to a non-related party.
Management Fees - Related Parties	The amount of expenses paid to a related party to govern and manage operations.
Management Fees - Non-Related Parties	The amount of expenses paid to a non-related party to govern and manage operations.
Interest Expenses - Related Parties	Interest paid on an amount payable to a related party.
Interest Expenses - Other	Interest paid to a non-related party. Bank loan. Credit card. Un-refunded refundable deposit.
Other Expenses	All other expenses that cannot be allocated in the above items. Donations paid. Staff training. Medical expenses. Food expenses.
Tax	The amount of tax payable.
Other Comprehensive Items	Items that are not included in the ordinary operations of the company Asset revaluation.
Distributions/Dividends Paid	The amount from NPAT that is paid as dividends or the amount paid to the trust members.
Distributions/Dividends Available but not yet paid	The amount from NPAT that is kept as future payment dividends or the future amount payable to the trust members.

RAC Assets and Liabilities	
Current Assets	
Cash and Cash Equivalents	The value of a company's assets that are cash or can be converted into cash immediately. Bank Accounts. Term deposits.
Financial Assets	A financial asset is an asset whose value comes from a contractual claim and will be received within the next 12 months. These assets are frequently traded. Investments in bonds. Equity issued by other entities.

RAC Assets and Liabilities	
Trade Receivables	Trade receivables are amounts billed by a business to its customers when it delivers goods or services to them in the ordinary course of business.
Refundable Deposits Receivable / Accommodation Bonds Receivable / Entry Contributions Receivable - Residential Aged Care excl. Retirement Living	An accommodation payment that has been agreed to but has not yet been received by the company for residential aged care. An accommodation payment is an amount that does not accrue daily and is paid as a lump sum for residential aged care.
Refundable Deposits Receivable / Accommodation Bonds Receivable / Entry Contributions Receivable - Other including Retirement Living	An amount for accommodation that has been agreed to but has not yet been received by the company. An amount paid as a lump sum for accommodation other than residential aged care. Independent Living Unit entry contribution.
Loans Receivable - Related Parties	Any outstanding money owed to the company by a related party that is expected to be repaid within the next 12 months. A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the "reporting entity").
Loans Receivable - Non-Related Parties	Any outstanding money owed to the company by a non-related party that is expected to be repaid within the next 12 months.
Work in Progress - Residential Aged Care excl. Retirement Living	Material that has entered the production process but is not yet a finished product and will be completed within the next 12 months relating to residential aged care. Residential aged care building not yet complete but will be completed within the next 12 months.
Work in Progress - Other incl. Retirement Living	Material that has entered the production process but is not yet a finished product not relating to residential aged care and will be completed within the next 12 months. Independent living units being built but not yet complete.
Other Current Assets	All other current assets that cannot be allocated in the above items. Inventory Tangible assets held for sale. Prepayments. Accrued income.
Non-Current Assets	
Financial Assets	A financial asset is an asset whose value comes from a contractual claim and will not be received within the next 12 months. These assets are frequently traded. Cash. Investments in bonds. Equity issued by other entities.
Loans Receivable - Related Parties	Any outstanding money owed to the company by a related party that is not expected to be repaid within the next 12 months. A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the "reporting entity").
Loans Receivable - Non-Related Parties	Any outstanding money owed to the company by a non-related party that is not expected to be repaid within the next 12 months.
Work in Progress - Residential Aged Care excl. Retirement Living	Material that has entered the production process but is not yet a finished product and will not be completed within the next 12 months relating to residential aged care. Residential aged care building not yet complete and will not be completed within the next 12 months.
Work in Progress - Other incl. Retirement Living	Material that has entered the production process but is not yet a finished product not relating to residential aged care and will not be completed within the next 12 months. Independent living units being built but not yet complete.
Intangible assets - Bed Licences	An intangible asset is an asset that is not physical in nature. Report the value assigned to bed licences.
Intangible assets - Other (incl Goodwill)	An intangible asset is an asset that is not physical in nature. Report all amounts assigned to intangible assets except for bed licences. Goodwill. Patents. Trade marks.
Property, Plant & Equipment	A company asset that is vital to business operations but cannot be easily liquidated. Land. Buildings. Motor Vehicles.
Investment Properties	Property that an entity holds to earn rental income and/or capital appreciation. Independent Living Units. Office Building.
Other Non-Current Assets	All other non-current assets that cannot be allocated in the above items. Tangible assets held for sale. Prepayments. Accrued income.

RAC Assets and Liabilities	
Current Liabilities	
Refundable Deposits Payable / Accommodation Bonds Payable / Entry Contributions Payable - Residential Aged Care excl. Retirement Living	An accommodation payment that has been agreed to both received and not received by the company in relation to residential aged care. An accommodation payment is an amount that does not accrue daily and is paid as a lump sum for residential aged care.
Refundable Deposits Payable / Accommodation Bonds Payable / Entry Contributions Payable - Other including Retirement Living	An amount for accommodation that has been agreed to both received and not received by the company. An amount paid as a lump sum for accommodation other than residential aged care. Independent Living Unit entry contribution.
Loans Payable / Borrowings - Secured	A loan which is backed by assets belonging to the borrower in order to decrease the risk assumed by the lender. These amounts are expected to be paid with the next 12 months. Bank loan.
Loans Payable / Borrowings - unsecured	A loan which is obtained without being backed by assets belonging to the borrower. These amounts are expected to be paid with the next 12 months.
Employee Benefits / Provisions	Liabilities for wages and salaries, including non-monetary benefits expected to be paid within 12 months. Annual leave. Long service leave. Sick leave. Other employee costs.
Unspent Home Care Package Funds	Funds that have been received as a home care package that have not yet been spent.
Other Current Liabilities	All other current liabilities that cannot be allocated in the above items. Accounts payable. Capital grants received in advance.
Non-Current Liabilities	
Loans Payable / Borrowings - Secured	A loan which is backed by assets belonging to the borrower in order to decrease the risk assumed by the lender. These amounts are not expected to be paid with the next 12 months. Bank loan.
Loans Payable / Borrowings - Unsecured	A loan which is obtained without being backed by assets belonging to the borrower. These amounts are not expected to be paid with the next 12 months.
Employee Benefits / Provisions	Liabilities for wages and salaries, including non-monetary benefits not expected to be paid within 12 months. Annual leave. Long service leave. Sick leave. Other employee costs.
Other Non-Current Liabilities	All other non-current liabilities that cannot be allocated in the above items.
Current Loans/Borrowings	
Loans Payable - Related Parties	Any money obtained from a related party that is expected to be repaid within the next 12 months. A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the "reporting entity")
Loans Payable - Non-Related Parties	Any money obtained from a non-related party that is expected to be repaid within the next 12 months.
Non-Current Loans/Borrowings	
Loans Payable - Related Parties	Any money obtained from a related party that is not expected to be repaid within the next 12 months. A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the "reporting entity").
Loans Payable - Non-Related Parties	Any money obtained from a non-related party that is not expected to be repaid within the next 12 months.

AP Cash Flow	
Operating Cash Flows	
Receipts from Customers	The amount of money received from customers for services provided by the company. Government Subsidies. Daily Accommodation Payments. Resident Fees Extra Service Fees.
(Payments) to Suppliers & Employees	The amount of money paid to suppliers and employees for goods and services provided to the company. Food. Laundry services. Salary & Wages.
Allowable Deductions from Bonds	Amount that are able to be deducted from accommodation bonds in accordance with the Aged Care Act 1997. Retentions.
Dividends Received	Income received from shareholdings.
Interest Received	Interest received from an external source. Bank account. Related party loan.
Finance (Costs)	The cost and interest and other charges involved in the borrowing of money to build or purchase assets. Interest paid on a loan. Loan application fees. Account keeping fees.
Other Operating Cash Flows	All other operating items that cannot be allocated in the above items. Donations. Gain on sale of assets. Asset revaluation. Membership fees.
Investing Cash Flows	
Sale of Property, Plant & Equipment	A company asset that is vital to business operation that was sold within the financial year. Land. Buildings. Motor Vehicles.
(Purchase) of Property, Plant & Equipment - Residential Aged Care excl. Retirement Living	The purchase of an asset that is vital to business operations but cannot be easily liquidated and relates to residential aged care. Land/Buildings.
(Purchase) of Property, Plant & Equipment - Other incl. Retirement Living	The purchase of an asset that is vital to business operations but cannot be easily liquidated and does not relates to residential aged care. Land. Buildings.
Sale of Intangible Assets	Sale of an asset that is not physical in nature. Bed licences.
(Purchase) of Intangible Assets	The purchase of an asset that is not physical in nature. Bed licences. Patents. Trade marks.
Other Investing Cash Flows	All other investing items that cannot be allocated in the above items Investments in bonds. Equity issued by other entities.
Financing Cash Flows	
Accommodation bonds/refundable deposits received	An accommodation payment that has been agreed to and received by the company for residential aged care. An accommodation payment is an amount that does not accrue daily and is paid as a lump sum as for residential aged care.
Accommodation bonds/refundable deposits/ entry contributions (refunded)	An accommodation payment that has been refunded in accordance with the Aged Care Act 1997 for residential aged care. An accommodation payment is an amount that does not accrue daily and is paid as a lump sum as for residential aged care.
Proceeds from Borrowing - Residential Aged Care excl. Retirement Living	Borrowings received for residential aged care. Building a nursing home.
Proceeds from Borrowing - Other incl. Retirement Living	Borrowings received for purposes other than residential aged care. Building independent living units.
(Repayment) of Borrowings	Amounts repaid on borrowings. Bank loan repayments.
Loans made to related parties	Amounts loaned to a related party. A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the "reporting entity").
Loans (repaid) to related parties	Amounts repaid on loans from a related party. A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the "reporting entity").
Other Financing Cash Flows	All other financing items that cannot be allocated in the above items. Dividend payments to shareholders. Receiving cash from issuing stock. Spending cash to repurchase shares.

AP Cash Flow	
Net Cash Flows	
Net Increase/(Decrease) in Cash Held	Total increase/(decrease) in cash held for the financial year in which the company is reporting on
Cash at the Beginning of the Financial Year	Cash held at the beginning of the financial year in which the company is reporting on.

Residential Aged Care

RAC income and Expenses	
Care - Subsidies & Supplements (Commonwealth)	Basic Subsidy received from the Commonwealth: Aged Care Funding Instrument (ACFI), Residential Classification Scale (RCS) and RCS Saved Payments. Supplements: Basic Daily care fee supplement, Dementia and Severe Behaviours, Enteral Feeding, Hardship, Homeless, Oxygen, Payroll Tax, Resident Contribution Top-Up Supplement, Respite Incentive, Transitional, Veteran, Viability, Workforce. Adjustments: ADA (Aus. Dental Association payments), Telehealth Onboard Payment, Telehealth Supported Payment, Telehealth Unsupported Payment, High Dependency Care Leave.
Care - Subsidies & Supplements (State Government)	The aggregate amount of subsidies and supplements that are received from state/territorial/local governments for care of residents.
Care - Basic Daily Fee	The amount of fee received from a resident under section 58-3 of the *Aged Care (Transitional Provisions) Act 1997* as a standard contribution in costs for providing accommodation and daily living services (such as meals, cleaning, laundry, heating, cooling, etc.) to a resident in a residential age care facility.
Means Tested Care Fee	The Means Tested Care Fee is an additional payment to the Basic Daily Fee that is calculated based on a residents income and assets and contributes to the resident's day-to-day care costs (such as nursing and personal care).
Care - Other	Other care income (e.g. fees and charges received from a resident in respect of occasional care services like consultation, therapy, medication, treatment or procedure). Please include both fees paid directly by the resident and/or deducted from a Refundable Deposit.
Accommodation - Subsidies & Supplements (Commonwealth)	Supplements: Accommodation. Accommodation Top Up Supplement. Charge Exempt. Concessional. Hardship Accommodation. Higher Accommodation Supplement. Pension. Transitional Accommodation Supplement.
Accommodation - Subsidies & Supplements (State Government)	The aggregate amount of subsidies and supplements that are received from state/territorial/local governments for accommodation of residents.
Resident Accommodation Payments and Charges	Daily Accommodation Payments (DAP) & Daily Accommodation Contributions (DAC) Accommodation charges. Periodic payments under Section 57-17 of the Aged Care (Transitional Provisions) Act 1997 are: regular payments from a resident to a provider of an amount of income the provider could be expected to derive from the accommodation bond, plus a retention amount that would have been permitted to be deducted under Section 57-20 of the Aged Care (Transitional Provisions) Act 1997. Please include both fees paid directly by the resident and/or deducted from a Refundable Deposit.
Accommodation Bond retention amounts	Amounts retained from an accommodation bond under Section 57-20 of the *Aged Care (Transitional Provisions) Act 1997*.
Capital Grants (Commonwealth and State governments)	An allocation of funding to contribute to the costs associated with the establishment or enhancement of facilities for… (purpose/programme). Capital works costs include, but are not limited to, costs for: the acquisition of land on which are, or are to be built, the premises needed for the purpose/programme; acquiring, building, upgrading or extending those premises; and/or furnishing, fitting out and equipment for those premises. Capital works costs do not include: costs of routine administration of the residential care service to which the grant relates, whether or not the costs are related to the project; the cost of acquiring and operating vehicles; the cost of rent, insurance and State, Territory and local government statutory charges (for example, rates); normal overhead and operating

RAC income and Expenses	
	costs; any tax payable by the residential care service to which the grant relates, including any tax payable as a result of receiving the grant; costs associated with obtaining finance for the project; and/or the cost of interest related to any finance obtained for the project.
Extra Service Fees	It is the amount of fees that is approved (as per section 35-1 and 35-3 of the *Aged Care Act 1997*), charged and received for providing significantly higher standards of accommodation and food to a resident in a residential age care facility. Please include both fees paid directly by the resident and/or deducted from a Refundable Deposit.
Additional Service Fees	An approved provider may charge a resident for additional services (e.g. hairdressing), which the resident has asked the provider to provide. The amount of any charge for additional services must be agreed with the resident before services are delivered, with an itemised account given to the resident once the service has been provided. Additional fees cannot be charged where they do not provide a direct benefit to the individual; or the resident cannot take up; or make use of the services; or where the activities or services subject to the fee are part of the normal operation of an aged care home and fall within the scope of specified care and services.
Interest Income	Interest amount received as a fee for use of money/assets by Director/Employee/related person and/or related organisations. Interest received on bank deposits for investing the RAD/Bond amount in interest bearing deposits/investments. Interest amount earned from sources other than RADs/Bonds. Do not include DAPs or DACs.
Donations and Fundraising	Legacies and Bequests. Contributions (Members, supporters, employees, Public, Government, philanthropic trusts and corporations). Non-tax deductible gifts. Tax Deductible Donations. Income from Raffles and Gaming.
Gain on Sale of Assets	The surplus difference between proceeds of sale and carrying amount of assets recorded in the accounts of the facility.
Revaluation of Assets (increase)	This item can also have the following names: Net gain on revaluation of assets, Gain on revaluation of assets, Unrealised Gain, Asset Revaluation, Asset Remeasurement, Change in Fair Value, Initial Recognition of Assets, Increase in Fair Value, Fair Value Adjustment. Do not include if the amount was recorded as Other Comprehensive Income.
Other Income	Membership Fees. Other Fees and Charges. Rental income. Sponsorship and licensing fees. Cost recoveries. Other/Sundry Income. Dividends. Asset Received Free of Charge. Share of Surplus of Associates. Trust Income. Share of Net Result of Joint Venture. Entities using the equity method. Trust Distributions. Do not include: Loan write-off, loan reduction, debt forgiven. Any other item that does not fall under the definitions of above income items.
Care - Labour Costs	Salaries and superannuation paid to: General Practitioners, Consultants, Director of Nursing (DON), Therapists, Nutritionists, Nurses (Executive/Enrolled/Registered/Assistant), Case Managers, Staff involved for caring residents with daily living activities, cognitive impairment, behavioural impairment, Health assistants, Health support staff, Translators and interpreters, Chaplaincy (E.g. Priests, pastor, Imams, Rabbi, Hindu priests etc.). This expense item should also include the payment of following amounts: Agency and Contract Staff, Bonuses, incentive pay and commissions, Allowances and reimbursements, Annual Leave, long service leave, medical leave, Leave provisions, Termination payments, retirement payments and leave encashment, Volunteer Costs, Workers' Compensation, Fringe Benefits Tax/salary sacrifice, Payroll tax, Uniforms, laundry reimbursements. Do not include: Staff training and development.
Other Care Expenses	Medications and unit doses for residents. Oxygen and oxygen equipment. Treatments and procedures. Equipment and incontinence aids purchased for client use. Items that assist resident's mobility. Recreational and social activities of the clients. Rehabilitation support. Items for personal grooming of the clients (e.g. hairdressing etc.). Specific cultural and social events.
Accommodation - Labour Costs	Salaries and superannuation paid to: Trades persons undertaking maintenance and repairing work in the facility, Electricians, Technicians, plumbers, Gardeners/ Painters/ Drivers. This expense item should also include the payment of following amounts: Agency and Contract Staff, Bonuses, incentive pay and commissions, Allowances and reimbursements, Annual Leave, long service leave, medical leave, leave provisions, Termination payments, retirement payments and leave encashment, Volunteer Costs, Workers' Compensation, Fringe Benefits Tax/salary sacrifice, Payroll tax, Uniforms, laundry reimbursements. Do not include: Staff training and development.

RAC income and Expenses	
Property repairs, maintenance and replacements	Items that are used to fix the property, plant & equipment that are not capitalised. Renovation. Maintenance Contracts. Refurbishment Costs. Building Services. Replacements. Property Equipment Expenses. Gardening Expenses (purchase of items like mulch, pesticides, fertilizers, gardening tools, etc.). Grounds Maintenance. Purchase of general items for day to day operations (e.g. globes, cables, power boards, etc.).
Rent for Buildings	Amount paid under tenancy agreement for use of a premises as a Residential Age Care facility (includes rent paid to both related and non-related parties).
Other Accommodation Expenses	Federal and state government property rates and taxes. Fees and permits. Bed licences fees/Allocation certification fees. Utilities and waste disposal (Gas, Electricity, Sewerage, Telephone, Internet, Water).
Hotel - Labour Costs	Salaries and superannuation paid to: Chefs, Cooks and kitchen staff, Cleaning and Laundry staff, Staff involved in housekeeping services. This expense item should also include the payment of following amounts: Agency and Contract Staff, Bonuses, incentive pay and commissions, Allowances and reimbursements, Annual Leave, long service leave, medical leave, leave provisions, Termination payments, retirement payments and leave encashment, Volunteer Costs, Workers' Compensation, Fringe Benefits Tax/salary sacrifice, Payroll tax, Uniforms, laundry reimbursements. Do not include: Staff training and development.
Contracted Services - External Service Organisations	Amount paid to external organisation under contractual arrangements for provision of catering, cleaning, laundry or any other services related to the hoteling service of the facility.
Contracted Services - Internal Service Organisations/Divisions	Amount paid to internal service organisations/divisions under contractual arrangements for provision of catering, cleaning, laundry or any other services related to the hoteling service of the facility.
Hotel - Other	Meals, refreshments, other food and consumable items. Bedding materials (bed sheets, pillow and pillow cases, blankets). Toiletry and sanitary goods (soaps, face wash, paper products). Cleaning items (shampoo, conditioners, hair colours), Laundry items (detergents, refreshers, dry cleaning, iron and ironing costs). Cost of ID system for residents clothes and laundry items. Purchase of items for resident's use (e.g. tableware items, decoration items, newspapers, cable TV plans, etc.).
Administration - Labour Costs	Salaries and superannuation paid to: Executives, Managers and Senior Management Employees, HR Manager and its staff, Service office staff. This expense item should also include the payment of following amounts: Agency and Contract Staff, Bonuses, incentive pay and commissions, Allowances and reimbursements, Annual Leave, long service leave, medical leave, leave provisions, Termination payments, retirement payments and leave encashment, Volunteer Costs, Workers' Compensation, Fringe Benefits Tax/salary sacrifice, Payroll tax, Uniforms, laundry reimbursements. Do not include: Staff training and development.
Administration - Management Fees	The amount of expenses that are paid to another person/organisation to govern and manage operations of the facility on behalf of the provider (includes management fees paid to both related and non-related parties).
Other Administration Expenses	Auspicing fee/fund managing fee, Audit fees/Accounting Fees, Accreditation Fees and Expenses, Advertising & Promotion, Bad Debts/Write off Expenses, Bank Fees & Charges/ Credit Card Fees (if held by Residential home), Body corporate fees, IT/Computer Expenses Consultancy fees, Entertainment Costs, Health & Safety expenses, Hire purchase facility/lease facility monthly payments and charges/ fees, Insurance (e.g., Professional Indemnity, volunteers, general contents, public liability, rental properties, motor vehicles etc.), Legal fees, Membership Fees Paid, Postage, Freight and Courier, Printing & Stationery Publications and Information Resources, Security Expenses, Sundry Expenses, Travel & Accommodation.
Depreciation	Residential care buildings, Plant and equipment installed in the residential care facility, Furniture and fixture, Motor vehicles owned by the facility. Do not include: Depreciation incurred on assets/properties that are purchased for investment purpose and not for operational purpose.
Amortisation	Impairment/amortisation of intangible assets (e.g., bed licences, good will, patents, trademarks - provided they have the market value)

RAC income and Expenses	
Interest Expenses	Interest paid on bank loans/borrowings/credit cards. Interest paid on amount payable to related parties. Interest paid on un-refunded bond. Do not include: Bank fees and bank charges, Lease fees, Lease rentals or lease payments, Credit card fees.
Revaluation of Assets (Decrease)	This item can also have the following names: Net Loss on Revaluation of Assets, Unrealised Loss, Asset Revaluation Decrease/Decrement, Decrease in Fair Value, Asset Remeasurement Asset impairment. Do not include if the amount was recorded as Other Comprehensive Income.
Loss on sale of assets	The deficit difference between proceeds of sale and carrying amount of assets recorded in the accounts of the facility.
Other Expenses	All other items that cannot be put in the above, examples include (but not limited to): Donations Paid, Fundraising and Gaming Expenses, Motor vehicle expenses, Purchase of garbage disposal bags/garbage hopper/wheelie bins, Fees, Rates and taxes- Rental Properties/Properties purchased for investment, Depreciation incurred on assets/properties that are purchased for investment purpose and not for operational purpose, Recruitment Expenses, Staff Amenities, Staff training and development, Employment Support and Supervision Costs (examples include costs incurred on staff counselling , referral services, non-work related legal concerns, etc.), Corporate Expenses. Do not include: Workers compensation, Any other item that does not fall under the definitions of above expense items.
Distributions/Dividends Paid or Available But Not Yet Paid	The amount from NPAT that is paid as dividends or the amount paid to the trust members. The amount from NPAT that is kept as future payment of dividends or the future amount payable to the trust members.
Retained Earnings	The difference when the above are subtracted from NPAT.

RAC Assets and Liabilities	
Current Assets	Cash and Cash Equivalents: Cash at Hand/ Cash at Bank/ Bank Deposits (fixed/term/at call)/ Petty Cash/ Undeposited Funds. Financial Assets: Shares/derivatives/securities/ Short-Term Investments. Trade Receivables. Refundable Accommodation Deposits/ Bonds Receivable. Related Party Loans & Receivables (both interest and non-interest based). Non-Related Party Loans & Receivables (both interest and non-interest based). Other Receivables: Inventory, Other Financial/investment assets/properties, Tangible assets held for sale, Prepayments, Accrued Income. Any other item that does not fall under the definition of above current asset items.
Non-current Assets	
Property, Plant & Equipment	Land. Buildings. Plant and equipment. Furniture and Fixture. Motor vehicles. Electronics and Electrical Appliances. Computers/servers/main frames.
Investment Properties	Property that an entity holds to earn rental income and/or capital appreciation
Intangibles	Bed Licences. Goodwill. Gain on business acquisition. Discount on business acquisition. Distribution rights/intellectual property. Patents/trade marks.
Other Non-Current Assets	Tangible assets held for sale. Prepayments. Accrued Income. Accounts Receivable - Trade related. GST receivable. Long term bills receivable. Related Party Loans & Receivables (both interest and non-interest based). Non-Related Party Loans & Receivables (both interest and non-interest based). Financial Assets: Shares/derivatives/securities. Any other item that does not fall under the definition of above Non-Current assets items.
Current Liabilities	
Bank Borrowings	The amount of loan that is obtained from a financial institution - can be either secured or unsecured. Examples include: Bank Overdraft, Bank Loans, Bank Bills, Promissory Notes, Import Bills, Negotiation of Letter of Credits, Credit Cards. Do not include: Zero Real Interest Loans (ZRIL).
Related Party Loans (both interest and non-interest based) less any amount that is written-off/forgiven by the lender.	The amount of loan that is obtained from a related party - can be either secured or unsecured. Loans to Associates, Trust Distributions, Beneficiaries' Accounts/Loans, Shareholder Loans, Intercompany Loans. A related party is a

RAC Assets and Liabilities	
	person or entity that is related to the entity that is preparing its financial statements (referred to as the "reporting entity"). a) A person or a close member of that person's family is related to a reporting entity if that person: has control or joint control of the reporting entity; has significant influence over the reporting entity; or is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. b) An entity is related to a reporting entity if any of the following conditions applies: The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); Both entities are joint ventures of the same third party; One entity is a joint venture of a third entity and the other entity is an associate of the third entity; The entity is a post employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity; The entity is controlled or jointly controlled by a person identified in (a) above; A person identified (a) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.
RADs/Bonds Payable - Amount due and payable	RADs/Bond amount of those residents who have left the facility.
RADs/Bonds Payable - Amount payable within 12 months (estimate)	Estimated amount of RADS/Bonds held expected to be repaid within 12 months
RADs/Bonds Payable - Amount payable after 12 months (estimate)	Estimated amount of RADS/Bonds held expected to be repaid after 12 months
Employee Benefits/Provisions	Provisions for Annual Leave, Long Service Leave, Sick Leave and Other Employee Costs
Other Current Liabilities	ABN Withholding Tax Payable. Zero Real Interest Loans. Accounts Payable - trade related. Accrued Expenses. Bills payable. Capital Grants Received in Advance. Grants Repayable to Government Departments. GST Payable. Hire Purchase Liability. Insurance Premium Funding. Lease Liability. Operating Grants Received in Advance. PAYG Withholding Payable. Revenue Received in Advance/prepaid income. Salary Sacrifice. Superannuation Payable. Trade Creditors. Trade Payables. Any other item that does not fall under the definition of above Current Liability items.
Non-Current Liabilities	
Bank Borrowings	The amount of loan that is obtained from a financial institution - can be either secured or unsecured. Examples include: Bank Loans, Bank Bills, Promissory Notes, Import Bills, Negotiation of Letter of Credits. Do not include: Zero Real Interest Loans (ZRIL).
Related Party Loans (both interest and non-interest based) less any amount that is written-off/forgiven by the lender.	The amount of loan that is obtained from a related party - can be either secured or unsecured. Refer to "Related Party Loans" under Current Liabilities for a definition of related parties. Examples include: Loans to Associates, Trust Distributions, Beneficiaries' Accounts/Loans, Shareholder Loans, Intercompany Loans.
Employee Benefits/Provisions	Provisions for Annual Leave, Long Service Leave, Sick Leave and Other Employee Costs
Other Non-current Liabilities	ABN Withholding Tax Payable. Accounts Payable - trade related. Zero Real Interest Loans. Accrued Expenses. Bills payable. Capital Grants Received in Advance. Grants Repayable to Government Departments. Hire Purchase Liability. Insurance Premium Funding. Lease Liability. Operating Grants Received in Advance. PAYG Withholding Payable. Revenue Received in Advance/prepaid income. Salary Sacrifice. Superannuation Payable. Trade Creditors. Trade

RAC Assets and Liabilities	
	Payables. Any other item that does not fall under the definition of above Non-current liability items.
Equity	
Reserves & Other Equity	Opening reserves balance + Current Year revaluations. Any other item that does not fall under the definition above or retained earnings.
Retained Earnings - Current Year	Amount of retained earnings carried over from previous year.
Retained Earnings - Closing Balance	Aggregate retained earnings (opening balance + current Year)

Home Care

HC Income and Expenses	
Provision of Care/Services Fees Charged to Clients	The aggregate amount of income recognised from clients' packages and/or from private home care clients as care and/or services are provided. This amount would include Government subsidies and supplements, client contributions (basic daily fee, income tested care fees, top-ups and private contributions) and funds transferred in with a client (transfer portion) when they transfer from another home care provider after 26 February 2017.
Client/Case Management Fees Charged to Clients	The aggregate amount of income recognised for on-going management of clients' packages and care requirements. This will include both Commonwealth funded home care package clients and private clients.
Administration Fees Charged to Clients	The aggregate amount of income recognised for on-going administration of clients' packages. This will include both Commonwealth funded home care package clients and private clients.
Exit Amounts Deducted	After 26 February 2017, the aggregate amount of exit amounts deducted by the approved provider when ceasing to provide home care to a client.
Other Revenue	The aggregate amount of all other income generated from running the Home Care service which can include (but is not limited to) the following: State & Territory Government payments, Client payments for non-home care services, Trust distributions, donations and bequests, Interest earned on interest bearing investments, Insurance & work cover compensations, Gain achieved from sale of assets, Any other item that cannot be put into the above income categories.
Wages and Salaries - Care Staff	Salaries and wages paid to the care staff of the service for direct service provision, e.g. case management. This also includes the payroll related costs e.g. superannuation, annual and sick leave, payroll tax, fringe benefits tax and workers' compensation for the staff allocated to this category. This category should include the cost of all staff that contribute directly to the delivery of care and support, i.e. cleaning and catering staff, home maintenance staff, and drivers if transport is provided.
Wages and Salaries - Admin and Non-Care Staff	Salaries and wages paid to the administration staff of the service i.e. non-care staff, i.e. support staff involved in scheduling, rostering and billing, and staff associated with human relations management, quality assurance, quality reporting, compliance and related regulatory activities, purchasing, financial management and accounting, legal support, workers' compensation insurance research and development, communications, IT, senior management (i.e. the CEO) and directors fees. This also includes the payroll related costs i.e. superannuation, annual and sick leave, payroll tax, fringe benefits tax and workers' compensation for the staff allocated to this category. Excludes management fees.
Administration Costs and Management Fees	Non-salary expenses/fees for administering the service, e.g. stationery and postage, insurance, advertising and promotions, IT costs, regulatory costs, accounting and audit, training expenses, subscriptions, conferences, research and development costs and contracted non-care costs. After 26 February 2017, this includes administrative costs associated with managing unspent home care amounts."
Care related expenses	Non-salary expenses incurred in the direct delivery of care e.g. consumables, medications, incontinence aids, food costs, cleaning costs, travel and vehicle expenses (related to client care and service), interpreters/translators, for clients.

HC Income and Expenses	
Sub-contracted or Brokered Client Services	The amount paid to an organisation, brokering agency or self-employed individuals during the reporting period in exchange of providing human resources for delivering care services. For example where the organisation sub-contracts another organisation to deliver nursing and allied health services.
Depreciation expenses	Amortisation and depreciation expenses on tangible assets and physical assets such as buildings, furniture & fittings, motor vehicles, plant and equipment and rental properties. Do not include the amount of depreciation expense incurred on assets that are purchased for investment purposes (i.e. assets purchased specifically to gain economic benefit but is not used for operational purposes).
Interest expenses	Interest paid or interest penalties that are charged on outstanding loans from banks and banking institutions, related parties, subsidiary/parent companies and/or third parties. Excludes bank fees & charges.
Other Expenses	All expenses not included in above categories, such as: fund raising expenses, bank fees and charges, Commonwealth (e.g. GST), State and Local Government taxes, rates and charges. It also includes revaluation decrease, motor vehicle expenses not directly related to care. Do not include capital gains tax, corporate tax or income tax.
Other Financial Information	
Unspent Package Funds - Opening Balance	The aggregate amount of unspent package funds that was carried over from the previous financial year.
Commonwealth Subsidies and Supplements	The aggregate amount of the subsidies and supplements Approved Providers have claimed/received from the Department of Human Services (DHS).
Client Fees - Basic Daily Fees	The aggregate amount of Basic Daily Fees that approved providers claimed/received from their care clients for providing care during the reporting period.
Client Fees - Income Tested Care Fees	The aggregate amount of Income Tested Care Fees that approved providers claimed/received from their care clients for providing care during the reporting period.
Client Fees - Other	The aggregate amount of any other additional fees (i.e. top up fees for home care services purchased in addition to those funded with package funding) that approved providers claimed/received from their care clients for providing care during the reporting period.
Funds Transferred in With New Clients	"Up to and including 26 February 2017, the aggregate amount of any unspent package funds transferred with a client when they transfer from another home care provider. After 26 February 2017, the aggregate amount of unspent home care amounts transferred in with a client (transfer portion) when they transfer from another home care provider.
Funds Transferred out With Existing Clients – to another provider	The aggregate amount of unspent home care amounts transferred to another provider (transfer portion) when the approved provider ceases to provide home care to that client (exclude any exit amounts deducted by the approved provider). This will include any unspent amounts transferred to another home care provider up to and after 26 February 2017.
Funds Transferred out With Existing Clients – returned to client estate	The aggregate amount of unspent home care amounts returned to a client or their estate (care recipient portion) when the approved provider ceases to provide home care to that client (exclude any exit amounts deducted by the approved provider).
Funds Transferred out With Existing Clients – returned to the Commonwealth	The aggregate amount of unspent home care amounts returned to the Commonwealth (Commonwealth portion), as notified through the claims process, when the approved provider ceases to provide home care to that client (exclude any exit amounts deducted by the approved provider).
Package Funds Spent	The aggregate amount of package funds expensed during the year. This may include expenditure on care, brokered services, client/case management, administration and any unspent home care amount recognised as income. Up to and including 26 February 2017 this may include any surplus package funds taken to revenue. After 26 February 2017 'surplus package funds taken to revenue' will be known as 'unspent home care amounts' and should be included under data item 'Funds Transferred Out With Existing Clients'.

HC Income and Expenses	
Unspent Package Funds - Closing Balance	The aggregate amount of unspent package funds that will be carried over into the next financial year. It should equal the Unspent Opening Balance plus Subsidies, Client Fees and Funds Transferred In less Funds Transferred out With Existing Clients and Package Funds Spent.
Cash and Liquid Assets (current)	The aggregate amount of cash and liquid assets available to meet the home care services short term payables and accounts. This includes: Cash at Hand, Cash at Bank, Bank Deposits (fixed/term/at call), Petty Cash, Undeposited Funds.

APPENDIX B: GROUPS OF AFFILIATED APPROVED PROVIDERS

The groups below were developed to assist analysis of the sector. Approved Providers are grouped based on related entity relationships and shared religious denominations.

The groups were provided by the Royal Commission into Aged Care Quality and Safety and utilise existing concordances from the Aged Care Quality and Safety Commission, Aged Care Financing Authority, and the University of Melbourne's Melbourne Institute of Applied Economic and Social Research. These concordances were further refined by the Royal Commission.

The theological aggregation of religious organisations has not been reviewed by a theological consultant and it is acknowledged that these groups may not be fully accurate.

The identity of individual Approved Providers is publicly available including through the My Aged Care website.

Relationship Name	Approved Provider
Advantaged Care	Advantaged Care 2 Pty Limited ATF The Prestons Lodge Trust
	Australasian Accommodation Aged Care Pty Limited
	Advantaged Care Pty Ltd
Aegis	Aegis Aged Care Shoalwater Pty Ltd
	Lakeside Hostel Pty Ltd
	Carrington Aged Care Facility Pty Ltd
	Aegis Aged Care Group Pty Ltd
	Balmoral Aged Care Group Pty Ltd
Agrawal Group	Willshire Pty Ltd
	Tolega Pty Ltd
Ananda	K N H Nominees Pty Ltd
	Prabhash Nominees Pty Ltd
Anglican	Anglican Aged Care Services Group
	Anglican Care
	Anglican Community Services
	Anglicare NT Ltd
	Anglicare SA Ltd
	Anglicare Tasmania Inc
	THE CORPORATION OF THE DIOCESAN SYNOD OF NORTH QUEENSLAND
	The Corporation of the Synod of the Diocese of Brisbane
	The Corporation of the Synod of the Diocese of Brisbane
	The Synod of the Anglican Church of Australia in the Diocese of Willochra Incorporated
Arcare	K & M Healthcare Pty Ltd
	Arcare Pty Ltd
	Hope Island Care Pty Ltd
Ark	Arete Health Care (Lansdowne) Pty Limited
	Arete Health Care (Bankstown) Pty Ltd
	Benessere Health Care Pty Ltd
	Ark Health Care (Hillcrest & Russell Lea) Pty Ltd
	Ark Health Care (Parramatta) Pty Ltd
	Ark Health Care (Sydney) Pty Ltd

Relationship Name	Approved Provider
	Ark Health Care Properties Pty Ltd
Australian Unity	Australian Unity Care Services Pty Ltd
	Australian Unity Care Services Pty Ltd
	AUSTRALIAN UNITY HOME CARE SERVICE PTY LTD
	AUSTRALIAN UNITY HOME CARE SERVICE PTY LTD
	Australian Unity Retirement Living Management Pty Ltd
	Australian Unity Retirement Living Management Pty Ltd
	Australian Unity Retirement Living Services Ltd
Aveo LiveWell	Aveo Durack Pty Ltd
	Aveo Retirement Homes (No.2) Pty Ltd
	Aveo Retirement Homes Limited
	Aveo Healthcare Limited
	FREEDOM HOME CARE SERVICES PTY LTD
BanLab	Labouchere Investments Pty Ltd
	Bansley Pty Ltd
Baptist	Baptcare Ltd
	Baptistcare WA Limited
	Ashfield Baptist Homes Ltd
	The Baptist Union of Queensland
	Shire of Brookton
	BaptistCare NSW & ACT
	Baptist Village Baxter Ltd
Bluecross	Third Age Australia Pty Ltd
	Blue Cross Community Care Services (Toorak) Pty Ltd
	Blue Cross Community Care Services Group Pty Ltd
Bluedawn	Blu Dawn Pty Ltd
	Quality Care Homes Pty Ltd
Cabrini	Cabrini Health Limited
	Cabrini Property Association
CACG	Nepean Hospitals Pty Ltd (Administrator Appointed)
	Kalinda Craft Pty Ltd
	Woodhaven Lodge Pty Ltd
	Viva Care Pty Ltd
Castalia	Tingari Group Pty Ltd
	Bonnie Bridge Pty Ltd
	Kewarra Lifestyles Pty Ltd
	Wallsend Manor Aged Care Pty Ltd
	Arton Retirement Villages Pty Limited
Catholic Church	Sisters of St Paul de Chartres Australia
	Southern Cross Care (Tas) Inc
	The Trustees of the Roman Catholic Church for the Diocese of Lismore
	Scalabrini Village Ltd
	The Corporation of the Franciscan Sisters of the Heart of Jesus (QLD)
	Southern Cross Care (NSW & ACT) Limited

Relationship Name	Approved Provider
	Congregation of Dominican Sisters of Malta (VIC)
	Villa Maria Catholic Homes Limited
	St Vincent de Paul Society (Tas) Inc
	Mercy Health and Aged Care Central Queensland Limited
	Our Lady of Consolation Aged Care & Services Limited
	St Brigid's Convent of Mercy Perth Limited
	St Vincent De Paul Society NSW
	Southern Cross Care (Broken Hill) Ltd
	Holy Spirit Care Services (Brisbane) Ltd
	Catholic Homes Incorporated
	St Vincent's Care Services Ltd.
	The Corporation of the Order of the Canossian Sisters
	The Congregation of the Dominican Sisters of Malta in New South Wales
	Southern Cross Care (SA & NT) Incorporated
	Southern Cross Care (WA) Inc
	Franciscan Sisters of the Heart of Jesus (South Australia) Inc
	Sacred Heart Mission Inc
	Marys Grange Incorporated
	Trustees of the Christian Brothers
	Southern Cross Care (QLD) Ltd
	Catholic Healthcare Limited
	Bethlehem Home for the Aged Ltd
	The Trustees of the Sisters of Our Lady of China
	The Trustees of the Roman Catholic Church for the Diocese of Lismore Sawtell Catholic Care of the Aged Committee
	The Mary Potter Nursing Home and The Ethel Forrest Day Care Centre Pty Ltd
	The Catholic Diocese of Port Pirie Inc
	Mercy Aged and Community Care Ltd
	Calvary Mary MacKillop Care SA Ltd
	The Corporation of the Trustees of the Order of the Sisters of Mercy in Queensland
	Mercy Community Services Incorporated
	The Sisters of St Joseph of the Most Sacred Heart of Jesus
	The Sisters of Our Lady of China Health Care Pty Ltd
	Calvary Retirement Communities Limited
	The Sisters of Our Lady of China Health Care (2) Pty Ltd
	Rice Village Ltd
	St Joseph's Aged Care Facility for Religious Limited
	Mercy Services
	Little Sisters of the Poor Aged Care Ltd
	Trustees of Catholic Aged Care Sydney
	Nazareth Care
	Stella Maris Aged Care Facility
	Mercy Community Services North Queensland Limited
	Mercy Community Services SEQ Limited

Relationship Name	Approved Provider
	Mercy Human Services Limited
	Southern Cross Care (VIC)
	Southern Cross Care Services Pty Ltd
	Catholic Family Welfare Services
	The Corporation of the Trustees of the Roman Catholic Archdiocese of Brisbane
	The Roman Catholic Trust Corporation for the Diocese of Rockhampton
	Trustees of the Roman Catholic Church for the Archdiocese of Canberra and Goulburn as Trustees for Chancery Office
	Calvary Retirement Community Canberra Limited
	Calvary Retirement Community Miranda Ltd
	Calvary Retirement Community Ryde Limited
	Calvary Community Care
	Calvary Community Care
	Calvary Community Care
	St Agnes' Care & Lifestyle
Churches of Christ	Churches of Christ in Queensland
	The Churches of Christ Property Trust
	Jewish Care (Victoria) Inc
	Churches of Christ Life Care Incorporated
Columbia Group	Columbia Nursing Homes Pty Ltd
	Australian Hospital Administration Pty Ltd
Cranbrook Care Group	Bella Vista Gardens Pty Ltd
	Bayswater Gardens Pty Ltd
	William Cape Gardens Pty Limited
	Lansdowne Gardens Pty Limited
DILLON	Atlanta Investments Pty Ltd & Kamina Investments Pty Ltd
	Jacqueline Elizabeth Dillon Business Pty Ltd
El-Jasbella	El-Jasbella Nerrilda Pty Ltd
	El-Jasbella Pty Ltd
	El-Jasbella Ramsay Pty Ltd
Fairlea Group	Oreison Pty Ltd
	Trinity Aged Care Pty Ltd
Fairlux	Fairlux Pty Ltd
	Gerontic Services Pty Ltd
Feros Care	Feros Care
	Wommin Bay Hostels Ltd
Greek Orthodox	Greek Orthodox Archdiocese of Australia Consolidated Trust - Greek Welfare Centre
	Greek Orthodox Community of SA Inc
	Greek Orthodox Community of St George Brisbane
Hafford Stockall	Villawood Aged Care Pty Ltd
	Palms Aged Living Management Services Pty Ltd
Hall Prior	Hamersley Nursing Home (WA) Pty Ltd
	Fresh Fields Aged Care Pty Ltd
	Fresh Fields Aged Care (NSW) - No 1 Pty Ltd

Relationship Name	Approved Provider
	White Oak Home Care Services Pty Ltd
	Fresh Fields Management (NSW) Pty Ltd
	Fresh Fields Aged Care (SA) Pty Ltd
	Fresh Fields Projects (WA) No.1 Pty Ltd
	Fresh Fields Management (WA) Pty Ltd
	Fresh Fields Management (NSW) No 2 Pty Ltd
Hardi	Mountainview Nursing Home Pty Ltd
	Wyoming Nursing Home Pty Ltd
	Seven Hills Nursing Home Pty Ltd
	Guildford Management Pty Ltd
	Manly Vale Nursing Home Pty Ltd
	Budumu Pty Ltd
Heritage Care	Milford Hall Pty Ltd
	Heritage Care Pty Ltd
Homestyle	Wickro Pty Ltd
	Homestyle Point Cook Pty Ltd
	Homestyle Leopold Pty Ltd
IBIS	Blakehurst Aged Care Services Pty Ltd
	Coastalbreeze Pty Ltd
	IBIS (No 2) Pty Ltd
	IBIS (No 3) Pty Ltd
	NewDirection Bellmere Pty Ltd
Infinite Aged Care	Infinite Aged Care (SEQ) Pty Ltd
	Hahndorf Holdings Pty Ltd
Italian Assistance Association	CO.AS.IT. - Italian Assistance Association
	CO.AS.IT. - Italian Association of Assistance
	CO.AS.IT. Community Services Inc.
Japara	Aged Care Services 10 (Kingston Gardens) Pty Ltd
	Aged Care Services 11 (View Hills) Pty Ltd
	Aged Care Services 12 (Albury & District) Pty Ltd
	Aged Care Services 13 (Lakes Entrance) Pty Ltd
	Aged Care Services 14 (Lower Plenty Garden Views) Pty Ltd
	Aged Care Services 15 (Rosanna Views) Pty Ltd
	Aged Care Services 16 (Millward) Pty Ltd
	Aged Care Services 17 (Bonbeach) Pty Ltd
	Aged Care Services 18 (Hallam) Pty Ltd
	Aged Care Services 19 (Goonawarra) Pty Ltd
	Aged Care Services 20 (Bayview Gardens) Pty Ltd
	Aged Care Services 21 (Barongarook Gardens) Pty Ltd
	Aged Care Services 22 (Sandhurst) Pty Ltd
	Aged Care Services 23 (Capel Sands) Pty Ltd
	Aged Care Services 24 (St Judes) Pty Ltd
	Aged Care Services 25 (Springvale) Pty Ltd

Relationship Name	Approved Provider
	Aged Care Services 26 (Bayview) Pty Ltd
	Aged Care Services 27 (Kirralee) Pty Ltd
	Aged Care Services 28 (Elouera) Pty Ltd
	Aged Care Services 29 (Mirboo North) Pty Ltd
	Aged Care Services 30 (Brighton) Pty Ltd
	Aged Care Services 31 (Vonlea Manor) Pty Ltd
	Aged Care Services 32 (Scottvale) Pty Ltd
	Aged Care Services 33 (Anglesea) Pty Ltd
	Aged Care Services 34 (Yarra West) Pty Ltd
	Aged Care Services 35 (The Homestead) Pty Ltd
	Aged Care Services 36 (Trevu) Pty Ltd
	Aged Care Services 37 (Oaklands) Pty Ltd
	Aged Care Services 38 (Mitcham) Pty Ltd
	Aged Care Services 39 (Noosa) Pty Ltd
	Aged Care Services 40 (Coffs Harbour) Pty Ltd
	Aged Care Services 41 (South West Rocks) Pty Ltd
	Aged Care Services 42 (Gympie) Pty Ltd
	Aged Care Services 43 (Glen Waverley) Pty Ltd
	Aged Care Services 44 (Lakes Entrance) Pty Ltd
	Aged Care Services 45 (Woodend) Pty Ltd
	Aged Care Services 46 (Riverside) Pty Ltd
	Aged Care Services 48 Pty Ltd
	Aged Care Services 49 Pty Ltd
	Aged Care Services 50 Pty Ltd
	Aged Care Services 51 Pty Ltd
	Aged Care Services 52 Pty Ltd
	Aged Care Services 53 Pty Ltd
	Aged Care Services 54 Pty Ltd
	Aged Care Services 55 Pty Ltd
	Aged Care Services 56 Pty Ltd
	Aged Care Services Eight (Elanora) Pty Ltd
	Aged Care Services Five (Narracan Gardens) Pty Ltd
	Aged Care Services Four (Elouera) Pty Ltd
	Aged Care Services Nine (George Vowell) Pty Ltd
	Aged Care Services One (Central Park) Pty Ltd
	Aged Care Services Seven (Kelaston) Pty Ltd
	Aged Care Services Six (Mirridong) Pty Ltd
	Aged Care Services Three (Balmoral Grove) Pty Ltd
	Aged Care Services Two (Roccoco) Pty Ltd
	Japara Aged Care Services Pty Ltd
Lifeview	Farwell Nominees Pty Ltd
	Chevron Corporation Pty Ltd
Lutheran	Lutheran Aged Care Albury
	Lutheran Church of Australia - Queensland District

Relationship Name	Approved Provider
	Lutheran Homes Inc
Mayflower	Mayflower Brighton
	Mayflower Reservoir
Menarock	Domacwa Holdings Pty Ltd
	Menarock Aged Care Services (Templestowe) Pty Ltd
	Menarock Aged Care Services (Victoria) Pty Ltd
Montefiore	Sir Moses Montefiore Jewish Home
	S.M.M.J.H. Camelot Pty Ltd
Moran	Moran Australia (Aged Care Services) Pty Ltd
	Moran Australia (Residential Aged Care) Pty Limited
	Mark Moran at Little Bay Pty Ltd
	Mark Moran Group Pty Limited
	Moran (Sylvania) Care Pty Ltd
Opal	Domain Annex Pty Ltd
	Domain Aged Care No.2 Pty Ltd
	Domain Aged Care (Kirra Beach) Pty Ltd
	Domain Aged Care (Victoria) Pty Ltd
	DPG Services Pty Ltd
	Aquarius Aged Care Pty Ltd
Plateau	Plateau View Aged Care Pty Ltd
	Garden View Aged Care Pty Ltd
Premier	Waterford Aged Care Pty Ltd
	Premier Aged Care Pty Ltd
Proctor Group	Empowered Living Support Services Ltd
	Hunter Valley Care Pty Ltd
Regents	Regents Garden Lake Joondalup Pty Ltd
	Regents Garden Group Pty Ltd
	Regents Garden Scarborough Pty Limited
Regis	Regis Group Pty Ltd
	Retirement Care Australia (Logan) Pty Limited
	Regis Aged Care Pty Ltd
Renton	Bundaleer Lodge Nursing Home Pty Ltd as Trustee for the Renton Family Trust No 1
	The Renton Family Trust No. 1
RoyalFreemasons	RFBI Concord Community Village
	Royal Freemasons' Benevolent Institution
	Masonic Care Tasmania Incorporated
	The Frank Whiddon Masonic Homes of New South Wales
	Royal Freemasons Benevolent Institution of NSW Nominees Ltd
	Royal Freemasons Homes of Victoria
	Royal Freemasons Ltd
	The Freemasons Homes of Southern Tasmania Inc
	Grand Lodge of Western Australian Freemasons Homes for the Aged Inc
RSL	RSL Care South Australia Incorporated
	RSL LifeCare Limited

Relationship Name	Approved Provider
	The RSL Care WA Retirement and Aged Care Association Incorporated
	MORSHEAD HOME FOR VETERANS AND OTHER AGED PERSONS LIMITED
	RSL Care RDNS Limited
	Vasey RSL Care Ltd
Schokman	Shalimah Aust Pty Ltd
	Senjah Pty. Ltd.
	Temahl (Aust) Pty Ltd
Seventh-Day Adventist	Seventh-Day Adventist Aged Care (South Queensland) Ltd
	Seventh-day Adventist Aged Care (North New South Wales) Ltd
	Seventh-Day Adventist Care (Western Australia) Ltd
	Seventh-day Adventist Aged Care (Greater Sydney) Ltd
	Seventh-Day Adventist Aged Care (Victoria) Ltd
Silver Chain Group	Royal District Nursing Service of SA Incorporated
	Silver Chain Group Limited
SixthEastway	Sixth Eastway Pty Ltd
	Taronne Pty Ltd
Snell Group	Etnor Pty Ltd
	Wynwood Nursing Home Pty Ltd
	Salisbury Private Nursing Home Pty Ltd
Southport	South Port Community Residential Home Inc
	Claremont and Southport Aged Care Limited
St Ives	AT&A Pty Ltd
	Community Care Services Canberra Pty Ltd
	Community Care Services Northern Territory Pty Ltd
	Community Care Services Victoria Pty Ltd
	Enrich Living Pty Ltd
Stillone Group	Paston Pty Ltd
	Genista Nursing Home Pty Ltd
	Quinvil Pty Ltd
Stonefield	Companion Home Care Pty Ltd
	Stonefield Asset Pty Limited
Summit	St Marys Gardens Aged Care Centre Pty Limited
	Frenchmans Lodge Nursing Home Pty Limited
	Wohl Investments Pty Ltd
	E E W Investments Pty Ltd
	Phillip House Nursing Home Pty Ltd
	Stelcom Pty Limited
	SummitCare Baulkham Hills (NSW) Pty Ltd
The Salvation Army	The Salvation Army (South Australia) Property Trust
	The Salvation Army (Western Australia) Property Trust
	The Salvation Army (Queensland) Property Trust
	The Salvation Army (NSW) Property Trust
	The Salvation Army (Victoria) Property Trust
	The Salvation Army (Tasmania) Property Trust

Relationship Name	Approved Provider
Thompson Group	Opeka Lodge Pty Ltd
	Glenvoir Holdings Pty Ltd
Tricare	Tricare (Kawana Waters) Pty Ltd
	Tricare (Country) Pty Ltd
	Netanya Noosa Pty Ltd
	Tricare (Chermside) Pty Ltd
	TriCare Jindalee Aged Care Pty Ltd
	TriCare Bundaberg Aged Care Pty Ltd
	TriCare Bayview Place Aged Care Pty Ltd
	TriCare Mermaid Beach Aged Care Pty Ltd
	TriCare Toowoomba Aged Care Pty Ltd
	TriCare Labrador Aged Care Pty Ltd
	TriCare Pt Vernon Aged Care Pty Ltd
	TriCare Annerley Aged Care Pty Ltd
	TriCare Agay St Aged Care Pty Ltd
	TriCare Mt Gravatt Aged Care Pty Ltd
	TriCare Sunnybrae Aged Care Pty Ltd
Trinitycare	Trinity Care Burwood Pty Ltd
	Trinity Care Pty Ltd
	Georjose Pty Ltd
Trinity Health	Huntingdon Nursing Home Pty Ltd
	Aspic Holdings Pty Ltd
The Leaper Corporation Group	T L C Homes Pty Ltd
	The Leaper Corporation Pty Ltd
	Jimroy Pty Ltd
	Great Oaks Pty Ltd
	Bridgeast Pty Ltd
	Western Residential Aged Care Pty Ltd
	TLC Whittlesea Pty Ltd
	TLC Melbourne Pty Ltd
Tulich Group	Kintyre Country Living Pty Ltd
	Greenhill Manor Pty Limited
	Hillside Brae Pty Ltd
	Blue Hills Village Management (Liverpool) Pty Limited
	Durham Green Manor Pty Ltd
Twin Parks	Twin Parks Pty Ltd
	Coburg Aged Care Pty Ltd
Uniting Church	Uniting Church Homes
	The Uniting Church in Australia Property Trust (Q.)
	UnitingSA Ltd
	Uniting Communities Incorporated
	The Uniting Church in Australia Property Trust (Victoria)
	United Protestant Association of NSW Limited

Relationship Name	Approved Provider
	The Uniting Church in Australia Property Trust (NSW)
	City of Bayswater
	Uniting Agewell Limited
	Uniting Church in Australia Property Trust (Tasmania)
	Uniting (Victoria and Tasmania)
	UNITING (NSW.ACT)

APPENDIX C: INTERNATIONAL AGED CARE PROVIDERS

As set out in Section 4.4 of this Report, BDO has undertaken a comparison of the returns generated by For Profit Approved Providers in Australia to returns in other broadly comparable jurisdictions. In this Appendix, we have set out the more detailed company level information for key margins and return metrics for three years (2017-2019). There are a total of 50 entities, and a description of each entity is also included in this section.

We note that any analysis of the differences between the companies at an individual company level would need to include consideration of matters including the following: historical performance; business structure (noting that the financial information for the individual companies are consolidated groups rather than the individual subsidiaries providing the services); quality and reliability of earnings; the nature of the income streams; the geographic region that the company operates in; the source and mix of funding; differences in underlying business models; extent and nature of competition in the industry; current and future growth opportunities; the inherent risk factors of the business; and general economic conditions.

Calendar Year	Region Name	Country Name	Company Name	EBITDA Margin	EBIT Margin	NPAT Margin	Return on Assets	Return on Equity
2017	Asia-Pacific	Hong Kong	Hang Chi Holdings Limited	24.4%	18.8%	1.5%	1.2%	1.4%
2017	Asia-Pacific	Japan	Care Service Co.,Ltd.	4.4%	3.1%	1.7%	5.0%	10.6%
2017	Asia-Pacific	Japan	Care Twentyone Corporation	6.5%	3.0%	1.1%	1.1%	8.6%
2017	Asia-Pacific	Japan	CEDAR.Co.,Ltd.	8.7%	3.8%	1.5%	1.1%	21.5%
2017	Asia-Pacific	Japan	Charm Care Corporation	10.3%	7.5%	4.5%	4.0%	25.3%
2017	Asia-Pacific	Japan	Hikari Heights-Varus Co.,Ltd.	10.4%	8.5%	7.6%	3.2%	7.0%
2017	Asia-Pacific	Japan	internet infinity Inc.	0.0%	7.5%	4.6%	18.0%	49.7%
2017	Asia-Pacific	Japan	Japan Hospice Holdings Inc.	5.6%	2.7%	-3.2%	-3.8%	-56.3%
2017	Asia-Pacific	Japan	LONG LIFE HOLDING Co., Ltd.	7.0%	4.1%	1.0%	0.8%	3.9%
2017	Asia-Pacific	Japan	NichiiGakkan Co., Ltd.	5.7%	2.9%	1.1%	1.7%	8.5%
2017	Asia-Pacific	Japan	Saint-Care Holding Corporation	7.1%	4.9%	3.1%	5.8%	13.0%
2017	Asia-Pacific	Japan	SI Holdings plc	-0.1%	-3.2%	-3.8%	-4.7%	-16.3%
2017	Asia-Pacific	Japan	Tsukui Corporation	8.6%	6.0%	3.2%	7.7%	24.1%
2017	Asia-Pacific	Japan	UCHIYAMA HOLDINGS Co.,Ltd.	8.8%	4.5%	1.0%	0.8%	1.6%
2017	Asia-Pacific	New Zealand	Arvida Group Limited	18.5%	15.3%	43.1%	5.4%	11.8%
2017	Asia-Pacific	New Zealand	Oceania Healthcare Limited	12.9%	8.3%	37.1%	13.1%	25.6%
2017	Australia	Australia	Aveo Group	23.0%	22.1%	66.2%	4.6%	14.0%

Calendar Year	Region Name	Country Name	Company Name	EBITDA Margin	EBIT Margin	NPAT Margin	Return on Assets	Return on Equity
2017	Australia	Australia	Bupa Aged Care Australia Pty Ltd	11.6%	7.5%	3.4%	1.3%	8.0%
2017	Australia	Australia	Estia Health Limited	16.5%	12.8%	7.7%	2.3%	5.7%
2017	Australia	Australia	Japara Healthcare Limited	13.1%	8.8%	7.1%	2.2%	4.8%
2017	Australia	Australia	Regis Healthcare Limited	20.7%	15.4%	9.9%	3.6%	31.0%
2017	Europe	France	Korian	14.0%	9.0%	5.2%	2.5%	7.4%
2017	Europe	France	LNA Santé SA	11.5%	8.9%	5.0%	3.6%	14.1%
2017	Europe	France	ORPEA Société Anonyme	17.7%	12.6%	2.9%	1.0%	3.8%
2017	Europe	Germany	Maternus-Kliniken Aktiengesellschaft	7.0%	3.1%	-1.1%	-1.4%	6829.0%
2017	Europe	Sweden	Ambea AB (publ)	10.4%	8.5%	3.9%	4.2%	10.1%
2017	Europe	Sweden	Attendo AB (publ)	11.4%	8.7%	7.6%	6.1%	13.5%
2017	Europe	Sweden	Humana AB (publ)	5.8%	4.9%	3.0%	3.9%	10.9%
2017	Europe	United Kingdom	Barchester Healthcare Limited	0.0%	4.1%	0.3%	0.5%	1.7%
2017	Europe	United Kingdom	HC-One Ltd.	0.0%	1.6%	0.5%	1.0%	5.8%
2017	Europe	United Kingdom	Sanctuary Care Ltd	0.0%	8.6%	7.0%	50.4%	
2017	United States & Canada	Canada	Extendicare Inc.	8.9%	6.0%	0.2%	0.2%	1.4%
2017	United States & Canada	Canada	Sienna Senior Living Inc.	17.3%	10.8%	3.8%	1.6%	6.1%
2017	United States & Canada	United States	Almost Family, Inc.	4.4%	3.7%	2.6%	2.9%	4.9%
2017	United States & Canada	United States	Amedisys, Inc.	8.5%	7.4%	2.0%	3.8%	6.0%
2017	United States & Canada	United States	Brookdale Senior Living Inc.	16.5%	4.0%	-14.8%	-6.5%	-30.3%
2017	United States & Canada	United States	Capital Senior Living Corporation	18.1%	3.9%	-9.5%	-3.6%	-42.7%

Calendar Year	Region Name	Country Name	Company Name	EBITDA Margin	EBIT Margin	NPAT Margin	Return on Assets	Return on Equity
2017	United States & Canada	United States	Diversicare Healthcare Services, Inc.	4.9%	3.0%	-0.8%	-2.8%	-51.4%
2017	United States & Canada	United States	Encompass Health Corporation	21.3%	16.6%	6.9%	5.5%	19.6%
2017	United States & Canada	United States	Five Star Senior Living Inc.	0.8%	-2.6%	-1.8%	-4.1%	-13.0%
2017	United States & Canada	United States	Genesis Healthcare, Inc.	6.6%	1.9%	-10.8%	-10.5%	46.9%
2017	United States & Canada	United States	HCR Manor Care, Inc	9.6%	6.1%	-5.9%	-5.0%	7.8%
2017	United States & Canada	United States	Interim HealthCare Inc.	0.0%	0.0%	2.2%	1.7%	3.0%
2017	United States & Canada	United States	Kindred Healthcare Inc.	7.0%	5.0%	-11.6%	-11.8%	-94.8%
2017	United States & Canada	United States	LHC Group, Inc.	8.4%	7.2%	4.7%	6.9%	10.4%
2017	United States & Canada	United States	National HealthCare Corporation	10.5%	6.1%	5.8%	4.9%	7.9%
2017	United States & Canada	United States	Oncologix Tech, Inc.					
2017	United States & Canada	United States	SunLink Health Systems, Inc.	0.0%	-3.9%	-6.0%	-8.2%	-12.7%
2017	United States & Canada	United States	The Ensign Group, Inc.	6.2%	3.5%	2.5%	3.7%	8.1%
2017	United States & Canada	United States	VITAS Healthcare Corporation	14.5%	12.9%	5.0%		
2018	Asia-Pacific	Hong Kong	Hang Chi Holdings Limited	26.1%	20.6%	16.2%	14.2%	16.1%
2018	Asia-Pacific	Japan	Care Service Co.,Ltd.	4.1%	2.9%	1.3%	4.3%	8.8%
2018	Asia-Pacific	Japan	Care Twentyone Corporation	6.9%	2.6%	1.1%	1.1%	9.8%
2018	Asia-Pacific	Japan	CEDAR.Co.,Ltd.	7.9%	3.4%	1.2%	1.0%	16.4%
2018	Asia-Pacific	Japan	Charm Care Corporation	11.2%	8.5%	5.9%	5.8%	28.6%
2018	Asia-Pacific	Japan	Hikari Heights-Varus Co.,Ltd.	11.8%	10.1%	6.5%	3.1%	6.4%

Calendar Year	Region Name	Country Name	Company Name	EBITDA Margin	EBIT Margin	NPAT Margin	Return on Assets	Return on Equity
2018	Asia-Pacific	Japan	internet infinity Inc.	5.4%	2.9%	2.8%	5.5%	14.2%
2018	Asia-Pacific	Japan	Japan Hospice Holdings Inc.	12.2%	8.1%	4.9%	4.9%	54.3%
2018	Asia-Pacific	Japan	LONG LIFE HOLDING Co., Ltd.	4.7%	1.2%	-1.3%	-1.1%	-5.9%
2018	Asia-Pacific	Japan	NichiiGakkan Co., Ltd.	6.2%	3.1%	0.4%	0.7%	3.6%
2018	Asia-Pacific	Japan	Saint-Care Holding Corporation	6.7%	4.5%	2.3%	4.6%	10.0%
2018	Asia-Pacific	Japan	SI Holdings plc	5.1%	3.1%	1.7%	2.8%	9.2%
2018	Asia-Pacific	Japan	Tsukui Corporation	8.5%	5.5%	2.9%	3.7%	11.6%
2018	Asia-Pacific	Japan	UCHIYAMA HOLDINGS Co.,Ltd.	7.2%	3.9%	4.0%	3.6%	7.3%
2018	Asia-Pacific	New Zealand	Arvida Group Limited	15.4%	12.2%	44.2%	5.6%	12.8%
2018	Asia-Pacific	New Zealand	Oceania Healthcare Limited	5.4%	0.7%	19.0%	3.3%	6.9%
2018	Australia	Australia	Aveo Group	23.8%	22.8%	47.5%	2.6%	7.8%
2018	Australia	Australia	Bupa Aged Care Australia Pty Ltd	7.7%	2.7%	1.6%	0.5%	3.0%
2018	Australia	Australia	Estia Health Limited	15.8%	11.7%	7.4%	2.3%	5.5%
2018	Australia	Australia	Japara Healthcare Limited	10.3%	5.4%	5.5%	1.6%	3.9%
2018	Australia	Australia	Regis Healthcare Limited	18.5%	13.7%	8.2%	2.9%	28.1%
2018	Europe	France	Korian	14.0%	9.1%	3.7%	1.7%	5.0%
2018	Europe	France	LNA Santé SA	10.4%	8.2%	4.0%	3.1%	11.3%
2018	Europe	France	ORPEA Société Anonyme	17.8%	12.5%	6.4%	2.2%	8.0%
2018	Europe	Germany	Maternus-Kliniken Aktiengesellschaft	4.5%	0.0%	-1.3%	-1.4%	94.0%
2018	Europe	Sweden	Ambea AB (publ)	9.9%	7.7%	4.9%	5.2%	11.5%
2018	Europe	Sweden	Attendo AB (publ)	8.3%	5.1%	9.4%	7.8%	18.0%
2018	Europe	Sweden	Humana AB (publ)	7.0%	6.0%	3.7%	4.8%	12.3%
2018	Europe	United Kingdom	Barchester Healthcare Limited	0.0%	5.7%	1.7%	2.6%	8.2%
2018	Europe	United Kingdom	HC-One Ltd.	0.0%	-0.3%	-2.1%	-2.8%	-28.7%

Calendar Year	Region Name	Country Name	Company Name	EBITDA Margin	EBIT Margin	NPAT Margin	Return on Assets	Return on Equity
2018	Europe	United Kingdom	Sanctuary Care Ltd	0.0%	8.4%	6.9%	54.0%	
2018	United States & Canada	Canada	Extendicare Inc.	8.4%	5.3%	2.8%	3.5%	25.1%
2018	United States & Canada	Canada	Sienna Senior Living Inc.	20.2%	9.3%	1.5%	0.6%	2.1%
2018	United States & Canada	United States	Almost Family, Inc.				0.0%	0.0%
2018	United States & Canada	United States	Amedisys, Inc.	10.1%	9.3%	7.2%	16.4%	25.2%
2018	United States & Canada	United States	Brookdale Senior Living Inc.	15.1%	2.4%	-15.0%	-7.9%	-44.0%
2018	United States & Canada	United States	Capital Senior Living Corporation	13.4%	-0.3%	-11.7%	-4.8%	-99.4%
2018	United States & Canada	United States	Diversicare Healthcare Services, Inc.	4.1%	2.1%	-1.3%	-4.8%	-319.3%
2018	United States & Canada	United States	Encompass Health Corporation	20.6%	15.9%	6.8%	6.1%	17.8%
2018	United States & Canada	United States	Five Star Senior Living Inc.	-3.7%	-6.9%	-6.7%	-17.7%	-73.3%
2018	United States & Canada	United States	Genesis Healthcare, Inc.	8.8%	4.2%	-4.7%	-5.5%	13.2%
2018	United States & Canada	United States	HCR Manor Care, Inc				0.0%	0.0%
2018	United States & Canada	United States	Interim HealthCare Inc.				0.0%	0.0%
2018	United States & Canada	United States	Kindred Healthcare Inc.				0.0%	0.0%
2018	United States & Canada	United States	LHC Group, Inc.	7.3%	6.4%	3.5%	4.8%	6.7%
2018	United States & Canada	United States	National HealthCare Corporation	10.3%	6.0%	6.0%	5.7%	8.6%

Calendar Year	Region Name	Country Name	Company Name	EBITDA Margin	EBIT Margin	NPAT Margin	Return on Assets	Return on Equity
2018	United States & Canada	United States	Oncologix Tech, Inc.					
2018	United States & Canada	United States	SunLink Health Systems, Inc.	-1.2%	-5.0%	-6.0%	-10.1%	-15.6%
2018	United States & Canada	United States	The Ensign Group, Inc.	7.8%	5.3%	5.3%	8.5%	17.5%
2018	United States & Canada	United States	VITAS Healthcare Corporation	15.6%	14.0%	11.6%		
2019	Asia-Pacific	Hong Kong	Hang Chi Holdings Limited				0.0%	0.0%
2019	Asia-Pacific	Japan	Care Service Co.,Ltd.	3.7%	2.2%	2.7%	8.2%	16.1%
2019	Asia-Pacific	Japan	Care Twentyone Corporation				0.0%	0.0%
2019	Asia-Pacific	Japan	CEDAR.Co.,Ltd.	7.3%	3.1%	-0.2%	-0.2%	-3.2%
2019	Asia-Pacific	Japan	Charm Care Corporation	11.6%	9.2%	5.7%	5.0%	15.6%
2019	Asia-Pacific	Japan	Hikari Heights-Varus Co.,Ltd.	8.6%	6.8%	4.7%	2.0%	4.0%
2019	Asia-Pacific	Japan	internet infinity Inc.	9.8%	7.1%	4.8%	9.0%	21.0%
2019	Asia-Pacific	Japan	Japan Hospice Holdings Inc.	15.0%	11.9%	7.1%	7.5%	42.2%
2019	Asia-Pacific	Japan	LONG LIFE HOLDING Co., Ltd.				0.0%	0.0%
2019	Asia-Pacific	Japan	NichiiGakkan Co., Ltd.	6.9%	4.1%	2.5%	3.9%	18.7%
2019	Asia-Pacific	Japan	Saint-Care Holding Corporation	5.7%	3.7%	2.0%	3.8%	8.1%
2019	Asia-Pacific	Japan	SI Holdings plc				0.0%	0.0%
2019	Asia-Pacific	Japan	Tsukui Corporation	7.6%	4.1%	2.3%	2.7%	8.4%
2019	Asia-Pacific	Japan	UCHIYAMA HOLDINGS Co.,Ltd.	7.4%	4.5%	3.4%	3.3%	6.2%
2019	Asia-Pacific	New Zealand	Arvida Group Limited				0.0%	0.0%
2019	Asia-Pacific	New Zealand	Oceania Healthcare Limited	0.5%	-5.2%	30.9%	4.4%	10.2%
2019	Australia	Australia	Aveo Group				0.0%	0.0%
2019	Australia	Australia	Bupa Aged Care Australia Pty Ltd				0.0%	0.0%
2019	Australia	Australia	Estia Health Limited	17.8%	13.1%	5.6%	1.8%	4.6%
2019	Australia	Australia	Japara Healthcare Limited	9.9%	4.4%	3.5%	1.0%	2.7%

Calendar Year	Region Name	Country Name	Company Name	EBITDA Margin	EBIT Margin	NPAT Margin	Return on Assets	Return on Equity
2019	Australia	Australia	Regis Healthcare Limited	18.2%	12.8%	5.6%	2.1%	22.4%
2019	Europe	France	Korian	14.7%	9.8%	3.2%	1.2%	4.4%
2019	Europe	France	LNA Santé SA				0.0%	0.0%
2019	Europe	France	ORPEA Société Anonyme				0.0%	0.0%
2019	Europe	Germany	Maternus-Kliniken Aktiengesellschaft				0.0%	0.0%
2019	Europe	Sweden	Ambea AB (publ)	8.1%	6.0%	1.9%	2.2%	6.3%
2019	Europe	Sweden	Attendo AB (publ)	8.6%	5.6%	0.7%	0.5%	1.3%
2019	Europe	Sweden	Humana AB (publ)	6.1%	5.1%	2.5%	2.7%	8.3%
2019	Europe	United Kingdom	Barchester Healthcare Limited				0.0%	0.0%
2019	Europe	United Kingdom	HC-One Ltd.				0.0%	0.0%
2019	Europe	United Kingdom	Sanctuary Care Ltd	0.0%	8.4%	7.0%	29.2%	
2019	United States & Canada	Canada	Extendicare Inc.	7.8%	4.6%	2.5%	3.3%	24.4%
2019	United States & Canada	Canada	Sienna Senior Living Inc.	19.3%	8.2%	1.1%	0.5%	1.4%
2019	United States & Canada	United States	Amedisys, Inc.	10.1%	9.2%	6.5%	12.8%	22.6%
2019	United States & Canada	United States	Brookdale Senior Living Inc.	12.2%	0.6%	-8.2%	-3.9%	-31.3%
2019	United States & Canada	United States	Capital Senior Living Corporation				0.0%	0.0%
2019	United States & Canada	United States	Diversicare Healthcare Services, Inc.				0.0%	0.0%
2019	United States & Canada	United States	Encompass Health Corporation	19.8%	15.0%	7.8%	6.4%	19.2%
2019	United States & Canada	United States	Five Star Senior Living Inc.	0.1%	-1.4%	-1.8%	-5.3%	-20.9%

Calendar Year	Region Name	Country Name	Company Name	EBITDA Margin	EBIT Margin	NPAT Margin	Return on Assets	Return on Equity
2019	United States & Canada	United States	Genesis Healthcare, Inc.				0.0%	0.0%
2019	United States & Canada	United States	LHC Group, Inc.	8.5%	7.7%	4.6%	4.7%	6.5%
2019	United States & Canada	United States	National HealthCare Corporation	9.5%	5.2%	6.8%	5.8%	9.0%
2019	United States & Canada	United States	Oncologix Tech, Inc.					
2019	United States & Canada	United States	SunLink Health Systems, Inc.	1.0%	-2.6%	-3.1%	-6.1%	-9.6%
2019	United States & Canada	United States	The Ensign Group, Inc.	8.8%	6.3%	5.4%	6.2%	17.6%
2019	United States & Canada	United States	VITAS Healthcare Corporation	16.6%	15.0%	12.2%		

50 entities have been included in the comparison above. A brief description of each entity is set out in the table below. The companies have been listed in alphabetical order for ease of reference.

Company Name	Company Description
1. Almost Family, Inc.	Almost Family, Inc., together with its subsidiaries, provides home healthcare services in the United States. The company operates through three segments: Home Health, Other Home-Based Services, and Healthcare Innovations. The Home Health segment offers a range of Medicare-certified home health nursing services to patients in need of recuperative health care, as well as services to patients in lieu of additional care in other settings, including long term acute care hospitals, inpatient rehabilitation hospitals, or skilled nursing facilities. This segment also provides special clinically-based protocols to medically complex, chronic, and co-morbid patients. The Other Home-Based Services segment offers personal care, medication management, meal preparation, caregiver respite, and homemaking services in patients' homes primarily on an as-needed, hourly basis, as well as to patients who would otherwise be admitted to skilled nursing facilities for long term custodial care. The Healthcare Innovations segment engages in the technology, information, population health management, risk-sharing, assessment, care coordination and transition, clinical advancements, enhanced patient engagement, and informed clinical decision activities. As of February 26, 2018, the company offered its home healthcare services with approximately 330 branch locations in 26 states. Almost Family, Inc. was founded in 1976 and is based in Louisville, Kentucky. Almost Family, Inc. operates as a subsidiary of LHC Group, Inc.

Company Name		Company Description
2.	Ambea AB (publ)	Ambea AB (publ), through its subsidiaries, primarily provides residential care services for people with disabilities and elderly care in Sweden and Norway. The company operates through four segments: Vardaga, Nytida, Hemita, and Klara. It offers services for the long and short-term residential facilities for children and adults, and with special service and daily activities for adults with an autism diagnosis and intellectual disabilities; elderly care in the form of special housing; and support services in the form of HVB homes, assisted housing, family homes, outpatient care, special housing, and institutional care for children, young people, and adults and families under the Nytida brand, as well as special housing services for the elderly, such as older people, who are unable to remain in their own homes under the Vardaga brand; disability care services in the form of residential care, rehabilitation, respite, and assessment under the Heimta brand. The company also provides training and staffing solutions for municipalities, county councils, and private operators under the Klara brand; and works with the temporary supply and recruitment of doctors and nurses, as well as offers residential and outpatient psychiatric support, and residential facilities for people with lifelong disabilities under the Heimta brand. In addition, it offers ambulatory services. Ambea AB (publ) was founded in 1996 and is headquartered in Solna, Sweden.
3.	Amedisys, Inc.	Amedisys, Inc., together with its subsidiaries, provides healthcare services in the United States. It operates through three segments: Home Health, Hospice, and Personal Care. The Home Health segment offers a range of services in the homes of individuals for the recovery of patients from surgery, chronic disability, or terminal illness, as well as prevents avoidable hospital readmissions through its skilled nurses; rehabilitation therapists specialized in physical, speech, and occupational therapy; and social workers and aides for assisting its patients. The Hospice segment offers services that is designed to provide comfort and support for those who are dealing with a terminal illness, including heart disease, pulmonary disease, Alzheimer's, or cancer. The Personal Care segment provides assistance for patients with the activities of daily living. As of February 18, 2020, the company owned and operated 479 care centers in 38 states and the District of Columbia. Amedisys, Inc. was founded in 1982 and is headquartered in Baton Rouge, Louisiana.
4.	Arvida Group Limited	Arvida Group Limited, together with its subsidiaries, owns, develops, and operates retirement villages and rest homes for the elderly in New Zealand. It operates approximately 26 retirement villages with 1,446 aged care beds and 1,301 retirement units. The company was formerly known as Hercules Limited. Arvida Group Limited was founded in 2014 and is based in Auckland, New Zealand.
5.	Attendo AB (publ)	Attendo AB (publ) provides financed care services in Sweden, Finland, Norway, and Denmark. The company offers care services for older people in nursing homes and home care. It also provides care services for people with disabilities; homes for children with special needs; consultant supported family home care services; crisis and acute accommodations; substance abuse care services; and care homes for people with neuropsychiatric conditions. The company was founded in 1985 and is headquartered in Danderyd, Sweden.
6.	Aveo Group	Aveo Group invests in, develops, and manages retirement villages in Australia. The company operates in four segments: Retirement Established Business, Retirement Development, Retirement Care and Support, and Non-Retirement. It is also involved in the development and resale of land and residential and retail properties; investment and management of income producing retail, commercial, and industrial properties; and funds and asset management activities. The company operates approximately 94 retirement and aged care communities; and 13,000 residents. The company was formerly known as FKP Property Group and changed its name to Aveo Group in November 2013. Aveo Group was incorporated in 1987 and is based in Sydney, Australia.
7.	Barchester Healthcare Limited	Barchester Healthcare Limited owns and operates care homes that provide nursing and assisted living services in the United Kingdom. It offers residential care services for older people; respite care and short breaks; and dementia care services. The company was founded in 1992 and is headquartered in London, United Kingdom. Barchester Healthcare Limited operates as a subsidiary of Grove Limited.

Company Name	Company Description
8. Brookdale Senior Living Inc.	Brookdale Senior Living Inc. owns and operates senior living communities in the United States. It operates through five segments: Independent Living, Assisted Living and Memory Care, CCRCs, Health Care Services, and Management Services. The Independent Living segment owns or leases communities comprising independent and assisted living units in a single community that are primarily designed for middle to upper income senior citizens. The Assisted Living and Memory Care segment owns or leases communities consisting of freestanding, multi-story communities, and freestanding single story communities, which offer housing and 24-hour assistance with activities of daily life to mid-acuity frail and elderly residents. This segment also operates memory care communities for residents with Alzheimer's and other dementias. The CCRCs - Rental segment owns or leases communities that offer various living arrangements and services to accommodate various levels of physical ability and health. The Health Care Services segment provides home health, hospice, and outpatient therapy services, as well as education and wellness programs to residents of its communities, as well as to other senior living communities. The Management Services segment operates communities under the management agreements. As of December 31, 2018, the company owned 344 communities, leased 343 communities, managed 18 communities on behalf of unconsolidated ventures, and managed 187 communities on behalf of third parties. Brookdale Senior Living Inc. was incorporated in 2005 and is headquartered in Brentwood, Tennessee.
9. Bupa Aged Care Australia Pty Ltd	Bupa Aged Care Australia Pty Ltd provides residential aged care services in Australia. The company operates approximately 70 care homes. It also offers a range of care and support comprising residential, respite, and specialized dementia care services to approximately 6,700 residents. The company was formerly known as Bupa Care Services Pty Limited and changed its name to Bupa Aged Care Australia Pty Ltd in July 2016. The company is based in Melbourne, Australia. Bupa Aged Care Australia Pty Ltd is a subsidiary of Bupa Aged Care Australia Holdings Pty Ltd.
10. Capital Senior Living Corporation	Capital Senior Living Corporation develops, owns, operates, and manages senior housing communities in the United States. The company provides senior living services to the elderly, including independent living, assisted living, and memory care services. Its independent living services comprise daily meals, transportation, social and recreational activities, laundry, housekeeping, and 24-hour staffing; and access to health screenings, periodic special services, and dietary and similar programs, as well as exercise and fitness classes. The company’s assisted living services consist of personal care services, such as assistance with activities of daily living (ADLs), including ambulation, bathing, dressing, eating, grooming, personal hygiene, and monitoring or assistance with medications; support services comprising meals, assistance with social and recreational activities, laundry, general housekeeping, maintenance, and transportation services; and supplemental services, including extra transportation, personal maintenance, and extra laundry, as well as special care services for residents with various forms of dementia. In addition, it offers home care services through third-party providers. As of December 31, 2018, the company operated 129 senior housing communities in 23 states with an aggregate capacity of approximately 16,500 residents, including 83 owned and 46 leased senior housing communities. Capital Senior Living Corporation was founded in 1990 and is headquartered in Dallas, Texas.
11. Care Service Co.,Ltd.	Care Service Co.,Ltd., together with its subsidiaries, provides in-home care support and day services in Japan and internationally. It provides visiting bath, home visit care, home visit nursing care, clean, and angel care services, as well as serviced residences for the elder people. The company also engages in the rental and sale of assistive equipment. In addition, it provides nursing care seminars, human resources and staffing agency, and worker dispatching services, as well as operates a care workers training school. Care Service Co.,Ltd. was founded in 1970 and is headquartered in Tokyo, Japan.
12. Care Twentyone Corporation	Care Twentyone Corporation provides nursing care services in Japan. It offers visiting nursing, home nursing, home care support, and day care services. The company also sells and rents welfare equipment; provides education, lunch dining, medical and handicap support, childcare, and bus services; and undertakes contracting businesses. Care Twentyone Corporation was founded in 1993 and is headquartered in Osaka, Japan.
13. CEDAR.Co., Ltd.	CEDAR.Co.,Ltd. provides nursing care and rehabilitation services in Japan. It offers day care, resident life care, home-visit nursing care, home help, home care support, group home, and short term residency care services. The company was founded in 1981 and is headquartered in Kitakyushu, Japan.

Company Name	Company Description
14. Charm Care Corporation	Charm Care Corporation engages in nursing care business. It operates fee-based nursing homes that offer nursing-assisted living care services. The company was formerly known as Fuji Clinic Laboratory and changed its name to Charm Care Corporation in December 2007. Charm Care Corporation was founded in 1984 and is headquartered in Osaka, Japan.
15. Diversicare Healthcare Services, Inc.	Diversicare Healthcare Services, Inc. provides post-acute care services to skilled nursing center, patients, and residents primarily in the Southeast, Midwest, and Southwest United States. The company offers skilled nursing health care services, including nutrition, recreational therapy, social, housekeeping, and laundry services; the delivery of ancillary medical services at the nursing centers; rehabilitation therapy services, such as audiology, speech, occupational, and physical therapies; and medical supplies, nutritional support, infusion therapies, and related clinical services. As of December 31, 2018, it operated 72 nursing centers with 8,214 licensed nursing beds. The company was formerly known as Advocat Inc. and changed its name to Diversicare Healthcare Services, Inc. in March 2013. Diversicare Healthcare Services, Inc. was founded in 1994 and is based in Brentwood, Tennessee.
16. Encompass Health Corporation	Encompass Health Corporation provides facility-based and home-based post-acute healthcare services in the United States. The company operates through two segments, Inpatient Rehabilitation, and Home Health and Hospice. The Inpatient Rehabilitation segment provides specialized rehabilitative treatment on an inpatient and outpatient basis to patients who are recovering from conditions, such as stroke and other neurological disorders, cardiac and pulmonary conditions, brain and spinal cord injuries, complex orthopedic conditions, and amputations. The Home Health and Hospice segment provides home health and hospice services primarily in the Southeast and Texas. Its home health services include a range of Medicare-certified home nursing services to adult patients in need of care comprising skilled nursing, medical social work, and home health aide services, as well as physical, occupational, speech therapy, and others. This segment's hospice services comprise in-home services to terminally ill patients and their families to address patients' physical needs, including pain control and symptom management, and to provide emotional and spiritual support. As of February 13, 2020, Encompass Health Corporation operated 134 hospitals, 245 home health locations, and 83 hospice locations in 37 states and Puerto Rico. The company was formerly known as HealthSouth Corporation and changed its name to Encompass Health Corporation in January 2018. Encompass Health Corporation was founded in 1983 and is based in Birmingham, Alabama.
17. Estia Health Limited	Estia Health Limited operates residential aged care homes in Australia. It has 69 homes that comprise 6,180 operating bed licenses in Victoria, South Australia, New South Wales, and Queensland. The company was founded in 2005 and is based in Sydney, Australia.
18. Extendicare Inc.	Extendicare Inc. provides care and services for seniors in Canada. The company offers long term care services; retirement living services; and home health care services, such as nursing care, occupational, physical and speech therapy, and assistance with daily activities, as well as management and consulting services to third-party owners. It also provides third-party liability insurance products in the United States. As of February 28, 2019, it operated 120 senior care and retirement living centers, including 67 owned and 53 managed centers, as well as home health care operations under the Extendicare, Esprit Lifestyle, and ParaMed brands. Extendicare Inc. was founded in 1968 and is based in Markham, Canada.
19. Five Star Senior Living Inc.	Five Star Senior Living Inc. operates and manages senior living communities in the United States. It operates through Senior Living Communities, and Rehabilitation and Wellness segments. Its senior living communities comprise independent living communities, assisted living communities, and skilled nursing facilities (SNFs). The company offers nursing and healthcare services; and rehabilitation and wellness services. As of December 31, 2018, it operated 284 senior living communities consisting of 32,016 living units comprising 255 primarily independent and assisted living communities with 29,511 living units, and 29 SNFs with 2,505 living units located in 32 states. The company was formerly known as Five Star Quality Care, Inc. and changed its name to Five Star Senior Living Inc. in March 2017. Five Star Senior Living Inc. was founded in 2001 and is based in Newton, Massachusetts.

Company Name	Company Description
20. Genesis Healthcare, Inc.	Genesis Healthcare, Inc., together with its subsidiaries, owns and operates skilled nursing facilities and assisted/senior living facilities in the United States. The company operates through three segments: Inpatient Services, Rehabilitation Therapy Services, and All Other Services. It also provides a range of rehabilitation therapy services, including speech-language pathology, physical therapy, occupational therapy, and respiratory therapy. In addition, the company offers other specialty medical services, such as physician, staffing, and other healthcare related services. As of December 31, 2018, it provided inpatient services through a network of 425 skilled nursing and assisted/senior living facilities, including 399 skilled nursing facilities and 26 stand-alone assisted/senior living facilities across 29 states. Genesis HealthCare, Inc. also supplies rehabilitation and respiratory therapy to approximately 1,400 healthcare locations in 46 states and the District of Columbia. The company was formerly known as FC-GEN Operations Investment, LLC and changed its name to Genesis HealthCare, Inc. in February 2015. Genesis HealthCare, Inc. was founded in 2003 and is headquartered in Kennett Square, Pennsylvania.
21. Hang Chi Holdings Limited	Hang Chi Holdings Limited, an investment holding company, operates elderly residential care homes under the Shui On, Shui Hing, and Shui Jun brand names in Hong Kong. The company offers residential care home services to elderly residents, including the provision of accommodation with dietician-managed meal plans, 24-hour nursing, and caretaking assistance, as well as professional services comprising regular medical consultation, physiotherapy, occupational therapy, psychological, and social care services. It also provides elderly related goods, such as adult nappies, nutritional milk, other medical consumable products, and daily supplies. In addition, the company engages in the provision of management and customizable add-on healthcare services to the elderly residents. It operates 816 residential care places. The company was incorporated in 2016 and is headquartered in Kwun Tong, Hong Kong. Hang Chi Holdings Limited is a subsidiary of Shui Wah Limited.
22. HC-One Ltd.	HC-One Ltd. operates care homes in the United Kingdom. The company specializes in providing dementia, nursing, residential dementia, respite care, mental health, end of life/palliative care, residential care, and specialist care services. HC-One Ltd. was founded in 2011 and is based in Darlington, United Kingdom.
23. HCR Manor Care, Inc	HCR ManorCare, Inc., together with its subsidiaries, owns and operates skilled nursing and rehabilitation centers, assisted living facilities, memory care facilities, hospice and home care agencies, and outpatient rehabilitation clinics in the United States. The company was formerly known as Health Care and Retirement Corporation and changed its name to HCR ManorCare, Inc. in November 1998. The company was founded in 1991 and is headquartered in Toledo, Ohio. HCR ManorCare, Inc. operates as a subsidiary of ProMedica Health System, Inc.
24. Hikari Heights-Varus Co.,Ltd.	Hikari Heights-Varus Co.,Ltd. operates and manages nursing homes in Japan. The company was founded in 1987 and is headquartered in Sapporo, Japan.
25. Humana AB (publ)	Humana AB (publ), together with its subsidiaries, provides individual and family care services for children, adolescents, and adults in Sweden, Norway, Denmark, and Finland. The company operates through four segments: Individual & Family, Personal Assistance, Elderly Care, and Other Nordics. The Individual & Family segment provides care and treatment in psychiatry and psychosocial change processes through residential care homes, temporary and regular family homes, special service housing, outpatient care and assisted living homes, and specially adapted housing. The Personal Assistance segment provides care services and assistance to individuals with functional impairments. The Elderly Care segment consists of elderly housing, as well as provides day care, flats adapted for the elderly, meeting places, and family member services. The Other Nordics segment provides care and treatment for children, adolescents, and adults by offering various forms of housing, family homes, outpatient care and other support services; and offers personal assistance and special services housing. Humana AB (publ) was founded in 2001 and is headquartered in Stockholm, Sweden.

Company Name	Company Description
26. Interim HealthCare Inc.	Interim HealthCare Inc. operates as a franchisor of home care, hospice, and healthcare staffing in the United States. It employs nurses, therapists, aides, companions, and other healthcare professionals to provide home health, senior care, hospice, palliative care, and pediatric care services. The company also provides non-medical home care, hospice, and healthcare staffing services, as well as other specialized professionals who provide wound care, medication assistance, improved ability to walk, and education to individuals and their families' on self-management of their condition while remaining at home. In addition, it offers staff to provide home care and hospice services for veterans; government references for providing assistance; and staff to provide senior care, pediatric nursing and physical, and occupational and speech therapy services. Its franchisees provide healthcare personnel to a variety of settings, including hospitals, nursing homes, physician offices, prisons, schools, and clinics. The company was formerly known as Medical Personnel Pool, Inc. and changed its name to Interim HealthCare Inc. in July 1992. The company was founded in 1966 and is based in Sunrise, Florida. It owns and operates franchise locations in California, Texas, Florida, Georgia, Virginia, New Jersey, Utah, and Maryland. Interim HealthCare Inc. is a former subsidiary of SFN Group, Inc.
27. internet infinity Inc.	internet infinity Inc. operates a nursing care-related portal site in Japan. It also operates a home care center for elderly people. The company was founded in 2001 and is headquartered in Tokyo, Japan.
28. Japan Hospice Holdings Inc.	Japan Hospice Holdings Inc. engages in the hospice housing and home care nursing businesses in Japan. It offers care services at hospice houses for end-of-life cancer patients and incurable diseases patients; visiting nurse, physical therapist, occupational therapist, and language hearing auditor services; and physical care and living assistance services. The company was founded in 2017 and is headquartered in Tokyo, Japan.
29. Japara Healthcare Limited	Japara Healthcare Limited, together with its subsidiaries, owns, develops, and operates residential aged care homes in Australia. It operates approximately 5,750 resident places across 50 homes located in Victoria, New South Wales, Queensland, South Australia, and Tasmania; and 180 independent living units across 5 retirement villages. The company was founded in 2005 and is based in Southbank, Australia.
30. Kindred Healthcare Inc.	Kindred Healthcare, LLC, through its subsidiaries, operates as a healthcare services company in the United States. The company operates long-term acute care (LTAC) hospitals and inpatient rehabilitation facilities, as well as offers contract rehabilitation services. As of June 30, 2019, it provided healthcare services in 1,760 locations in 46 states, including 71 LTAC hospitals, 22 inpatient rehabilitation hospitals, 11 sub-acute units, and 95 inpatient rehabilitation units (hospital-based), as well as contract rehabilitation service businesses, which served 1,561 non-affiliated sites of service. The company was formerly known as Kindred Healthcare, Inc. and changed its name to Kindred Healthcare, LLC in July 2018. Kindred Healthcare, LLC is based in Louisville, Kentucky.
31. Korian	Korian provides integrated health and care services for the elderly in France, Germany, Belgium, Italy, Spain, and the Netherlands. The company operates long-term care nursing homes, specialized clinics, and assisted living and shared senior housing facilities, as well as offers homecare and hospital-at-home services. As of April 24, 2019, it operated 843 facilities with 80,992 beds. The company was formerly known as Korian-Medica S.A. and changed its name to Korian in July 2015. Korian was founded in 2001 and is headquartered in Paris, France.

Company Name	Company Description
32. LHC Group, Inc.	LHC Group, Inc., a health care provider, specializes in the post-acute continuum of care primarily for Medicare beneficiaries in the United States. The company's Home Health Services segment offers home nursing services, including wound care and dressing changes, cardiac rehabilitation, infusion therapy, pain management, pharmaceutical administration, skilled observation and assessment, and patient education; medically-oriented social services; and physical, occupational, and speech therapy services. Its Hospice Services segment provides pain and symptom management accompanied by palliative medication, emotional and spiritual support, inpatient and respite care, homemaker services, dietary counseling, family bereavement counseling, and social worker visits. The company's Home and Community-Based Services segment offers services, such as assistance with grooming, medication reminders, meal preparation, assistance with feeding, light housekeeping, respite care, transportation, and errand services to patients in their home or in a medical facility. Its Facility-Based Services segment serves patients suffering from respiratory failure, neuromuscular disorders, cardiac disorders, non-healing wounds, renal disorders, cancer, head and neck injuries, and mental disorders, as well as treats patients diagnosed with musculoskeletal impairments; and operates institutional pharmacy, a family health center, a rural health clinic, and a retail pharmacy, as well as offers physical therapy services. The company's Healthcare Innovations (HCI) Services segment provides strategic health management services to Accountable Care Organizations. As of December 31, 2018, it operated 543 home health services locations, 104 hospice locations, 81 community-based service locations, 10 long-term acute care hospitals with 12 locations, and 12 HCI locations. The company was founded in 1994 and is based in Lafayette, Louisiana.
33. LNA Santé SA	LNA Santé SA operates and manages full-care facilities for the dependent elderly persons under the LNA Santé brand in France and Belgium. The company operates nursing homes, follow-up care and rehabilitation facilities, home hospitalization structures, health centers, and psychiatric clinics. It serves patients with complex, acute, or chronic pathologies comprising neurological, respiratory, cardiovascular, psychiatric, etc. The company operates 11 clinics; 1 psychiatric clinic; and 7 home care facilities. LNA Santé SA was founded in 1990 and is based in Vertou, France.
34. LONG LIFE HOLDING Co., Ltd.	LONG LIFE HOLDING Co., Ltd., together with its subsidiaries, engages in the nursing home business primarily in Japan. It is also involved in the resort business. The company was founded in 1986 and is headquartered in Osaka, Japan.
35. Maternus-Kliniken Aktiengesellschaft	Maternus-Kliniken Aktiengesellschaft operates retirement and nursing homes, care facilities, rehabilitation clinics, and various service companies that operate in the field of elderly care and rehabilitation medicine. The company also provides assisted living and follow-up treatment services, as well as short-term, disabled, inpatient, home, and day care services. It operates approximately 23 facilities in Germany. The company was founded in 1877 and is headquartered in Berlin, Germany. Maternus-Kliniken Aktiengesellschaft is a subsidiary of CURA Kurkliniken Seniorenwohn- und Pflegeheime GmbH.

Company Name	Company Description
36. National HealthCare Corporation	National HealthCare Corporation operates, manages, and provides services to skilled nursing facilities, assisted living facilities, independent living facilities, and home health care programs. Its skilled nursing facilities offer licensed therapy services, nutrition services, social services, activities, and housekeeping and laundry services, as well as medical services prescribed by physicians; and rehabilitative services, such as physical, speech, respiratory, and occupational therapy for patients recovering from strokes, heart attacks, orthopedic conditions, neurological illnesses, or other illnesses, injuries, or disabilities. The company's medical specialty units comprise memory care units and subacute nursing units that provide specialized care and programs for persons with Alzheimer's or related disorders; and assisted living centers offer personal care services and assistance with general activities of daily living, such as dressing, bathing, meal preparation, and medication management. It also owns, leases, and manages independent living facilities that provide specially designed residential units for the active and ambulatory elderly, as well as offers various ancillary services for its residents, including restaurants, activity rooms, and social areas. In addition, it provides health care programs that offer skilled services, such as infusion, wound care and physical, occupational, and speech therapies; operates pharmacies; offers management, accounting, financial, and insurance services; and leases its properties to third party operators. As of December 31, 2018, the company operated 75 skilled nursing facilities with 9,510 licensed beds; 24 assisted living facilities; 5 independent living facilities; 35 homecare programs; and 4 pharmacies. National HealthCare Corporation was founded in 1971 and is based in Murfreesboro, Tennessee.
37. NichiiGakkan Co., Ltd.	NichiiGakkan Co., Ltd. provides medical insurance administrative services for medical clinics in Japan and China. The company offers medical support services, including medical care at hospitals, clinics, and pharmacies; and support management and medical treatment through management consulting services and system sales, as well as personnel development in these fields through healthcare-related courses, such as medical office work. It also provides long-term care services from in-home care to long-term residential care in facilities comprising fee-based nursing homes; and training to personnel in long-term care fields through certification training programs and other courses related to long-term care. In addition, the company offers operates daycare centers, hospital daycare centers, company daycare centers, and other child care facilities; and corporate daycare centers to support the parenting efforts for employees and local residents, as well as child care courses, such as babysitting. Further, it provides a range of products and services related to household chores, child care, family nursing care, and elderly care; language education services; and postnatal care and housekeeping services. Additionally, the company is involved in the operation of dog salon based on the concept of pet health; and breeding of Australian labradoodles. NichiiGakkan Co., Ltd. was founded in 1968 and is headquartered in Tokyo, Japan.
38. Oceania Healthcare Limited	Oceania Healthcare Limited owns and operates various age care centers and retirement villages in New Zealand. The company operates through Care Operations, Village Operations, and Other segments. It provides rest home, hospital, dementia, psychogeriatric, respite, and palliative/end of life care; and independent retirement village living at approximately 40 locations. The company was formerly known as Retirement Care (NZ) Limited and changed its name to Oceania Healthcare Limited on September 08, 2014. Oceania Healthcare Limited was founded in 2005 and is based in Auckland, New Zealand.
39. Oncologix Tech, Inc.	Oncologix Tech, Inc., a diversified medical holding company, provides health care services in the United States. It offers personal home care services, including daily living assistance, companionship, and homemaker services, as well as Alzheimer's care, home care resource planning, and medical care coordination services. The company also manufactures, markets, and distributes medical technologies and products for skilled nursing facilities, acute and critical care facilities, assisted living facilities, hospitals and medical institutions, federal agencies, home medical care industry, respiratory and therapy- physical/occupational therapy centers. In addition, it distributes and sells home medical equipment for sleep and respiratory therapies; supplies and services durable medical equipment to treat obstructive Sleep Apnea; C-PAP and BiPAP oxygen equipment, a large selection of mask interfaces; and offers personalized treatment plans, as well as monitoring and support services. The company was formerly known as BestNet Communications Corp. and changed its name to Oncologix Tech, Inc. in January 2007. Oncologix Tech, Inc. was founded in 1995 and is based in Lafayette, Louisiana.

Company Name	Company Description
40. ORPEA Société Anonyme	ORPEA Société Anonyme operates nursing homes, assisted-living facilities, post-acute and rehabilitation hospitals, and psychiatric hospitals. Its nursing care facilities provide personalized support services; and logistical and residential services, including accommodation, meals, laundry and room cleaning, and various daily entertainment and therapeutic workshop services. The company's post-acute and rehabilitation hospitals offer services for geriatrics, musculoskeletal, nervous system, cardiovascular, hematology, and oncology conditions, as well as patients in a persistent vegetative state or in a minimally conscious state. Its psychiatric hospitals provide services for the patients with mood disorders, anxiety disorders, obsessive-compulsive disorders, addictions, eating disorders, sleep disorders, personality disorders, ageing-related psychiatric disorders, psychosis, over exhaustion or burn-out, chronic fatigue syndrome, fibromyalgia, and psychosomatic conditions, as well as geriatric, child, young, parent-child, and public/private patients psychiatry services. In addition, the company offers home care services, including housekeeping services, such as cleaning, meals, ironing, gardening, and household errands; daily life assistance services comprising day or night supervision, assistance with hygiene tasks, and meal-time assistance; and movement assistance services. As of May 2, 2018, it operated 818 facilities with 86,650 beds. The company operates in France, Belgium, Spain, Italy, Switzerland, Austria, Germany, the Czech Republic, Poland, and China. ORPEA Société Anonyme was founded in 1989 and is headquartered in Puteaux, France.
41. Regis Healthcare Limited	Regis Healthcare Limited provides residential aged care services in Australia. The company offers home care, home help, companionship, and government-funded and private home care services; and aged care services, including ageing-in-place, respite care, specialist dementia care, and palliative care services. It also operates retirement villages that provide retirement services; and Regis Day Therapy Centers, which provide a range of professional allied health services in the areas of physiotherapy, occupational therapy, exercise physiology, and podiatry, as well as rehabilitation services to people living in the community, in retirement villages, and in low care facilities. In addition, the company offers Day Respite Programs for carers. As of June 30, 2019, the company owned and operated 63 aged care facilities. The company was formerly known as Fairway Investment Holdings Pty Ltd. and changed its name to Regis Healthcare Limited in September 2014. Regis Healthcare Limited is based in Armadale, Australia.
42. Saint-Care Holding Corporation	Saint-Care Holding Corporation provides healthcare services in Japan. The company offers visiting care and visit nursing, visit bathing, short-stay daily-life care, small-scale and multifunction type in-home care, and day care services; and daily-life care services for the elderly with dementia. It also engages in the home renovation; sale and rental of social welfare equipment; and outsourcing, personnel dispatch, care robot, and other businesses. The company was founded in 1983 and is headquartered in Tokyo, Japan.
43. Sanctuary Care Ltd	Sanctuary Care Ltd provides nursing and residential care services to elderly people. The company was incorporated in 2001 and is based in Worcester, United Kingdom. Sanctuary Care Ltd operates as a subsidiary of Sanctuary Housing Association.
44. SI Holdings plc	SI Holdings plc operates a home care center for elderly people under the Nagoya Residence name in Japan. The company's care center offers off-site, accommodation, housing services, etc., as well safety confirmation and lifestyle consultation, on-site day, emergency response, and medical services. SI Holdings plc was founded in 2002 and is headquartered in Tokyo, Japan.
45. Sienna Senior Living Inc.	Sienna Senior Living Inc., through its subsidiaries, provides senior housing and long-term care (LTC) services in Canada. It operates through LTC and Retirement segments. The company offers a range of seniors' living options, including independent and assisted living, memory care, long-term care, and specialized programs and services, as well as provides management services. As of December 31, 2018, it owned and operated a total of 70 seniors' living residences comprising 27 retirement residences, 35 LTC residences, and 8 seniors' living residences. The company was formerly known as Leisureworld Senior Care Corporation and changed its name to Sienna Senior Living Inc. in May 2015. Sienna Senior Living Inc. was founded in 1972 and is headquartered in Markham, Canada.

Company Name	Company Description
46. SunLink Health Systems, Inc.	SunLink Health Systems, Inc., through its subsidiaries, provides healthcare services in the southeastern United States. It operates through two segments, Healthcare Services and Pharmacy. The Healthcare Services segment owns and operates a 84 bed community hospital, which includes a 18 bed geriatric psychiatry unit and a 66 bed nursing home in Mississippi; and a 100 bed nursing home in Georgia, as well as offers information technology services. This segment also owns and leases the emergency department to an unaffiliated healthcare provider; medical office buildings to a third party; and unimproved lands. The Pharmacy segment offers institutional and non-institutional pharmacy services; and durable medical equipment products and services, which consists of the sale and rental of products for institutional clients or to patients in institutional settings and patient-administered home care, as well as retail pharmacy products and services. SunLink Health Systems, Inc. was founded in 1959 and is based in Atlanta, Georgia.
47. The Ensign Group, Inc.	The Ensign Group, Inc. provides health care services in the post-acute care continuum and other ancillary businesses. The company operates in three segments: Transitional and Skilled Services; Assisted and Independent Living Services; and Home Health and Hospice Services. The Transitional and Skilled Services segment offers a range of medical, nursing, rehabilitative, and pharmacy services, as well as routine services, such as daily dietary, social, and recreational services to Medicaid, private pay, managed care, and Medicare payors. The Assisted and Independent Living Services segment provides residential accommodations, activities, meals, security, housekeeping, and assistance in the activities of daily living to independent seniors. The Home Health and Hospice Services segment offers nursing, speech, occupational and physical therapists, medical social workers, and certified home health aide services; and hospice care services, including physical, spiritual, and psychosocial services comprising palliative and clinical care, education, and counseling for terminally ill individuals and their families. The company also provides mobile ancillary services that include digital x-ray, ultrasound, electrocardiograms, laboratory services, sub-acute services, and patient transportation. As of April 2, 2019, it operated 248 healthcare facilities; and 24 hospice agencies, 25 home health agencies, and 7 home care businesses in California, Arizona, Texas, Washington, Utah, Idaho, Colorado, Nevada, Iowa, Nebraska, Oregon, Wisconsin, Kansas, South Carolina, Oklahoma, and Wyoming. The Ensign Group, Inc. was founded in 1999 and is based in San Juan Capistrano, California.
48. Tsukui Corporation	Tsukui Corporation provides various home and nursing care services in Japan. It operates through four segments: Home Care, Pay Nursing Home, Assisted-Living Facilities, and Human Resource Development. The company offers day care services; and operates sheltered nursing homes. It also provides living quarters that offers daily-life support and nursing care services for elderly. In addition, the company provides employment placement, worker dispatching, and other related services primarily for the medical and nursing care sectors. As of March 31, 2017, it operated 572 home care facilities; 27 sheltered pay nursing homes and a dispensing pharmacy; 13 assisted-living facilities; and 33 human resource development offices. Tsukui Corporation was founded in 1969 and is headquartered in Yokohama, Japan.
49. UCHIYAMA HOLDINGS Co.,Ltd.	UCHIYAMA HOLDINGS Co.,Ltd. offers nursing care services in Japan. It is also involved in the real estate, karaoke, restaurant, and hotel businesses. The company was founded in 2006 and is based in Kitakyushu, Japan.
50. VITAS Healthcare Corporation	VITAS Healthcare Corporation provides hospice and palliative care services in the United States. It offers routine home, general inpatient, continuous home, and respite care services. The company provides services to its patients through a network of physicians, registered nurses, home health aides, social workers, clergy, and volunteers. It operates hospice programs in inpatient hospice units, as well as in patients' homes, hospitals, nursing homes, and assisted living communities/residential care facilities for the elderly. The company was founded in 1978 and is headquartered in Miami, Florida with additional offices in the Villages, Florida; San Francisco, California; and San Marcos, Texas. It has locations in San Mateo and Milpitas, California. VITAS Healthcare Corporation is a subsidiary of Comfort Care Holdings Co.

APPENDIX D: CARE INDICATOR COMPARISONS

This appendix displays the results of the comparisons between Residential Aged Care finances and care indicators that has been summarised in section 7.

RELATIVE CARE NEEDS

We compared care expenses and total expenses over the last 3 years to a relative care needs indicators compiled by the Royal Commission for each Residential Aged Care provider. The Royal Commission compiled the indicator using detailed ACFI data for each care recipient. ACFI data was mapped to the Australian National Aged Care Classification (AN-ACC) using an algorithm developed by the Australian Health Services Research Institute at the University of Wollongong. AN-ACC individualised 'Relative Value Unit' weights were then applied to estimate the relative care needs of each care recipient. The aggregate indicators for each Approved Provider were compiled by weighting individual care recipients according to their total subsidy days during the financial year. In this indicator a value of 1 represents average care needs per recipient, while values above 1 indicate higher than average care needs and below 1 indicate lower than average care needs.

Figure 38 Relative care needs versus RAC care income and expenses, FY2018

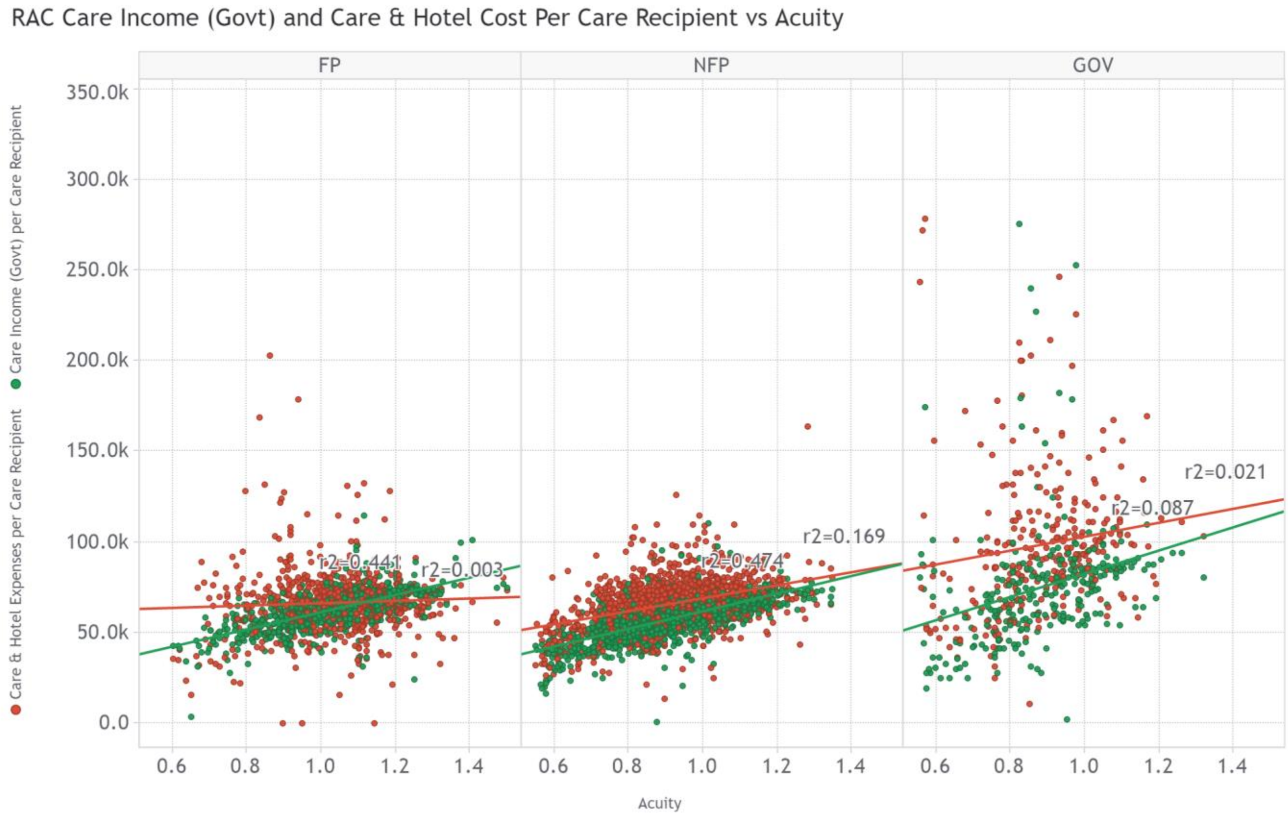


Figure 39 Relative care needs versus RAC total income and expenses, FY2018

QUALITY OF CARE

Three financial metrics were selected for analysis against quality of care indicators: profitability using NPBT after other comprehensive, total expenses and care and hotel expenses. The financial metrics were converted to a value per care recipient.

ROSA indicators

The Registry of Senior Australians (ROSA) has designed an outcome monitoring and benchmarking system to measure the safety and quality of Residential Aged Care services. There are 18 measures. After assessing the data, we focused on the four measures with the highest coverage, being high sedative load, antipsychotic use, chronic opioid use and antibiotic use. This is due to the low occurrences of other measures. The data was available for FY2015 to FY2017. To keep the analysis consistent with the rest of this Report we have compared to finances in FY2017 only. Each ROSA indicator was provided as a percentage of care recipients and was then normalised to 1 by dividing the result by the mean of each organisation. Results were then compared to the financial metrics as the sum of the four normalised measures and on an individual basis.

Figure 40 ROSA All indicators versus RAC care and hotel expenses per recipient, FY2018

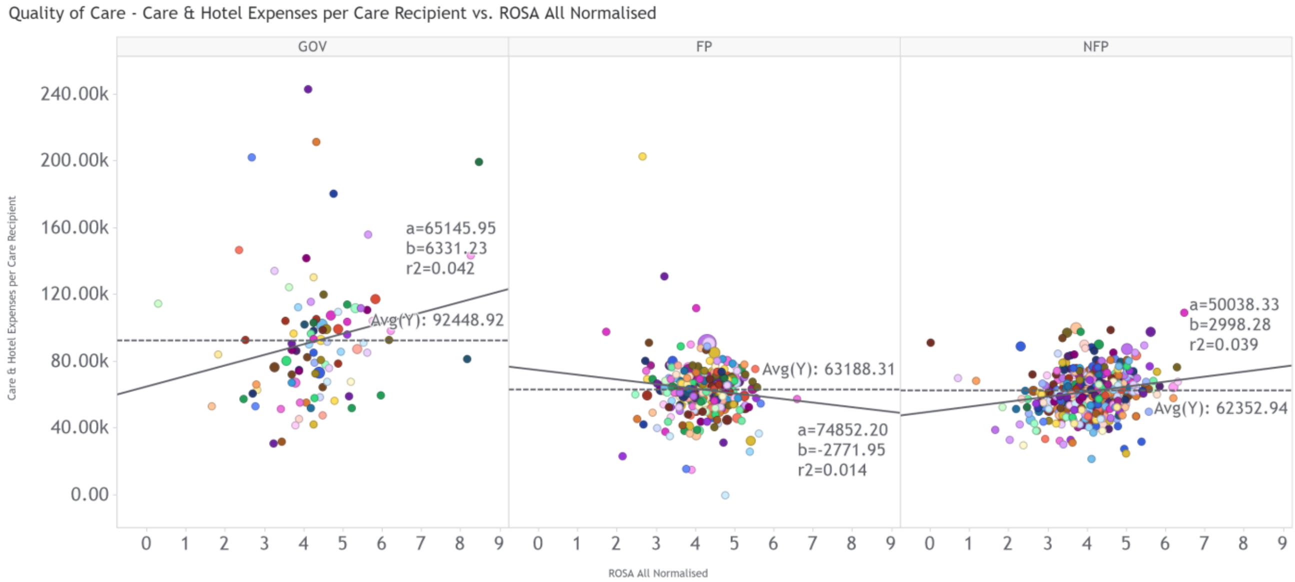


Figure 41 ROSA antibiotics use versus RAC care and hotel expenses per recipient, FY2018

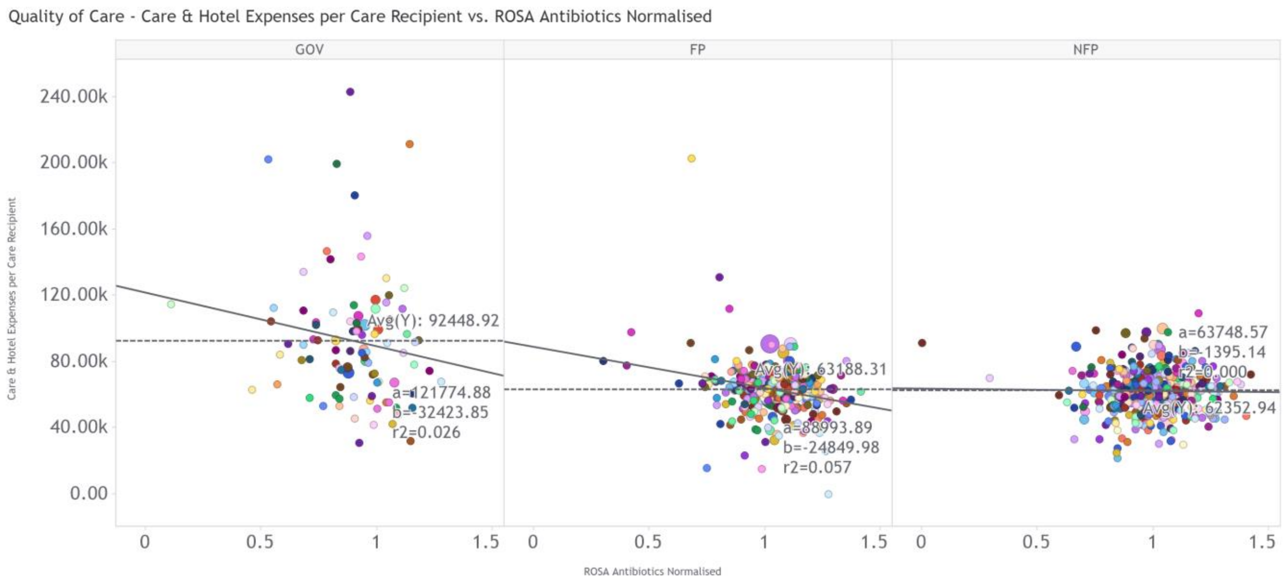


Figure 42 ROSA antipsychotropics use versus RAC care and hotel expenses per recipient, FY2018

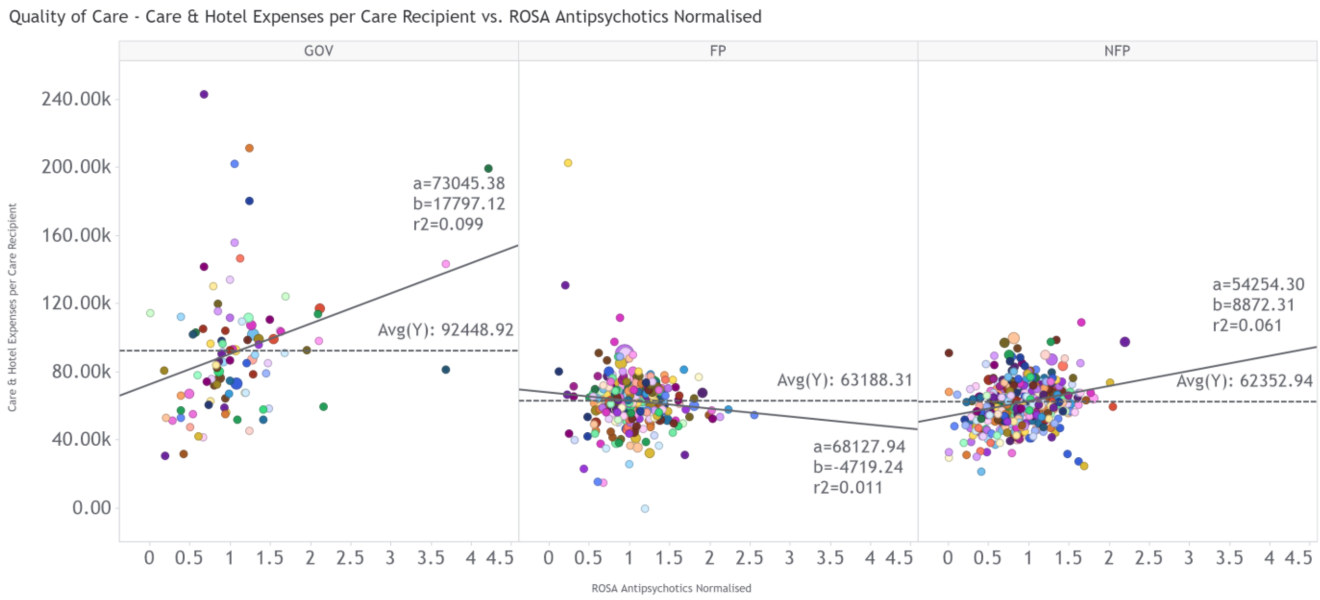


Figure 43 ROSA sedative load versus RAC care and hotel expenses per recipient, FY2018

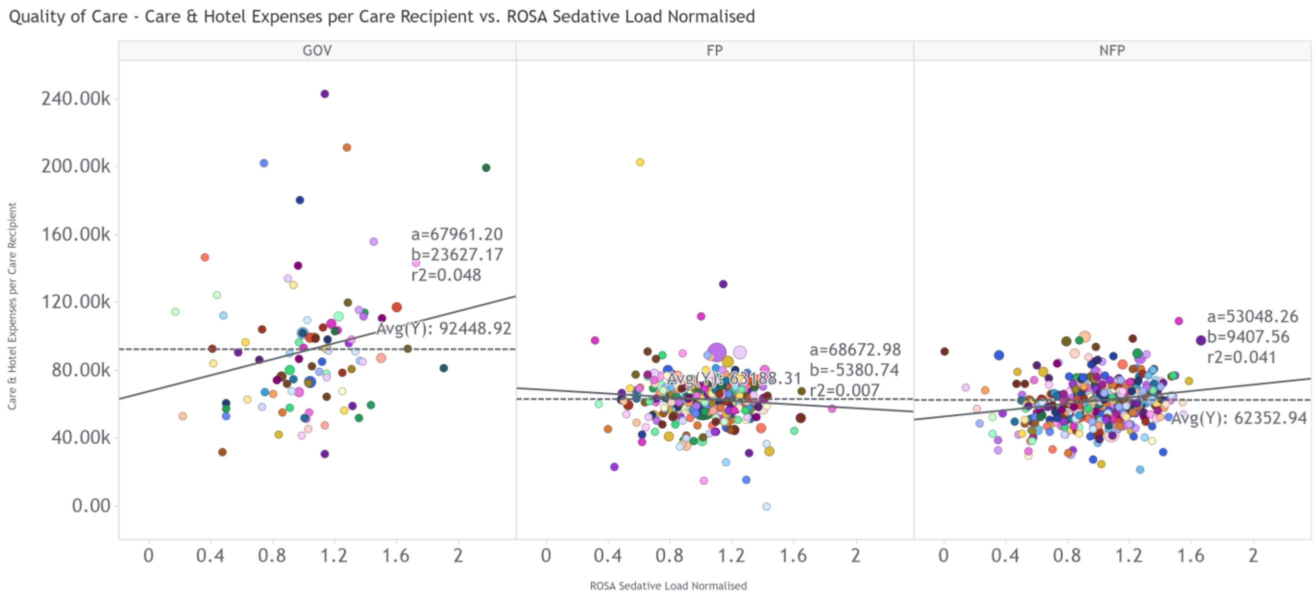
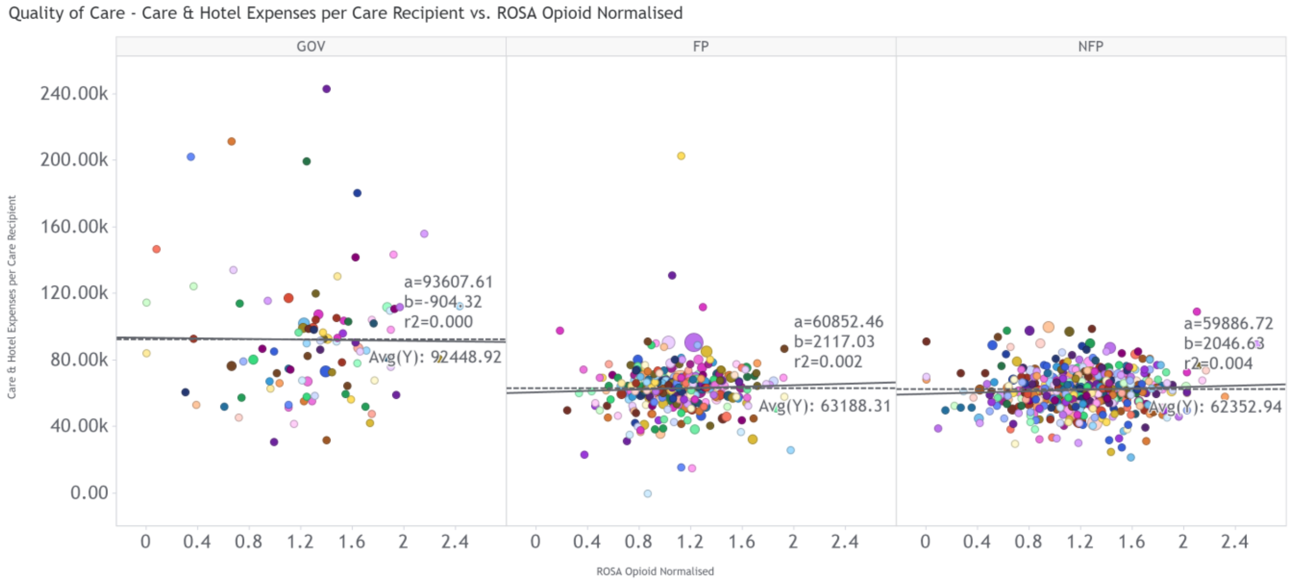


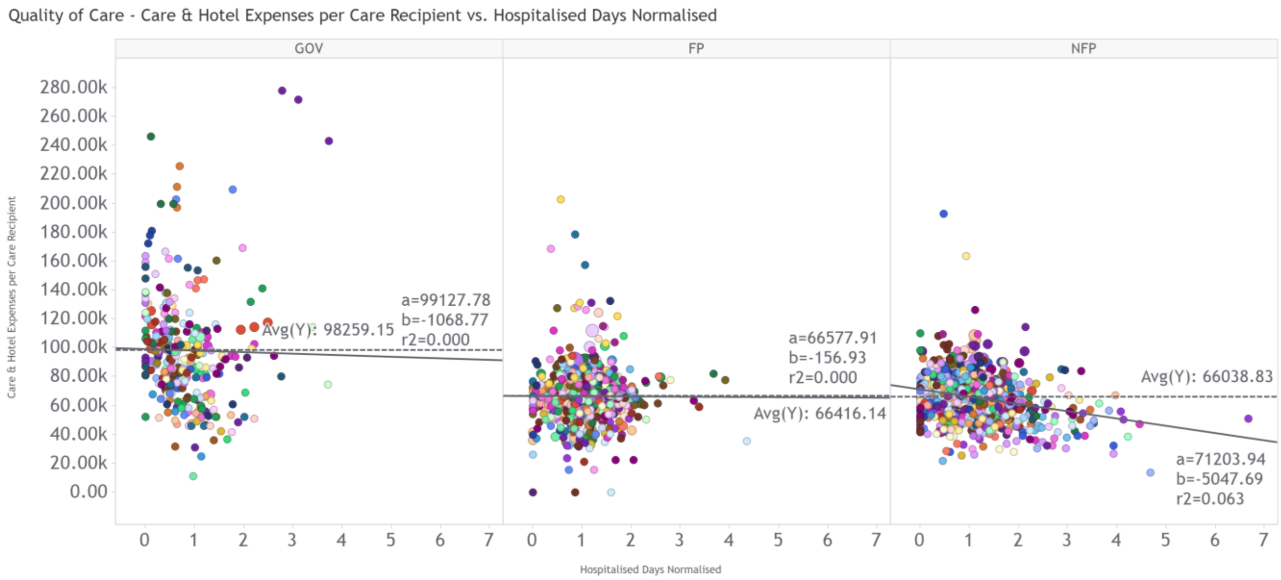
Figure 44 ROSA opioid use versus RAC care and hotel expenses per recipient, FY2018



Hospitalised Days

We compared claimable days spent on hospital leave to total claimable days for each year with available data. This was done by dividing hospitalised days by total bed days. Although available for FY2015 to FY2019, to keep the analysis consistent with the rest of this Report we have used data from the last three years only. The result was normalised to 1 by dividing the result by the mean. Results were then compared to the financial metrics.

Figure 45 Hospitalisation days versus RAC care and hotel expenses per recipient, FY2018



Complaints and issues

The Aged Care Quality and Safety Commission records information about the numbers of complaints and issues (there can be more than one issue raised per complaint and there are 29 categories of issues recorded). There are a low numbers of complaints (for example, 14 categories of issues collectively had only 12 issues recorded over the last two years). We therefore compared both the total number of complaints and issues, with the total figures divided by the number of care recipients. The result was normalised to 1 by dividing the result by the mean. Results were then compared to the financial metrics.

Figure 46 Complaints versus RAC care and hotel expenses per recipient, FY2018

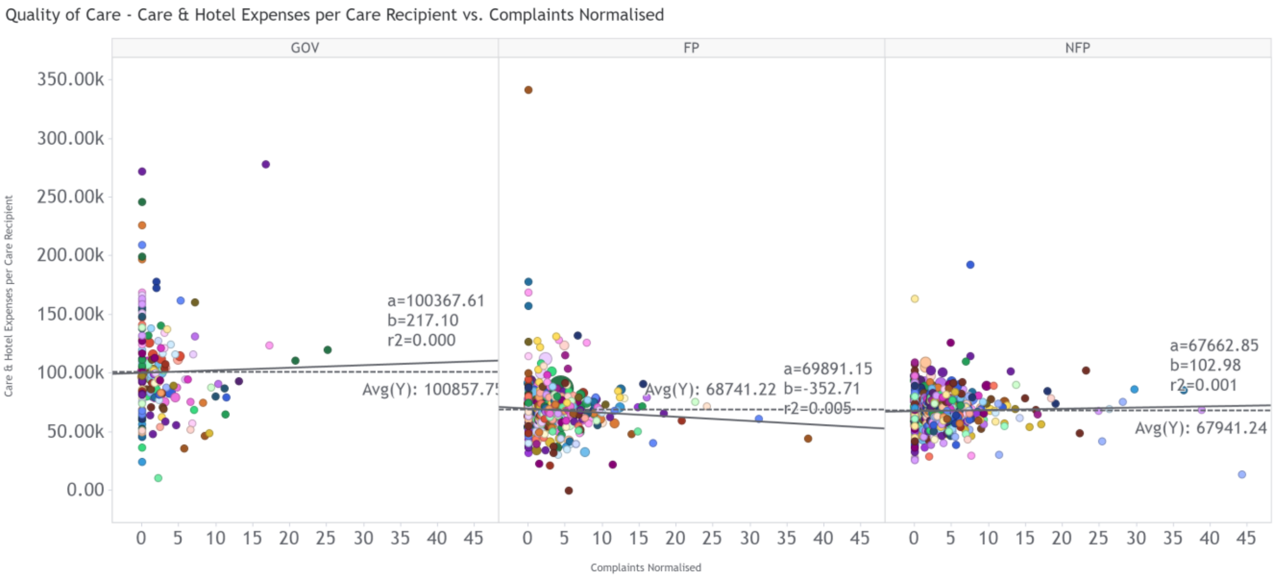
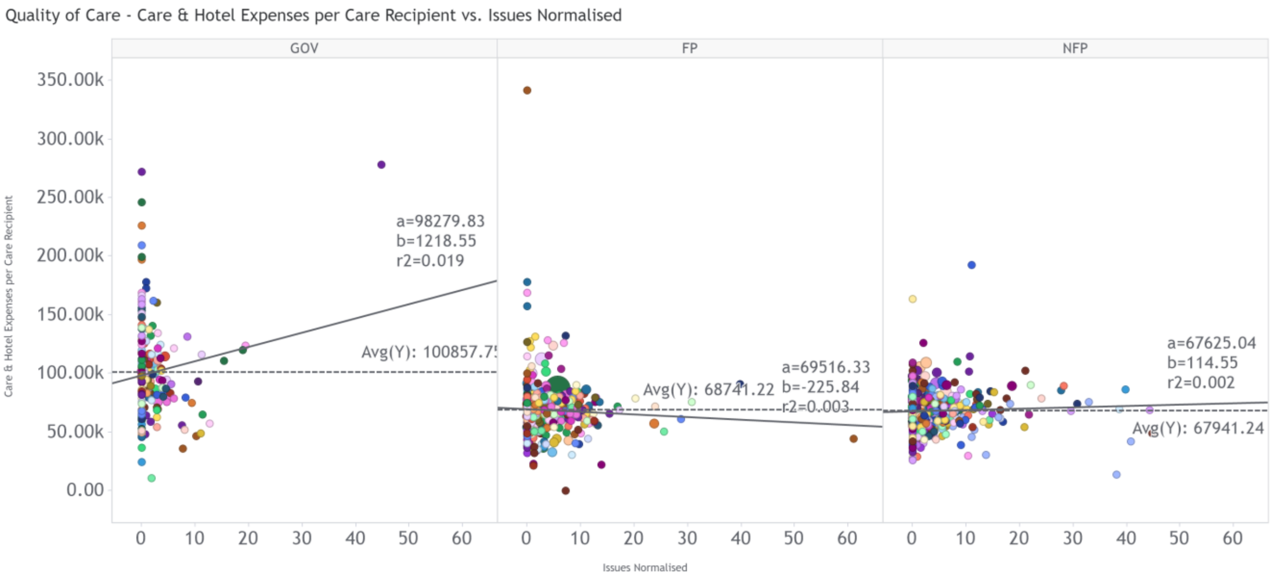


Figure 47 Issues versus RAC care and hotel expenses per recipient, FY2018



Serious Risk

Incidents of serious risk are identified by assessors from the Aged Care Quality and Safety Commission at site visits to Residential Aged Care facilities. The number of serious risk incidents recorded increased from 3 in both FY2015 and FY2016 to 171 in FY2019. Due to the low occurrence of serious risk incidents recorded in earlier years, we have only considered this measure for the last two years. The results were divided by the number of site visits. The results were normalised to 1 by dividing the result by the mean. Results were then compared to the financial metrics. The analysis has been completed for all serious risks, and also split by announced and unannounced.

Figure 48 Serious risk versus RAC care and hotel expenses per recipient, FY2018

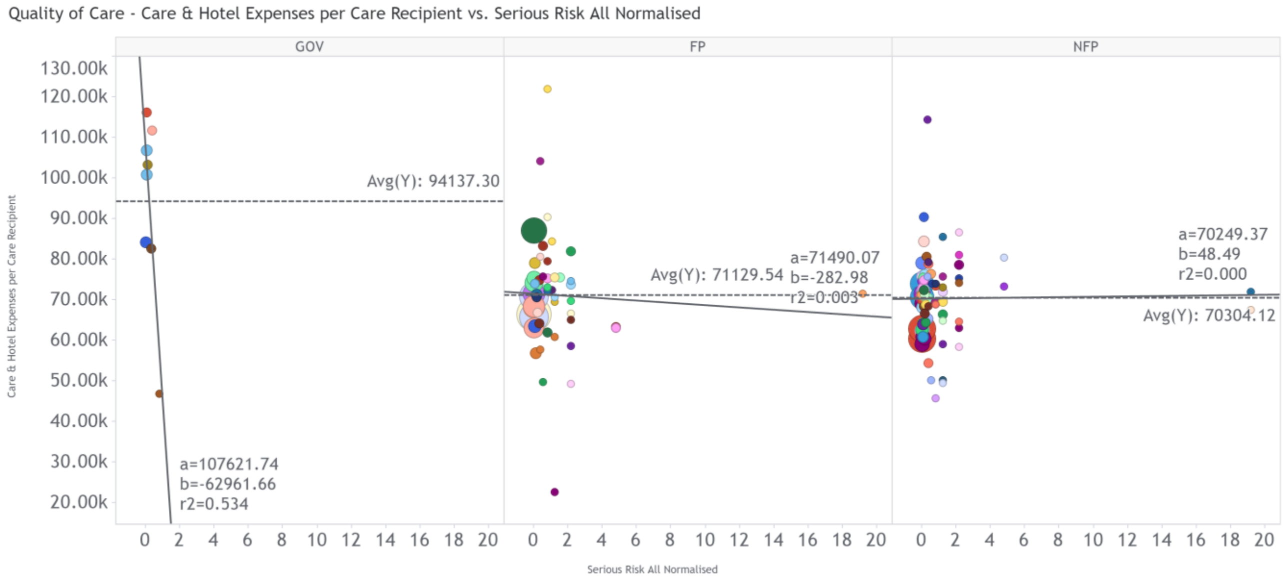


Figure 49 Serious risk (announced) versus RAC care and hotel expenses per recipient, FY2018

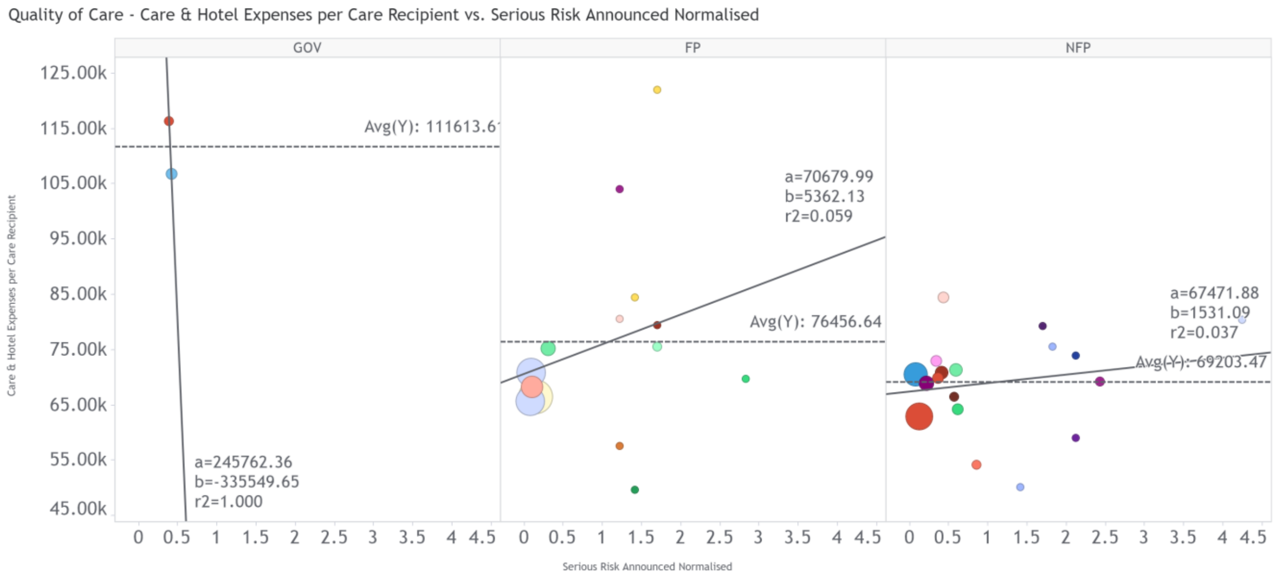
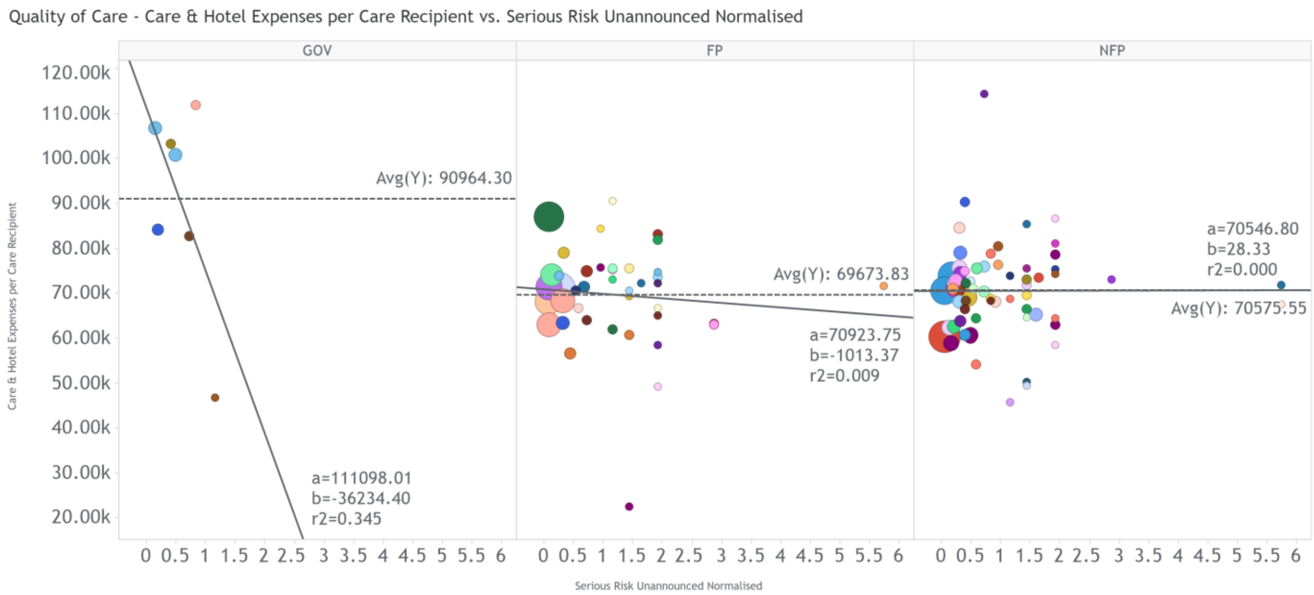


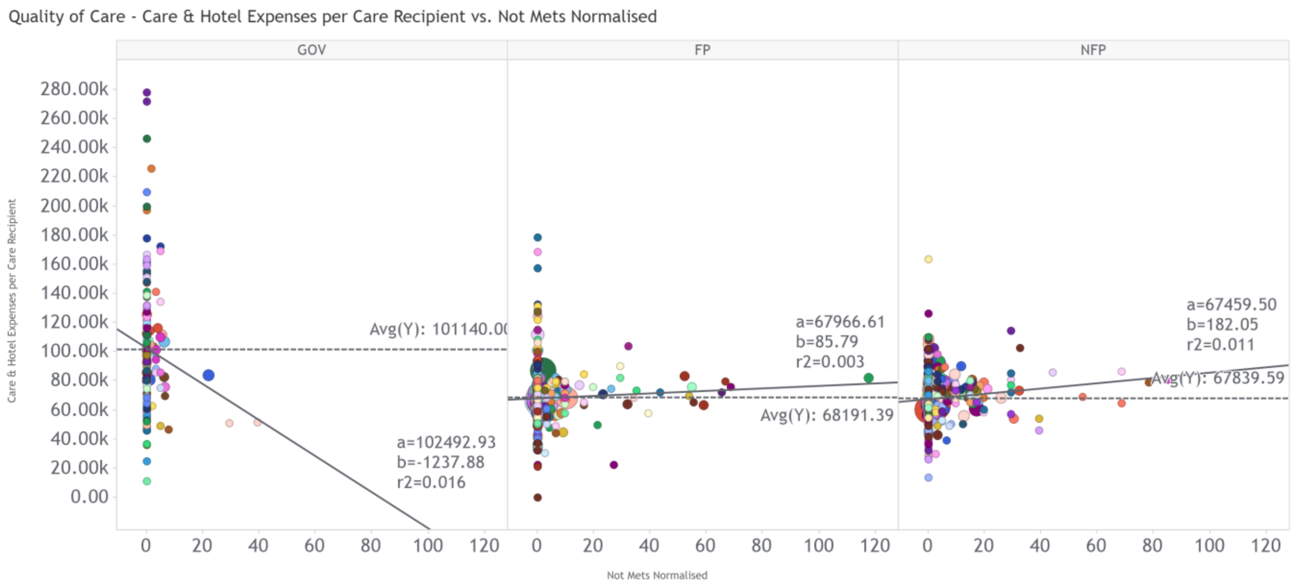
Figure 50 Serious risk (unannounced) versus RAC care and hotel expenses per recipient, FY2018



Expected outcome not-mets

Providers are required to comply with the Aged Care Quality Standards. Incidents where providers are found not to have complied with a standard are recorded as a not-met. The number of not-mets increased significantly in the last three years. Due to the low occurrence of not-mets recorded in earlier years, we have only considered this measure for the last two years. The results were divided by the number of site visits. The results was normalised to 1 by dividing the result by the mean. Results were then compared to the financial metrics.

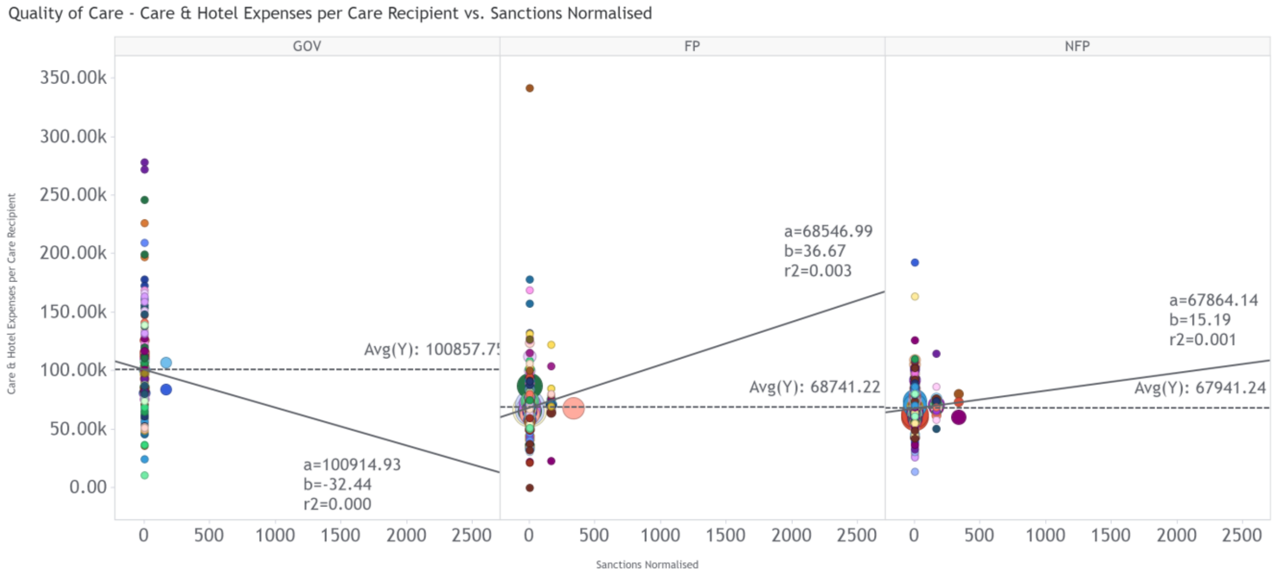
Figure 51 Not-mets versus RAC care and hotel expenses per recipient, FY2018



Sanctions

Sanctions are applied as the result of serious breaches. There are 92 sanctions recorded over the last five years, with 53 recorded in FY2019. Due to the low occurrence of sanctions recorded in earlier years, we have only considered this measure for last two years during which 77 sanctions occurred. The sanctions were compared to the financial metrics.

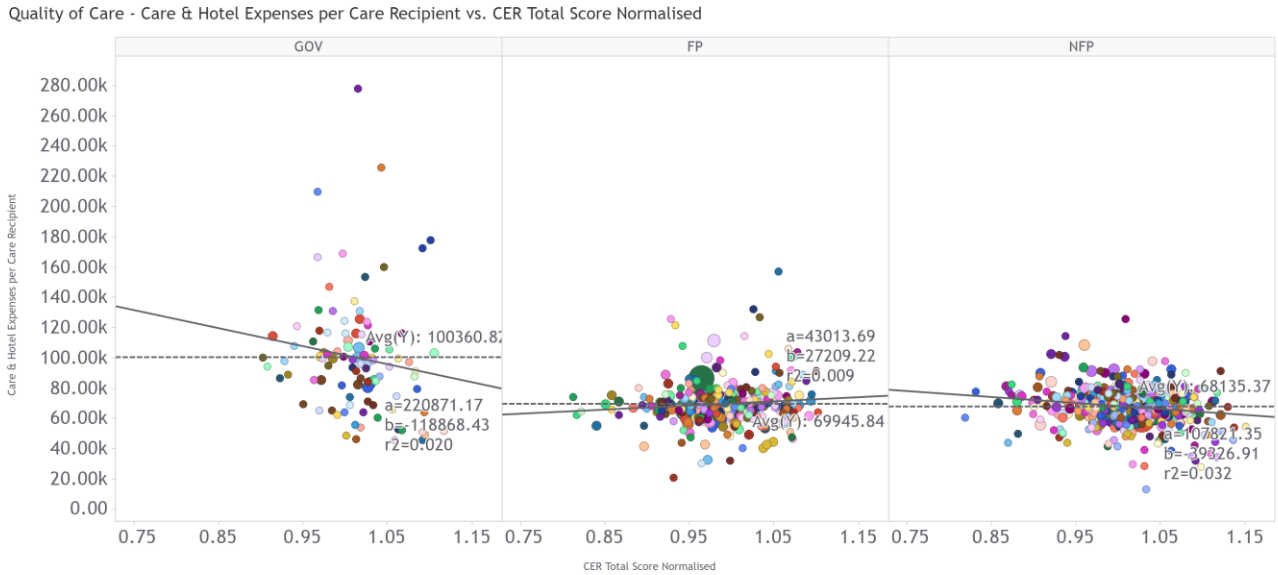
Figure 52 Sanctions versus RAC care and hotel expenses per recipient, FY2018



Consumer Experience Reports (CER)

This information is derived from interviews carried out by assessors from the Aged Care Quality and Safety Commission as part of re-accreditation audits. The data available is for the last two years. The interviews are conducted with at least 10% of those living at the home being audited. Consumers are asked 10 questions about their satisfaction with the care they receive. Each question uses a rating from never to always. To analyse this date we converted results to numbers by assigning 1 to Never, 2 to Some of the time, 3 to Most of the time and 4 to Always. Results were totalled for each question and divided by the number of participants answering that question. Then, all questions were totalled to give a summary score ranging from 10 (worst) to 40 (best). Results were then compared to the financial metrics.

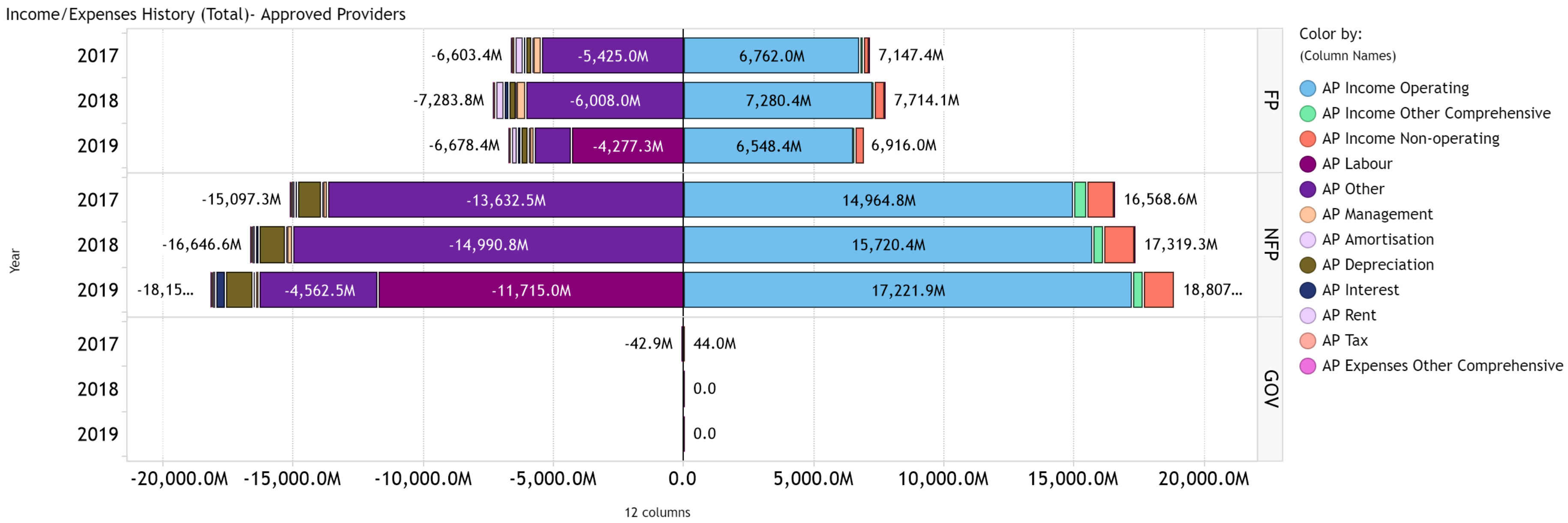
Figure 53 CER total score versus RAC care and hotel expenses per recipient, FY2018

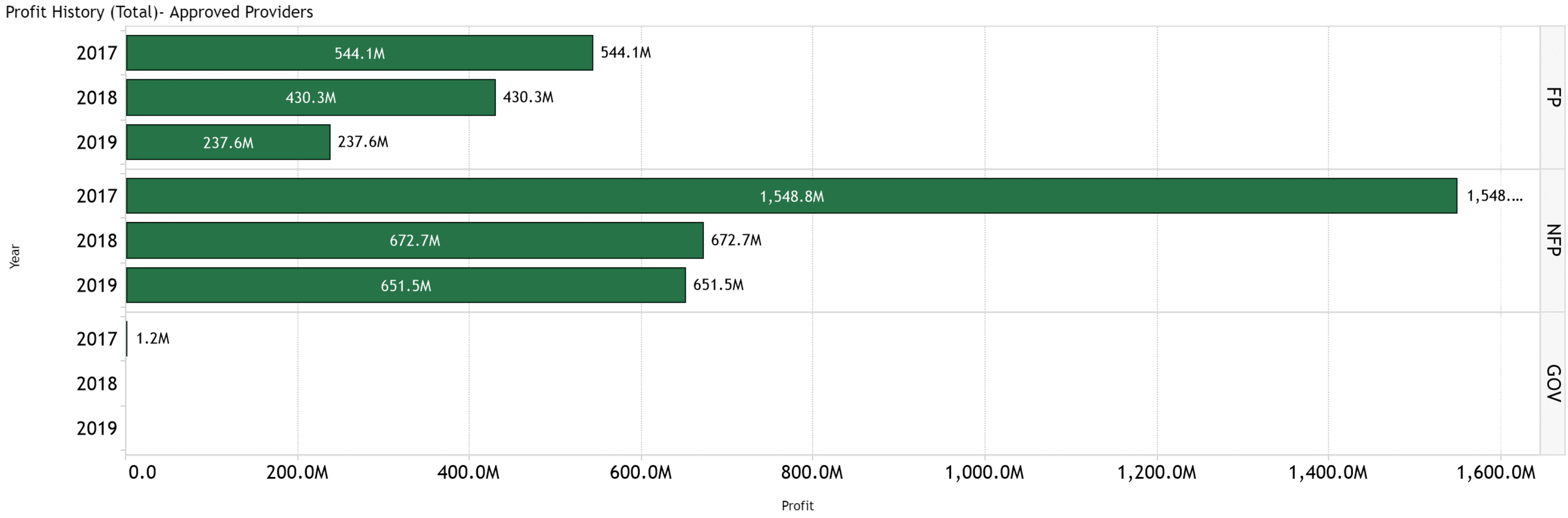


APPENDIX E: FURTHER DETAILED ANALYSIS

Further to the insights identified in the body of this Report, supporting visualisations have been provided as part of the appendix which may provide further insight for more detailed analysis. In this Appendix there are typically two types of graphs shown, one showing income and expenses as bar graphs and the other showing the corresponding profit (green) or loss (red).

E1 - TOTAL AP INCOME AND EXPENSES FOR EACH OWNERSHIP TYPE OVER TIME





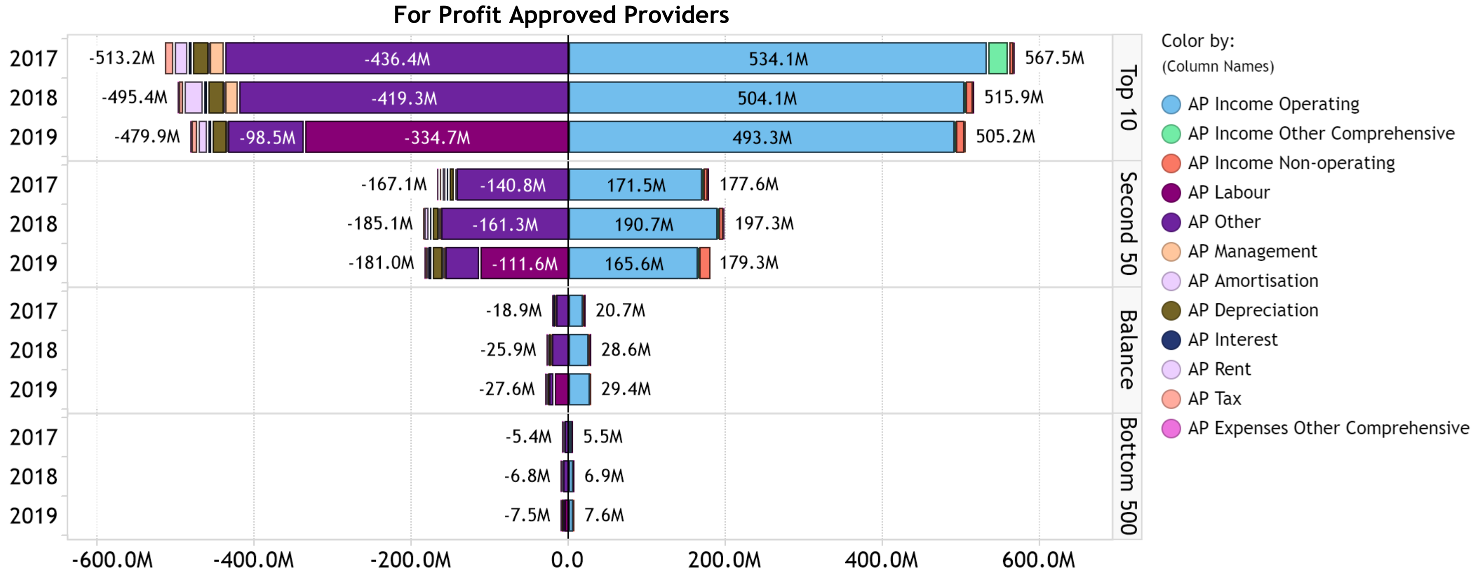
Total Income and Expenses	2017 FP ($M)	2017 NFP ($M)	2017 GOV ($M)	2018 FP ($M)	2018 NFP ($M)	2019 FP ($M)	2019 NFP ($M)	2017 Total ($M)	2018 Total ($M)	2019 Total ($M)
AP Income Operating	6,762.0	14,964.8	42.9	7,280.4	15,720.4	6,548.4	17,221.9	21,769.7	23,000.9	23,770.3
AP Income Non-operating	100.9	670.4	-	184.0	760.1	151.8	687.7	771.3	944.2	839.4
AP Income Interest Related	92.8	57.1	-	140.1	50.6	110.0	30.6	149.8	190.7	140.7
AP Income Interest Unrelated	54.2	215.0	0.7	46.3	194.3	60.5	218.3	269.8	240.6	278.8
AP Income Investment	20.9	141.7	0.4	17.5	195.0	32.8	236.3	162.9	212.5	269.1
AP Income Other Comprehensive	116.7	519.6	0.1	45.7	398.9	12.5	412.6	636.4	444.6	425.1
AP Total Income	**7,147.4**	**16,646.1**	**44.0**	**7,714.1**	**17,319.3**	**6,916.0**	**18,807.3**	**23,837.6**	**25,033.4**	**25,723.3**

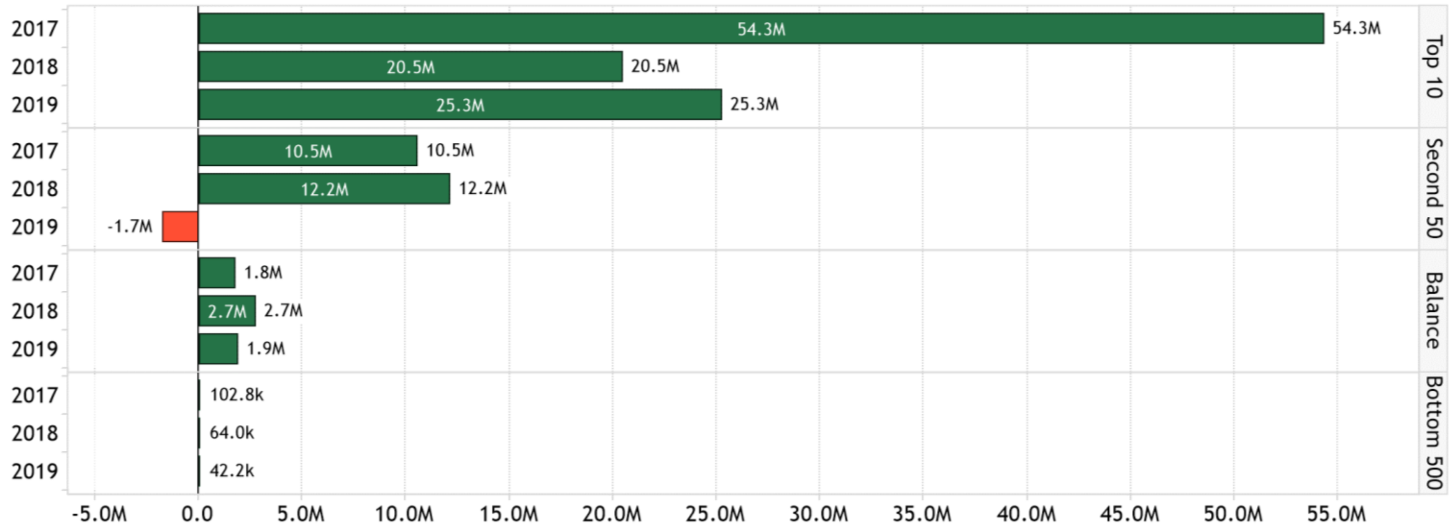
AP Expenses Labour	-	-	-	-	-	4,277.3	11,715.0	-	-	15,992.3
AP Expenses Interest Related	41.9	8.8	-	45.9	10.5	34.8	5.5	50.6	56.5	40.4
AP Expenses Management Fees Related	319.3	117.9	-	361.6	168.0	184.5	131.9	437.2	529.6	316.5
AP Expenses Rent for Buildings Related	258.2	31.2	-	306.2	43.8	195.6	76.3	289.4	350.1	271.9
AP Expenses Other	5,425.0	13,632.5	33.1	6,008.0	14,990.8	1,431.3	4,562.5	19,090.6	20,998.8	5,993.8
AP Expenses Amortisation	16.5	45.6	-	11.4	60.2	9.1	59.2	62.1	71.6	68.3
AP Expenses Depreciation	247.8	944.3	5.7	284.5	1,007.6	309.0	1,094.9	1,197.9	1,292.1	1,403.9
AP Expenses Interest Unrelated	74.9	75.5	0.1	-	-	-	-	150.4	-	-
AP Expenses Interest Other	-	-	-	111.5	103.2	97.7	328.2	-	214.7	425.9
AP Expenses Tax (Refund)	122.1	20.0	-	97.5	0.6	83.4	0.6	142.0	98.1	84.0
AP Expenses Management Fees Unrelated	6.8	67.4	-	4.3	44.0	4.0	12.0	74.2	48.3	16.0
AP Expenses Rent for Buildings Unrelated	48.0	115.9	-	50.3	112.5	47.0	92.8	163.9	162.7	139.8
AP Total Expenses	**6,603.4**	**15,097.3**	**42.9**	**7,283.8**	**16,646.6**	**6,678.4**	**18,155.8**	**21,743.5**	**23,930.4**	**24,834.2**
AP Profit	**544.1**	**1,548.8**	**1.2**	**430.3**	**672.7**	**237.6**	**651.5**	**2,094.1**	**1,103.0**	**889.1**
Profit Margin	**7.6%**	**9.3%**	**2.6%**	**5.6%**	**3.9%**	**3.4%**	**3.5%**	**8.8%**	**4.4%**	**3.5%**

Total Income and Expenses per entity	2017 FP ($M)	2017 NFP ($M)	2017 GOV ($M)	2018 FP ($M)	2018 NFP ($M)	2019 FP ($M)	2019 NFP ($M)	2017 Total ($M)	2018 Total ($M)	2019 Total ($M)
AP Income Operating	22.5	29.8	0.4	25.0	31.7	23.8	35.4	52.7	56.7	59.2
AP Income Non-operating	0.3	1.3	-	0.6	1.5	0.6	1.4	1.7	2.2	2.0
AP Income Interest Related	0.3	0.1	-	0.5	0.1	0.4	0.1	0.4	0.6	0.5
AP Income Interest Unrelated	0.2	0.4	0.0	0.2	0.4	0.2	0.4	0.6	0.6	0.7
AP Income Investment	0.1	0.3	0.0	0.1	0.4	0.1	0.5	0.4	0.5	0.6
AP Income Other Comprehensive	0.4	1.0	0.0	0.2	0.8	0.0	0.8	1.4	1.0	0.9
AP Total Income	**23.7**	**33.1**	**0.5**	**26.5**	**34.9**	**25.1**	**38.7**	**57.3**	**61.4**	**63.8**
AP Expenses Labour	-	-	-	-	-	15.6	24.1	-	-	39.7
AP Expenses Interest Related	0.1	0.0	-	0.2	0.0	0.1	0.0	0.2	0.2	0.1
AP Expenses Management Fees Related	1.1	0.2	-	1.2	0.3	0.7	0.3	1.3	1.6	0.9
AP Expenses Rent for Buildings Related	0.9	0.1	-	1.1	0.1	0.7	0.2	0.9	1.1	0.9

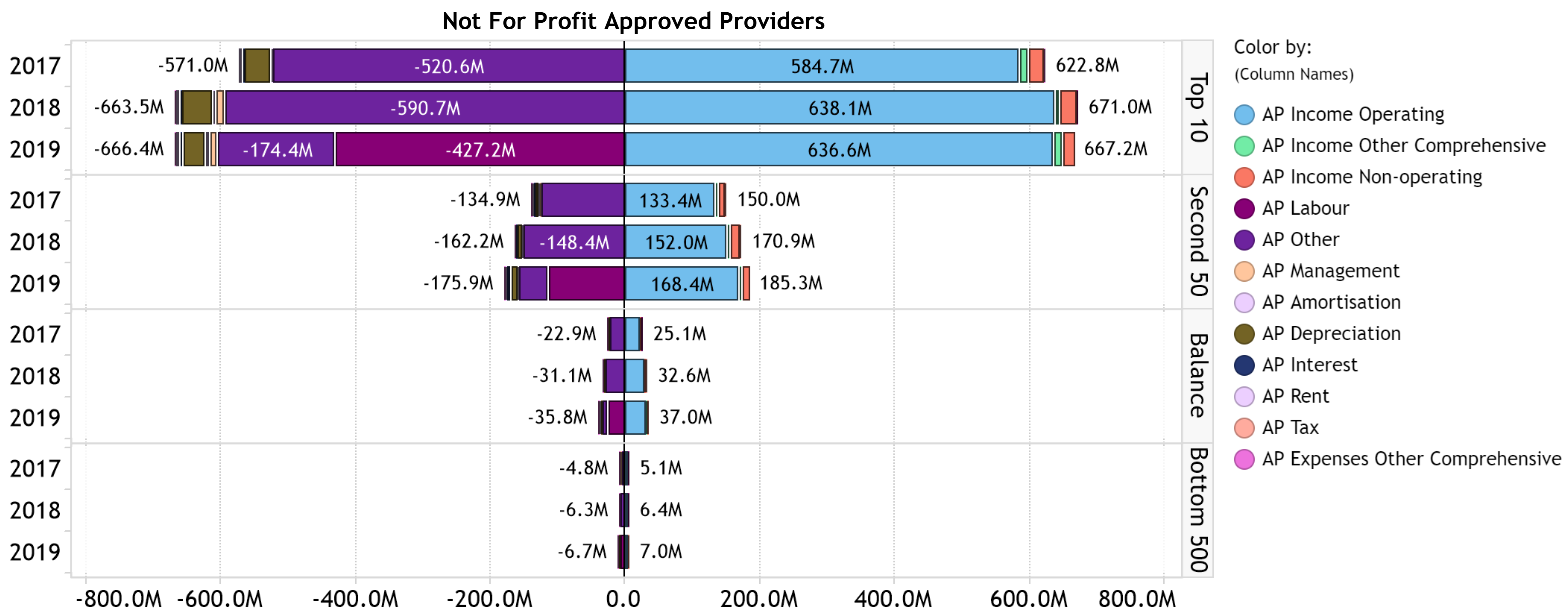
AP Expenses Other	18.0	27.1	0.3	20.6	30.2	5.2	9.4	45.5	50.9	14.6
AP Expenses Amortisation	0.1	0.1	-	0.0	0.1	0.0	0.1	0.1	0.2	0.2
AP Expenses Depreciation	0.8	1.9	0.1	1.0	2.0	1.1	2.3	2.8	3.0	3.4
AP Expenses Interest Unrelated	0.2	0.2	0.0	-	-	-	-	0.4	-	-
AP Expenses Interest Other	-	-	-	0.4	0.2	0.4	0.7	-	0.6	1.0
AP Expenses Tax (Refund)	0.4	0.0	-	0.3	0.0	0.3	0.0	0.4	0.3	0.3
AP Expenses Management Fees Unrelated	0.0	0.1	-	0.0	0.1	0.0	0.0	0.2	0.1	0.0
AP Expenses Rent for Buildings Unrelated	0.2	0.2	-	0.2	0.2	0.2	0.2	0.4	0.4	0.4
AP Total Expenses	**21.9**	**30.0**	**0.4**	**25.0**	**33.6**	**24.3**	**37.4**	**52.4**	**58.6**	**61.6**
AP Profit	**1.8**	**3.1**	**0.0**	**1.5**	**1.4**	**0.9**	**1.3**	**4.9**	**2.8**	**2.2**
Profit Margin	**7.6%**	**9.3%**	**2.6%**	**5.6%**	**3.9%**	**3.4%**	**3.5%**	**8.5%**	**4.6%**	**3.5%**

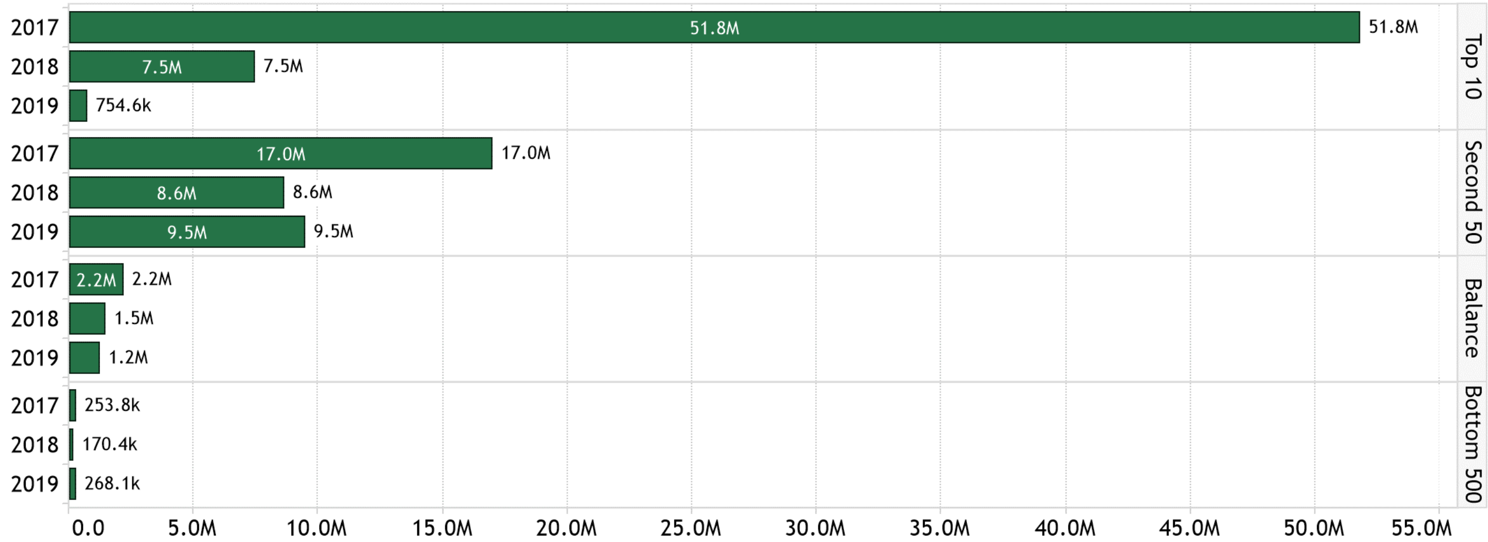
E2 - TOTAL AP INCOME AND EXPENSES FOR EACH OWNERSHIP TYPE PER ENTITY BY SIZE





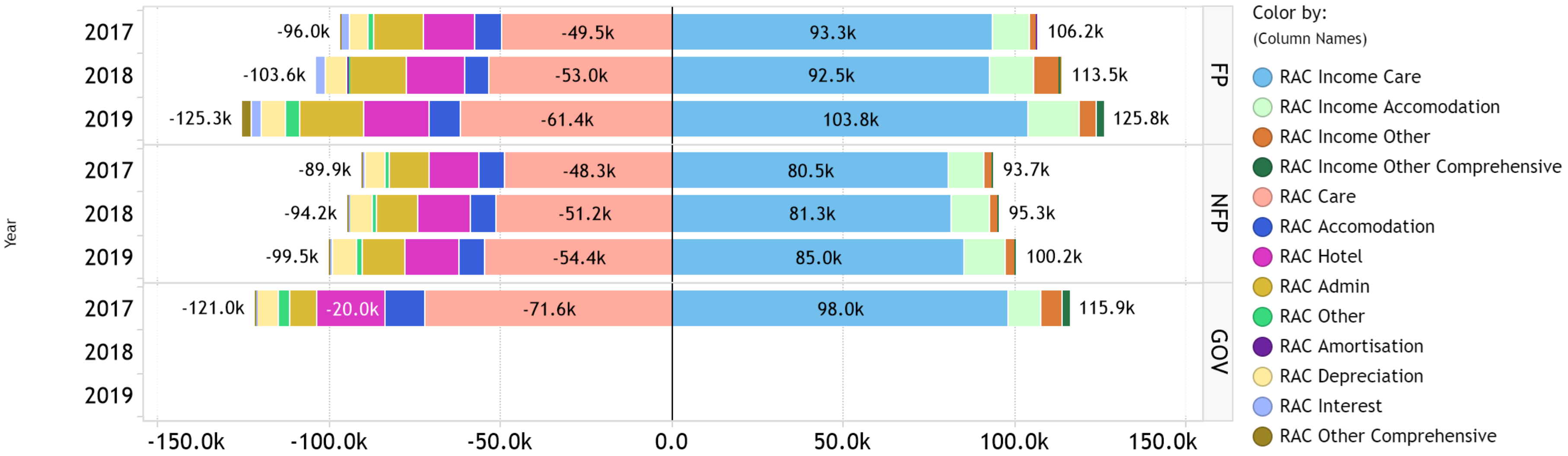
Income and Expenses per Entity (For Profit APs)	2017 Top 10	2017 Second 50	2017 Balance	2017 Bottom 500	2018 Top 10	2018 Second 50	2018 Balance	2018 Bottom 500	2019 Top 10	2019 Second 50	2019 Balance	2019 Bottom 500
AP Income Operating	534.1	171.5	19.4	5.2	504.1	190.7	25.7	6.5	493.3	165.6	27.4	7.2
AP Income Non-operating	0.6	1.6	0.5	0.1	2.0	1.5	1.6	0.2	4.3	8.3	0.7	0.1
AP Income Interest Related	3.3	3.9	0.3	0.1	8.3	3.7	0.6	0.1	2.3	4.2	0.5	0.2
AP Income Interest Unrelated	3.3	0.4	0.2	0.1	1.5	1.1	0.2	0.1	5.3	1.1	0.3	0.1
AP Income Investment	-	0.0	0.1	0.0	0.0	0.2	0.1	0.0	-	0.1	0.3	0.0
AP Income Other Comprehensive	26.4	0.1	0.1	0.0	-	0.1	0.4	0.0	-	-	0.2	0.0
AP Total Income	**567.5**	**177.6**	**20.7**	**5.5**	**515.9**	**197.3**	**28.6**	**6.9**	**505.2**	**179.3**	**29.4**	**7.6**
AP Expenses Labour	-	-	-	-	-	-	-	-	334.7	111.6	17.1	4.6
AP Expenses Interest Related	2.7	1.0	0.1	0.0	2.2	1.0	0.2	0.1	0.5	1.3	0.2	0.0
AP Expenses Management Fees Related	19.9	1.6	1.4	0.3	17.6	1.7	1.7	0.6	-	2.6	1.1	0.4
AP Expenses Rent for Buildings Related	14.0	4.8	0.9	0.3	21.1	5.3	1.0	0.4	9.3	1.3	0.8	0.5
AP Expenses Other	436.4	140.8	15.0	4.3	419.3	161.3	20.7	5.3	98.5	43.7	6.0	1.5
AP Expenses Amortisation	0.3	0.7	0.1	0.0	0.3	0.2	0.1	0.0	0.2	0.1	0.1	0.0
AP Expenses Depreciation	20.6	7.7	0.6	0.2	19.9	8.3	1.0	0.2	19.2	14.4	1.2	0.2
AP Expenses Interest Unrelated	3.9	2.3	0.2	0.1	-	-	-	-	-	-	-	-
AP Expenses Interest Other	-	-	-	-	4.5	3.3	0.5	0.1	5.1	3.5	0.4	0.1
AP Expenses Tax (Refund)	12.9	2.6	0.3	0.1	7.9	3.1	0.3	0.1	10.0	1.8	0.3	0.0
AP Expenses Management Fees Unrelated	-	-	0.0	0.0	-	-	0.0	0.0	-	-	0.0	0.0
AP Expenses Rent for Buildings Unrelated	2.7	0.8	0.2	0.0	2.6	1.0	0.3	0.0	2.3	0.6	0.4	0.0
AP Total Expenses	**513.2**	**167.1**	**18.9**	**5.4**	**495.4**	**185.1**	**25.9**	**6.8**	**479.9**	**181.0**	**27.6**	**7.5**
AP Profit	**54.3**	**10.5**	**1.8**	**0.1**	**20.5**	**12.2**	**2.7**	**0.1**	**25.3**	**(1.7)**	**1.9**	**0.0**
Profit Margin	**9.6%**	**5.9%**	**8.5%**	**1.9%**	**4.0%**	**6.2%**	**9.6%**	**0.9%**	**5.0%**	**-1.0%**	**6.4%**	**0.6%**

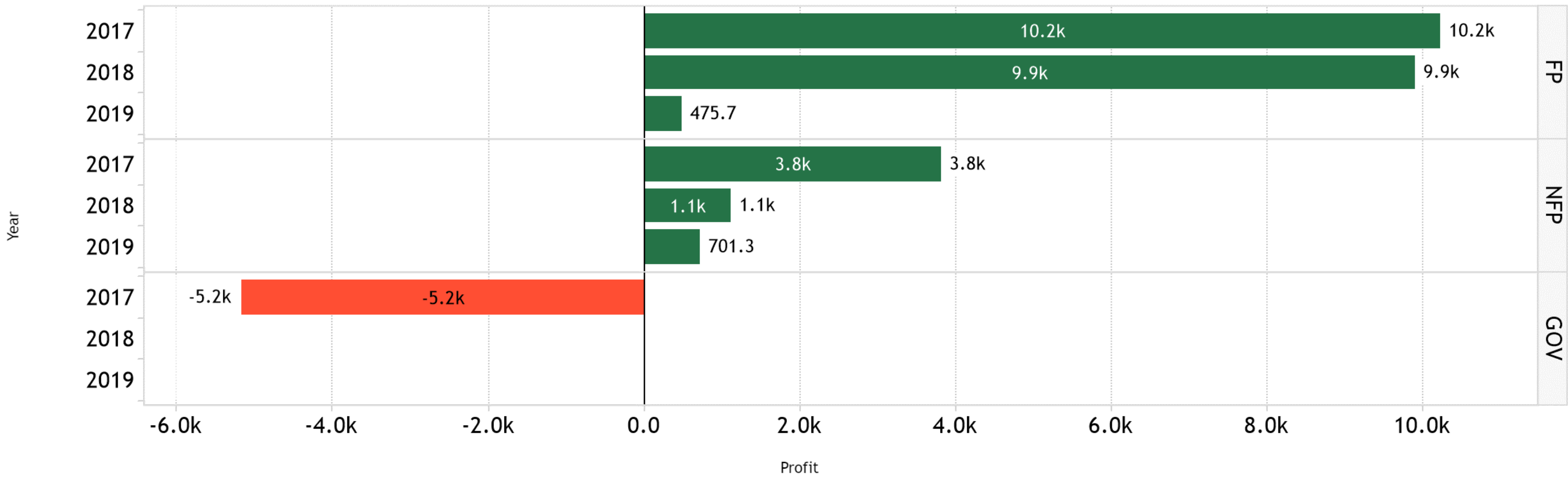

Not For Profit Approved Providers
2017
2018
2019
-571.0M
-520.6M
584.7M
622.8M
-663.5M
-590.7M
638.1M
671.0M
-666.4M
-174.4M
-427.2M
636.6M
667.2M
Top 10
-134.9M
133.4M
150.0M
-162.2M
-148.4M
152.0M
170.9M
-175.9M
168.4M
185.3M
Second 50
-22.9M
25.1M
-31.1M
32.6M
-35.8M
37.0M
Balance
-4.8M
5.1M
-6.3M
6.4M
-6.7M
7.0M
Bottom 500
-800.0M
-600.0M
-400.0M
-200.0M
0.0
200.0M
400.0M
600.0M
800.0M
Color by:
(Column Names)
AP Income Operating
AP Income Other Comprehensive
AP Income Non-operating
AP Labour
AP Other
AP Management
AP Amortisation
AP Depreciation
AP Interest
AP Rent
AP Tax
AP Expenses Other Comprehensive


2017
2018
2019
51.8M
7.5M
754.6k
Top 10
17.0M
8.6M
9.5M
Second 50
2.2M
1.5M
1.2M
Balance
253.8k
170.4k
268.1k
Bottom 500
0.0
5.0M
10.0M
15.0M
20.0M
25.0M
30.0M
35.0M
40.0M
45.0M
50.0M
55.0M

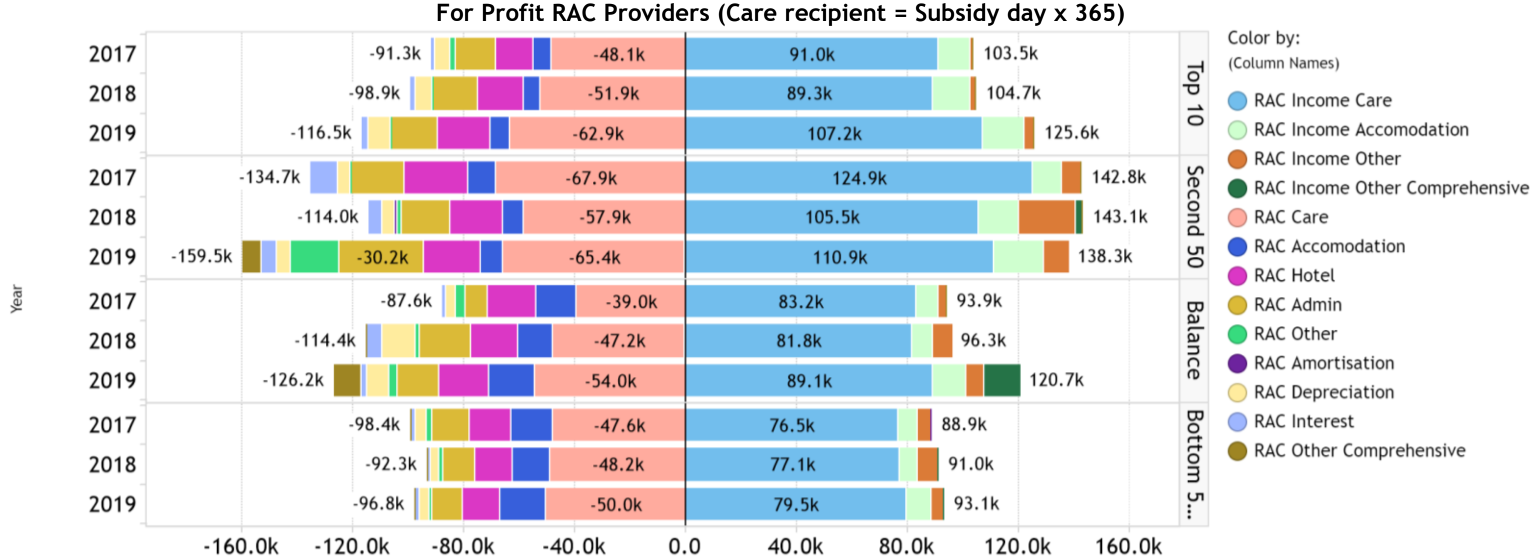
Income and Expenses per Entity (NFP APs)	2017 Top 10	2017 Second 50	2017 Balance	2017 Bottom 500	2018 Top 10	2018 Second 50	2018 Balance	2018 Bottom 500	2019 Top 10	2019 Second 50	2019 Balance	2019 Bottom 500
AP Income Operating	584.7	133.4	22.2	4.7	638.1	152.0	29.3	5.9	636.6	168.4	33.0	6.4
AP Income Non-operating	12.3	7.4	1.2	0.2	13.4	10.1	1.4	0.2	10.0	7.9	1.7	0.2
AP Income Interest Related	4.5	0.4	0.0	0.0	3.2	0.5	0.1	0.0	1.9	0.2	0.0	0.0
AP Income Interest Unrelated	2.7	2.2	0.4	0.1	3.4	1.7	0.5	0.1	4.2	1.9	0.6	0.1
AP Income Investment	5.7	1.3	0.2	0.0	7.3	1.8	0.4	0.1	2.0	2.5	0.7	0.1
AP Income Other Comprehensive	12.9	5.3	1.0	0.0	5.5	4.8	0.9	0.1	12.5	4.5	0.9	0.1
AP Total Income	622.8	151.8	25.1	5.1	671.0	170.9	32.6	6.4	667.2	185.3	37.0	7.0
AP Expenses Labour	-	-	-	-	-	-	-	-	427.2	111.1	23.6	4.5
AP Expenses Interest Related	0.1	0.1	0.0	0.0	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.0
AP Expenses Management Fees Related	-	0.7	0.3	0.1	14.2	0.6	0.2	0.1	12.0	0.7	0.1	0.1
AP Expenses Rent for Buildings Related	1.8	0.1	0.1	0.0	1.4	0.4	0.1	0.0	3.1	0.9	0.1	0.0
AP Expenses Other	520.6	122.7	20.4	4.3	590.7	148.4	27.8	5.5	174.4	44.6	8.7	1.6
AP Expenses Amortisation	2.9	0.3	0.0	0.0	4.2	0.6	0.1	0.0	5.5	0.3	0.1	0.0
AP Expenses Depreciation	39.5	8.0	1.4	0.3	46.0	8.8	2.0	0.4	33.8	11.1	2.3	0.4
AP Expenses Interest Unrelated	2.6	0.6	0.1	0.0	-	-	-	-	-	-	-	-
AP Expenses Interest Other	-	-	-	-	2.5	0.6	0.3	0.1	3.9	6.0	0.3	0.0
AP Expenses Tax (Refund)	(0.0)	-	0.1	0.0	0.1	-	-	0.0	0.1	0.0	0.0	0.0
AP Expenses Management Fees Unrelated	-	0.6	0.2	0.0	-	0.0	0.2	0.0	-	0.0	0.0	0.0
AP Expenses Rent for Buildings Unrelated	3.5	1.6	0.1	0.0	4.1	1.6	0.1	0.0	4.0	1.1	0.2	0.0
AP Total Expenses	571.0	134.9	22.9	4.8	663.5	162.2	31.1	6.3	666.4	175.9	35.8	6.7
AP Profit	51.8	17.0	2.2	0.3	7.5	8.6	1.5	0.2	0.8	9.5	1.2	0.3
Profit Margin	8.3%	11.2%	8.7%	5.0%	1.1%	5.1%	4.5%	2.7%	0.1%	5.1%	3.4%	3.8%

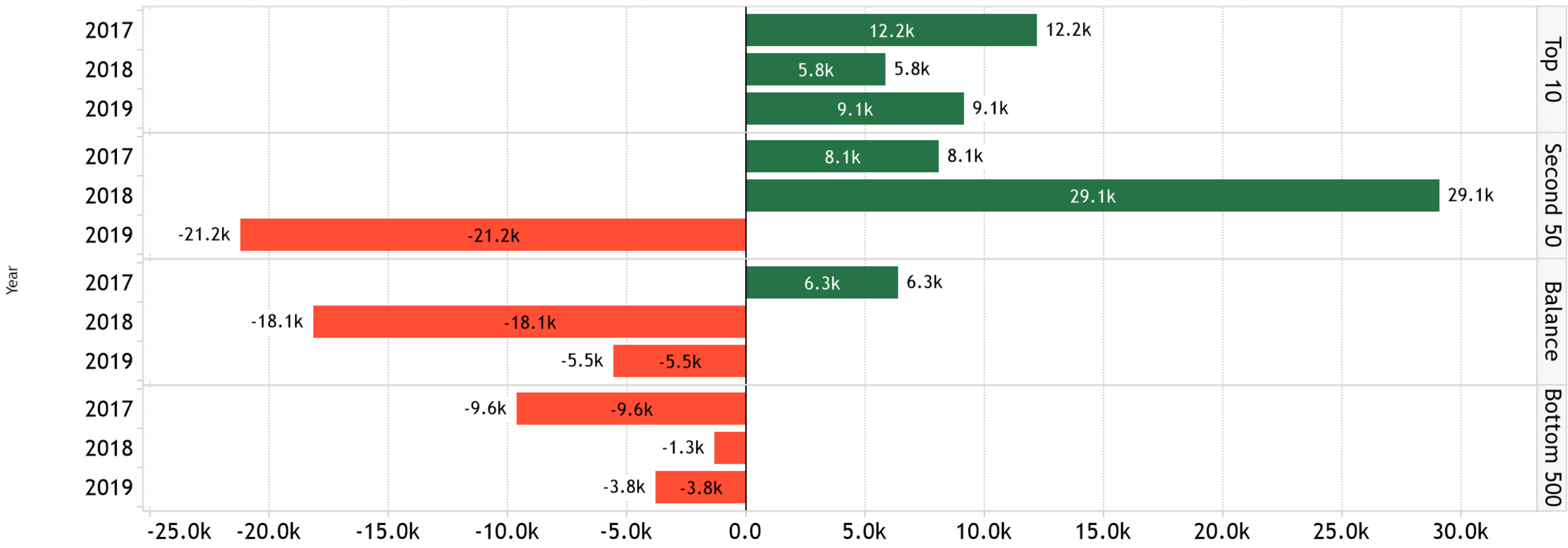
E3 - TOTAL RAC INCOME AND EXPENSES FOR EACH OWNERSHIP TYPE OVER TIME



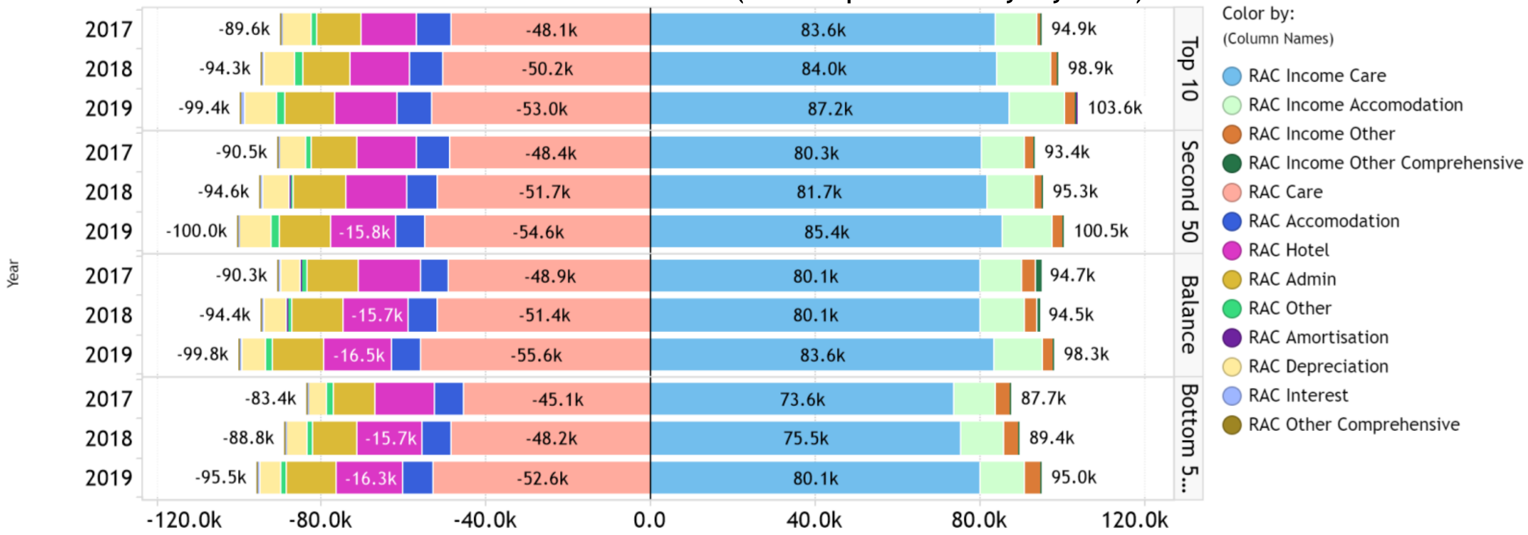


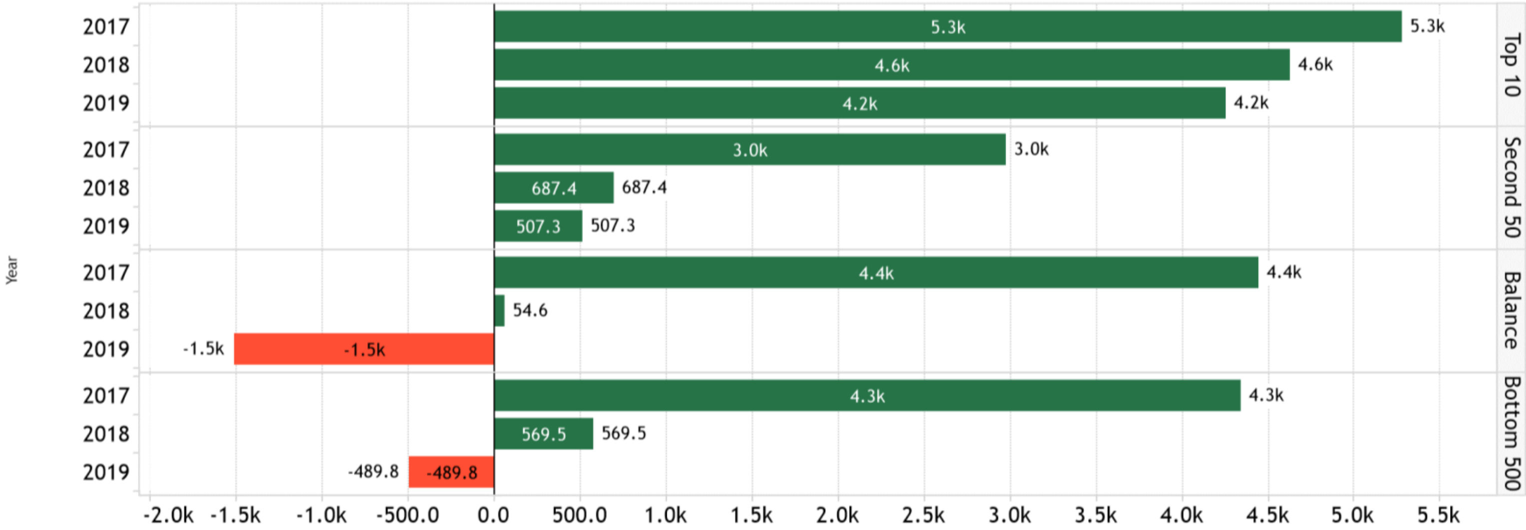
E4 - TOTAL RAC INCOME AND EXPENSES FOR EACH OWNERSHIP TYPE PER CARE RECIPIENT BY SIZE



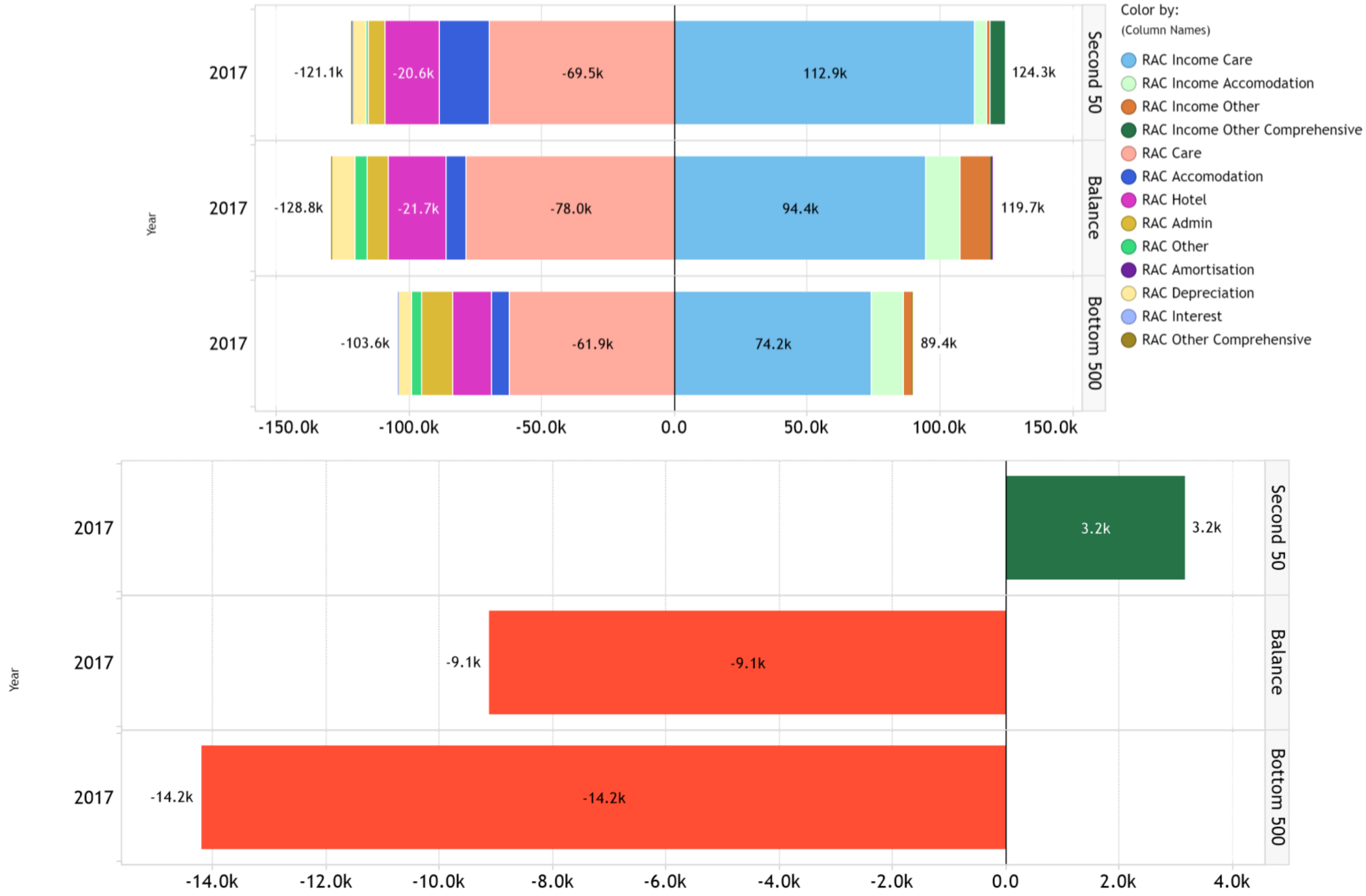


Not For Profit RAC Providers (Care recipient = Subsidy day x 365)

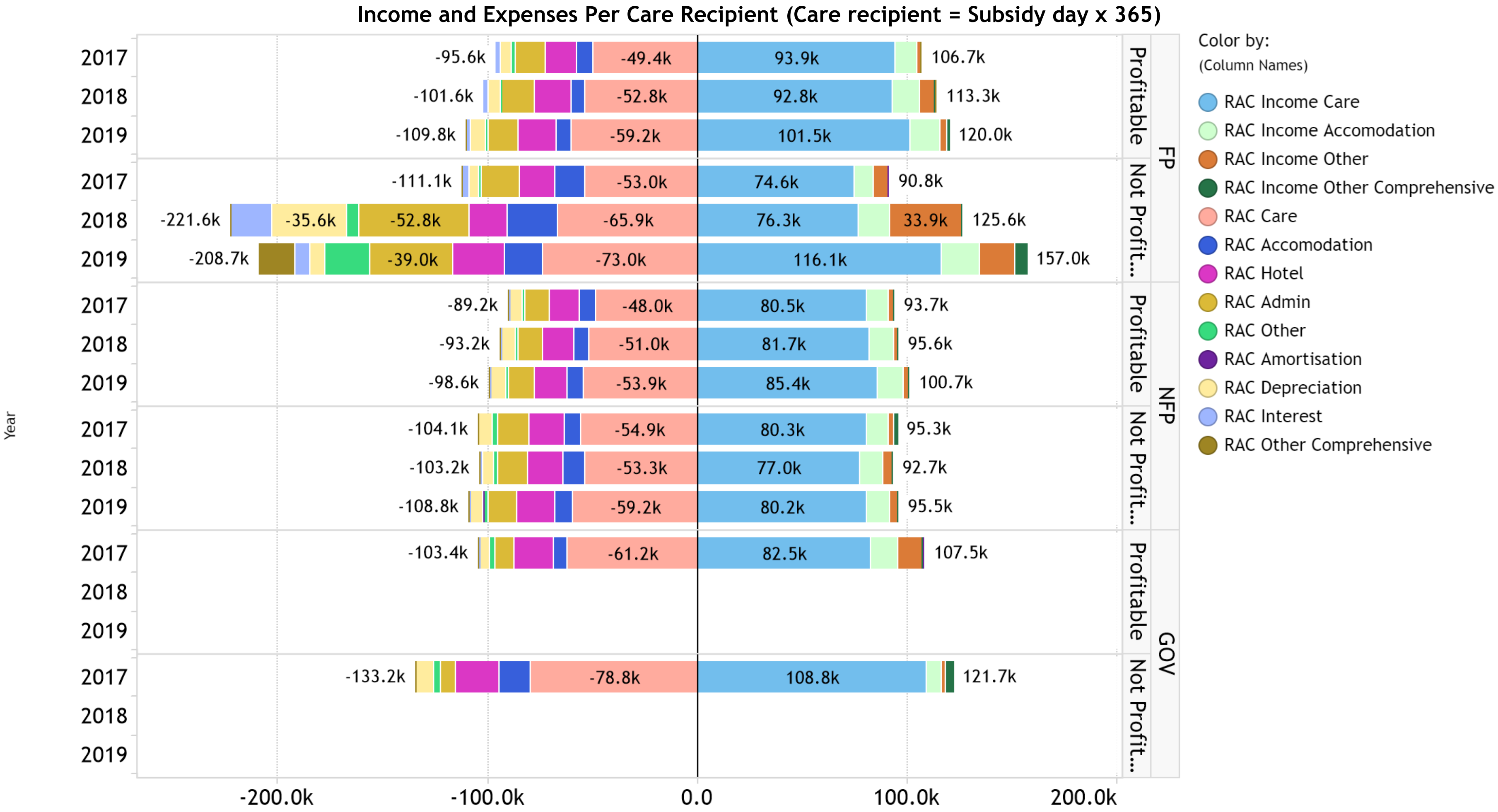


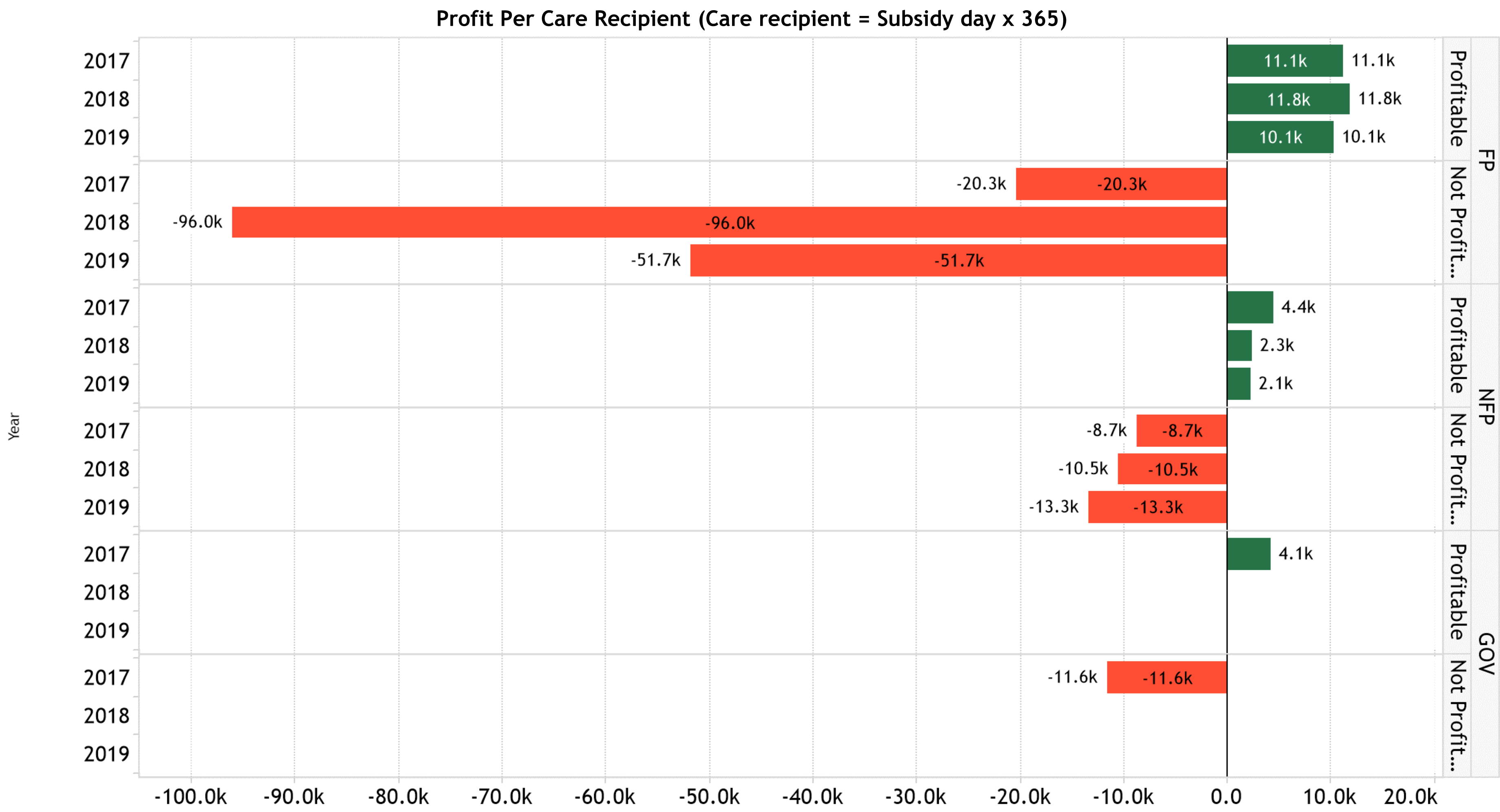


Government RAC Providers (Care recipient = Subsidy day x 365)

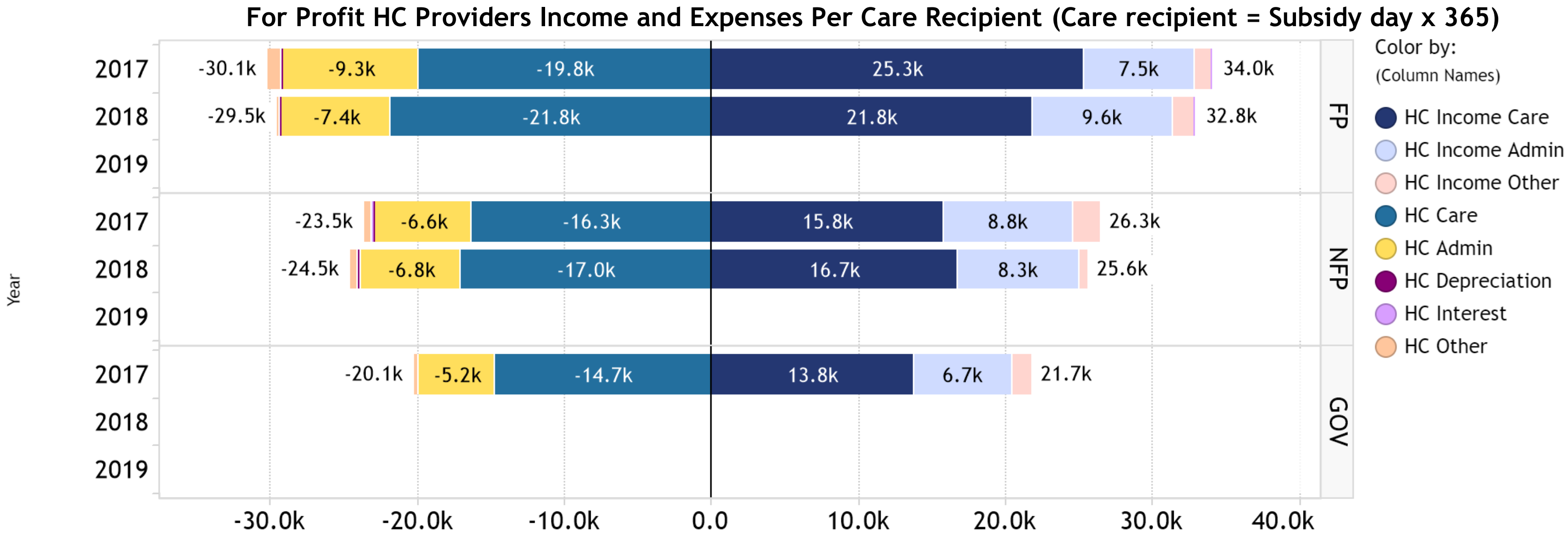


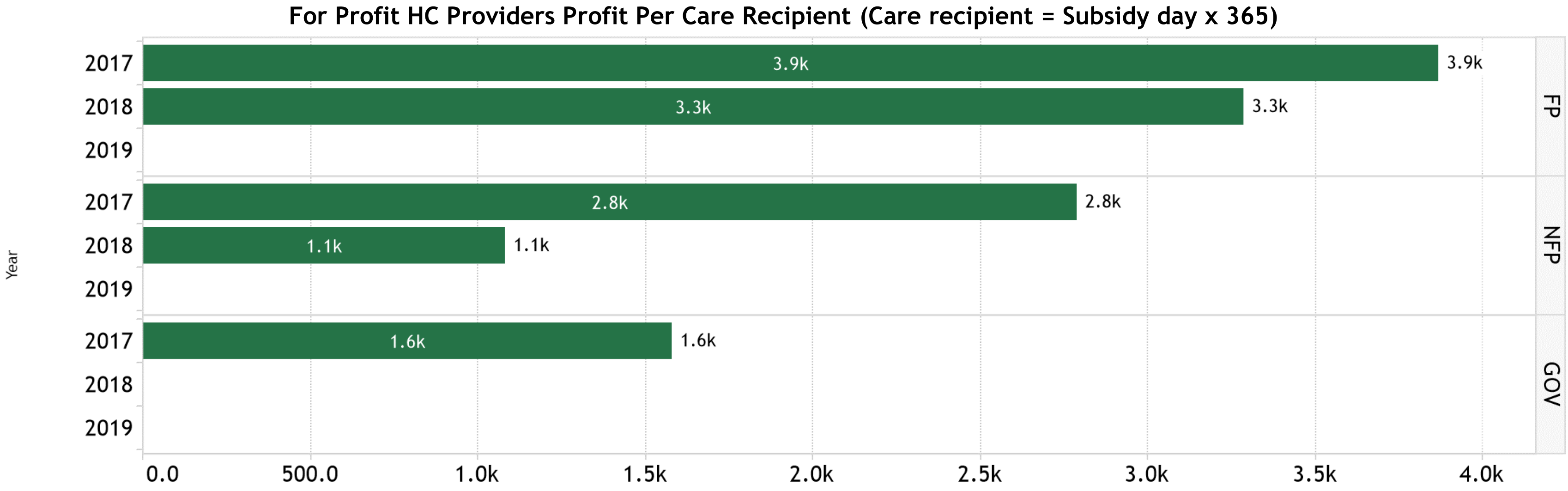
E5 - TOTAL RAC INCOME AND EXPENSES FOR EACH OWNERSHIP TYPE BY PROFITABILITY OVER TIME




Profit Per Care Recipient (Care recipient = Subsidy day x 365)
Year
2017
2018
2019
11.1k
11.8k
10.1k
-20.3k
-96.0k
-51.7k
4.4k
2.3k
2.1k
-8.7k
-10.5k
-13.3k
4.1k
-11.6k
Profitable
Not Profit...
FP
NFP
GOV
-100.0k
-90.0k
-80.0k
-70.0k
-60.0k
-50.0k
-40.0k
-30.0k
-20.0k
-10.0k
0.0
10.0k
20.0k

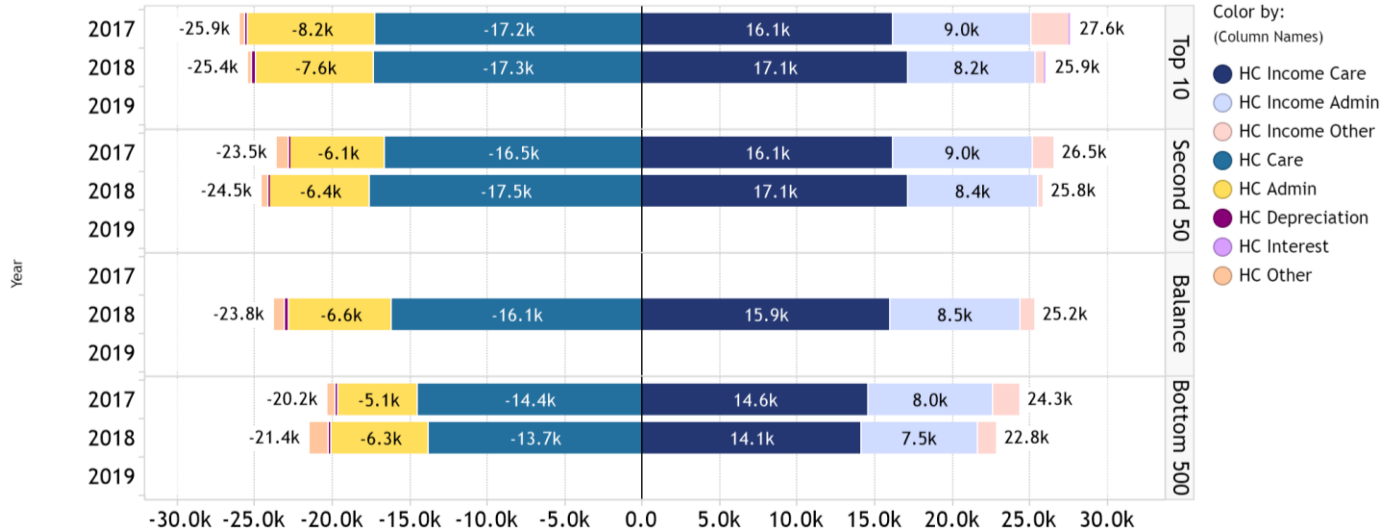
E6 - TOTAL HC INCOME AND EXPENSES FOR EACH OWNERSHIP TYPE OVER TIME



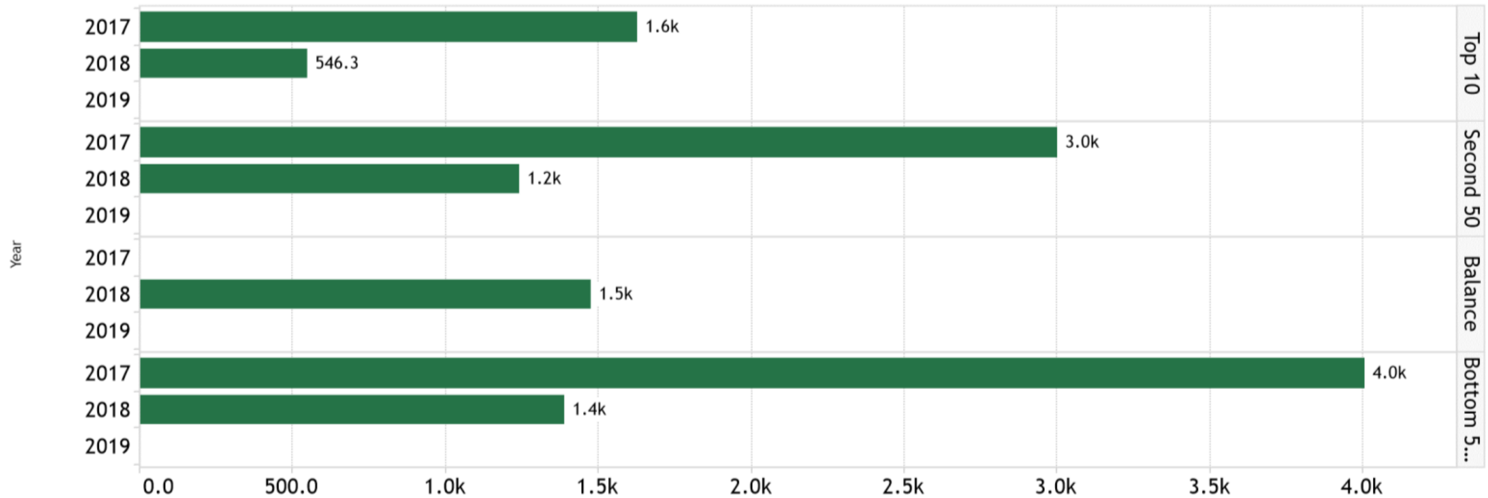


E7 - TOTAL HC INCOME AND EXPENSES FOR EACH OWNERSHIP TYPE PER CARE RECIPIENT BY SIZE

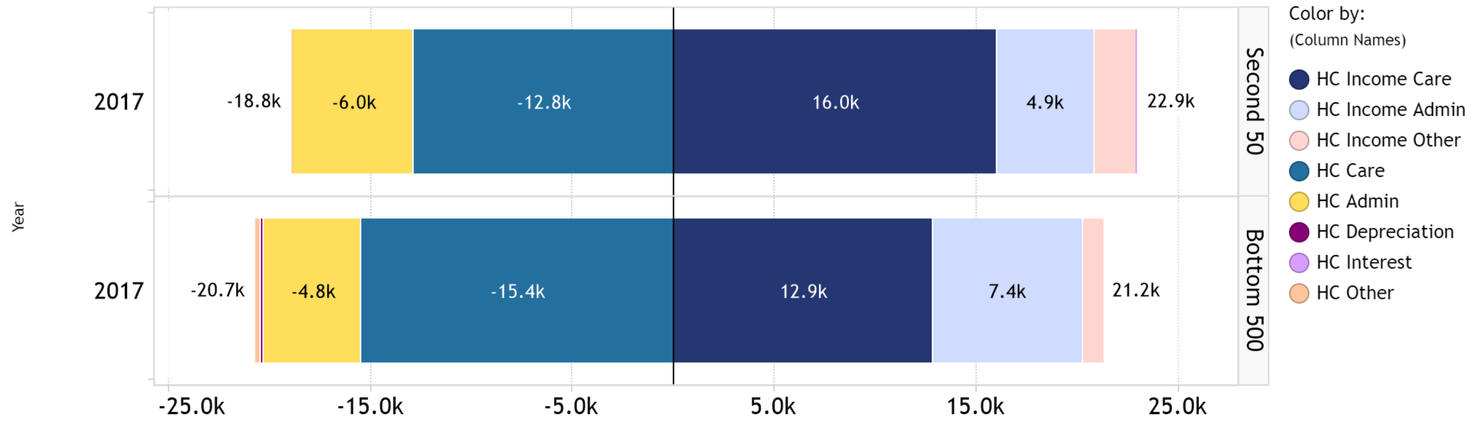
Not For Profit HC Providers Income and Expenses Per Care Recipient (Care recipient = Subsidy day x 365)



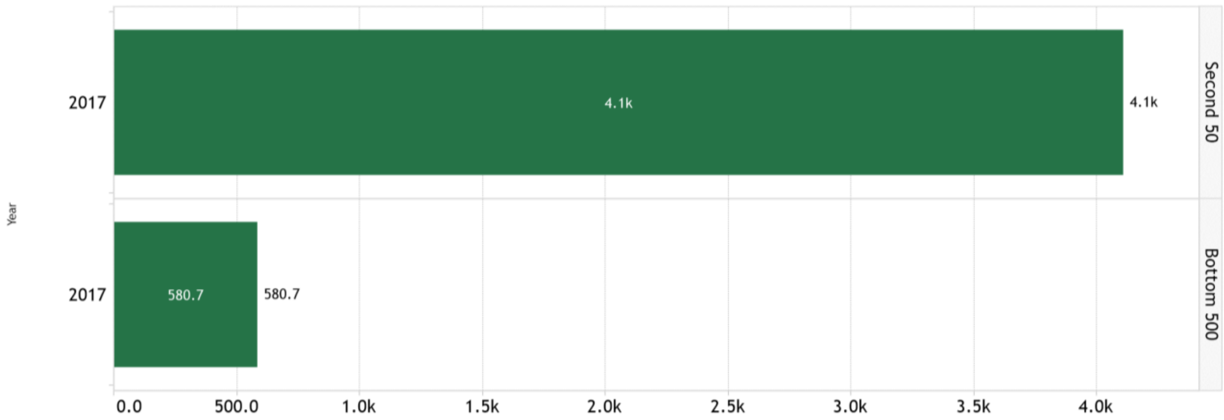
Not For Profit HC Providers Profit Per Care Recipient (Care recipient = Subsidy day x 365)



Government HC Providers Income and Expenses Per Care Recipient (Care recipient = Subsidy day x 365)



Government HC Providers Profit Per Care Recipient (Care recipient = Subsidy day x 365)



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