



Quarterly Financial Snapshot

Aged Care Sector

Quarter 4 2022-23
April to June 2023

Introduction

The Australian Government is committed to transparency in aged care through the collection and publication of financial information, to provide valuable insights to the sector and community.

As part of this commitment, the Department of Health and Aged Care publishes a Quarterly Financial Snapshot (QFS) on the Australian aged care sector. This aligns with recommendations from the Royal Commission into Aged Care Quality and Safety (the Royal Commission) to increase financial transparency in aged care.

Improving the financial sustainability of the aged care sector remains a priority for the Australian Government.

This is the fourth time the QFS has been published and this report covers the period 1 April to 30 June 2023 (quarter 4 of the 2022-23 financial year).

The QFS:

- Provides timely information for aged care service providers to compare and benchmark their performance with sector-level results
- Supports the monitoring of key financial metrics across the aged care system
- Complements other existing publications such as the annual Financial Report on the Australian Aged Care Sector (FRAACS), aged care Star Ratings and the Food and Nutrition Report

Reforming aged care

The Australian Government is reforming the aged care system through key initiatives aimed at driving structural change, improving financial sustainability and viability, and increasing transparency in aged care.

A detailed list of priorities relating to the financial performance of the sector is available in the [quarter 2 QFS](#) for the 2022-23 financial year and in the 2023-24 Budget material found [here](#).

Four quarters of financial information from aged care providers has now been collected and published in the QFS, providing a detailed overview of the financial performance of the sector across the 2022-23 financial year. Key reforms implemented during the 2022-23 financial year include:

- The introduction of the Australian National Aged Care Classification (AN-ACC) funding model on 1 October 2022 which increased the average per occupied

bed day (OBD) funding to \$227.34 for the April to June 2023 quarter. This is an increase on the average OBD funding of \$192.67 under the former Aged Care Funding Instrument (ACFI) in the quarter prior to the introduction of AN-ACC.

- An additional \$3.9 billion investment announced by the Government as part of the October 2022-23 Budget.
- The capping of care and package management charges in the Home Care Packages (HCP) Program. From 1 January 2023, care management has been capped at 20 per cent of the package level, and package management has been capped at 15 per cent of the package level.

During its first year, the QFS has established a baseline of data which will enable ongoing monitoring of policy and reform impacts to the financial performance of the sector into the future, including:

- Annual increases in residential care funding informed by advice from the Independent Health and Aged Care Pricing Authority (IHACPA), which will ensure care funding moves in line with the costs of delivering care from 1 July 2023.
- The Fair Work Commission's (FWC) decision for an interim 15 per cent minimum award wage increase which commenced on 30 June 2023, to build and sustain a valued aged care workforce. The Australian Government has committed \$11.3 billion in funding for providers to pass on the wage increase.
- The commencement of 24/7 registered nurse responsibility from 1 July 2023 to reduce the risk of resident harm by ensuring qualified and experienced care staff are always available to identify and address potential risks.
- The mandatory responsibility for aged care providers to achieve a sector average of 200 care minutes per resident per day, including 40 minutes of registered nurse time per day from 1 October 2023.
- Design of a new reformed and improved in-home aged care program.

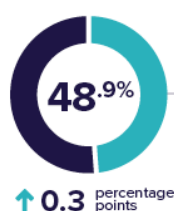
In addition to reforms underway, the Aged Care Taskforce was established in June 2023 to provide advice to the Government on funding arrangements to ensure the aged care system is fair and equitable for all Australians. The Taskforce has undertaken extensive consultation with the sector to inform advice to Government and is due to report by the end of 2023.

Summary of findings

| Financial summary year-to-date | | | | | | |
|--|------------------|--------|-----------|-----------------------|---------------|--------|
| For-profit and not-for-profit providers per resident per day | | | | | | |
| Residential care | | | Home care | | | |
| Net loss before tax | (\$13.81) | ↑ | \$ | Net profit before tax | \$4.07 | ↑ |
| | | \$0.87 | | | | \$0.42 |
| EBITDA | \$21.35 | ↑ | | EBITDA | \$4.59 | ↑ |
| | | \$3.53 | | | \$0.42 | |

| Financial summary quarter 4 (estimate) | | | | | | |
|--|------------------|--------|-----------|-----------------------|---------------|--------|
| For-profit and not-for-profit providers per resident per day | | | | | | |
| Residential care | | | Home care | | | |
| Net profit before tax | (\$11.23) | ↓ | \$ | Net profit before tax | \$5.25 | ↑ |
| | | \$7.83 | | | | \$1.51 |
| EBITDA | \$31.80 | ↑ | | EBITDA | \$5.77 | ↑ |
| | | \$4.04 | | | \$1.53 | |

| Percentage of profitable providers year-to-date | |
|--|-----------|
| Profit defined as year to date net profit before tax | |
| Residential care | Home care |



57.4%
For-profit

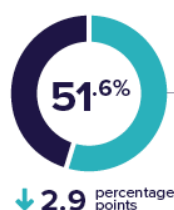
43.8%
Not-for-profit



80.7%
For-profit

70.3%
Not-for-profit

| Percentage of profitable providers quarter 4 (estimate) | |
|---|-----------|
| Profit defined as estimated quarter 4 net profit before tax | |
| Residential care | Home care |



57.4%
For-profit

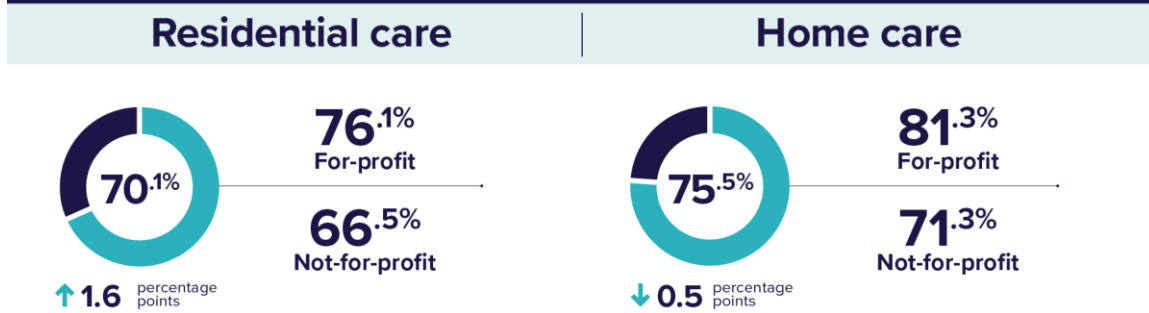
48.3%
Not-for-profit



68.5%
For-profit

57.9%
Not-for-profit

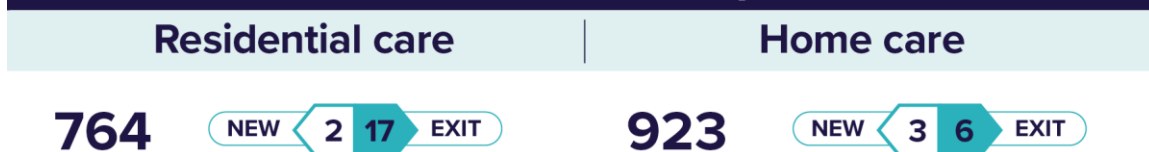
Percentage of providers with positive EBITDA year-to-date



Percentage of providers with positive EBITDA quarter 4 (estimate)



Provider numbers in quarter 4



A provider exiting the sector may result in the services they delivered being transferred to another approved provider, closure of a service or a service being marked as inactive.

Residential care sector average care minutes quarter 4



Average care minutes mandatory from



Residential care

This QFS shows a continued improvement in the overall financial performance of residential aged care providers.

Residential care year-to-date earnings before interest, tax, depreciation and amortisation (EBITDA) improved by \$3.53 per resident per day, totalling \$21.35. The number of residential providers reporting a positive year-to-date EBITDA position also improved to 70.1 per cent, up 1.6 percentage points.

Sector-level residential care net profit before tax performance improved by \$0.87 per resident per day on the March 2023 year-to-date position. While there was improvement, the June 2023 year-to-date total net position before tax for the sector was a loss of \$924.0 million. This equates to a net loss before tax of \$13.81 per resident per day.

Residential aged care providers reported an annual net loss before tax of \$2.264 billion in the 2021-22 FRAACS. The annual result reported in this QFS is a significant improvement on 2021-22 FRAACS position, but it does not show the complete outcome for the financial year and caution should be exercised when comparing QFS with FRAACS.

This is because QFR data for the QFS is prepared predominantly using data from management accounts which are unaudited (but approved by the provider's Board), while ACFR data (reported in the FRAACS) is audited and reported after all end of year adjustments have been made.

It is expected that the future 2022-23 FRAACS overall result will decline from the QFS position reported here due to end of year expenses and adjustments that may not have been captured in providers' QFR.

The number of residential providers reporting a year-to-date net profit before tax increased to 48.9 per cent (up 0.3 percentage points on March 2023 year-to-date).

Occupancy rates can have a significant impact on viability and the overall financial performance of providers. The sector-level average occupancy rate was 86.7 per cent in quarter 4, which is an increase of 0.7 percentage points on the quarter 3 result.

Sector-level average care minutes increased by 4 minutes in quarter 4, totalling 194 minutes per resident per day (including 37 minutes for registered nurses). The Government expects care minutes to continue to increase in the lead up to care minute targets becoming mandatory on 1 October 2023.

In quarter 4, the department collected new data through the QFR on the lowest and highest hourly rates for registered nurses, enrolled nurses and personal care workers/assistants in nursing.

The residential care sector median lowest and highest hourly rate was \$35 and \$52 for registered nurses, \$30 and \$34 for enrolled nurses and \$25 and \$30 for personal care workers/assistants in nursing.

The new hourly rate data has been published in the April to June 2023 QFS for the first time to provide a baseline for comparison in future publications. This provides transparency on hourly rates in the quarter prior to implementation of the FWC decision to increase the minimum award wage by 15 per cent from 30 June 2023.

In quarter 4, providers spent more on wages, as median labour costs per resident per day rose to \$185 (up from \$179 in quarter 3). This is consistent with the expectation that labour costs will increase as the sector works towards meeting care minute requirements.

Home care

The overall home care result continued to be profitable in quarter 4 and the year-to-date EBITDA per recipient per day increased to \$4.59 (up \$0.42). However, there was a slight decrease in the number of home care providers reporting a positive EBITDA (75.5 per cent, down from 76.0 per cent on March 2023 year-to-date).

The June 2023 year-to-date total net position before tax for the home care sector was a profit of \$320.4 million. For-profit and not-for-profit home care providers returned a combined year-to-date net profit before tax result of \$4.07 per recipient per day (up \$0.42 on March 2023 year-to-date). Revenue and expenses increased in quarter 4, with revenue slightly increasing more than expenses, resulting in the increased net profit before tax result.

Home care providers reported an annual net profit before tax of \$197.4 million in the 2021-22 FRAACS. As outlined above, it is expected that the 2022-23 FRAACS result will differ from the June 2023 year-to-date QFS position due to end of year expenses that may not have been posted at the time providers submitted their QFR. The ACFR is due 3 months after the QFR quarter 4 due date.

The year-to-date percentage of profitable home care providers increased slightly to 74.7 per cent (up from 74.5 per cent March 2023 year-to-date).

This is the second quarter of data available since the introduction of capping on care and package management charges to ensure that more funds are available to meet the needs of Home Care Package recipients. Care management charges for those on a level 2 package increased to 18 per cent. Level 1, 3 and 4 remained at 17 per cent. All package levels are below the cap of 20 per cent. Level 3 and 4 package management charges increased to 11 per cent, which is consistent with Level 1 and 2, and below the cap of 15 per cent.

New lowest and highest hourly rate data was also collected for home care providers in the QFR. The home care sector median lowest and highest hourly rate was \$43 and \$53 for registered nurses, \$33 and \$38 for enrolled nurses, and \$28 and \$35 for personal care staff.

The ongoing impact of COVID-19

The department continues to acknowledge the impact of COVID-19 on the aged care sector, including on the potential financial position of aged care providers during this quarter. Operational costs, such as labour costs, typically increase when managing cases and outbreaks of COVID-19, particularly for providers of residential aged care. The Australian Government, through the COVID-19 Aged Care Support Program Extension Grant, has committed \$1.023 billion in financial support. While the COVID-19 Aged Care Support Program Extension supports providers with operational expenses, the correlating revenue through this grant support is unlikely to have been realised during the same quarter the increased expenses occurred.

For the period of April to June 2023, the department approved approximately \$158 million in reimbursements to providers for the COVID-19 Aged Care Support Program Extension. This is an increase from approximately \$142 million of reimbursements during the January to March 2023 quarter, \$72 million during the October to December 2022 quarter and \$58 million during the July to September 2022 quarter. For the period 4 June 2021 to 30 June 2023, the department has approved approximately \$471 million in reimbursements to providers through this program.

From 1 January 2024, the department will provide 12 months' support to help residential aged care providers manage outbreaks, including COVID-19. A new Aged Care Outbreak Management Support (ACOMS) Supplement will replace the existing COVID-19 grants. Providers will no longer be required to apply for grant funding. This will streamline payment arrangements as all eligible providers will receive approximately \$940 per resident per year as a contribution towards meeting specific outbreak management costs.

Bed licenses amortisation losses

As noted in previous quarters, due to the removal of the [Aged Care Approvals Round \(ACAR\)](#), providers need to readjust the treatment of bed licences as intangible assets, which has an impact on their balance sheet and overall financial result. Data collected in the Quarterly Financial Report (QFR) does not include the breakdown of adjustments such as bed licenses amortisation losses. This data is collected annually through the [Aged Care Financial Report \(ACFR\)](#) and reported through the FRAACS.

This means that the write-down value of bed licenses is unlikely to be fully accounted for in the April to June 2023 QFS. The reported loss per resident per day is expected to be greater in the future 2022-23 FRAACS than the loss per resident per day reported in the April to June 2023 QFS. From 1 July 2024, there will be no further write-down of bed licenses from providers' balance sheets as aged care places will be allocated directly to older people in Australia and not providers.

Financial reporting and transparency

In addition to sector-level reporting through the QFS and FRAACS, the department is also working towards the publication of service-level information on residential care providers' income, expenditure and profits or losses on My Aged Care from early 2024. This will help older people in Australia and their families make informed decisions about their aged care and fulfil the Government's election commitment.

The publication of information drawing on providers' reporting through their (ACFR) follows the principle that we collect data once and share it often, to ensure providers' reporting delivers valuable insights back to the sector. Together, these publications use aged care data to help inform decisions and improve outcomes for older people in Australia, and ensure a broad audience can understand departmental data assets and the information they can provide.

More broadly, the department is building transparency and accountability in the aged care sector by developing an aged care data and digital strategy. The data and digital strategy will aim to deliver the highest quality person centred care for older people, while driving sustainable and productive care and support economy through data and digital innovation. In October 2023 the department released the [DRAFT Aged Care Data and Digital Strategy](#) on the department's website to gather feedback prior to releasing the final data strategy. The department is working towards releasing the final report in early 2024. Stakeholders will also be kept informed and updated on the [Data Improvements](#) page of the GEN aged care data website. The QFS is an important part of this strategy and contributes to an aged care system that effectively collects, secures, uses and shares information to support the provision of high-quality care that maximises the health and well-being of older people in Australia.

Data sources and methodology

The QFS primarily draws on data collected from aged care service providers through the QFR which is a mandatory reporting requirement for all aged care providers. The QFR is completed based on Australian Accounting Standards where applicable. The QFR data is unaudited, but must be authorised by an aged care provider's board before submission to the department.

Submission responses were high in the April to June 2023 QFR, with submissions from 100 per cent of residential aged care providers and 99 per cent of home care providers (including for-profit, not-for-profit and local, state or territory government providers).

For-profit and not-for-profit residential and home care providers are the primary provider type included in the QFS. Local and state and territory government providers are included in labour cost and hours, home care account balance and unspent funds, and food and nutrition data only. They are not included in any other chart or

table as this data is not collected in the QFR. In the context of this report, home care refers to the Home Care Packages Program.

The QFR collects some information as year-to-date results and some information for the isolated quarter. The year-to-date information collected in the QFR is primarily the profit and loss result. To ensure information is presented back to providers the way it has been collected, and consistent with standard accounting practices, the QFS presents the financial summary, wages to revenue percentage, EBITDA margin and percentage of profitable providers in year-to-date format.

In addition, an isolated quarter result has been provided for these charts to allow for specific quarterly comparison and to assist in understanding the impact of policy reforms or specific circumstances that may have impacted that quarter's results.

The isolated quarter result for the profit and loss-related charts has been derived by deducting March 2023 year-to-date results from June 2023 year-to-date results and should be read as an estimate only. Quarter 4 figures derived using this calculation may include adjustments, which may impact the actual results. Limited analysis has been undertaken on estimated quarter only results to avoid misrepresentation.



This icon is used throughout the report to identify where the isolated quarter results have been derived using the calculation described above. The calculation is an **estimate** only.

Other data such as care minutes, labour costs and food and nutrition are reported as quarter 4 results only and reflect how the information was collected in the QFR.

The QFS also draws upon data collected through [My Aged Care](#) and other internal departmental sources. Provider entry and exit data is extracted from the National Approved Provider System (NAPS) and is correct at the date of extraction. Some providers may be counted amongst both residential and home care for entry and exit data. A provider exiting the sector may result in the services they delivered being transferred to another approved provider, closure of a service or a service being marked as inactive.

The QFR does not collect detailed information on hotel expenses, accommodation and administration, which provide additional insight into the underlying factors contributing towards overall profit and loss. This information is collected annually through the ACFR and reported publicly in FRAACS to allow monitoring of trends in this information over time.

The department would like to thank all aged care service providers who completed the QFR and contributed to the development of this snapshot.

Acknowledging this is the fourth quarter of reporting under the new arrangements, QFR data quality is expected to continue to improve over future quarters as familiarisation and maturity increases.

The QFS is split into 3 sections:



Summary



Residential care



Home care

A summary of tips on how to read the QFS and provider type definitions are available in Appendix 1.

Residential aged care

Financial summary

Table 1 is a financial year-to-date summary of residential aged care providers' revenue and expenses to June 2023. For-profit and not-for-profit residential aged care providers returned a collective year-to-date net loss before tax of \$924.0 million.

The sector-level QFS year-to-date position equates to a net loss before tax of \$13.81 per resident per day, an improvement of \$0.87 per resident per day on the March 2023 year-to-date result. Revenue increased by \$9.85, and expenses increased by \$8.99 per resident per day.

Expenses were expected to increase this quarter as infrequent or one-off adjustments are more likely to be accounted for in the fourth quarter of a financial year. Depreciation and amortisation accounted for approximately one third of the increase in year-to-date expenses. Salaries and employee benefits accounted for around half of the increase in year-to-date expenses.

The change in revenue is primarily attributed to the increase in operating income, which includes but is not limited to Government care funding and receipt of COVID-19 related grants.

Care funding allocated to providers per occupied bed day (OBD) was an average of \$227.34. This is a slight increase on the average of \$224.36 per OBD under the new AN-ACC model for the January to March 2023 quarter and \$225.22 for the October to December 2022 quarter. It continues to be higher than the \$192.67 per OBD under the previous Aged Care Funding Instrument (ACFI) for the July to September 2022 period. Changes to the care funding allocated to providers per OBD figure is subject to variances in response to new claims data submitted by providers.

Table 1: Year-to-date summary of financial performance of residential aged care for-profit and not-for-profit providers

| | Total | Per resident per day | Change from March 2023 year-to-date per resident per day* |
|-----------------------|-------------|----------------------|---|
| Revenue | \$23,171.6m | \$346.21 | ↑ \$9.85 |
| Expenses | \$24,095.7m | \$360.02 | ↑ \$8.99 |
| Net profit before tax | (\$924.0)m | (\$13.81) | ↑ \$0.87 |

| | | | |
|---|------------|---------|--------------------------|
| Net profit before tax margin | (3.99%) | (3.99%) | ↑ 0.37 percentage points |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | \$1,429.1m | \$21.35 | ↑ \$3.53 |

*Note: Table 1 cannot be directly compared to Table 1 in January to March 2023 QFS, as prior period adjustments have been made to quarter 3 QFR financial data, due to the identification of an error in provider reporting. This changes the base figures (from those published in the January to March 2023 QFS) used for comparison in this table. Please see Appendix 1 with updated Table 1 from January to March 2023 QFS.

Table 2 is an estimated quarter 4 summary of residential aged care providers' revenue and expenses. For-profit and not-for-profit residential care providers returned a collective quarter 4 net loss before tax of \$189.7 million. This equates to an isolated quarter 4 net loss before tax of \$11.23 per resident per day and is down \$7.83 per resident per day on the quarter 3 result.

 **Table 2: Quarter 4 summary of financial performance of residential aged care for-profit and not-for-profit providers (estimate)**

| | Total | Per resident per day | Change from Q3 per resident per day* |
|---|------------|----------------------|--------------------------------------|
| Revenue | \$6,341.6m | \$375.41 | ↑ \$28.27 |
| Expenses | \$6,531.3m | \$386.64 | ↑ \$36.10 |
| Net profit before tax | (\$189.7)m | (\$11.23) | ↓ \$7.83 |
| Net profit before tax margin | -2.99% | -2.99% | ↓ 2.01 percentage points |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | \$537.2m | \$31.80 | ↑ \$4.04 |

*Note: Table 2 cannot be directly compared to Table 2 in January to March 2023 QFS, as prior period adjustments have been made to quarter 3 QFR financial data, due to the identification of an error in provider reporting. This changes the base figures (from those published in the January to March 2023 QFS). Please see Appendix 2 with updated Table 2 from January to March 2023 QFS.

Average care minutes

[Care minutes](#) refers to the amount of time older people in Australia who live in Australian Government funded residential aged care services receive in care from registered nurses, enrolled nurses and personal care workers/assistants in nursing.

Average care minutes per resident per day for quarter 4 is shown in Table 3. The total average care minutes per resident per day for the sector was 194 minutes, which was an increase of 4 minutes on quarter 3.

Service-level care minute targets are the minimum average care time that residents should receive each day, noting that each resident will have specific care requirements for their care needs. Care minute targets are calculated based on the case mix of permanent residents (including palliative care recipients) and respite residents who were in care during the target calculation period. The target calculation period for this quarter is the three months (January, February and March in this instance) before the reporting quarter starts (April). In quarter 4, the sector average target was 198 minutes, including 40 minutes for registered nurses.

From 1 October 2023, the requirement to meet service-level care minute targets has become mandatory. This target will increase to 215 minutes as a sector average from October 2024, including 44 minutes of registered nurse time.

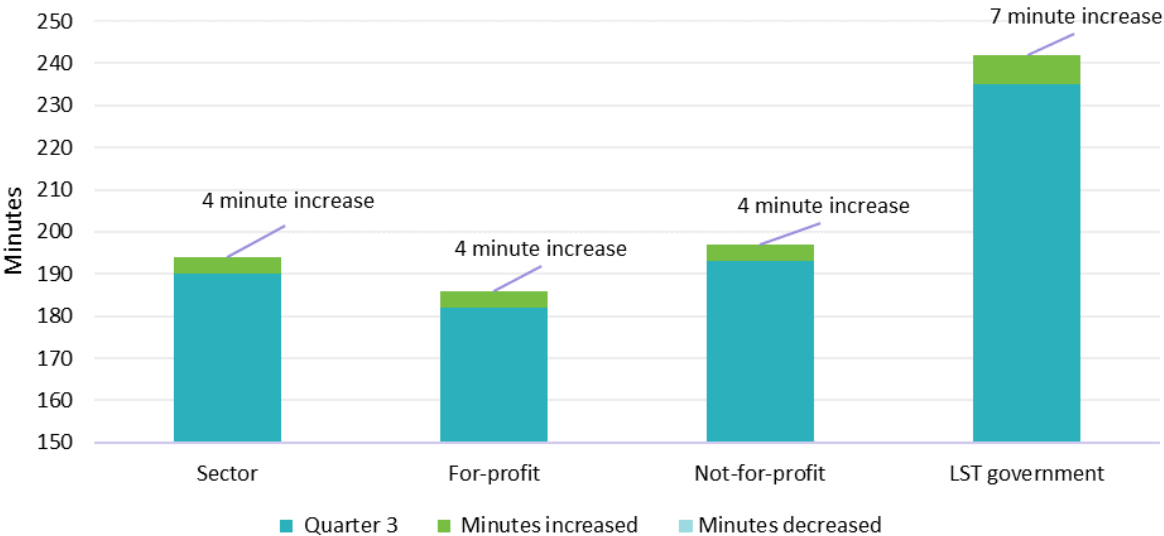
The department undertakes a data validation process to check the reasonableness of submitted data for care hours and labour costs. These checks are conducted as QFRs are submitted to the department and providers may be invited to re-submit data if anomalies are identified.

Table 3: Quarter 4 average care minutes per resident per day

| | Sector | Change in average sector care minutes from Q3 | For-profit | Not-for-profit | LST government |
|---|--------|---|------------|----------------|----------------|
| Registered nurses | 37 | ↑ 2 | 36 | 36 | 66 |
| Enrolled nurses | 14 | ↓ 1 | 11 | 12 | 89 |
| Personal care workers/assistants in nursing | 143 | ↑ 3 | 139 | 149 | 88 |
| Total | 194 | ↑ 4 | 186 | 197 | 242 |

Chart 1 shows the change in care minutes from quarter 3 to quarter 4. Local, state or territory government providers recorded the highest average care minutes per resident per day (242 minutes, an increase of 7 minutes). Not-for-profit providers' increased average care minutes per resident per day to 197 minutes, up 4 minutes, and for-profit providers' increased to 186 minutes, up 4 minutes on quarter 3. Local, state or territory government providers are likely to have other non-Australian Government funding sources that contribute towards the delivery of care. Minutes have been rounded to whole numbers for this analysis.

Chart 1: Change in care minutes



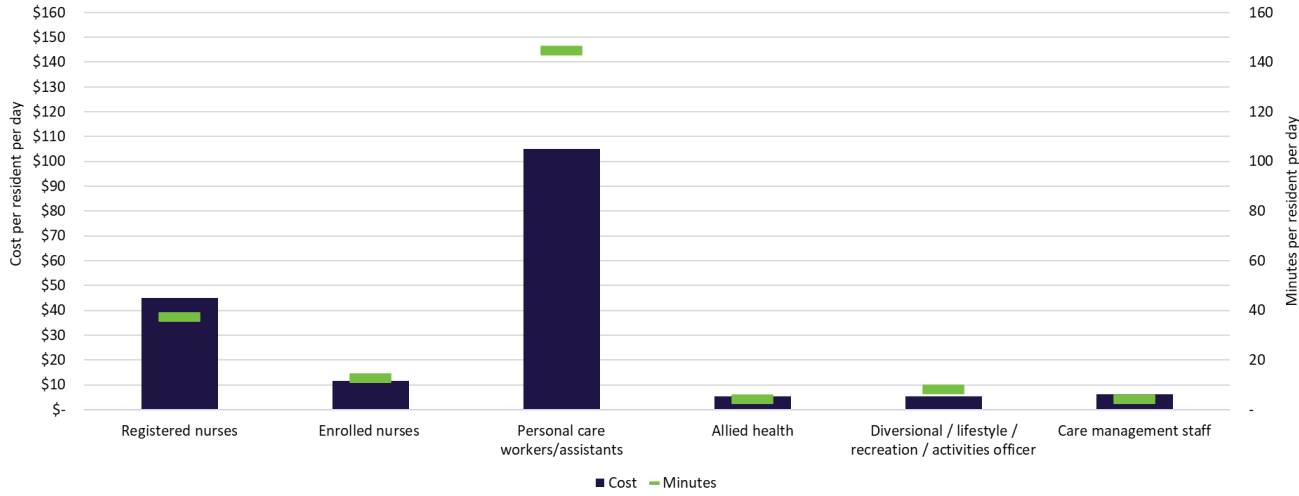
Staff cost and time

Chart 2 below shows that the quarter 4 median total staff cost and time per resident per day was \$45.05 and 37.27 minutes for registered nurses, \$11.56 and 12.85 minutes for enrolled nurses, and \$104.89 and 144.53 minutes for personal care workers/assistants in nursing.

Allied health, diversional / lifestyle / recreation / activities officer and care management staff minutes do not contribute to the care minute targets but play an important part in the restorative care and other support for older people in Australia.

Local, state or territory government providers are included in this data.

Chart 2: Quarter 4 median staff cost and time per resident per day



When compared to quarter 3, the median cost per resident per day in quarter 4 increased for registered nurses (\$4.47), enrolled nurses (\$0.31), personal care workers/assistants in nursing (\$4.03) and care management staff (\$0.26), but decreased for allied health (\$0.21) and diversional / lifestyle / recreation / activities officers (\$0.01).

The median minutes per resident per day increased for registered nurses (1.84) and personal care workers/assistants in nursing (3.74) and decreased for enrolled nurses (0.08).

The total median staff costs and time has increased from quarter 3 to quarter 4. Costs increased to \$184.98 per resident per day (up \$6.43), and total time increased to 218.09 minutes per resident per day (up 3.77 minutes). The total median staff cost and time was derived from the QFR data set, and is not the sum of the subcategories’ median listed in Table 4.

Table 4: Quarter 4 median staff cost and time per resident per day

| | Cost per resident per day | Change in cost from Q3 | Minutes per resident per day | Change in minutes from Q3 |
|---|---------------------------|------------------------|------------------------------|---------------------------|
| Registered nurses | \$45.05 | ↑ \$4.47 | 37.27 | ↑ 1.84 |
| Enrolled nurses | \$11.56 | ↑ \$0.31 | 12.85 | ↓ 0.08 |
| Personal care workers/assistants in nursing | \$104.89 | ↑ \$4.03 | 144.53 | ↑ 3.74 |
| Allied health | \$5.36 | ↓ \$0.21 | 4.26 | ↓ 0.29 |

| | | | | |
|---|--------|----------|------|--------|
| Diversional / lifestyle / recreation / activities officer | \$5.29 | ↓ \$0.01 | 8.20 | 0.00 |
| Care management staff | \$6.09 | ↑ \$0.26 | 4.12 | ↑ 0.11 |

Allied health cost and time

There are a range of services aged care providers are required to make available (or to assist with access) to all residents who need them. This includes access to allied health services as part of an individual therapy program aimed at maintaining or restoring a resident's ability to perform daily tasks. [Allied health](#) minutes do not contribute to the mandatory care minute targets but play an important role in the care of older people in Australia. The quarter 4 median cost and time for allied health services per resident per day are shown in Table 5. Local, state or territory government providers are included in this data.

As shown in Table 4, the quarter 4 median total cost and time for allied health services per resident per day was \$5.36 and 4.26 minutes. In Table 5, median results are not reported for occupational therapists, allied health assistants and other allied health categories, as approximately 70 to 85 per cent of QFR respondents did not report any expenditure for these categories. The median cost per resident per day may also be higher than what is reported in Table 5 for speech pathologists, podiatrists and dietetic care as approximately 20 to 30 per cent of QFR respondents did not report any expenditure for these categories.

Reporting allied health care time and cost for specific allied health care categories was a new reporting requirement for aged care providers with the introduction of the QFR from 1 July 2022. Since the introduction of the QFR, the data indicates that there is a trending decrease in allied health minutes but also a steady increase in the number of services delivering allied health care. The proportion of services that deliver allied health care has increased from 94.05 per cent in quarter 1 (July to September 2022 reporting period) to 97.82 per cent in quarter 4 (April to June 2023 reporting period). Allied health care is typically delivered by non-directly employed staff through agency or contracted arrangements. Hours and costs associated with external service providers may not align with the QFR reporting requirements. The department is committed to working with providers to understand how to improve reporting, to better capture allied health information.

Table 5: Quarter 4 median allied health cost and time per resident per day

| | Cost per resident per day | Change in cost from Q3 | Allied health minutes of care per resident per day | Change in minutes from Q3 |
|--------------------|---------------------------|------------------------|--|---------------------------|
| Physiotherapist | \$3.54 | ↓ \$0.09 | 2.73 | ↓ 0.23 |
| Speech pathologist | \$0.12 | ↑ \$0.01 | 0.06 | ↑ 0.01 |
| Podiatrist | \$0.28 | ↑ \$0.02 | 0.23 | ↑ 0.02 |
| Dietetic care | \$0.22 | ↑ \$0.01 | 0.12 | 0.00 |

Food and nutrition

Chart 3 shows the quarter 4 median total cost of food and ingredients for the sector was \$13.63 per resident per day, an increase of \$0.22 on quarter 3.

The median total cost of food and ingredients increased for all provider types from quarter 3 except for providers across metropolitan and regional which had a slight decrease on quarter 3.

Residential aged care providers spent an average of 83.1 per cent of the total food and ingredients costs on fresh food and ingredients, which is a slight decrease on the January to March quarter (83.5 per cent). Fresh food and ingredients are defined by the GST classification found on itemised purchase receipts. All foods that are GST-free are classified as “fresh”, whereas “other” foods have GST applied. A more detailed food and nutrition report for the 2021-22 financial year is available on the [department’s website](#). The split of fresh and other foods was not collected prior to the first QFR, but future QFS reporting will allow changes in spending on fresh food and ingredients to be tracked.

The amount spent on food and ingredients per resident per day is only one indicator of food quality. It should not be taken in isolation, as it does not consider factors such as residents’ satisfaction, cooking preparation method and overall nutritional status.

Chart 3: Quarter 4 median food and ingredients cost per resident per day by provider type



Labour cost

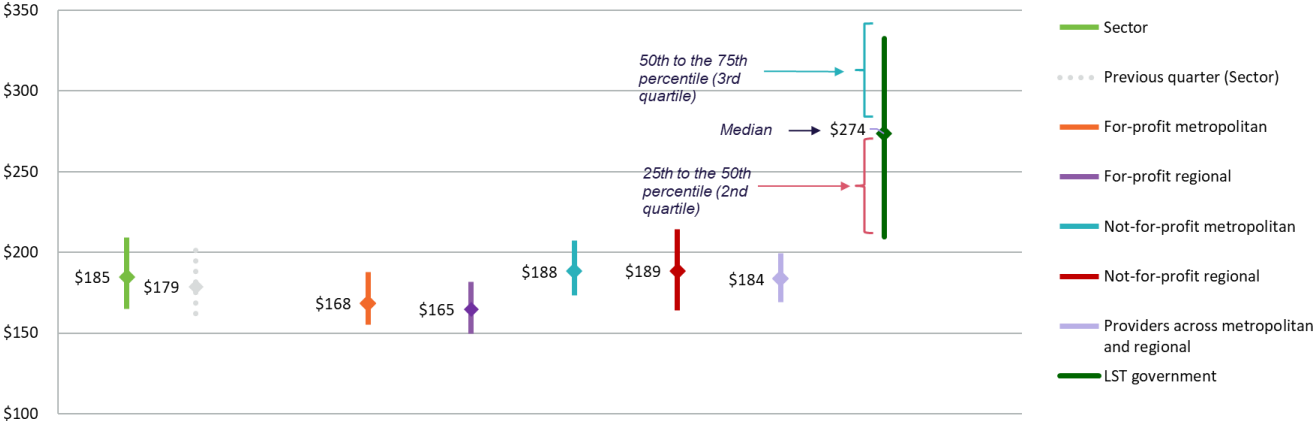
As shown in Chart 4, the quarter 4 median total care labour cost reported by the sector was \$185 per resident per day. The sector median increased by \$6 per resident per day on quarter 3 (up 3.35 per cent). This increase in the care labour cost may be due to increased spending on care labour by providers working towards their care minute targets in preparation for 1 October 2023.

Total care labour costs include registered nurses, enrolled nurses, personal care workers/assistants in nursing, care management staff, allied health, diversional/ lifestyle/ recreation/ activities staff, and other non-care staff. The cost of labour includes salary and superannuation, bonuses and incentives, allowances, termination payments, value of fringe benefits, salary sacrifice and leave entitlements.

The median total labour cost per resident per day was \$274 for local, state or territory government providers which is considerably higher than other provider types. The higher labour cost per resident per day was consistent with quarter 3 (\$263), quarter 2 (\$262) and quarter 1 (\$257). Local, state or territory government providers may have other non-Australian Government funding sources that contribute towards the delivery of care.

Agency staff cost represented 11.3 per cent of the total direct care labour cost to the sector in quarter 4, a decrease of 0.9 percentage points on quarter 3.

Chart 4: Median and quartile total care labour cost per resident per day by residential aged care provider type



Wages to revenue

Comparing wages to revenue is a financial viability indicator allowing aged care service providers to measure how much was spent on employees as a proportion of revenue. Chart 5 shows that the June 2023 year-to-date proportion of wages to revenue for the sector was a median of 71 per cent which was unchanged from quarter 3. For-profit providers spent a smaller proportion of wages to revenue in comparison to not-for-profit providers and providers across metropolitan and regional. Wages are inclusive of all residential aged care service employees.

Chart 5: Year-to-date median and quartile wages to revenue percentage by residential aged care provider type

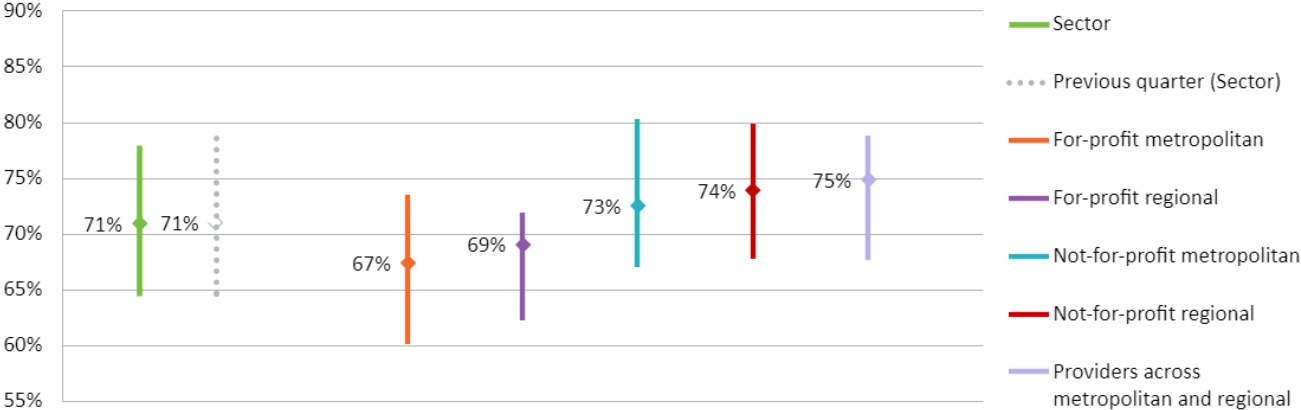
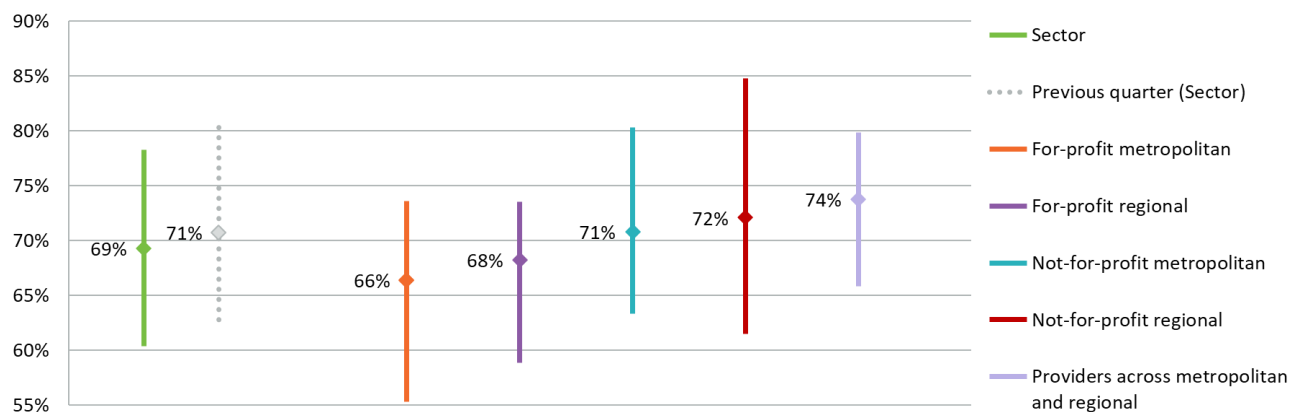


Chart 6 shows the estimated quarter 4 proportion of wages to revenue for the sector was a median of 69 per cent (down 2 percentage points on the quarter 3 result). The proportion of wages to revenue decreased slightly for all provider types except for for-profit regional providers which had a small increase on quarter 3.

Chart 6: Quarter 4 median and quartile wages to revenue percentage by residential aged care provider type (estimate)



Wages to revenue percentage = (salaries and employee benefits + management fees) ÷ total revenue

Hourly rate

In addition to the median hourly rate reported in previous QFS reports, this section now includes additional information on the median of the lowest and highest hourly rates per employee type paid by residential aged care providers at the sector level.

Consistent with Q3 reporting, Chart 7 shows the quarter 4 median of the average hourly rate for registered nurses, enrolled nurses and personal care workers/assistants in nursing by provider type. Residential aged care providers submit their average hourly rates for direct care staff in the QFR. In quarter 4, the sector median of the average hourly rate was \$44 for registered nurses (down \$2 on quarter 3), \$32 for enrolled nurses (down \$1 on quarter 3) and \$27 for personal care workers/assistants in nursing (remained the same as quarter 3).

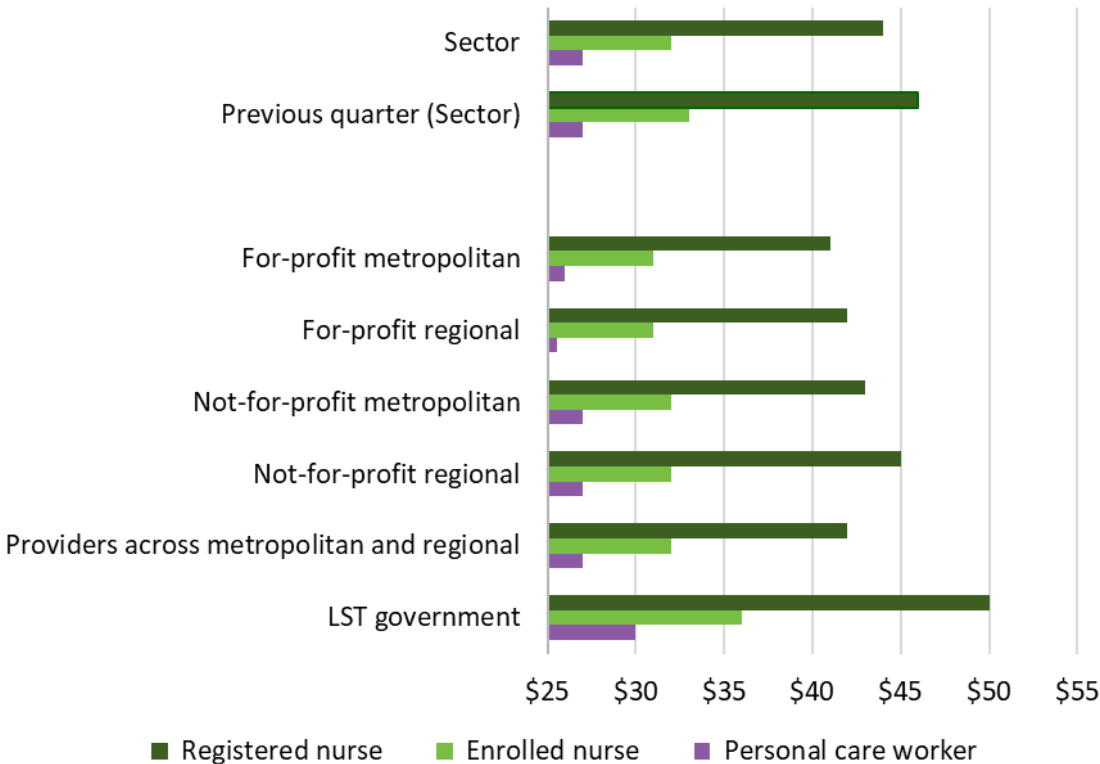
The decrease in the sector median hourly rates for registered nurses and enrolled nurses could be attributed to providers employing additional new direct care workers who may commence at a lower hourly rate. This could be in preparation for the 24/7 registered nurse responsibility that took effect on 1 July 2023, and the mandatory care minutes from 1 October 2023.

In addition, when collecting this data, the department provided additional clarification to providers on how to calculate the average hourly rate. This may have changed how providers calculated average hourly rates compared with previous reports.

The FWC's decision to increase minimum award wages by 15 per cent for some employees working in aged care took effect from 30 June 2023. Due to the wage increase, the median hourly rates for registered nurses, enrolled nurses and personal care workers/assistants in nursing are expected to increase in the first quarter of the 2023-24 financial year. The department will continue to work closely with providers

and unions to ensure providers are fulfilling their obligations and passing on the wage increases.

Chart 7: Quarter 4 median hourly rate of direct care staff by residential aged care provider type



The average hourly rate providers report in the QFR is for direct care workers employed per the employee award, enterprise agreement or contract. The average hourly rate does not include on-costs, penalty rates or casual loading.

Chart 7 is the median of the average hourly rate reported by providers.

Nil-value responses have been excluded from the median average hourly rate calculation.

To monitor the implementation of the FWC’s decision, the department collected additional information from providers on wages of direct aged care workers through the QFR for the quarter 4 (April to June 2023) reporting period. The department has collected this information again in quarter 1 2023-24 to allow for a direct comparison between average, lowest and highest pay rates per staff category in the quarters immediately before and after the pay rise.

This new data collection will allow for the monitoring and reporting of funding provided by the Australian Government for the purpose of increasing workers’ wages (as a result of the FWC’s decision) and to ensure that funding is being passed on. In addition to publishing this information at the sector level in the April to June 2023 and July to September 2023 QFS, the department will publish this information at the

provider level on the department’s website in December 2023. Quarterly wages information will be reported at the provider level from February 2024 through additional financial information to be published on My Aged Care.

Table 6 shows the quarter 4 median lowest, median of the average, and median highest hourly rates paid to direct care staff by residential aged care provider type. As noted above, as this information has been collected in the April to June 2023 QFR for the first time, this is the first quarter that this information has been published. Table 6 will provide a baseline benchmark for future quarter-on-quarter comparisons.

The median highest hourly rate was \$52 for registered nurses, \$34 for enrolled nurses and \$30 for personal care workers/assistants in nursing. The median lowest hourly rate reported across the sector was \$35 for registered nurses, \$30 for enrolled nurses and \$25 for personal care workers/assistants in nursing.

Table 6: Quarter 4 lowest, average, and highest hourly rates (medians) paid to direct care staff by residential aged care provider type

| | Sector | For-profit metropolitan | For-profit regional | Not-for-profit metropolitan | Not-for-profit regional | Providers across metropolitan and regional | LST government |
|---|---------|-------------------------|---------------------|-----------------------------|-------------------------|--|----------------|
| Registered nurses (median) | | | | | | | |
| Highest | \$52.00 | \$50.00 | \$51.00 | \$52.00 | \$52.00 | \$56.00 | \$61.00 |
| Average | \$44.00 | \$41.00 | \$42.00 | \$43.00 | \$45.00 | \$42.00 | \$50.00 |
| Lowest | \$35.00 | \$33.00 | \$34.00 | \$34.50 | \$38.00 | \$34.00 | \$36.00 |
| Enrolled nurses (median) | | | | | | | |
| Highest | \$34.00 | \$32.00 | \$32.00 | \$33.00 | \$34.00 | \$34.00 | \$40.00 |
| Average | \$32.00 | \$31.00 | \$31.00 | \$32.00 | \$32.00 | \$32.00 | \$36.00 |
| Lowest | \$30.00 | \$29.00 | \$30.00 | \$29.00 | \$31.00 | \$31.00 | \$33.00 |
| Personal care workers/assistants in nursing (median) | | | | | | | |
| Highest | \$30.00 | \$28.00 | \$28.00 | \$30.00 | \$29.00 | \$33.00 | \$32.00 |
| Average | \$27.00 | \$26.00 | \$25.50 | \$27.00 | \$27.00 | \$27.00 | \$30.00 |
| Lowest | \$25.00 | \$25.00 | \$24.00 | \$25.00 | \$25.00 | \$24.00 | \$27.00 |

The lowest, average and highest hourly rate reported by providers in the QFR is for direct care staff employed as per the employee award, enterprise agreement or contract.

The lowest, average and highest hourly rate does not include on-costs, penalty rates or casual loading.

Nil-value responses have been excluded from the calculation of the median average hourly rate.

EBITDA margin

EBITDA margin is used as an indicator of a provider's financial performance and underlying profitability before accounting for depreciation assumptions, tax obligations or financing choices. EBITDA margins focus on a provider's operating profitability and cash flow, where the higher the EBITDA margin is, the lower operating expenses are in relation to total revenue.

Chart 8 shows the June 2023 year-to-date median EBITDA margin for the sector was 5.34 per cent, which means an EBITDA return of \$5.34 for every \$100 of revenue earned. This was an increase of 0.26 percentage points (or an increased EBITDA return of \$0.26 for every \$100 of revenue earned) on the March 2023 year-to-date result.

The median EBITDA margin improved for all provider types except for for-profit regional providers.

The percentage of residential care providers reporting a June 2023 year-to-date positive EBITDA result increased to 70.1 per cent (up 1.6 percentage points on March 2023 year-to-date).

Chart 8: Year-to-date median and quartile EBITDA margin by residential aged care provider type

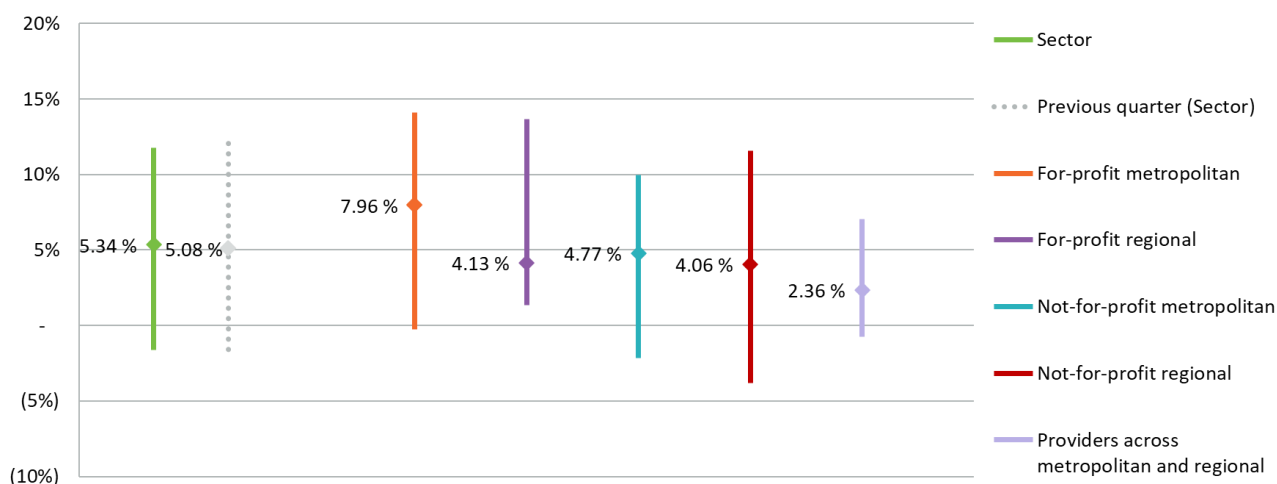
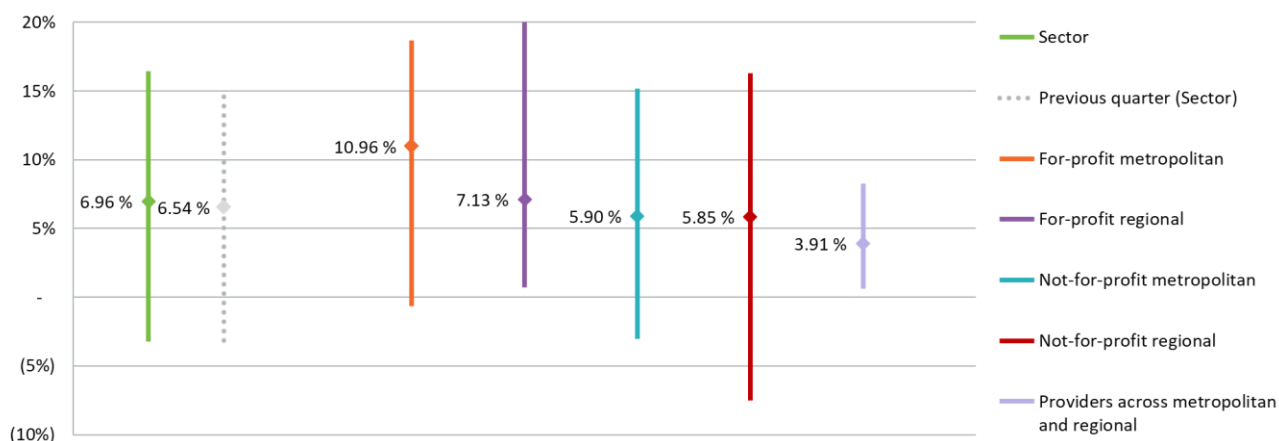


Chart 9 shows the estimated quarter 4 median EBITDA margin for the sector was 6.96 per cent, which means an EBITDA return of \$6.96 for every \$100 of revenue earned. This was an increase of 0.42 percentage points on the quarter 3 result.

The percentage of residential care providers reporting a positive EBITDA result in quarter 4 increased to 68.9 per cent (up 0.1 percentage points on quarter 3).

Chart 9: Quarter 4 median and quartile EBITDA margin by residential aged care provider type (estimate)



EBITDA margin = EBITDA ÷ total revenue

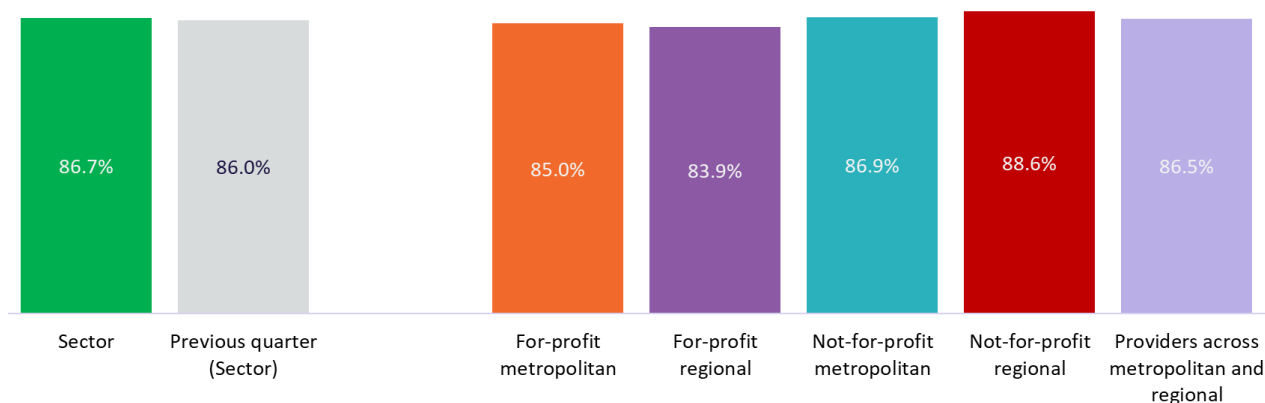
Depreciation on leased (right of use) assets and interest on lease liabilities are not added back as it represents the rent paid by providers that do not own their premises. As comparison, EBITDA does not add back rent for owner occupiers.

Occupancy

Chart 10 shows the average occupancy rate in quarter 4 for all providers (the department considers all operational beds allocated to a provider as available when calculating occupancy). Occupancy rates can have a significant impact on provider profitability if they fall below levels that are sufficient to cover fixed costs. This can impact the viability and overall financial performance of providers.

In quarter 4, the average sector occupancy rate was 86.7 per cent, which is an increase of 0.7 percentage points on the quarter 3 result. Not-for-profit regional providers had the highest occupancy in quarter 4 with 88.6 per cent and for-profit regional providers had the lowest average occupancy at 83.9 per cent.

Chart 10: Quarter 4 average occupancy rate by provider type



Occupancy rate = total number of occupied bed days ÷ the total number of available bed days

Profitable residential aged care service providers

Measuring profitability can provide an incremental indication of the financial performance of residential aged care service providers.

Figure 1 shows that 48.9 per cent of residential providers reported a June 2023 year-to-date net profit before tax, compared to 48.6 per cent of providers at March 2023. Profitable providers at June 2023 year-to-date serviced 36.5 per cent of all residents in aged care.

Figure 1: Year-to-date percentage of profitable residential aged care providers and percentage of residents serviced by profitable residential aged care providers

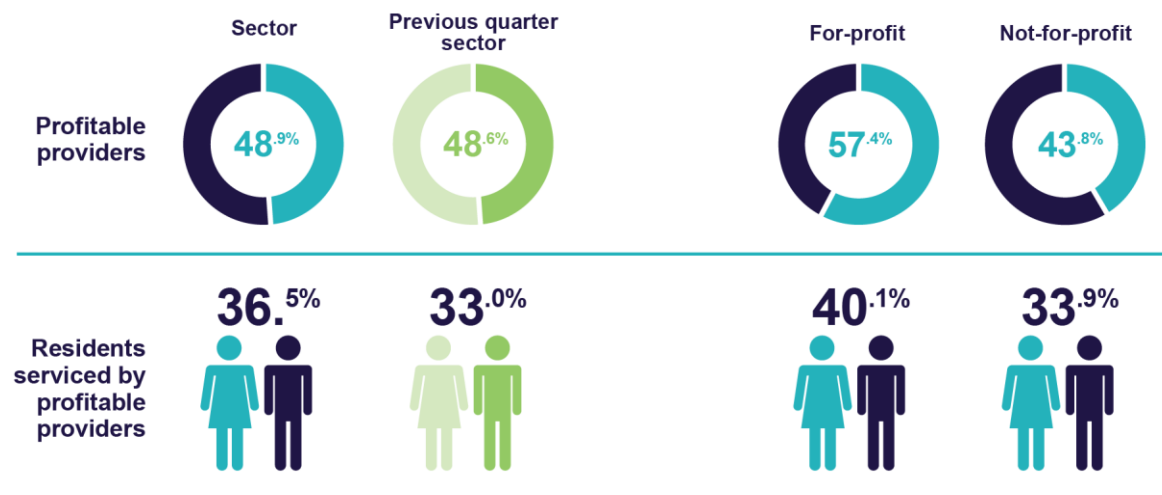

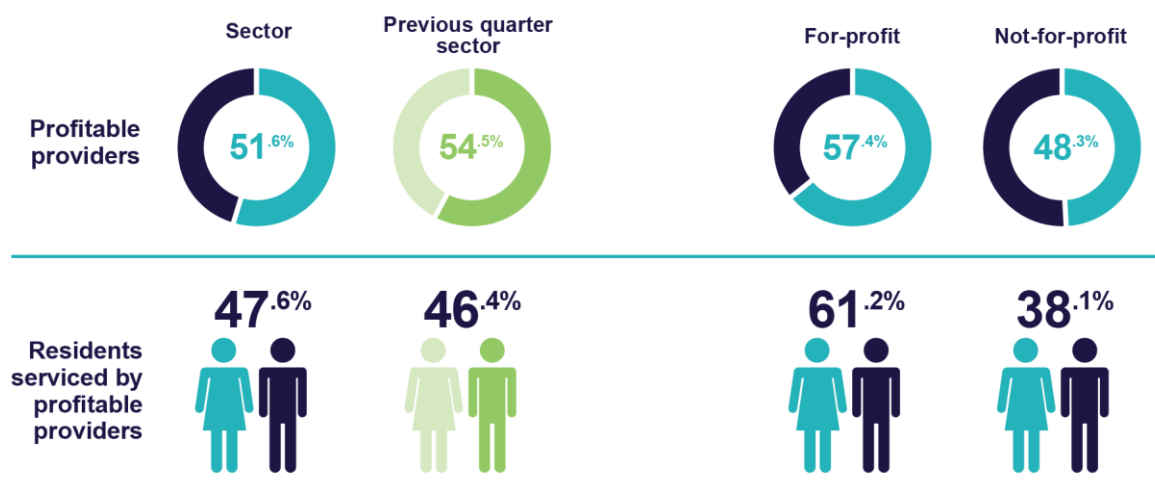


Figure 2 shows that an estimated 51.6 per cent of residential aged care providers reported a net profit before tax in quarter 4 (based on isolated quarter 4 results), compared to 54.5 per cent of providers in quarter 3. Profitable providers in quarter 4 serviced 47.6 per cent of all residents in aged care.

 **Figure 2: Quarter 4 percentage of profitable residential aged care providers and percentage of residents serviced by profitable residential aged care providers (estimate)**



Liquidity

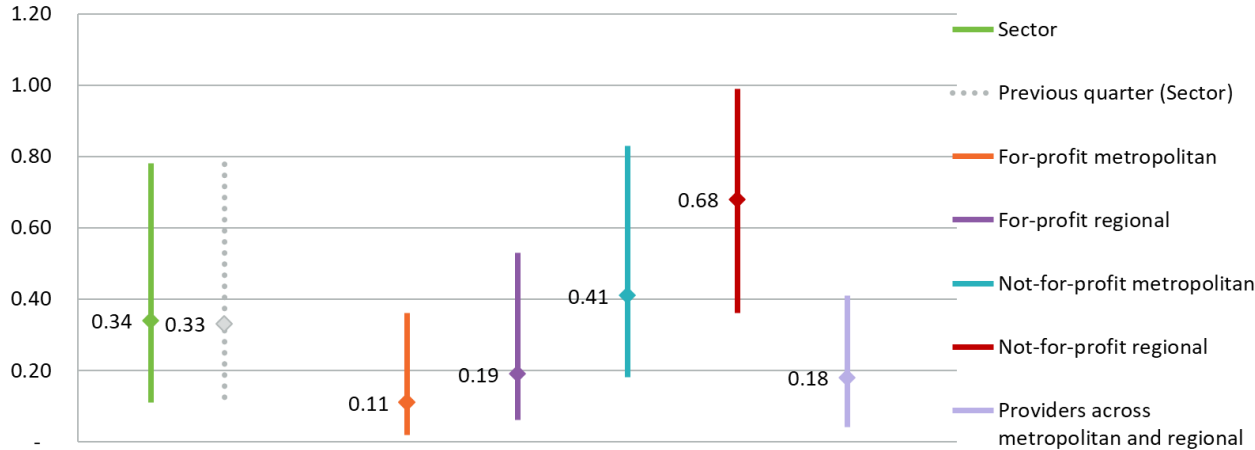
Liquidity ratio measures the availability of cash and financial assets to cover providers' debt obligations (without raising external capital) if they were to become immediately due and payable.

If the ratio result is greater than 1.0, the provider has more cash and financial assets than their debt obligations. If the ratio result is less than 1.0, the provider's debt obligations are more than their cash and financial assets.

The June 2023 year-to-date results show the median liquidity ratio for the sector was 0.34, an increase of 0.01 on the March 2023 year-to-date position. This means that providers had approximately a third of cash and financial assets available when compared to their debt obligations.

The June 2023 year-to-date median liquidity ratio increased slightly for for-profit regional providers and providers across metropolitan and regional on the March 2023 year-to-date result and decreased for not-for-profit metropolitan and not-for-profit regional providers. For-profit metropolitan providers remained unchanged. For-profit metropolitan providers continued to record the lowest liquidity ratio again at June 2023 year-to-date (0.11), consistent with having the lowest liquidity ratio at the end of the other previous reporting periods for the 2022-23 financial year.

Chart 11: Year-to-date median and quartile liquidity ratio of residential aged care providers by provider type



Liquidity ratio = (cash and cash equivalents + financial assets) ÷ (total liabilities - lease liabilities)

Calculations do not include undrawn credit facilities as liquid assets.

Total liabilities do not include refundable accommodation deposits that residents have agreed to pay, but the amount has not yet been received by the provider.

Capital adequacy

The June 2023 year-to-date capital adequacy ratio shown in Chart 12 measures a provider's net asset position divided by total asset position (not including intangibles).

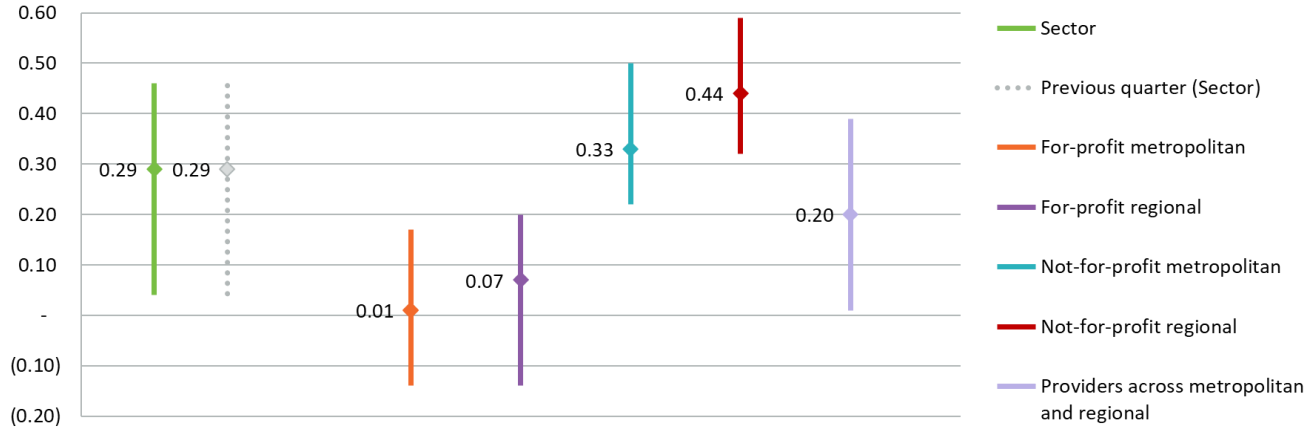
This ratio can be used as an indicator of a provider's ability to absorb any unexpected losses through their net asset position (also known as an asset buffer).

The median capital adequacy ratio for residential aged care providers was 0.29, meaning for every \$100 of assets they owned, \$29 was funded through equity and \$71 was funded through debt or other liabilities. This is unchanged from the March 2023 year-to-date position.

For-profit metropolitan and for-profit regional providers had the lowest capital adequacy ratios (0.01 and 0.07 respectively), consistent with the previous quarters.

If a provider has a stronger (higher) capital adequacy ratio, they will be able to fund and absorb the impacts of unforeseen circumstances (e.g. flood, unexpected losses) by using equity within the business. If a provider has a low or insufficient capital adequacy ratio, they may be forced to take on debt, or in extreme situations, go into administration when faced with unforeseen circumstances which have a financial impact.

Chart 12: Year-to-date median and quartile capital adequacy ratio of residential aged care providers by provider type



Capital adequacy ratio = (net assets - intangible assets) ÷ (total assets - intangible assets).

Intangible assets are removed as they are not considered to have value in the event of insolvency. This provides a more realistic reflection of the available capital to absorb unforeseen circumstances.

Home care

Financial summary

Table 7 is a June 2023 year-to-date summary of home care provider revenue and expenses. For-profit and not-for-profit home care providers returned a collective year-to-date net profit before tax of \$320.4 million.

The sector level QFS year-to-date position equates to a net profit before tax of \$4.07 per care recipient per day, up \$0.42 on the March 2023 year-to-date result.

The net profit before tax result has fluctuated for each quarter of the 2022-23 financial year. The June 2023 year-to-date revenue and expenses increased, with revenue increasing at a higher proportion to produce the improved net profit before tax position.

Table 7: Year-to-date summary of financial performance of home care for-profit and not-for-profit providers

| | Total | Per care recipient per day | Change from March 2023 year-to-date per care recipient per day |
|---|------------|----------------------------|--|
| Revenue | \$5,508.3m | \$69.98 | ↑ \$1.74 |
| Expenses | \$5,187.9m | \$65.91 | ↑ \$1.32 |
| Net profit before tax | \$320.4m | \$4.07 | ↑ \$0.42 |
| Net profit before tax margin | 5.82% | 5.82% | ↑ 0.47 percentage points |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | \$361.4m | \$4.59 | ↑ \$0.42 |

Table 8 is an estimated quarter 4 summary of home care provider revenue and expenses. For-profit and not-for-profit home care providers returned a collective quarter 4 net profit before tax of \$106.3 million. This equates to a quarter 4 net profit before tax of \$5.25 per care recipient per day, up \$1.51 per care recipient per day on quarter 3.

Table 8: Quarter 4 summary of financial performance of home care for-profit and not-for-profit providers (estimate)

| | Total | Per care recipient per day | Change from Q3 per care recipient per day |
|---|------------|----------------------------|---|
| Revenue | \$1,502.1m | \$74.14 | ↑ \$6.67 |
| Expenses | \$1,395.8m | \$68.89 | ↑ \$5.17 |
| Net profit before tax | \$106.3m | \$5.25 | ↑ \$1.51 |
| Net profit before tax margin | 7.08% | 7.08% | ↑ 1.53 percentage points |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | \$116.8m | \$5.77 | ↑ \$1.53* |

*Note: Table 8 cannot be directly compared to Table 7 in January to March 2023 QFS, as prior period adjustments have been made to quarter 3 financial data, due to the identification of a data handling error. This changes the base figures (from those published in QFS3) used for comparison in this table. Please see Appendix 3 with updated Table 7 from January to March 2023 QFS.

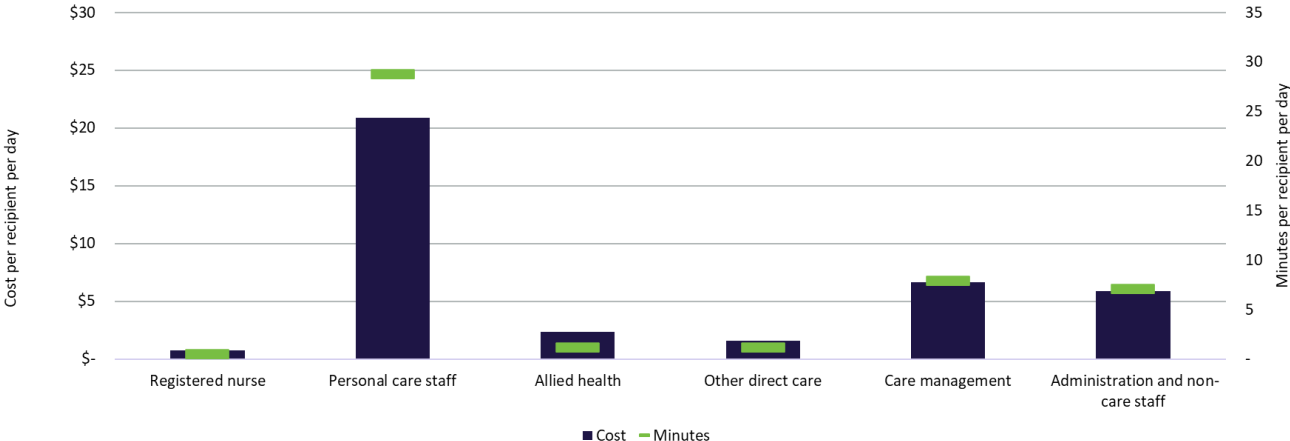
Staff cost and minutes

Chart 13 shows the quarter 4 median cost and time per home care recipient per day for registered nurses, personal care staff (including cleaning, gardening and domestic assistance), allied health, other direct care staff, care management, and administration and support. The staff costs for each employment category include leave. Training costs for all employment categories are included under 'Administration and non-care staff' costs. Total worked staff hours excludes leave and training hours and only includes the time spent delivering care. Any staff travel or work done on administration tasks during care staff paid hours is included in the results of Chart 13.

The median total staff minutes was 53.95 minutes per care recipient per day. Unlike residential aged care, there is no target or mandated [care minutes](#) for home care service providers.

Data for enrolled nurses has not been included as more than 70 per cent of home care providers did not report any expenditure in this category. Local, state or territory government providers are included in this data.

Chart 13: Quarter 4 median staff labour cost and time per care recipient per day



When comparing to quarter 3, Table 9 shows the median cost per recipient per day increased for registered nurses (up \$0.08), personal care staff (up \$2.31), allied health (up \$0.31), care management (up \$0.12) and administration and non-care staff (up \$0.29) but decreased for other direct care (\$1.35).

Total median staff time decreased to 53.95 minutes per recipient per day (down 0.22 minutes). The total median staff time was derived from the QFR data set and is not the sum of the subcategories listed in Table 9. See below for total median staff costs in Chart 14.

Table 9: Quarter 4 median staff cost and time per recipient per day

| | Cost per care recipient per day | Change in cost from Q3 | Minutes per care recipient per day | Change in minutes from Q3 |
|-----------------------------------|---------------------------------|------------------------|------------------------------------|---------------------------|
| Registered nurse | \$0.78 | ↑ \$0.08 | 0.53 | ↑ 0.04 |
| Personal care staff | \$20.89 | ↑ \$2.31 | 28.79 | ↑ 2.12 |
| Allied health | \$2.38 | ↑ \$0.31 | 1.19 | ↑ 0.20 |
| Other direct care | \$1.55 | ↓ \$1.35 | 1.19 | ↓ 1.08 |
| Care management | \$6.63 | ↑ \$0.12 | 7.87 | ↓ 0.03 |
| Administration and non-care staff | \$5.90 | ↑ \$0.29 | 7.06 | ↑ 0.17 |

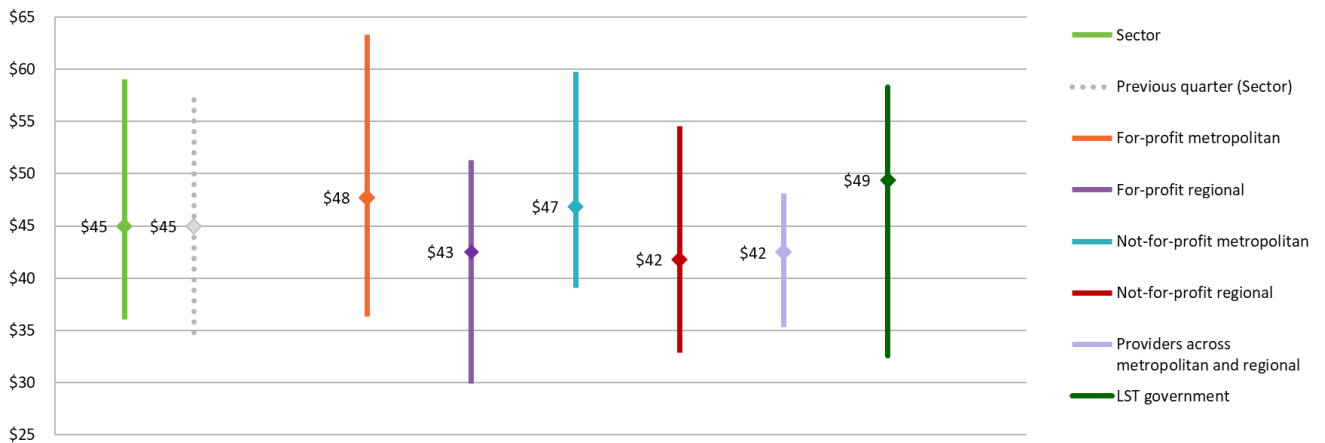
Staff cost

Chart 14 shows that the quarter 4 median total staff cost was unchanged from quarter 3, at \$45 per care recipient per day for the sector.

Local, state and territory government providers reported the highest median total staff cost per care recipient per day (\$49).

Total staff includes registered nurses, enrolled nurses, personal care staff, allied health, other direct care, care management, and administration and non-care. The cost of labour includes salary and superannuation, bonuses and incentives, allowances, termination payments, value of fringe benefits, salary sacrifice and leave entitlements.

Chart 14: Quarter 4 median and quartile total staff cost per care recipient per day by home care provider type



Wages to revenue

Comparing wages to revenue is a financial viability indicator allowing home care providers to measure how much is spent on employees as a proportion of revenue. Chart 15 shows the June 2023 year-to-date proportion of wages to revenue for the sector was a median of 61 per cent, which was the same result as the September 2022, December 2022 and March 2023 year-to-date positions.

The median proportion of wages to revenue for for-profit metropolitan providers and providers across metropolitan and regional increased slightly, while the median for for-profit regional and not-for-profit regional providers decreased, and not-for-profit metropolitan providers' results remained unchanged. Wages are inclusive of all home care service employees.

Chart 15: Year-to-date median and quartile wages to revenue percentage by home care provider type

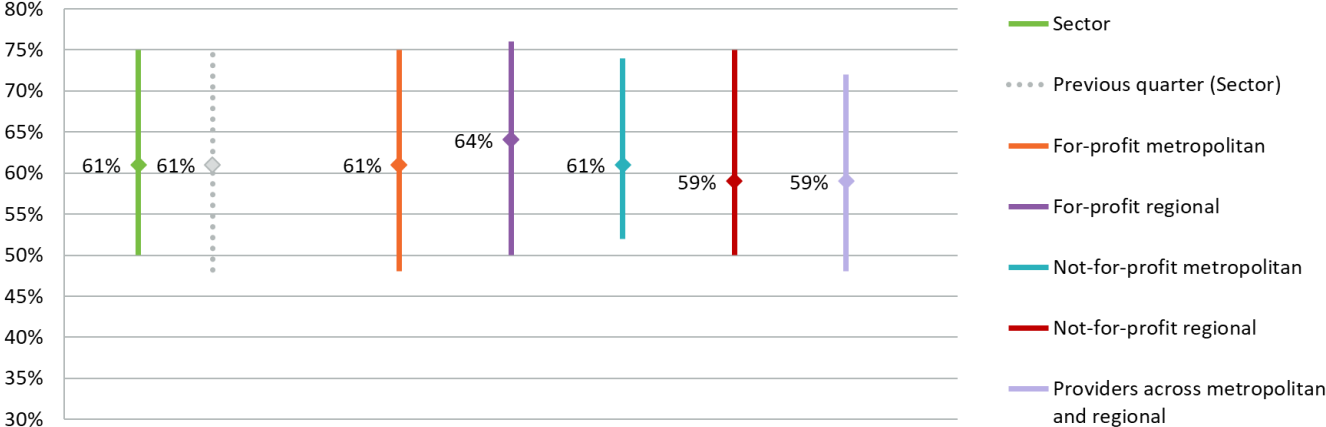
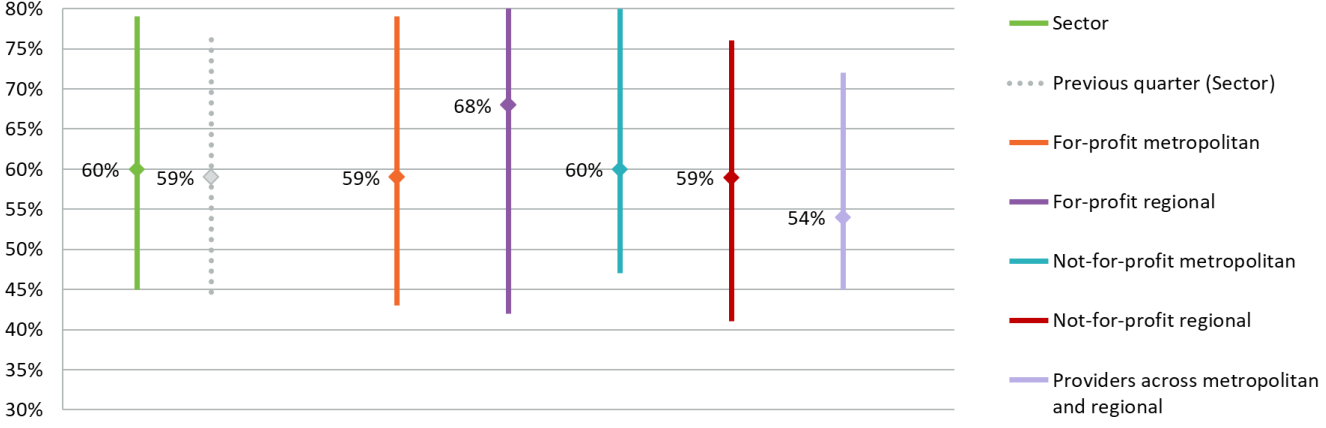


Chart 16 shows that the estimated quarter 4 proportion of wages to revenue for the sector was a median of 60 per cent, which was an increase of 1 percentage point compared with the quarter 3 position.

Chart 16: Quarter 4 median and quartile wages to revenue percentage by home care provider type (estimate)



Wages to revenue percentage = (salaries and employee benefits + management fees) ÷ total revenue

Hourly rate

In addition to the median hourly rate that has been reported in previous QFS reports, this section now includes additional information on the median of the lowest and highest hourly rates per employee type paid by home care providers, at the sector level.

The quarter 4 median of the average hourly rate for registered nurses, enrolled nurses and personal care staff is shown by provider type in Chart 17. Home care providers submitted their average hourly rates paid to direct care staff in the QFR. The median of the average hourly rate decreased across all categories. The home

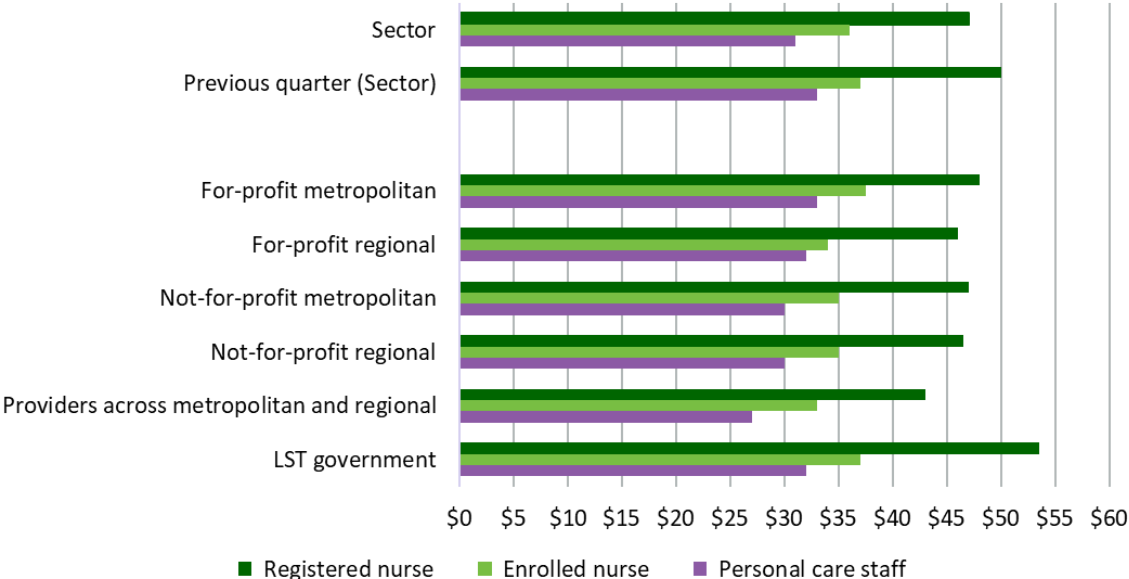
Care sector median of the average hourly rate was \$47 for registered nurses (down from \$50 in quarter 3), \$36 for enrolled nurses (down from \$37 in quarter 3) and \$31 for personal care staff (down from \$33 in quarter 3).

The decrease in the sector median hourly rates for direct care staff could be attributed to providers employing additional junior direct care staff at a lower hourly rate. This could be in response to the additional home care packages that were released during the quarter.

As noted above, when collecting this data, the department provided updated guidance to providers to calculate the average hourly rate. This may have changed the way providers had calculated average hourly rates compared with previous reports.

The Fair Work Commission’s decision to increase minimum award wages by 15 per cent for some employees working in aged care took effect from 30 June 2023. Due to the wage increase, the median hourly rates for registered nurses, enrolled nurses and personal care staff are expected to increase in the first quarter of the 2023-24 financial year. The department will continue to work closely with providers and unions to ensure providers are fulfilling their obligations and passing on the wage increases.

Chart 17: Quarter 4 median hourly rate paid to direct care staff by home care provider type



The average hourly rate is reported by providers by calculating the average hourly rate of direct care staff employed as per the employee award, enterprise agreement or contract. The average hourly rate does not include on-costs, penalty rates or casual loading.

Chart 17 is the median of the average hourly rate reported by providers.

Nil value responses have been excluded from the calculation of the median average hourly rate.

To monitor the implementation of the FWC’s decision, the department collected additional information from providers on wages of direct aged care workers through the QFR for the quarter 4 (April to June 2023) reporting period. The department has collected this information again in quarter 1 2023-24 to allow for a direct comparison between lowest, average and highest pay rates per staff category in the quarters immediately before and after the pay rise.

This new data collection will allow for the monitoring and reporting of funding provided by the Australian Government to increase workers’ wages (as a result of the FWC’s decision) and to ensure that funding is being passed on. In addition to publishing this information at the sector level in the April to June 2023 and July to September 2023 QFS, the department will publish this information at the provider level on the department’s website in December 2023. Quarterly wage information will continue to be published at the provider level from February 2024 through additional financial information to be published on My Aged Care.

Table 10 shows the quarter 4 median of the lowest, median of the average, and median of the highest hourly rates paid to direct care staff by home care provider type. As noted above, as this information has been collected in the April to June 2023 QFR for the first time, this is the first quarter that this information has been published. Table 10 will provide a baseline benchmark for future quarter on quarter comparisons.

The median of the highest hourly rate was \$53 for registered nurses, \$38 for enrolled nurses and \$35 for personal care staff. The sector median lowest hourly rate was \$43 for registered nurses, \$33 for enrolled nurses and \$28 for personal care staff.

Table 10: Quarter 4 lowest, average and highest hourly rates (medians) paid to direct care staff by home care provider type

| | Sector | For-profit metropolitan | For-profit regional | Not-for-profit metropolitan | Not-for-profit regional | Providers across metropolitan and regional | LST government |
|-----------------------------------|----------|-------------------------|---------------------|-----------------------------|-------------------------|--|----------------|
| Registered nurses (median) | | | | | | | |
| Highest | \$ 53.00 | \$ 55.00 | \$ 50.50 | \$ 51.00 | \$ 49.00 | \$ 49.50 | \$61.00 |
| Average | \$ 47.00 | \$ 48.00 | \$ 46.00 | \$ 47.00 | \$ 46.50 | \$ 43.00 | \$53.50 |
| Lowest | \$ 43.00 | \$ 44.00 | \$ 42.00 | \$ 43.00 | \$ 44.00 | \$ 35.00 | \$48.00 |

| Enrolled nurses (median) | | | | | | | |
|------------------------------|----------|----------|----------|----------|----------|----------|---------|
| Highest | \$ 38.00 | \$ 41.00 | \$ 36.50 | \$ 38.00 | \$ 37.00 | \$ 36.50 | \$40.00 |
| Average | \$ 36.00 | \$ 37.50 | \$ 34.00 | \$ 35.00 | \$ 35.00 | \$ 33.00 | \$37.00 |
| Lowest | \$ 33.00 | \$ 34.00 | \$ 33.00 | \$ 32.00 | \$ 33.00 | \$ 33.00 | \$35.00 |
| Personal care staff (median) | | | | | | | |
| Highest | \$ 35.00 | \$ 37.00 | \$ 35.00 | \$ 33.00 | \$ 33.00 | \$ 33.00 | \$36.50 |
| Average | \$ 31.00 | \$ 33.00 | \$ 32.00 | \$ 30.00 | \$ 30.00 | \$ 27.00 | \$32.00 |
| Lowest | \$ 28.00 | \$ 30.00 | \$ 29.00 | \$ 27.00 | \$ 26.00 | \$ 24.00 | \$28.00 |

The lowest, average and highest hourly rate reported by providers in the QFR is for direct care staff employed as per the employee award, enterprise agreement or contract.

The lowest, average and highest hourly rate does not include on-costs, penalty rates or casual loading.

Nil-value responses have been excluded from the calculation of the median average hourly rate.

Care and package management

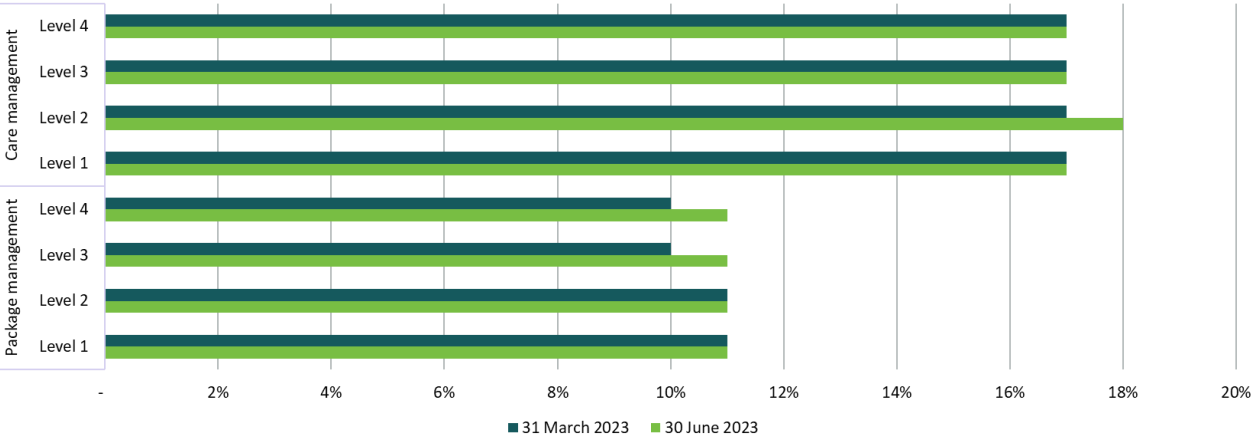
Chart 18 shows the quarter 4 median percentage of the Australian Government subsidy directed to care management and package management per Home Care Package Level, as reported on My Aged Care.

[Care management](#) ensures recipients receive the appropriate level of support in a way that meets current and future care needs. Care management is a service that providers must deliver to all care recipients. This may include ensuring a care recipient receives safe and effective personal care and/or clinical care, organising the delivery of services, and ensuring the supports they receive are safe. In quarter 4, Level 2 care management increased to 18 per cent per Home Care Package, which is higher than other package levels which were unchanged at 17 per cent, but all under the cap of 20 per cent.

[Package management](#) is the ongoing administration and organisational activities associated with ensuring the smooth delivery and management of a HCP. In quarter 4, Level 3 and 4 package management charges increased to 11 per cent, which is now the same as Level 1 and 2 package levels, and under the cap of 15 per cent.

This was the second quarter that data was available following [changes to reduce administration and management charges](#) in the HCP program to ensure that more funds are available to meet the direct needs of care recipients. From 1 January 2023, care management was capped at 20 per cent of the package level and package management was capped at 15 per cent of the package level.

Chart 18: Quarter 4 median care and package management percentage per home care package level



Care management percentage = care management expenses ÷ total Australian Government subsidy

Package management percentage = package management expenses ÷ total Australian Government subsidy

EBITDA margin

EBITDA margin is used as an indicator of a provider’s financial performance and underlying profitability, before accounting for depreciation assumptions, tax obligations or financing choices. EBITDA margins focus on a provider’s operating profitability and cash flow, where the higher the EBITDA margin is, the lower operating expenses are in relation to total revenue.

Chart 19 shows the June 2023 year-to-date median EBITDA margin for the sector was 6.80 per cent, which means an EBITDA return of \$6.80 for every \$100 of revenue earned. This was a decrease of 0.58 percentage points on the March 2023 year-to-date result.

The percentage of home care providers reporting a positive EBITDA result decreased slightly to 75.5 per cent (down from 76.0 per cent on the March 2023 year-to-date result).

Chart 19: Year-to-date median and quartile EBITDA margin by home care provider type

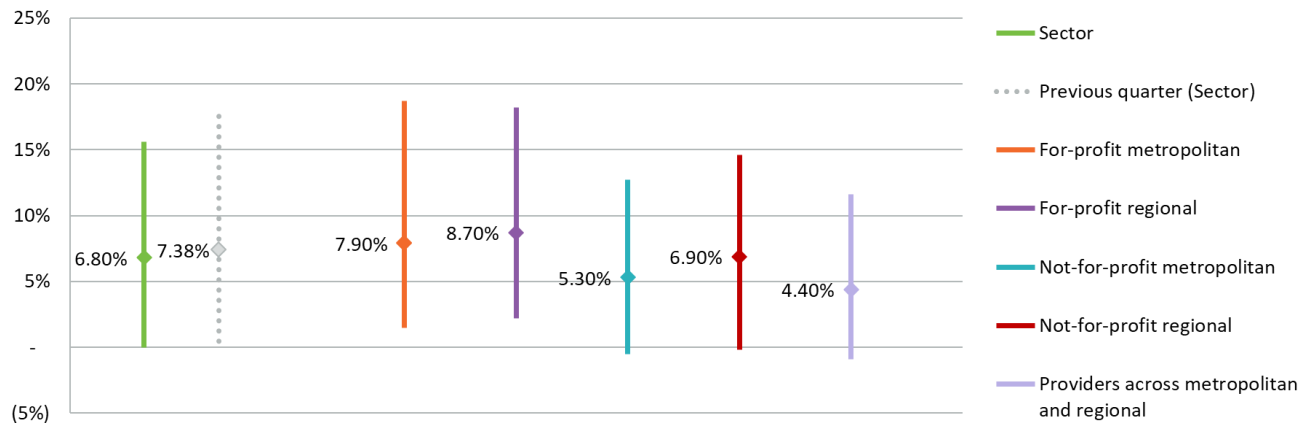
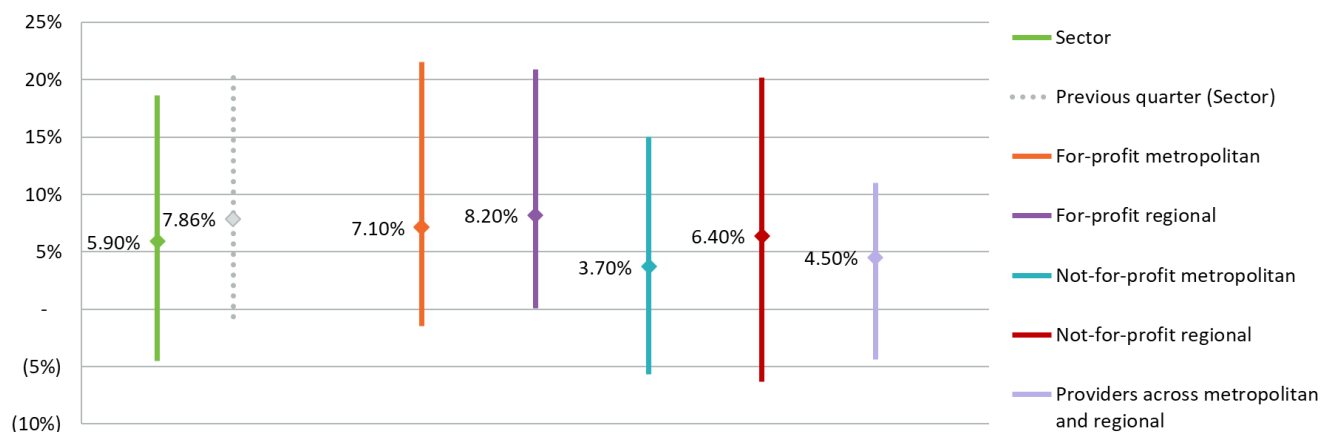


Chart 20 shows the estimated quarter 4 median EBITDA margin for the sector was 5.90 per cent, which means an EBITDA return of \$5.90 for every \$100 of revenue earned. This was a decrease of 1.96 percentage points on the quarter 3 result.

The estimated percentage of home care providers reporting a positive EBITDA result in quarter 4 decreased to 63.9 per cent (down from 69.5 per cent in quarter 3).

Chart 20: Quarter 4 median and quartile EBITDA margin by home care provider type (estimate)



$$\text{EBITDA margin} = \text{EBITDA} \div \text{total revenue}$$

Depreciation on leased (right of use) assets and interest on lease liabilities are not added back as it represents the rent paid by providers that do not own their premises. As comparison, EBITDA does not add back rent for owner occupiers.

Profitable home care service providers

Measuring profitability can provide an incremental indication of the financial performance of home care service providers.

Figure 3 shows that 74.7 per cent of home care providers reported a June 2023 year-to-date net profit before tax, compared to 74.5 per cent of providers at March 2023

year-to-date. Profitable home care providers serviced 78.4 per cent of all home care recipients.

Figure 3: Year-to-date percentage of profitable home care providers and percentage of home care recipients serviced by profitable home care providers

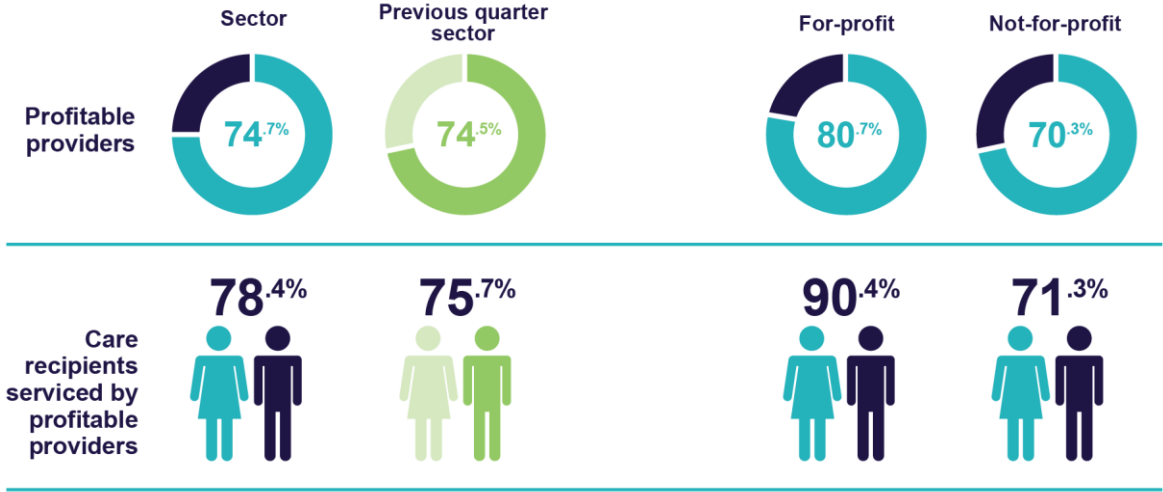
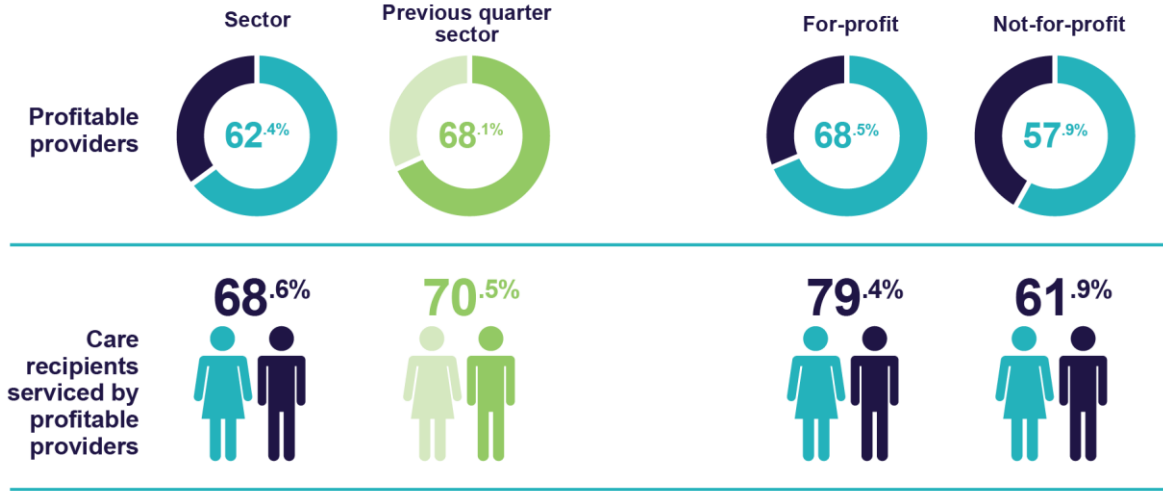


Figure 4 shows that an estimated 62.4 per cent of home care providers reported a net profit before tax in quarter 4, compared to 68.1 per cent of providers in quarter 3. Profitable home care providers serviced 68.6 per cent of all home care recipients in quarter 4.

Figure 4: Quarter 4 percentage of profitable home care providers and percentage of home care recipients serviced by profitable home care providers (estimate)



Home Care Account and unspent funds

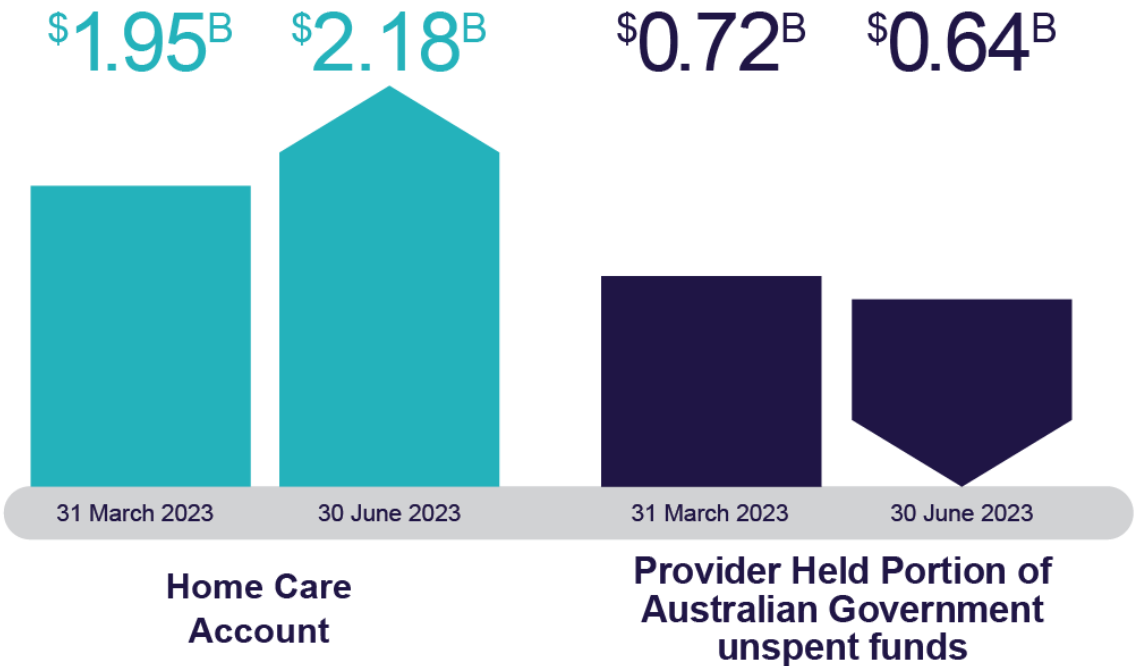
Since 1 September 2021, any unspent Australian Government subsidy accrued is held in the Home Care Account set up for the care recipient by Services Australia. These funds continue to be available to the home care provider to use towards care and services when needed for the care recipient. Some home care providers also

have access to unspent funds accrued prior to 1 September 2021. These funds can be used towards a care recipient’s care and services.

The quarterly change in the Home Care Account and the Provider Held Portion of Australian Government unspent funds is shown in Figure 5. Over time, it can be expected that the provider held unspent funds balances will diminish, and the Government held Home Care Account unspent funds will fluctuate according to market demand and supply.

There was an increase of \$230 million of unspent funds in the total Home Care Accounts at 30 June 2023, while provider held unspent funds reduced by \$80 million.

Figure 5: Unspent Funds - Home Care Account and Provider Held Portion



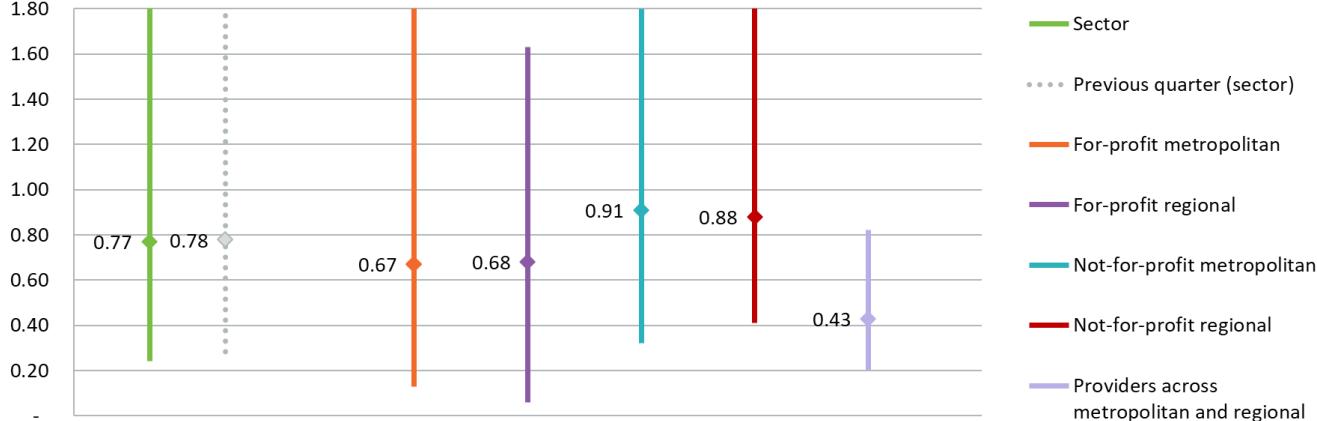
Liquidity

Liquidity ratio measures the availability of cash and financial assets to cover providers' debt obligations (without raising external capital) if they were to become immediately due and payable.

If the ratio result is greater than 1.0, the provider has more cash and financial assets than their debt obligations. If the ratio result is less than 1.0, the provider’s debt obligations are more than their cash and financial assets.

Chart 21 shows that the June 2023 year-to-date median liquidity ratio for the sector was 0.77, which decreased from the March 2023 year-to-date position of 0.78. This means for every \$77 of cash and financial assets available, the provider had \$100 of debt obligations.

Chart 21: Year-to-date median and quartile liquidity ratio of home care providers by provider type



Liquidity ratio = (cash and cash equivalents + financial assets) ÷ (total liabilities - lease liabilities)

Calculations do not include undrawn credit facilities as liquid assets.

Total liabilities do not include refundable accommodation deposits that residents have agreed to pay, but the amount has not yet been received by the provider.

Capital adequacy

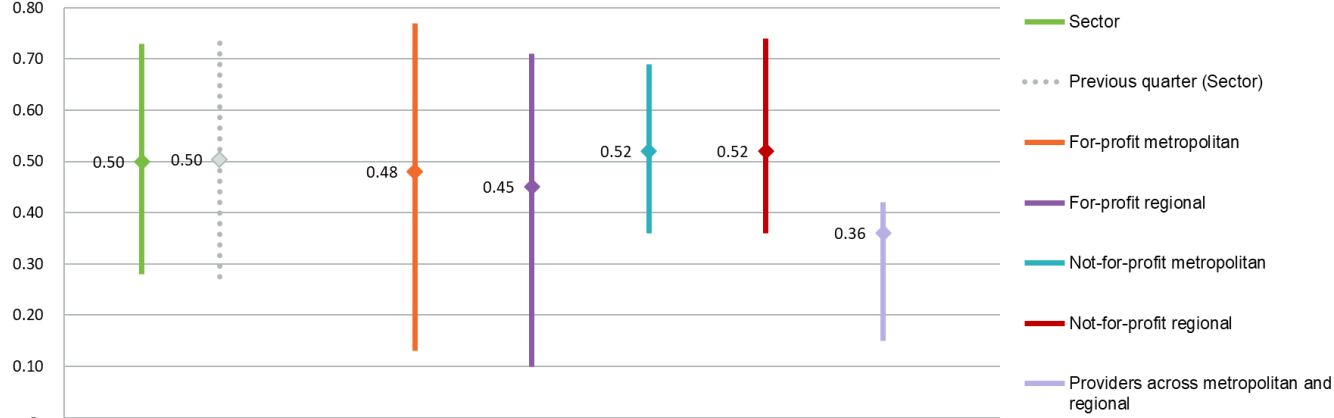
The capital adequacy ratio shown in Chart 22 measures providers’ net asset position divided by total asset position (not including intangibles).

This ratio can be used as an indicator of a provider's ability to absorb any unexpected losses through their net asset position (also known as an asset buffer).

The median capital adequacy ratio for home care providers was 0.50, meaning for every \$100 of assets they owned, \$50 was funded through equity and \$50 was funded through debt or other liabilities. This was consistent with the March 2023 year-to-date result for the sector. For-profit regional, not-for-profit metropolitan and not-for-profit regional providers had a slight decrease on the March 2023 year-to-date result. For-profit metropolitan providers remained unchanged and providers across metropolitan and regional saw a slight increase on the March 2023 year-to-date result.

If a provider has a stronger (higher) capital adequacy ratio, they will be able to fund and absorb the impacts of unforeseen circumstances (e.g., flood, unexpected losses) by using equity within the business. If a provider has a low or insufficient capital adequacy ratio, they may be forced to take on debt, or in extreme situations, go into administration when faced with unforeseen circumstances which have a financial impact.

Chart 22: Year-to-date median and quartile capital adequacy ratio of home care providers by provider type



Capital adequacy ratio = (net assets - intangible assets) ÷ (total assets - intangible assets)

Intangible assets are removed as they are not considered to have value in the event of insolvency. This provides a more realistic reflection of the available capital to absorb unforeseen circumstances.

Appendix 1

Updated data for January to March 2023 QFS Table 1.

Table 1: Year-to-date summary of financial performance of residential aged care for-profit and not-for-profit providers

| | Total | Per resident per day | Change from December 2022 year-to-date per resident per day |
|---|-------------|----------------------|---|
| Revenue | \$16,830.0m | \$336.36 | ↑ \$5.17 |
| Expenses | \$17,564.4m | \$351.03 | ↓ \$0.40 |
| Net profit before tax | (\$734.4)m | (\$14.68) | ↑ \$5.56 |
| Net profit before tax margin | (4.36%) | (4.36%) | ↑ 1.75 percentage points |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | \$891.8m | \$17.82 | ↑ \$4.89 |

Appendix 2


Updated data for January to March 2023 QFS Table 2.

 **Table 2: Quarter 3 summary of financial performance of residential aged care for-profit and not-for-profit providers (estimate)**

| | Total | Per resident per day | Change from Q2 per resident per day |
|---|------------|----------------------|-------------------------------------|
| Revenue | \$5,733.5m | \$347.14 | ↑ \$1.91 |
| Expenses | \$5,789.6m | \$350.54 | ↓ \$7.35 |
| Net profit before tax | (\$56.1)m | (\$3.40) | ↑ \$9.26 |
| Net profit before tax margin | (0.98%) | (0.98%) | ↑ 2.69 percentage points |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | \$458.5m | \$27.76 | ↑ \$5.98 |

Appendix 3

Updated data for January to March 2023 QFS Table 7.

 **Table 7: Quarter 3 summary of financial performance of home care for-profit and not-for-profit providers (estimate)**

| | Total | Per care recipient per day | Change from Q2 per care recipient per day |
|---|------------|----------------------------|---|
| Revenue | \$1,364.3m | \$67.47 | ↓ \$1.18 |
| Expenses | \$1,288.6m | \$63.72 | ↓ \$2.60 |
| Net profit before tax | \$75.7m | \$3.74 | ↑ \$1.41 |
| Net profit before tax margin | 5.55% | 5.55% | ↑ 2.16 percentage points |
| Earnings before interest, tax, depreciation and amortisation (EBITDA) | \$85.8 | \$4.24 | ↑ \$1.45 |

Appendix 4

How to read the QFS

Comparison data

Comparison with the previous quarter's results are reported at the sector-level in charts, figures and tables to better understand changes or trends in financial performance.

Benchmarking calculations: Throughout the document, this grey box is used to provide guidance on calculations, to support aged care service providers to benchmark their performance against sector-level results.

Quartile charts

Quartile charts have been used to assist with benchmarking by showing the median, and the upper quartile (50th to the 75th percentile) and lower quartile (25th to the 50th percentile). This highlights the spread of reported results.

Provider type definitions

The percentage of services is calculated using the proportion of claim days from a provider. The classification of regional and metropolitan services is based on the ABS Remoteness Name category, used to determine the location of services in the National Approved Provider System (NAPS).

| Provider type | Definition |
|-----------------------------|--|
| Sector | Consolidated view of the provider types shown in the chart, figure or table. |
| For-profit metropolitan | Providers that deliver more than 70 per cent of their services in metropolitan areas and are either a Private Incorporated Body or a Publicly Listed Company. |
| For-profit regional | Providers that deliver more than 70 per cent of their services in regional areas and are either a Private Incorporated Body or a Publicly Listed Company. Regional covers inner regional, outer regional, remote and very remote as classified by the Australian Bureau of Statistics (ABS). |
| Not-for-profit metropolitan | Providers that deliver more than 70 per cent of their services in metropolitan areas and are either charitable, community based or religious organisations. |

| Provider type | Definition |
|--|---|
| Not-for-profit regional | Providers that deliver more than 70 per cent of their services in regional areas and are either charitable, community based or religious organisations. Regional covers inner regional, outer regional, remote and very remote as classified by the ABS. |
| Providers across metropolitan and regional | Refers to non-government providers that deliver services more evenly across metropolitan and regional areas and, therefore, do not fall in the above categories. These providers deliver more than 30 per cent but less than 70 per cent of their services in metropolitan or regional areas. |
| LST government | Refers to providers owned by a local, state or territory government. This acronym is used in tables and charts. |

Previous snapshots and feedback

The [first](#), [second](#) and [third](#) QFS reports are available on the department's website.

The QFS will evolve over time, and the department is committed to working with the sector to inform future publications. Feedback is welcome and should be directed to agedcaremarket@health.gov.au.

Let's change aged care together

We invite Australians to continue to have their say about the aged care reforms.



Visit agedcareengagement.health.gov.au



Phone **1800 318 209** (Aged care reform free-call phone line)

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