

INSIDE THIS ISSUE:

**NATIONAL SURVEY 1
2008**

GROWTH OF CACP'S 1

EXTRA SERVICES 2

**TRANSITIONAL
ACCOMMODATION
SUPPLEMENT (TAS) 2**

**UNFUNDED PLACES
& ACFI 3**

**"UNLIMITED"
BONDS 3**

**2006/07 NATIONAL
SURVEY RESULTS 3**

NATIONAL SURVEY 2008

ONE BIG SURVEY EVERY TWO YEARS

Many of our clients have advised us that they want the detailed benchmarking information we provide in our national surveys, but that they have difficulty getting all the necessary data together every year, particularly for groups with many services.

Clients also advise that the types of benchmarks and analysis we provide equate to a major sector review, not a quick annual survey.

Further, we know that many benchmarked cost items and staff hours items change only a little in one year so clients can re-use benchmarks from one year as being valid for the next year or two. Accordingly, number of providers only participate every second year or so.

We've listened to you, and we are changing our national survey to a sponsored, two-yearly major survey. We are doing **no** survey for 2007/08. Our next survey is for 2008/09 – next year.

OTHER BENEFITS

More participants mean more benchmarks and better averages. Doing surveys every second year is to encourage the greatest levels of participation.

The report we do with our national survey is a 60-page complete analysis with over 80 graphs and tables. This

analysis and report writing is a huge task for us and we have added only limited new sections in recent years. By changing the survey to two-yearly, we can expand the reporting and are seeking client input on desired additional graphs, tables and analysis to keep making our survey even better.

WHAT ABOUT 2008?

There is a simple and quick 2008 Aged Care Survey being conducted by Grant Thornton (GT) with support from your industry associations and from Professor Warren Hogan. This simple survey is specifically for 2008 (only) as it is going to be used to give the sector information to lobby in the Australian Government's CAP Review and scrutiny of COPO indexation, currently underway.

Maximum participation in this special 2008 GT Survey initiative should be of strong benefit to service providers. See the website www.grantthornton.com.au. The GT survey closing date is being held over for another week to assist our clients to participate. This survey is free.

The GT 2008 survey data will provide information for the sector on major movements in EBITDA and returns, but not the detailed benchmark data for individual services that is the hallmark of our survey. The GT 2008 survey will allow the sector an unbroken series of annual return figures since 1994/95, the date of our first national survey.

CACP'S GROWTH THROUGH SELF-FUNDING

Community Aged Care Packages (CACP's) provide "hostel at home" services to assist Australians to remain at home rather than entering residential Low Care.

There are almost as many CACP's as there are Low Care residents in Australia (40,000 CACP's to 45,000 Low Care residents).

Some CACP providers are seeing the opportunity to grow their business by (a) marketing additional hours of assistance and/or care at extra cost or (b) offering CACP's-type services at full cost until a funded CACP place becomes available.

How do aged pensioners will little non-

pension income pay for more care and assistance? An extra 11 or 12 hours per week assistance may allow a carer and their spouse to remain at home, but where would the \$400/wk come from to pay for this outlay for a few years?

The answer is that reverse mortgages are (finally) being used by some aged persons to pay for the cost of extra home care so they can stay at home. Since it is very simple to access \$20,000 p.a. or more to use towards your care through reverse mortgages, we expect to see more of this initiative. Some home care providers we know have brochures and flyers for reverse mortgage brokers and financial advisors that go out with their CACP information.

WE'RE BACK!

Due to popular demand, we're pleased to announce that the JU&A Newsletter is back in production.

For information on how to subscribe please call Vicki on (07) 3229 8955

STOP PRESS!

JAMES UNDERWOOD & ASSOCIATES IS NOT RUNNING A 2007/08 NATIONAL SURVEY

YOU CAN PARTICIPATE FOR FREE IN THE QUICK AND SIMPLE GRANT THORNTON AGED CARE SURVEY FOR 2008

OF INTEREST:

- Tips for use of the JU&A Resident Agreements are highlighted in the TAS and the Unfunded Places articles
- The downsides of seeking very large bonds are highlighted in "Unlimited" Bonds

JAMES UNDERWOOD & ASSOCIATES

CPA House
Level 20, 307 Queen St
BRISBANE QLD 4000

GPO Box 745
BRISBANE QLD 4001

Ph. (07) 3229 8955
Fax: (07) 3229 5435
juoffice@underwoods.com.au

ABN 32 055 879 028

ACAR 2007

With ACAR 2007, JU&A secured 11% of all places in the country for our clients. This was the fourth year in a row of getting 11% of all national places in ACAR.

We also secured large numbers of CACP's and EACH's and even got one large capital grant for a small rural service.

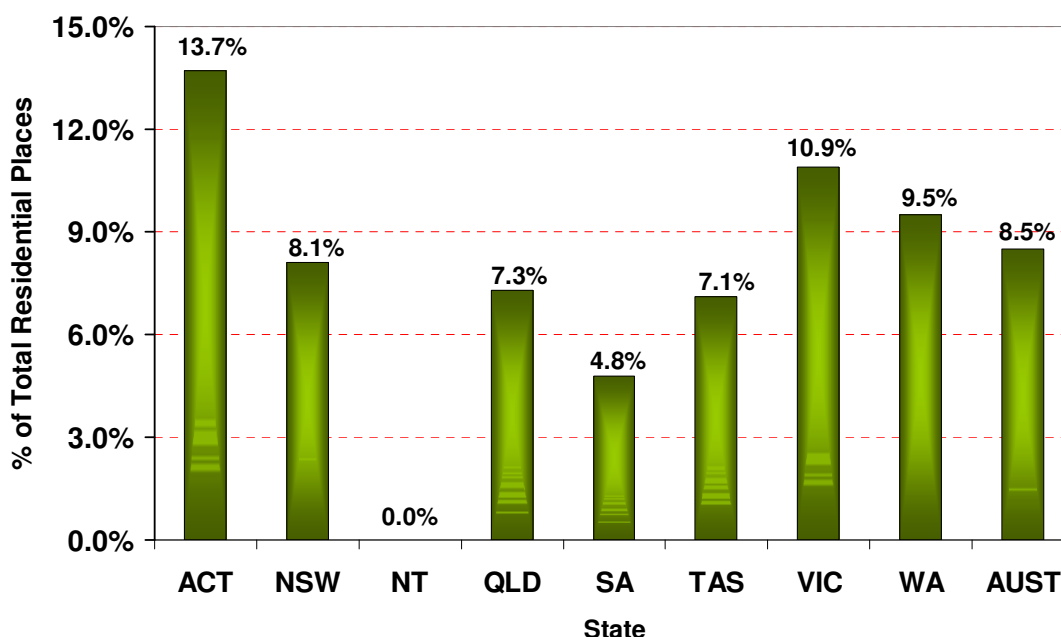
Importantly, we also secured a first CACP program for a large private-for-profit retirement village group.

EXTRA SERVICES NUMBERS GROW

The take up of Extra Services (ES) in Australia grows quickly. ES is often the only way to get income and bonds that allow groups to expand and rebuild High Care places.

The graph below shows the large numbers of ES places at this time (Note: In some states, many of the ES places are **approved** but not yet **commenced**.)

**OPERATIONAL PLUS PROVISIONALLY-APPROVED EXTRA SERVICE PLACES
AS A PERCENTAGE OF OPERATIONAL RESIDENTIAL AGED CARE PLACES
(AS AT DEC 07, INC. SEPT 07 ESAR ALLOCATIONS)**



The next ES round is with the 2008 ACAR, to be announced soon. There will be no further ES rounds in 2008.

TRANSITIONAL ACCOMMODATION SUPPLEMENT (TAS)

There's a quirk in claiming procedures for providers to watch out for in residential care:- ensuring that the Transitional Accommodation Supplement (TAS) is paid for bond-payers and self-funded retirees.

The TAS is in compensation for the abolition of the old self-funded retiree (SFR) fee that ceased for new residents from 20 March 08.

Any new resident who has assets above \$90,410 is not "supported", so there is no obvious need or requirement to be Asset-tested by Centrelink. E.g. If a bond of \$300,000 is sought and the resident can pay it and be left with minimum \$34,500 in assets, then an agreement is made with the resident and no Centrelink Asset Assessment is sought. Clients who use JU&A Resident Agreements would have a resident sign a Declaration (Attachment Four).

Now, any new Low Care resident with assets above \$90,410 **should** automatically attract the TAS of \$6.64/day because the service is **not** claiming or being paid an accommodation supplement for them because they are identified on the Resident Entry Record (RER) as being **non**-supported and having paid a bond above \$55,910.

This, however, does **not** always happen. Medicare does not always automatically pay the TAS and their advice is, on enquiry, that a Centrelink Asset Assessment is required.

It is recommended that you check your Payment Statements to see if you have received all your TAS. You may have to go asking your bond-paying post-20 March 08 persons (including extra services) to retrospectively complete Asset Testing forms (which they may **not** wish to do).

UNFUNDED PLACES & ACFI

Clients who operate Low Care services are advising that the numbers of prospective bond-paying Low Care residents are diminishing and that some who would formerly have been RCS 7 – and thus funded at \$27.42/day – are instead NLN's at \$6.68/day. The clients are in a quandary because they need the occupancy and the bonds but can't operate on the lower subsidy.

A solution?

Offer **unfunded** places to such persons with a daily fee equal to or higher than the RCS subsidy you would have received pre-20 March 08.

If you charge, say, an extra \$40.00/day to such people, (and, of course, forego the \$6.68/day subsidy), you receive more income than for an RCS Category 6 or 7.

As and when the resident moves to higher care, they can be the next onto the Claim Form when a vacancy arises and you can offer their vacated unfunded place to the next NLN-type resident.

CHARGE THE FEE AS A RETENTION

Pensioner residents can't afford an extra \$40.00/day. How do they pay? Just offer to withdraw the amount from

the bond lump sum. It's only \$14,600 p.a. out of a bond of \$300,000 or more.

Many services have some unfunded places. Some services temporarily have unfunded places because of having one or two sets of couples in single rooms. Some services have funded places "off-line" for various reasons.

If you have **no** unfunded places, you can achieve the same \$40.00/day extra fee through a periodic payment. You only need a lump sum equivalent of \$124,000 in addition to your normal lump sum to be able to offer a \$40.00/day extra "retention" at an MPIR of 11.75% p.a.

JU&A RESIDENT AGREEMENT

We offer a full resident agreement package that allows simple inclusion of unfunded fees; withdrawals from lump sums; and periodic payments.

The Resident Admission Package (RAP) includes handouts, guides and "how to" items for bond and fee flexibility. For information, call Alex on 07 3229 8955 or alex@underwoods.com.au.

UNLIMITED BONDS FAILING

We are seeing some fairly poor occupancy in some areas of residential care in Australia and note that some providers are requesting "unlimited" bonds. This is where there is no upper limit. If a prospective resident's assets are \$750,000 because they have a house in a higher value area, some providers are saying the bond will be \$715,500 for even modest, older, smaller Low Care rooms.

Unsurprisingly, this encourages a number of potential Low Care customers to look elsewhere or to defer entry and increase their use of home care or other assistance. This appears to be a significant reason for falling occupancy.

Services with these "unlimited" bonds may see reduced occupancy and may, as a result of poor demand, be taking persons who are either too lowly subsidised or too frail for their Low Care wings and who thus create operational budget challenges.

In some cities, services with a capped (lower) maximum bond, eg. \$300,000 or \$350,000, are reaping an occupancy windfall.

2006/07 NATIONAL SURVEY RESULTS

Our great thanks to all participants in our 2007 national survey. The 2007 national residential aged care survey showed increased EBITDA (Earnings Before Interest, Taxation, Depreciation and Amortisation) for High and Low Care services and for merged services.

Data provided include the results for 280 Australian services in an Excel spreadsheet that you can easily sort to show the best practice benchmarks that you want.

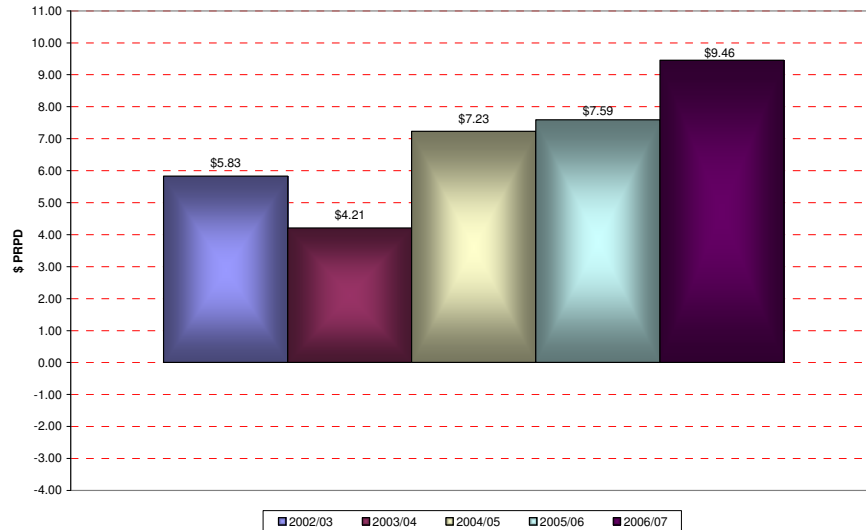
To purchase a copy of the national survey, just call us or email vicki@underwoods.com.au for an order form.

HIGH CARE EBITDA INCREASES

High Care services showed the highest average EBITDA since the survey began.

Because extra services (ES) High Care facilities always show higher average returns than "general" High Care, the results **excluding** ES High Care are shown over:

**MOVEMENT IN NATIONAL AVERAGE EBITDA - HIGH CARE
(EXCLUDING EXTRA SERVICE FACILITIES)**

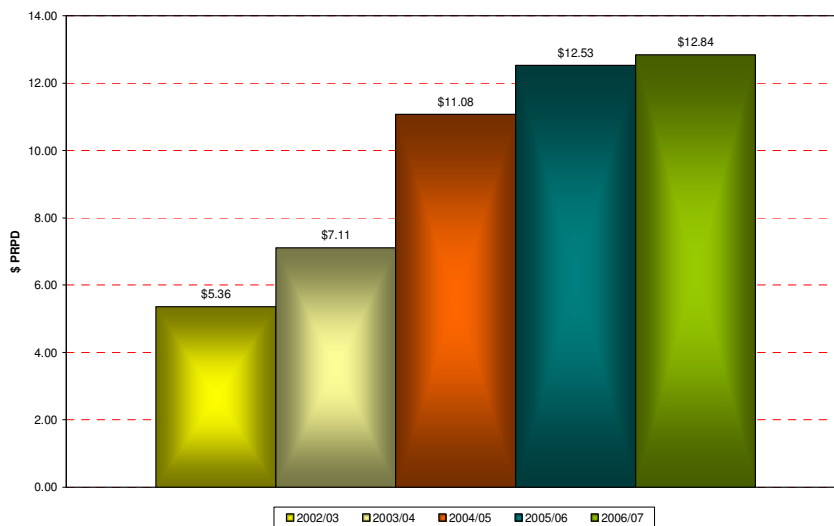


This level of EBITDA – at a record high as it is – is clearly inadequate to foster the building of new High Care services. At \$9.46 per resident per day (prpd) this is only \$3,450 p.a. per place. To build a new service may cost up to \$200,000/place or more, so this is a return of under 2% p.a.

LOW CARE EBITDA AT RECORD LEVELS

Low Care returns are also a the highest levels in the 13 years of surveys, as below:

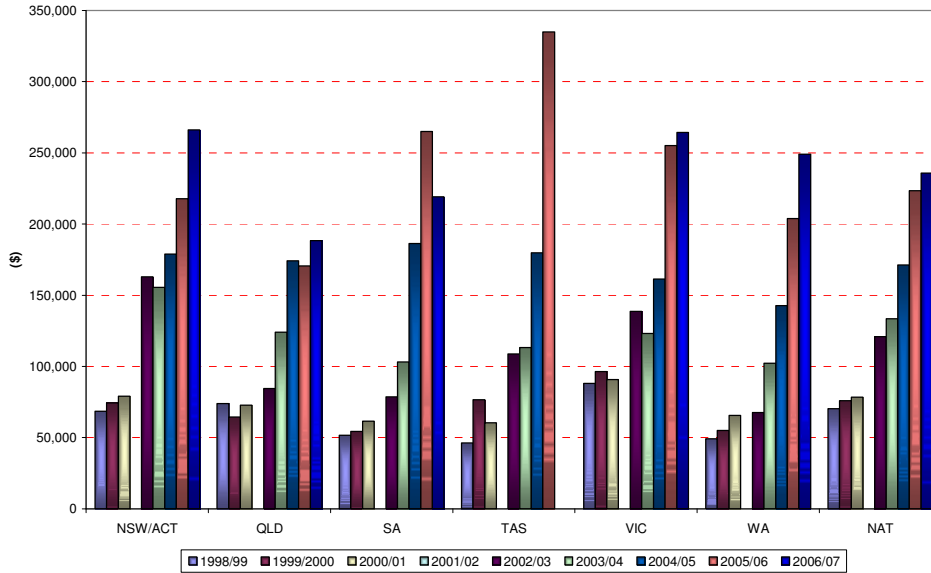
**MOVEMENT IN NATIONAL AVERAGE EBITDA - LOW CARE
(EXCLUDING EXTRA SERVICE FACILITIES)**



The average EBITDA of \$12.84prpd is just under \$4,700 p.a. This is a return of just 2.35% on a place with a capital outlay of \$200,000/place. This is very low and would be unlikely to encourage investment in new services. However, the average Low Care service in 2006/07 also held over \$3million in bonds. (This compared to the **non-ES** High Care services that held an average of under \$600,000 in total in bonds. Those High Care services **with** an extra services approval averaged over \$5million each in bond holdings.)

These bond holdings greatly reduced the capital outlay needed for the Low Care services and increased their viability. Services were asked in the survey to detail the highest bonds they received in the year and these are shown below as averages state-by-state. The highest averages were over \$260,000 for NSW and VIC whilst Queensland lagged behind at just \$181,000 – the lowest in the country – as below:

MOVEMENT IN AVERAGE HIGHEST ACCOMMODATION BONDS RECEIVED — LOW CARE

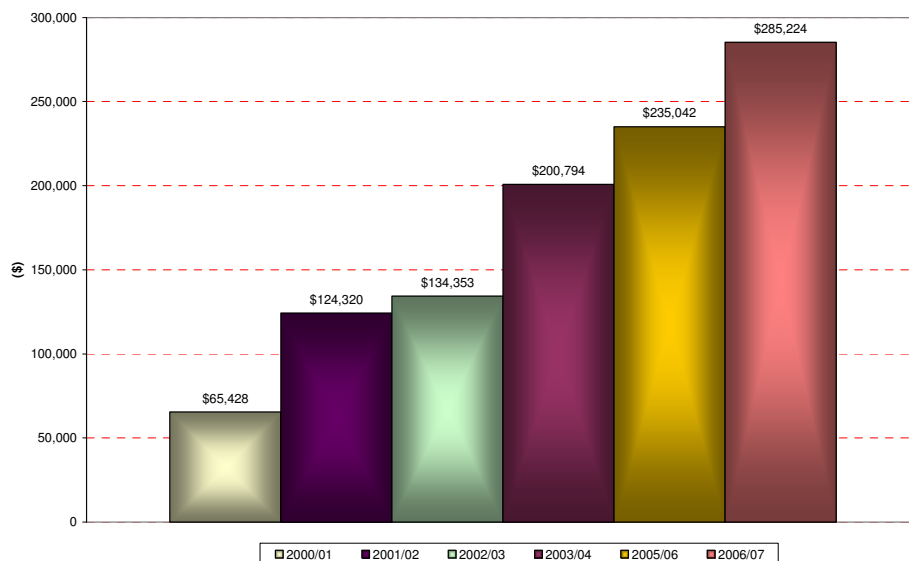


BONDS IN MERGED SERVICES GROW

The most recently built services are the “merged” services - with both High and Low Care places on the one site and usually with one RACS ID number.

The average highest bonds received at these newest services have jumped greatly in the last six years, as below:

MOVEMENT IN AVERAGE HIGHEST ACCOMMODATION BONDS RECEIVED - MERGED SERVICES



James Underwood & Associates Newsletter is produced quarterly by James Underwood & Associates Pty Ltd, advisers to the residential aged care, home care and retirement village sectors. If you would like to be added to our mailing list, or for any further information, please contact our office on (07) 3229 8955. Organisationa are invited to subscribe to the newsletter at an annual cost of \$324.50.

DISCLAIMER: This bulletin has dealt with matters of a technical nature in summary terms only. No responsibility for loss occasioned to any person or organisation acting in reliance upon any material in this bulletin can be accepted by any of the directors or staff or the firm. Specific advice should be sought in all instances.

© 2008 Copyright of the within materials is, and remains, the property of James Underwood & Associates Pty Ltd



JU & A 2008 / 09 RESIDENT ADMISSION PACKAGE

THE RESIDENT ADMISSION PACKAGE (RAP) IS A FULLY UPDATED SET OF ACCURATE, EASY TO USE **RESIDENT AGREEMENTS** TO MEET THE REQUIREMENTS OF THE ACA (1997) AND USER RIGHTS PRINCIPLES, FOR USE WITH HIGH AND LOW CARE (HC & LC); RESPITE AND PERMANENT; LUMP SUM, PERIODIC PAYMENT OR COMBINATION; FUNDED OR UNFUNDED; EXTRA SERVICE AND GENERAL; PLUS **READY RECKONERS, INFORMATION SHEETS, BROCHURES** AND **USER GUIDES** TO USE WITH THE NEW "POST-ACFI" RULES.

THEY'RE IN USE WITH OVER 10% OF INDUSTRY - 300 SERVICES!

WITH THE "BOOKLET FORM" RESIDENTIAL AGREEMENT, PROVIDERS ONLY NEED TO COMPLETE THE FIRST PAGES PLUS A STATEMENT.

THE REST IS A STANDARD BOOKLET, ALWAYS READY FOR USE.

AUTOMATIC QUARTERLY UPDATES ARE AVAILABLE.

FACILITY DETAILS		CONTACT DETAILS
Principal Licence Site:	RACS ID N ^o	Approved Provider Name for Principal Licence Site:
Name of HC Service:		Contact Name:
and/or Name of LC Service:		Address:
Sub-licence Sites:		
1. Name of HC Service:		Phone:
and/or Name of LC Service:		Email:

HOW TO LICENCE THE RESIDENT ADMISSION PACKAGE

	Principal Licence	N ^o of Sub-licence Sites	Total
FOR NEW USERS			
Entire Package: (Licence, disk and one hard copy)	\$629.00	+ _____	x \$220.00 = \$ _____
Automatic Email Updating for 2008/09:	\$377.00	+ _____	x \$132.00 = \$ _____
Additional Hard Copies:	\$ 93.00	+ _____	x \$ 93.00 = \$ _____
FOR CURRENT LICENCEES			
Automatic Email Updating for 2008/09:	\$377.00	+ _____	x \$132.00 = \$ _____
Hard Copies:	\$ 93.00	+ _____	x \$ 93.00 = \$ _____
"ES Add-on" @ \$104/qtr	\$416.00	+ _____	x \$416.00 = \$ _____
Total:			\$ _____

One licence is for **one site**; you may have both a Low Care and a High Care facility (or more) on one site. If your organization has other **sites**, the package can be licensed to those sites at just 35% per extra site. Hard copies and disks and the subsequent updates are prepared and forwarded for the principal licence site only so you can review before your dissemination to your sub-licence sites.

There is a special "ES Add-on" we recommend for Extra Services facilities. Please ask us about this if you have or intend to have Extra Services.

Please forward a cheque made payable to James Underwood & Associates Pty Ltd or call us for direct debit details, and post, fax or email this form to James Underwood & Associates, GPO Box 745, Brisbane QLD 4001, Email:juoffice@underwoods.com.au. Fax: (07) 3229 5435

A tax invoice will be forwarded to you

GUARANTEE

We will forward new users a complete "hard copy" for perusal. If not completely satisfied with your package, you may return it within 14 days for a full refund. If you choose not to accept the package, no copies of any sort are to be made or used. Email copies are supplied after you confirm acceptance of the package with payment.