



Successful operating and expansion strategies in residential aged care

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by

James Underwood



Topics

- *Success of bonds in High Care*
- *Marketing recommendations – Bonded High Care and General*
- *Marketing lower lump sums with higher retentions*
- *Why “unlimited” bonds can fail in Low Care*
- *Additional fee strategies for very low or no care need persons*
- *The usefulness of unfunded places in residential care*



Topics (Cont'd)

- *Residential care place approvals in retirement villages*
- *What size is the optimal size for a residential care service?*
- *Amalgamation, consolidation or neither.*
- *Why seek to move into CACP's, EACH's & EACH (D)'s*
- *How retirement villages are looking like Low & High Care services*
- *What hours should be rostered in High Care*
- *The new specified care and services list*



- ***Success of Bonds in High Care***



What Does Extra Service Status Mean?

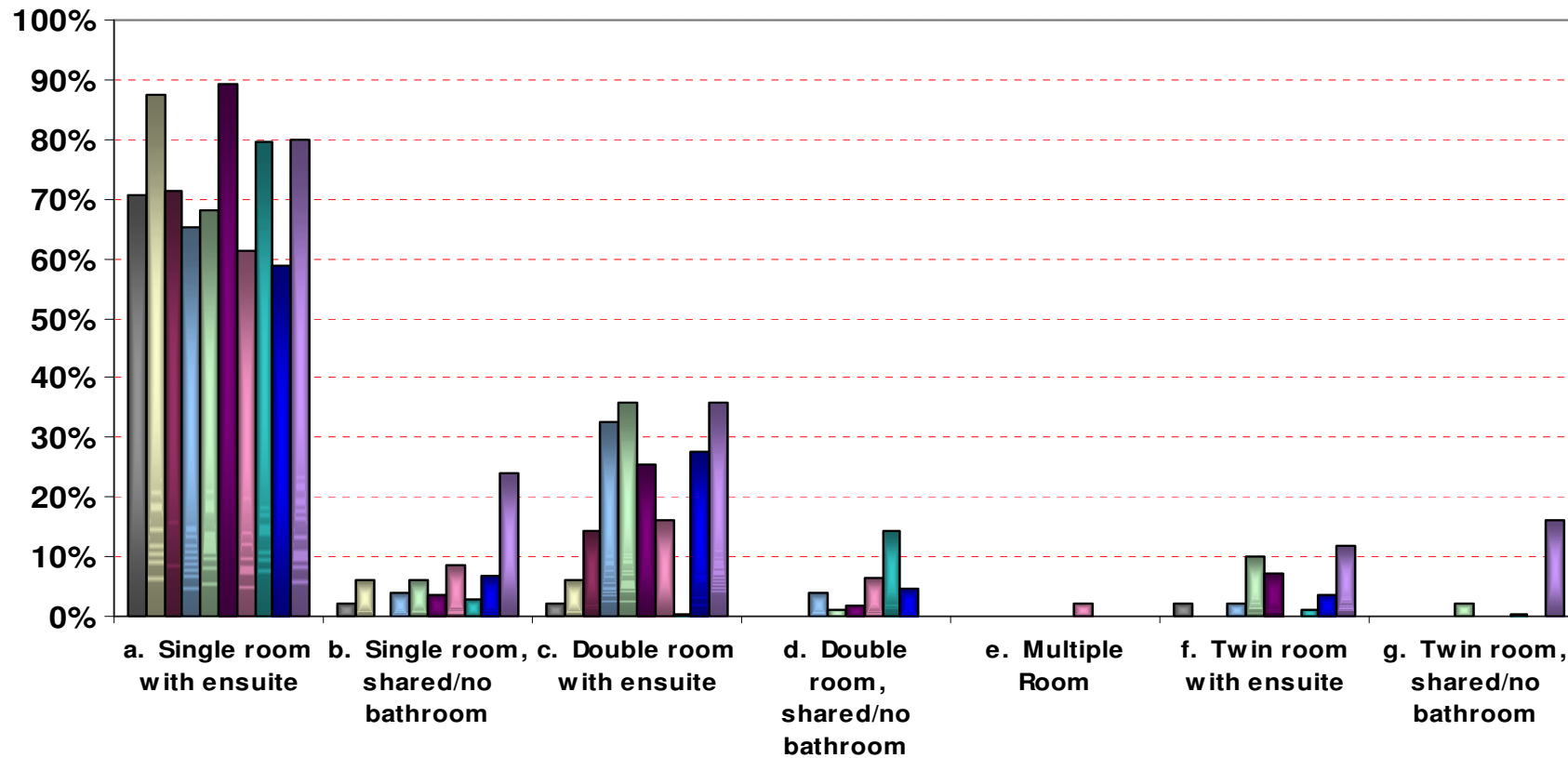
- A DoHA approval to charge higher fees to residents of an “above-average” service **and** to charge an accommodation **bond** to High Care residents in lieu of an accommodation **charge**.



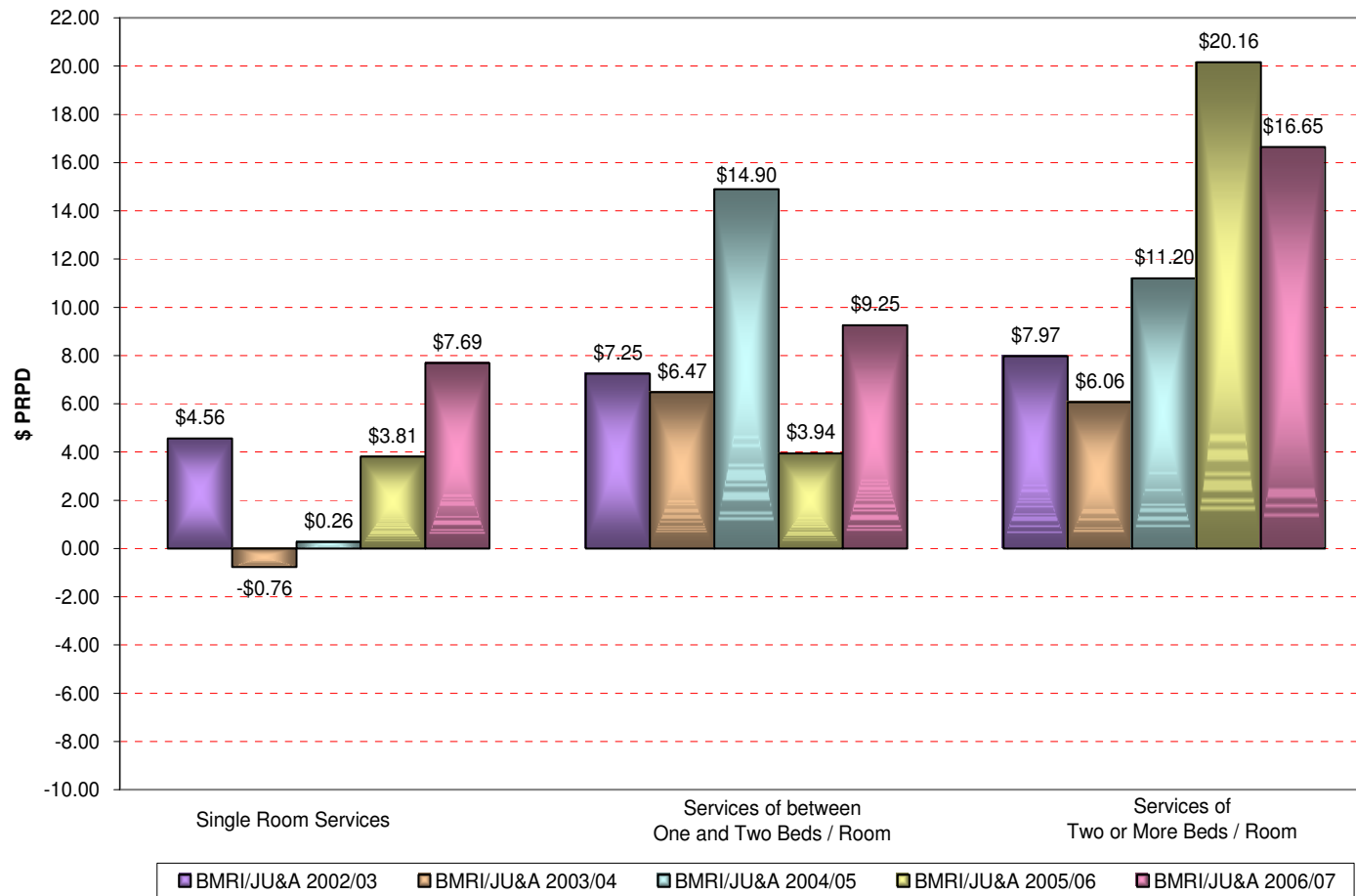
Why do you need ES?

- To help fund an “above average” service
- To make single-room, ensuited High Care viable
- To deliver on higher market expectations
- To enable ‘suite-style’ accommodation and other innovations to be offered
- To cross-subsidise services for **all** residents
- To enable Asset Test-exempt bonds in High Care
- To exclude bonded residents from Concessional ratios
- To make respite care more viable

Single-ensuited rooms are the most preferred type of High Care accommodation (“Greatly Preferred” accommodation type)

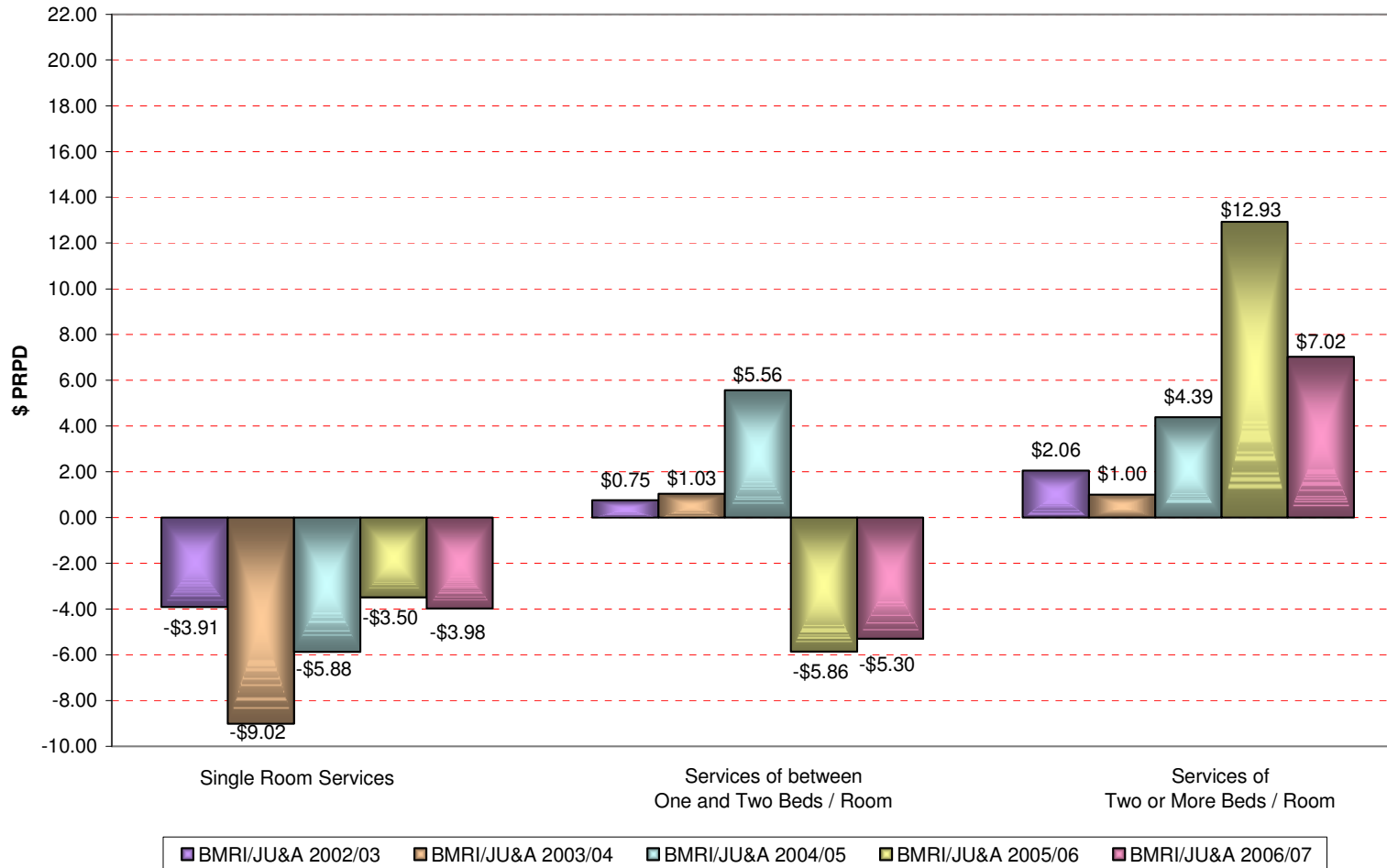


Single room High Care services are costly to build and run, both before “capital” costs...



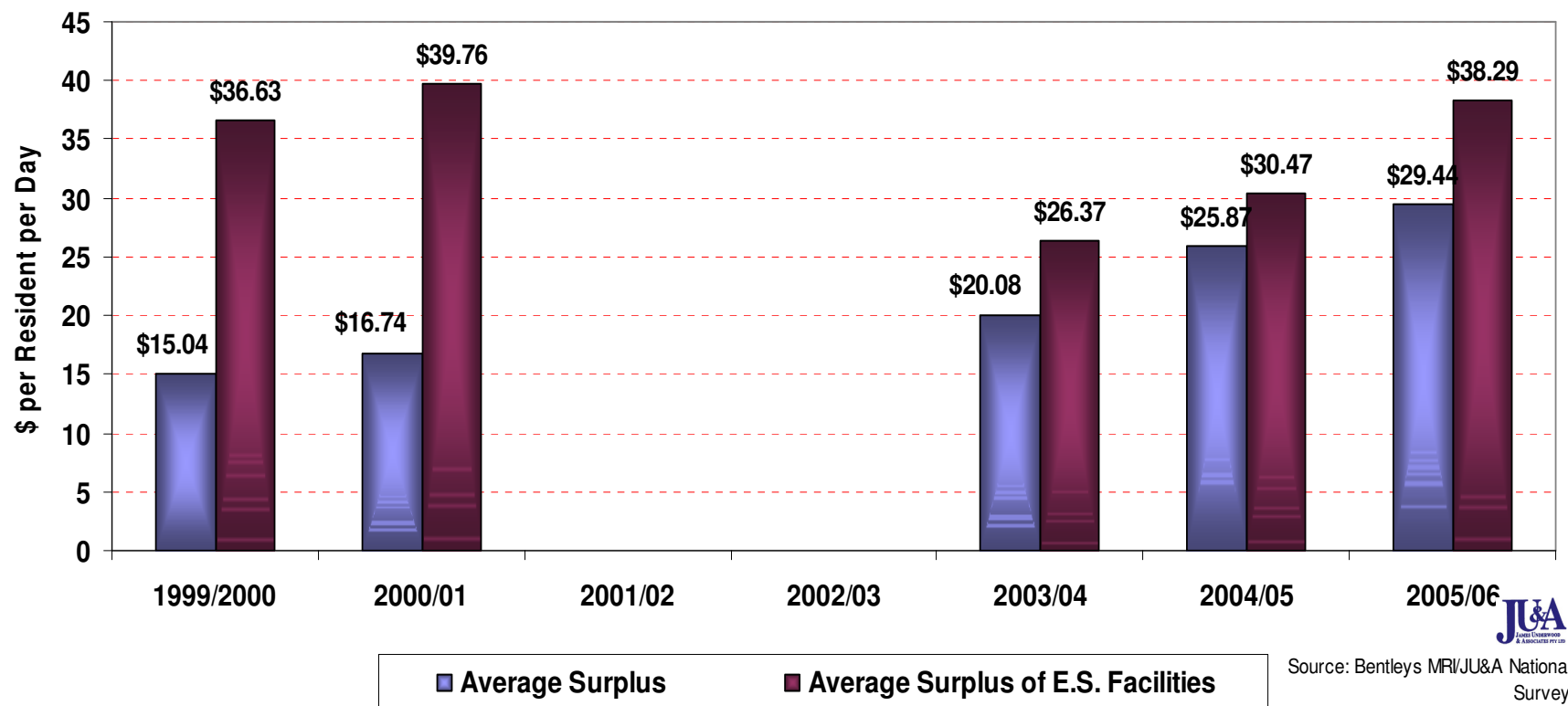
Movement in EBITDA by Room Type - High Care

...and after “capital” costs.



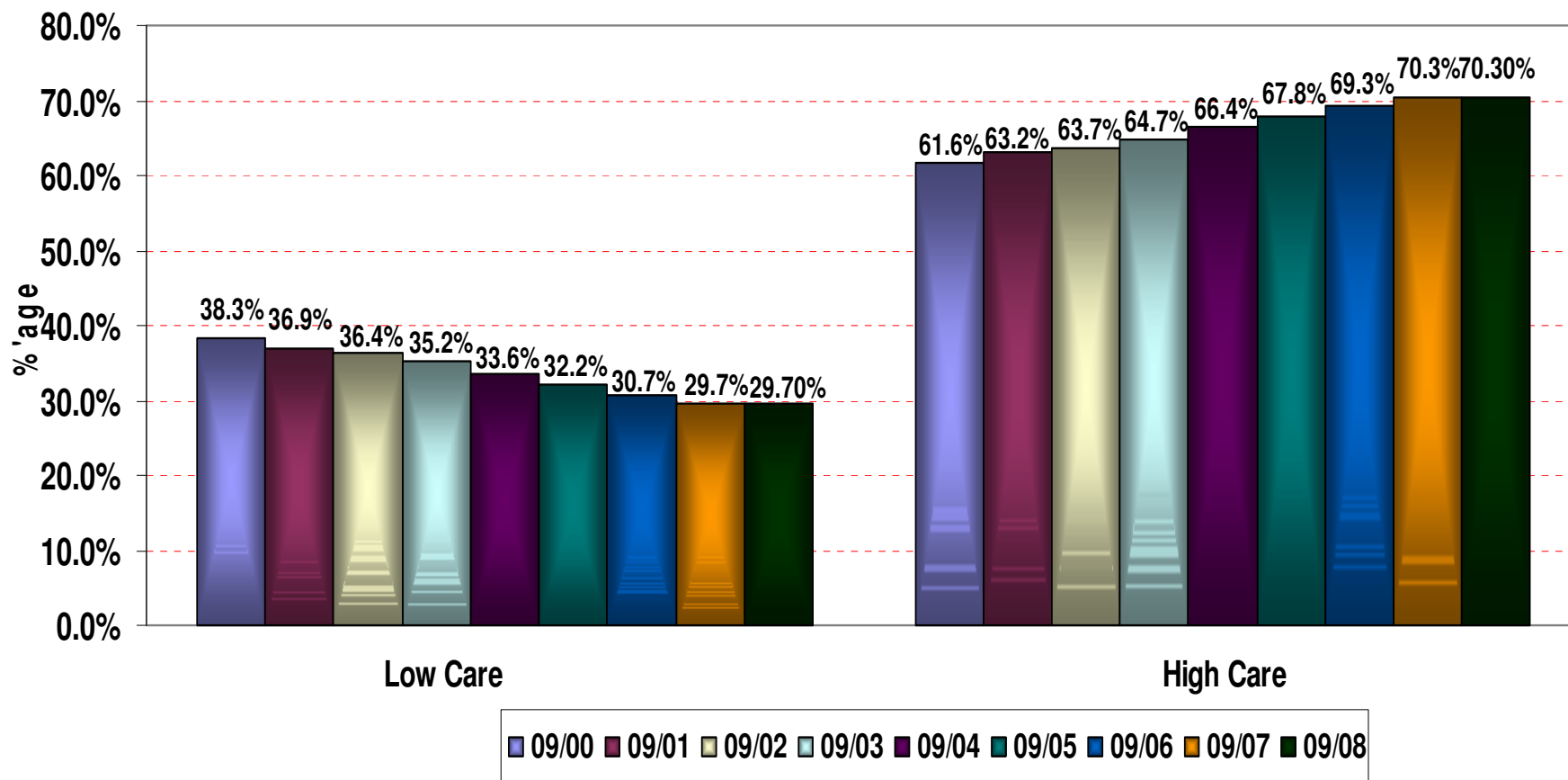
Movement in Surplus/(Deficit) After Other Costs by Room Type - High Care

ES positively impacts on the surplus



Review of Private for-Profit Sector Surplus/(Deficit) Before "Other" Costs - High Care

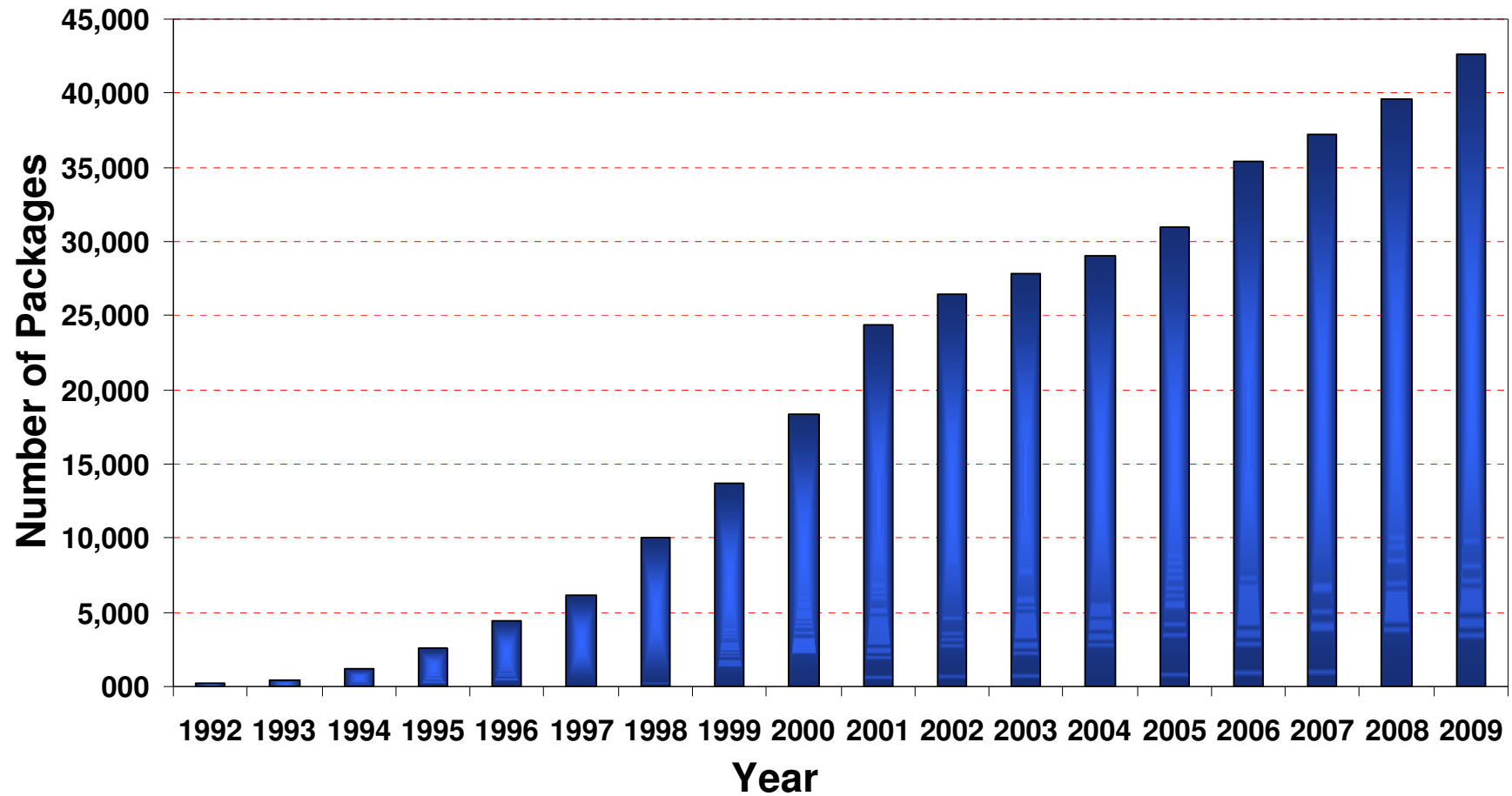
Numbers of Low Care residents are decreasing



Movement in Low Care & High Care Resident Levels as Proportions of All Australian Residential Aged Care Residents Sep 2000 to Sep 2008

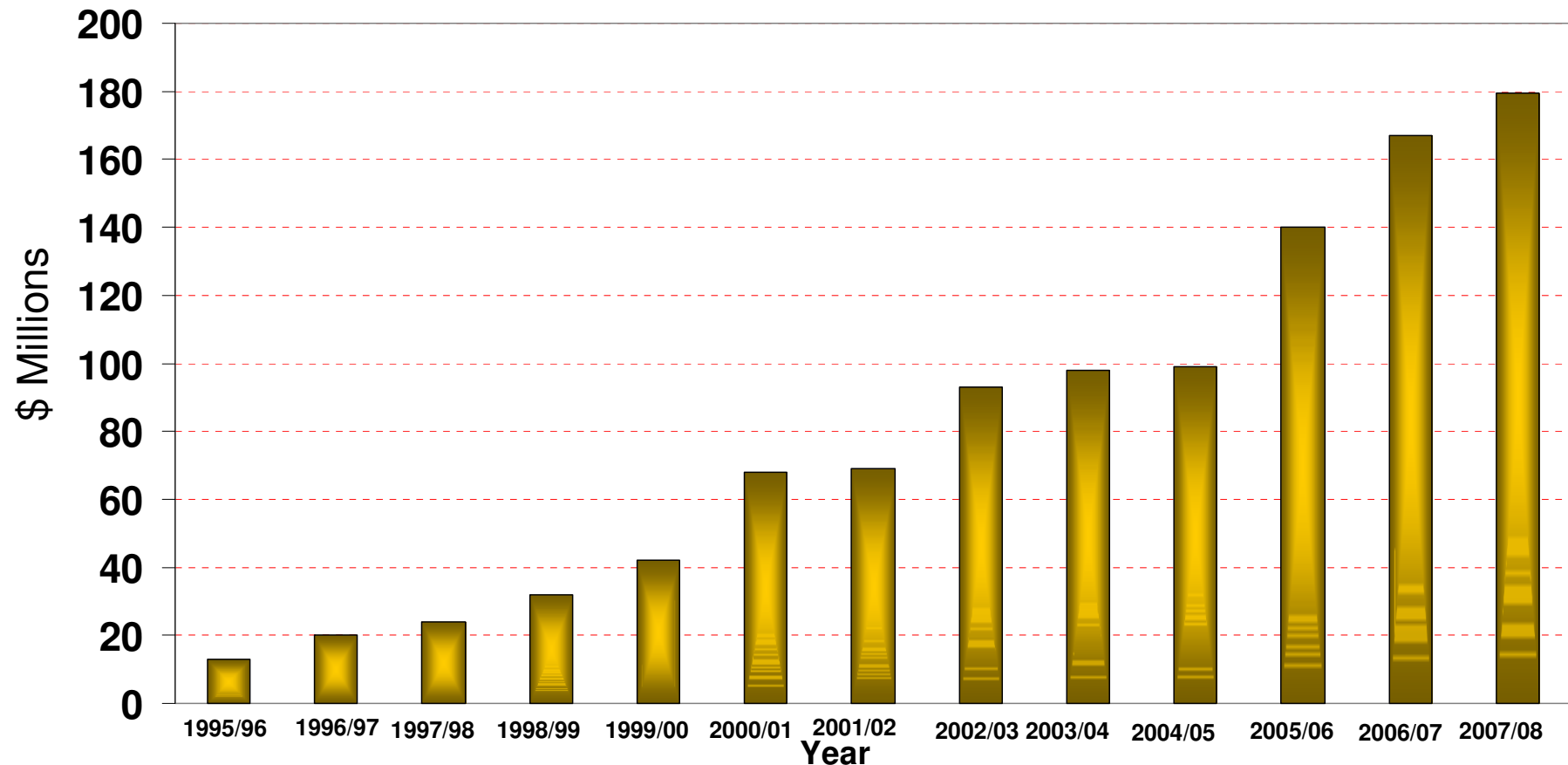
Numbers of CACPs are increasing

Number of Community Aged Care Packages, 1992 to 2009

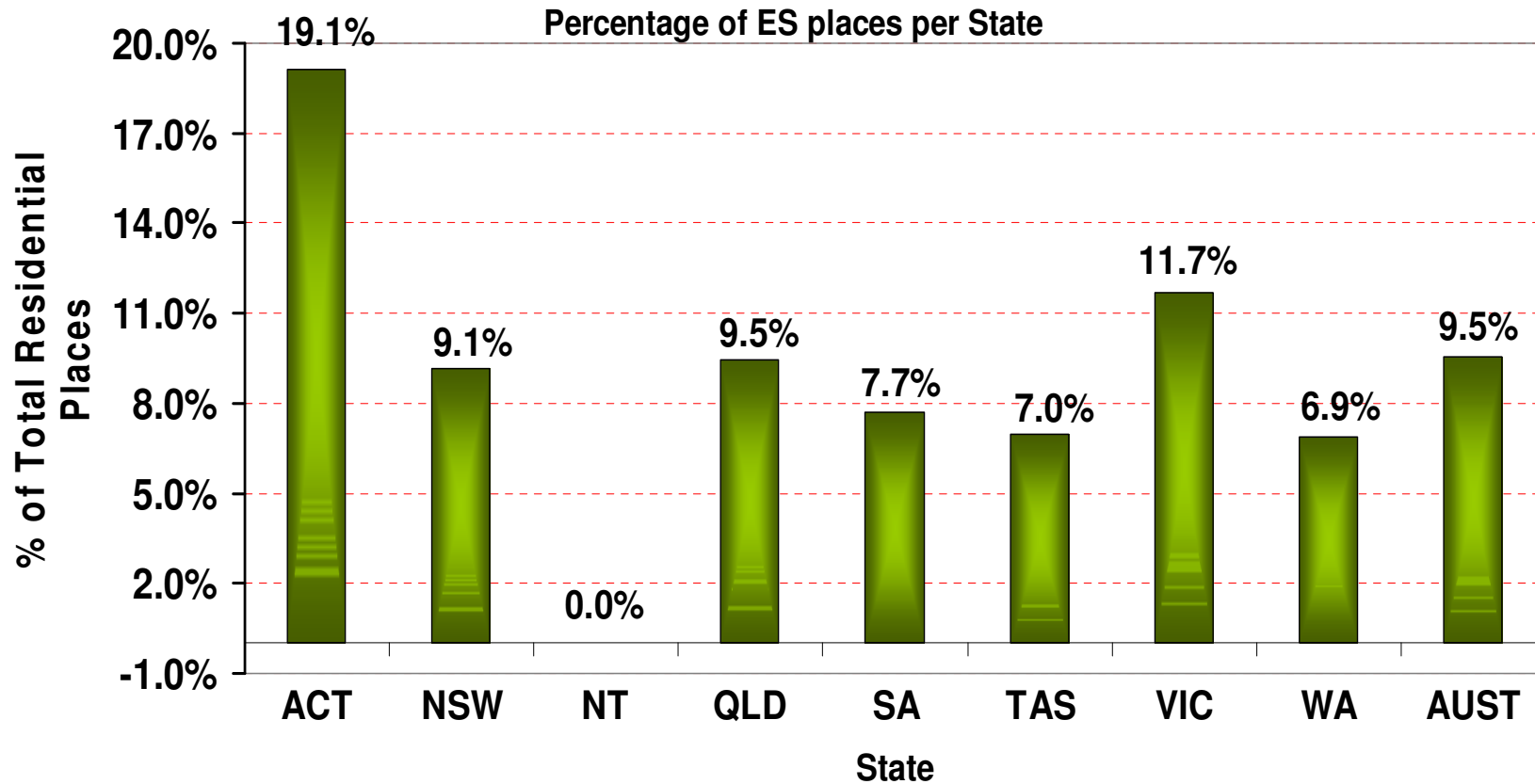


Commonwealth support for respite is increasing

Australian Government support for National Respite for Carers Program, 1995/96 - 2007/08

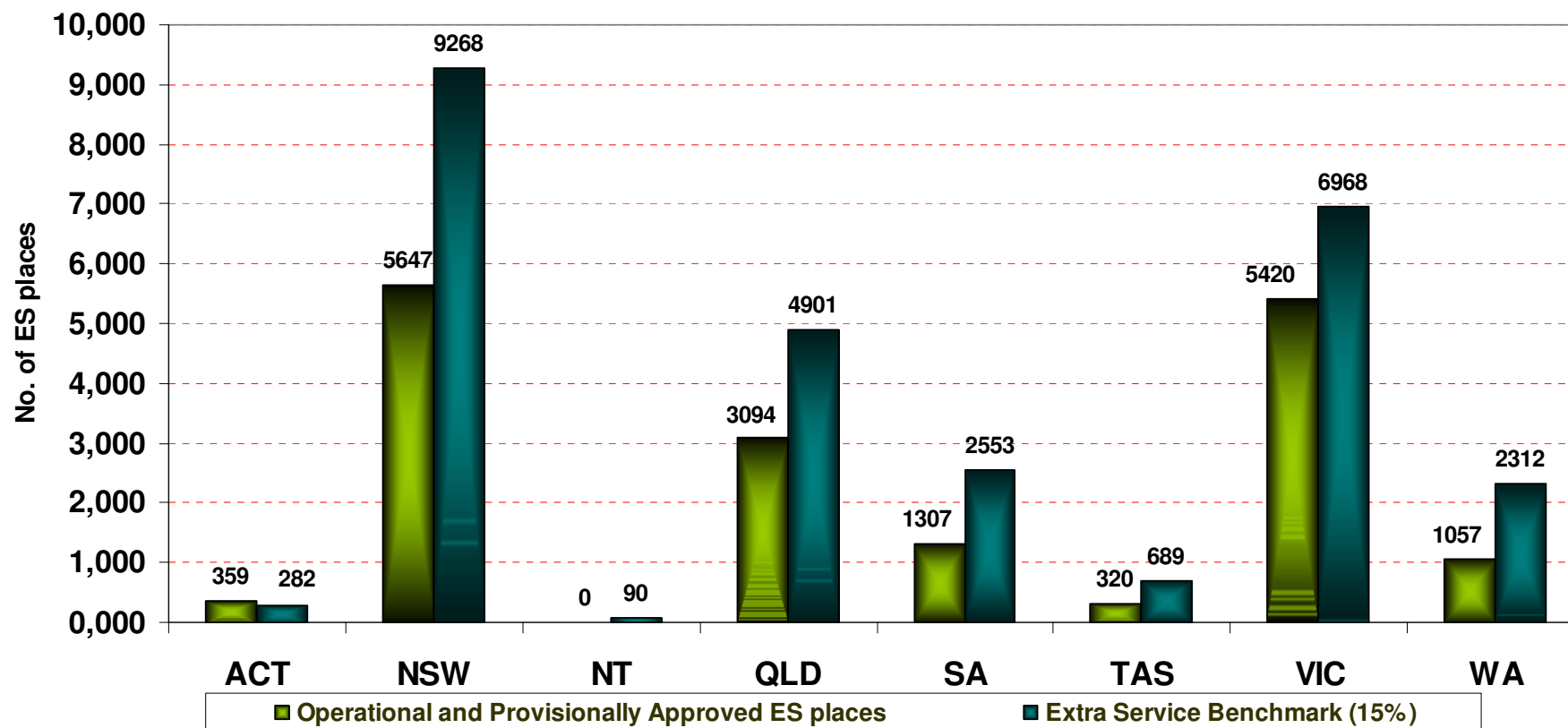


9.5% of all residential places in Australia are ES



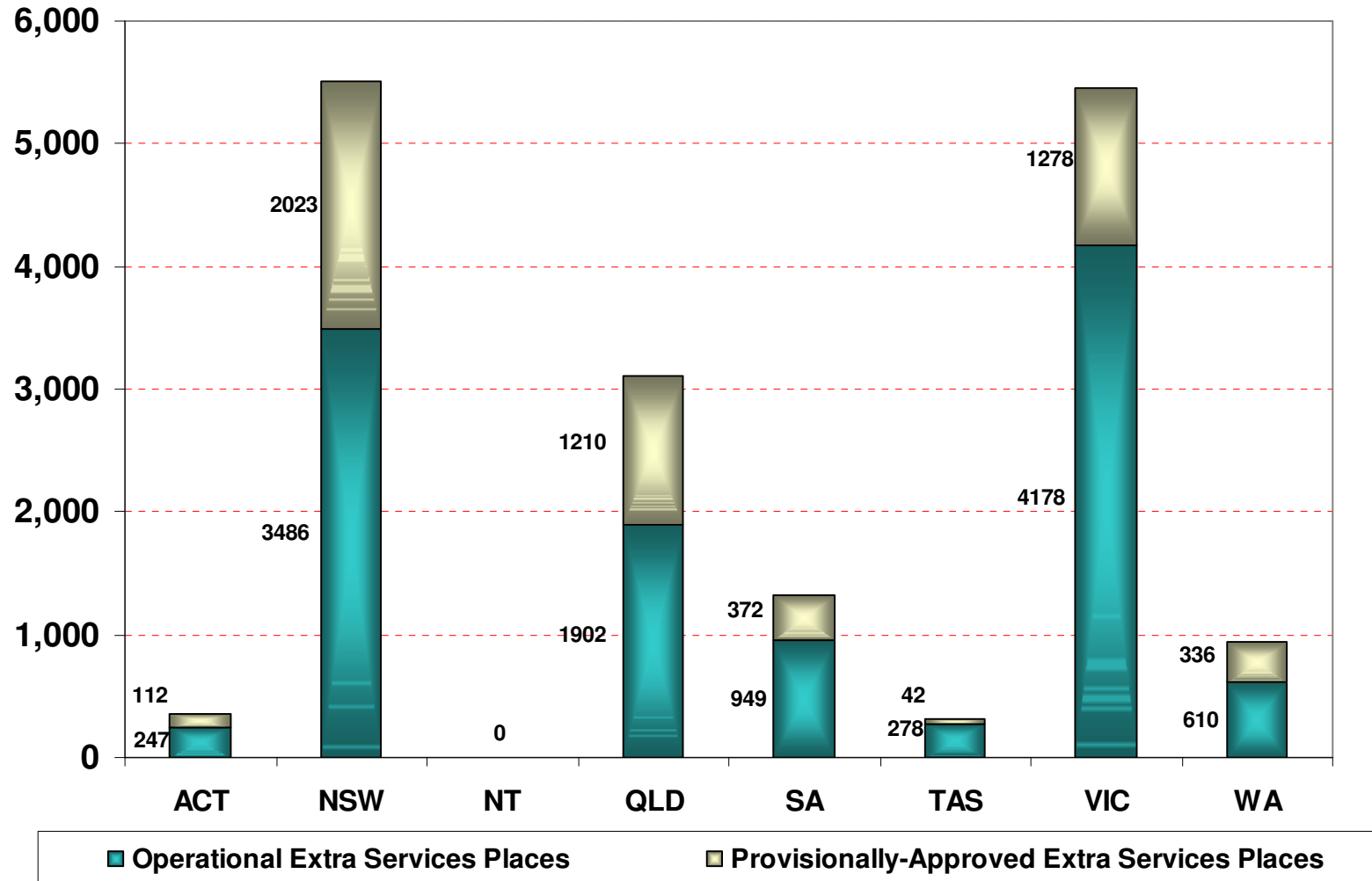
Operational plus Provisionally-Approved Extra Service Places as a Percentage of Occupied Residential Aged Care Places - As at July 09, updated with Dec 2008 ESAR allocations.

How do the numbers of ES places compare to the 15% limit in 2009?



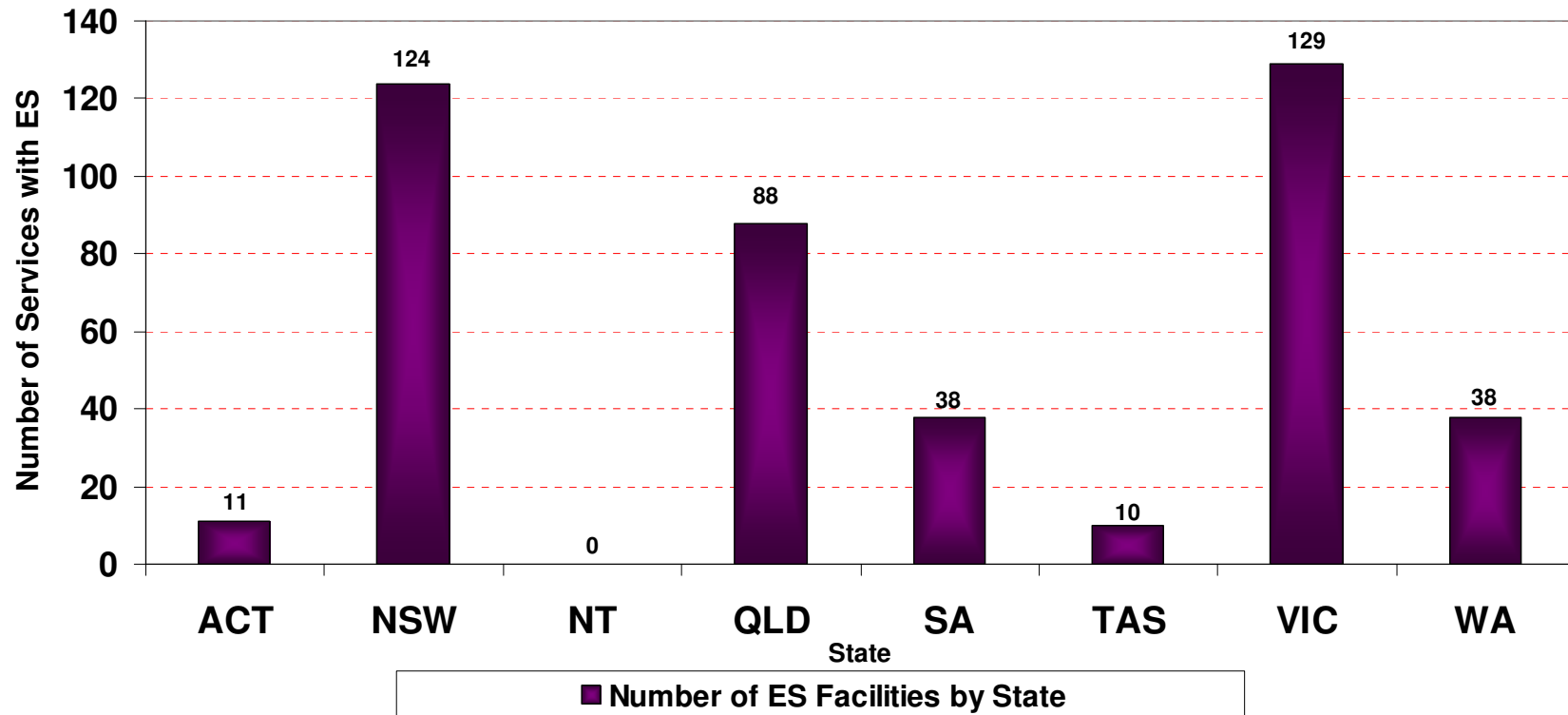
Operational plus Provisionally-Approved Extra Service Places Compared to Australian Government Benchmark of 15% of all Residential Care Places – As at Jul 09, updated with Dec 08 ESAR/ACAR allocations.

NSW is still leading the ES way...but only just!



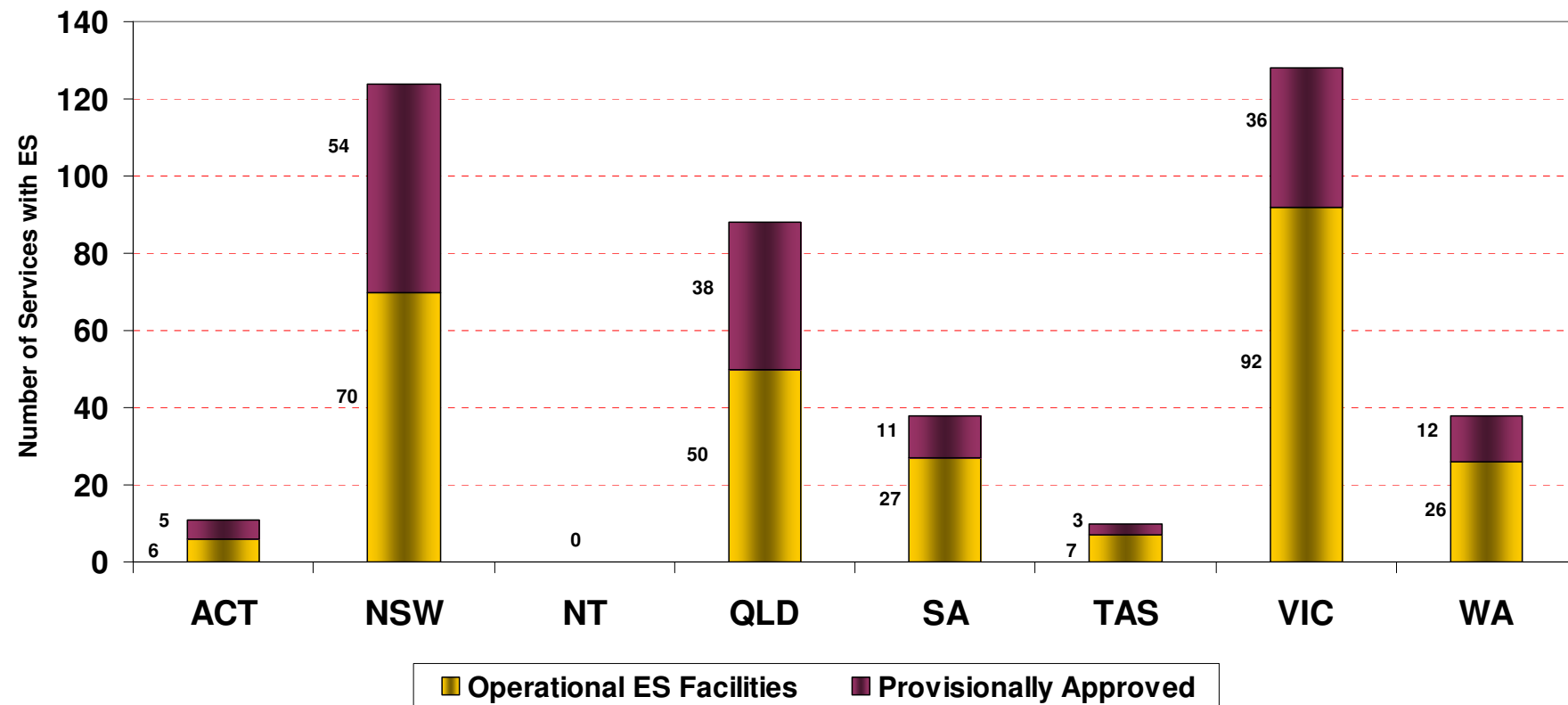
Operational and Provisionally-Approved Extra Service Places As at Sept 09, updated with Dec 08 ESAR allocations.

Fully 15% of all Services have ES...



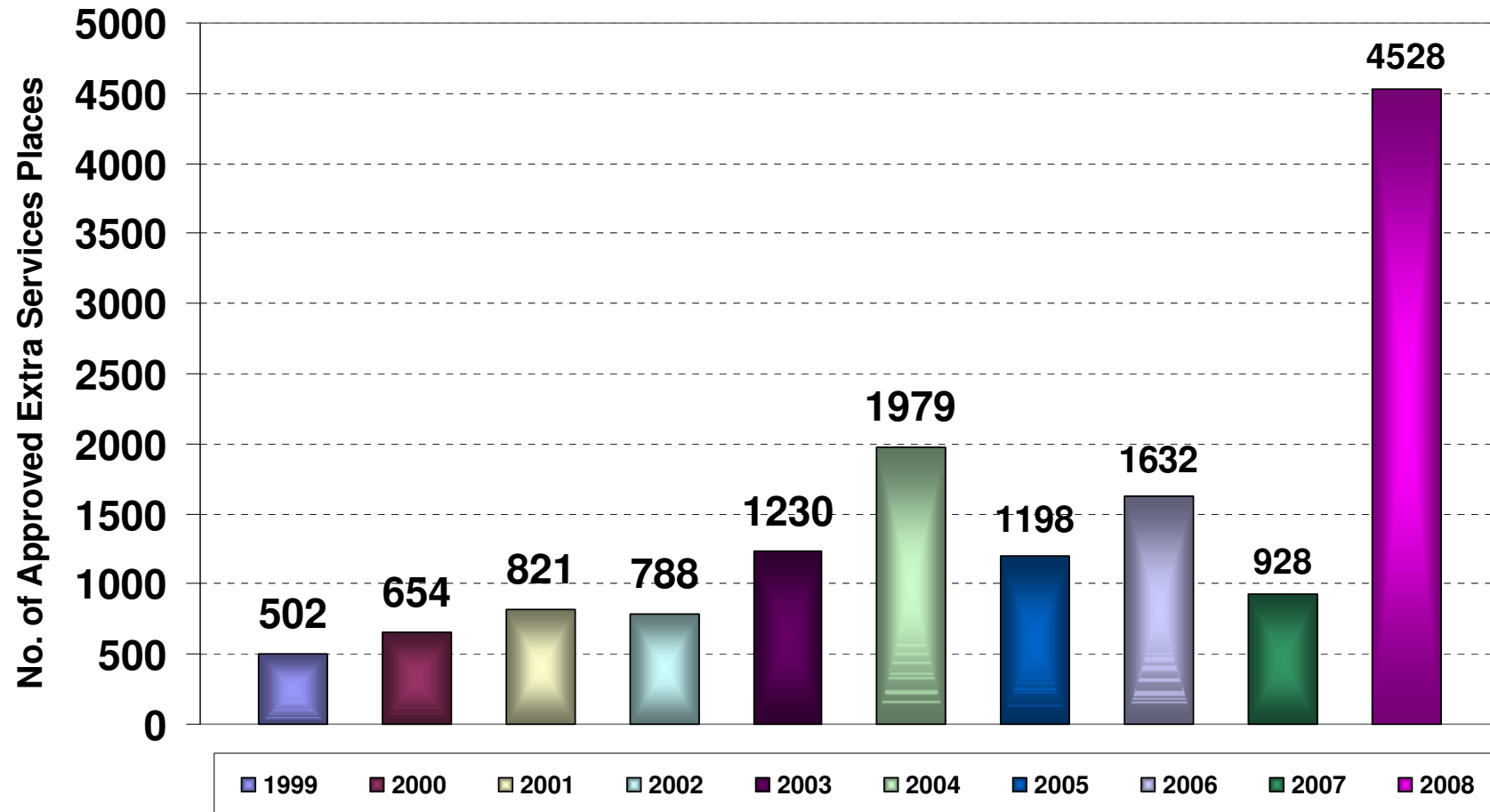
Operational and Provisionally-Approved Extra Service Places. As at July 09, updated with Dec 08 ESAR allocations.

...but not all are operational yet



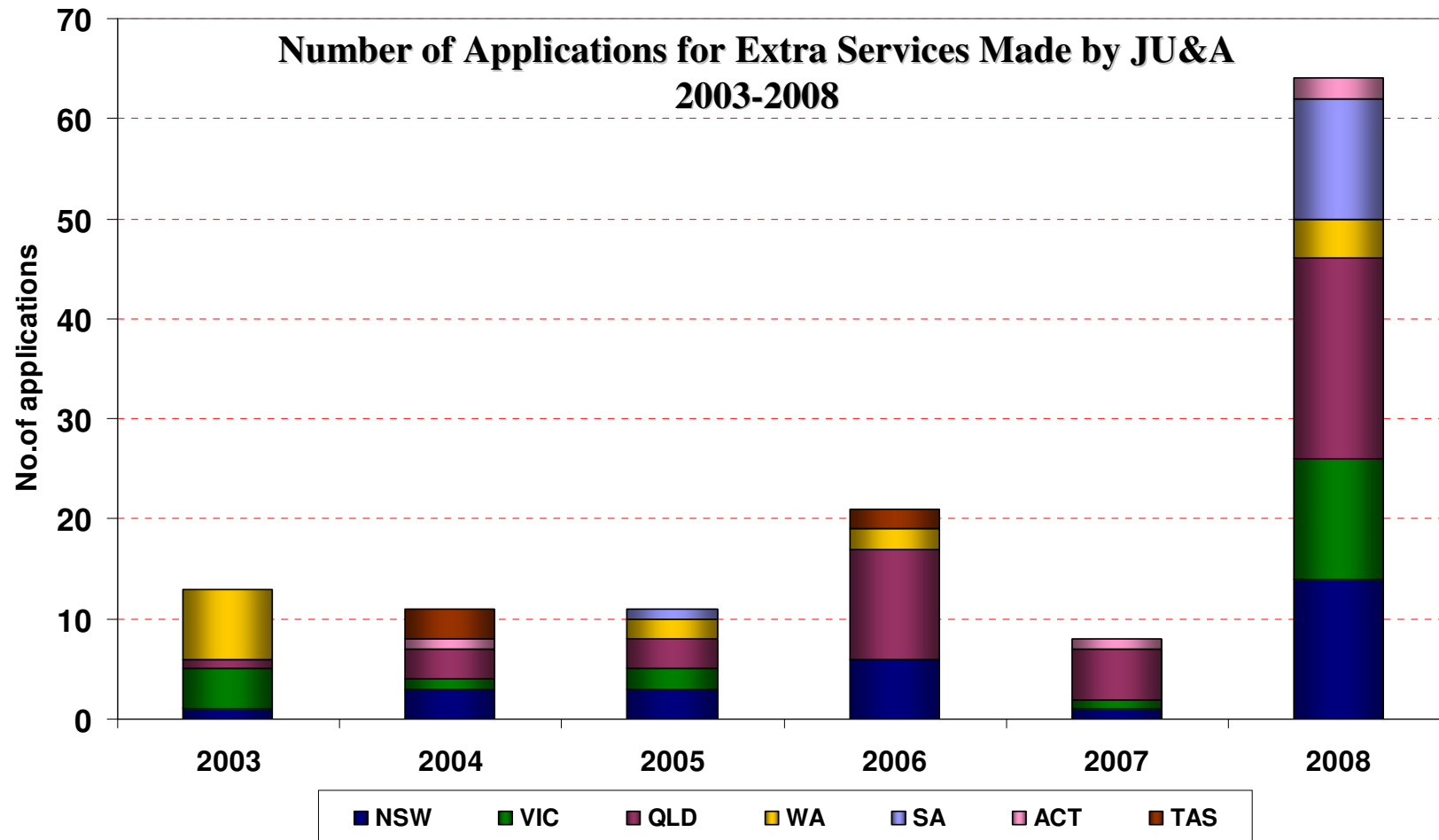
Operational and Provisionally-Approved Extra Service Places As at Sept 09, updated with Dec 08 ESAR allocations.

ES numbers are expanding rapidly

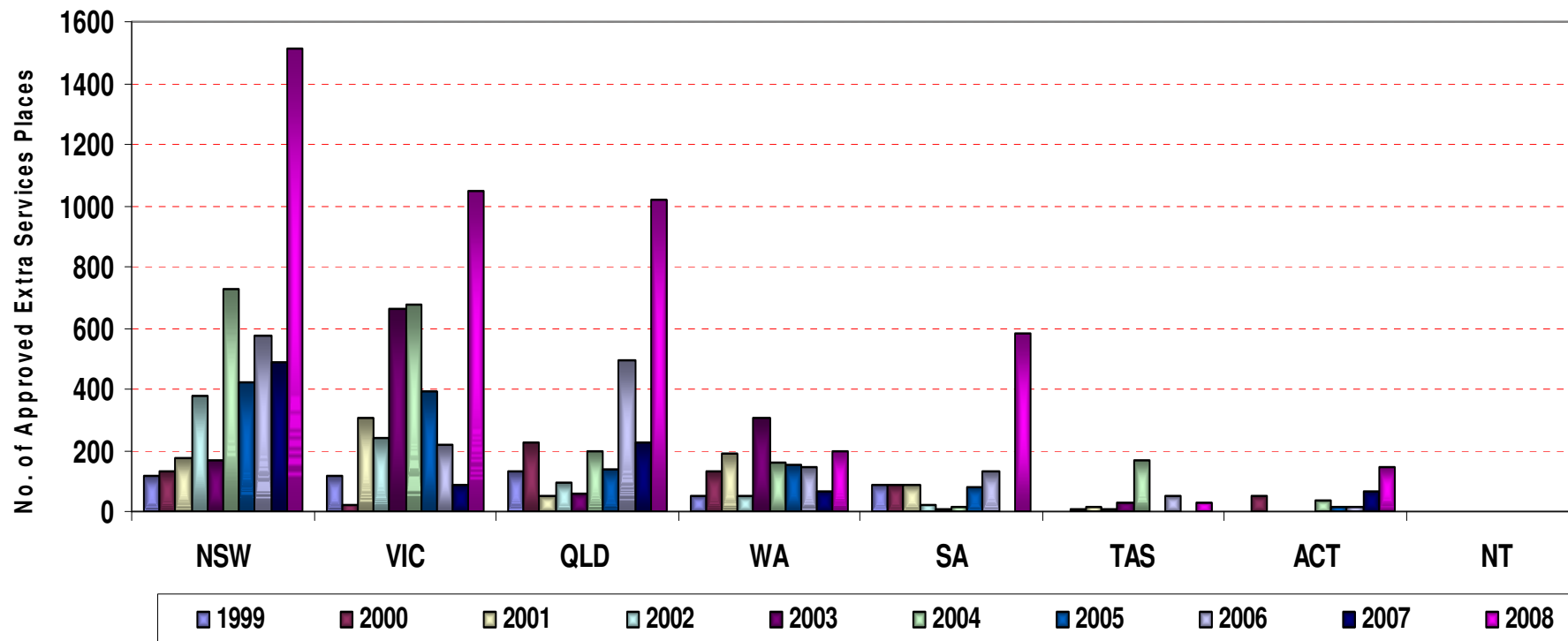


*New approvals for Extra Services Places – Total per Year
(NB: 2008 figure includes the ESAR submissions in December 2008 ACAR)*

2008 – JU&A’s biggest year yet for ES applications



In NSW alone there were more than 1515 new ES approvals in 2008



New Approvals for Extra Services Places, as at July 09 – updated with Dec 08 ACAR/ESAR results

Groupings of JU&A's successful ES applications

Operator	No. of Services		No. of States & Territories
Anglican	6	in	3 States plus ACT
Baptist	2	in	2 States
Catholic	11	in	4 States
Charitable	23	in	5 States plus ACT
Churches of Christ	9	in	2 States
Freemasons	1	in	1 State
Jewish	1	in	1 State
Lutheran	2	in	2 States
Private-for-Profit	57	in	4 States
Religious – Other	7	in	2 States
Russian	1	in	1 State
Uniting Church	3	in	3 States
TOTAL	123	in	6 States plus ACT



The basics for applying for ES status

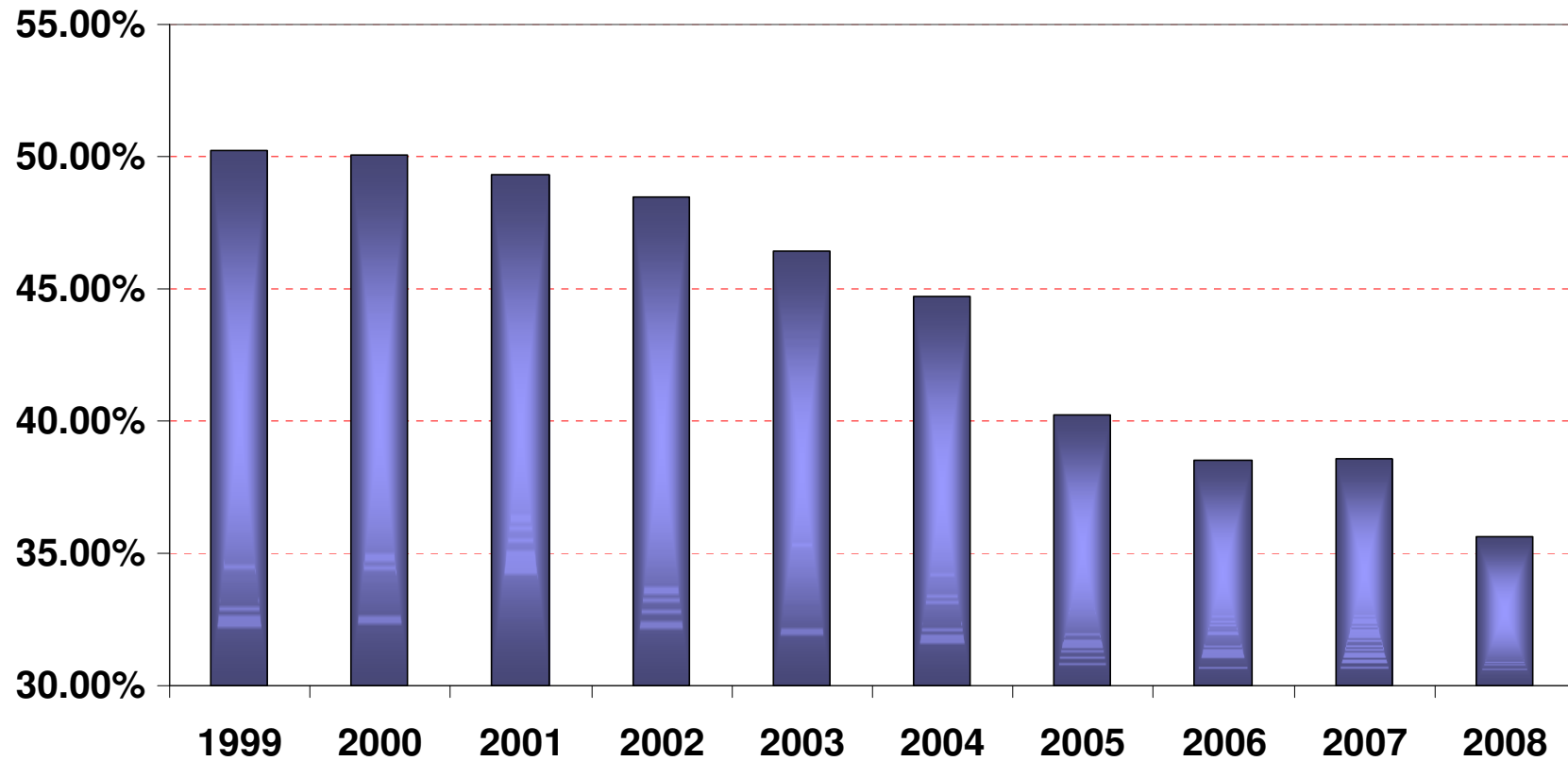
- Two rounds per year (currently)
- Meet 2008 certification
- Have 60 ‘points’ on ESS list
- Meet “Thresholds” within the 60 points
- Be ‘above average’
- Select ‘all’ or ‘definable areas’



How do you market ES?

- As being particularly flash *or*
- As having larger/newer/better rooms *or*
- Like a **non-ES low care** service:
 - **Without** differentiating care
 - **Without** differentiating service standards
 - **Without** differentiating staff
 - Differentiating **only** by payment terms

Numbers of concessional residents are decreasing



Movement in Proportions of Concessional and Assisted & Supported Residents as a Proportion of all Residents in Australian High and Low Care Services June 1999 – June 2008



Extra Services Challenges

- Partial refunds of capital grants
- Possible discrimination due to ‘definable areas’
- “Over-promising” in ESS applications
- Some specialised marketing expertise
- Flexibility in payment arrangements



Remember...

- Extra services does **not** mean ‘over the top’
- It does **not** mean ‘rich people only’
- It does **not** mean ‘the Ritz’
- “*Extra services*” is actually Latin for “*bonds in High Care*”



• **Marketing recommendations – Bonded High Care and General**

- Avoid the term “Extra Services” altogether;
 - **instead use “Bonds in High Care”**
- Focus on the excellent facility:
 - **private ensuited rooms, “name” provider, location, staff levels, food etc.**
- Don’t market as an “additional” ES daily fee to be paid every fortnight or month:
 - **Advise residents of the one standard option offered of bond, basic daily care fee, and the total annual retention (ie statutory retention plus ES fee component). This assists accessibility of all places to any home-owning pensioner who lives alone, regardless of how little income they may have.**
 - **“Peace of mind” guarantee**
- Consider making Low Care non-ES retentions the same as High Care ES through pp’s.



• ***Marketing recommendations – Bonded High Care and General (Cont'd)***

- An open day with key referrers (ACATs etc)
- Placing DL-size brochures in doctors' surgeries
- No Centrelink/DVA asset assessment.
- Consider lower bonds with pp's
- Waive part or all of extra retention for first 20 residents
- Use respite – ensure sufficient days
- Offer emergency and short-term respite, not “scheduled” respite.
- Monitor feedback from potential residents.



- ***Marketing recommendations – Bonded High Care and General (Cont'd)***

- Determine centralised or “site-by-site” admissions
- Set supported resident target
- Automatically encourage to pay a voluntary 10% or 15% deposit at entry.
- “Letter of Comfort”
- No Accom Charge offered in ES services (ever)
- If numbers of ES places wrong, change them
- Delete any and all ES conditions that are different to general conditions

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- ***Marketing Lower Lump Sums with Higher Retentions***

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- ***Why “Unlimited” Bonds can fail in Low Care (or High Care)***



- ***Additional fee strategies for very low or no care need persons***

- **DoHA Qtrly Survey of ACFI as at 30 Jun 09:**

- 16.6% of saved RCS 7 persons would be NNN. This is 1560 persons at 30 Jun 09
- 4948 persons who are shown as RCS 6 or RCS 7 would have received around half their current subsidy or less if not on saved RCS rates.
- There are 5785 persons on saved RCS rates of \$27.94/day or more whose ACFI subsidy would be \$14.11.day or less.



- ***Additional fee strategies for very low or no care need persons (cont'd)***

- Offer unfunded places in non-ES wings to persons with a NNN subsidy (or NLN, NNL or NLL).
- Charge an additional \$40 to \$50/day.
- Offer to withdraw the amount from the bond lump sum automatically.
- Advise persons they will be moved to a funded status once their care needs qualify them for a High Care subsidy (ACFI or ACAT)

- 
- ***The usefulness of unfunded places in residential care***



- ***Residential care place approvals
in retirement villages***



- ***What size is the optimal size for a residential care service?***

- **Using the 2007 National Survey:**

- **High Care Services**

- **“Freestanding” High Care services in the not-for-profit sector were more profitable when larger than 60 places with services above 60 places showing an EBITDA of \$18.05 prpd and those of 60 or less places showing an EBITDA of \$9.54 prpd. There is little correlation between size and level of return in both the co-located* services and in private sector services.**
- **Private sector extra services facilities generally achieved above average EBITDA regardless of size.**



- **Using the 2007 National Survey:**
- **Low Care Services**
 - **There is very little correlation between size of a service and profitability for Low Care services, either freestanding or co-located services.**
 - **Extra services facilities generally achieved above average EBITDA regardless of size.**



- **Using the 2007 National Survey:**
- **Merged Services**
 - **Merged services of 60 or less places in the not-for-profit sector showed an EBITDA of \$5.39 prpd, compared to an EBITDA of \$12.32 prpd for not-for-profit merged services of more than 80 places and \$11.50 prpd for not-for-profit merged services of more than 60 places**

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- ***Amalgamation, consolidation or neither***

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- ***Why seek to move into CACP's, EACH's & EACH (D)'s***

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- ***How retirement villages are looking like Low & High Care services***



- ***What hours should* be rostered in High Care***

- For a “general” High Care service:

- **Morning:**

- AN** **1:8**
- RN** **1:30**

- **Afternoon:**

- AN** **1:12**
- RN** **1:30**

- **Evening:**

- AN** **1:20**
- RN** **1:60**

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- ***The new specified care and services list***