

Meeting Date	4 October 2024
Meeting Purpose	Senate Community Affairs Legislation Committee Hearing Inquiry into the Aged Care Bill 2024 (Devonport Hearing)
UnitingCare Reps	Andrew Kinnersly, CEO Uniting AgeWell

QUESTIONS ON NOTICE – ANDREW KINNERSLY

I was invited to attend the Devonport Senate Committee Hearing for the Aged Care Bill 2024 on October 4, 2024. I was asked two questions whilst attending the hearing of which I took on notice. My response to these questions is as follows:

Question One – “What is an Aged Care Provider’s Accommodation Cost of a room in a Residential Aged Care (RAC) facility”

Response – RAC Accommodation costs incurred by an aged care provider will vary significantly from one facility to another. The costs incurred will include a financing cost (cost of capital), depreciation (new build and refurbishments), repairs and maintenance, insurance, and a range of sundry items of expenditure.

Costs will vary based on costs of build/refurbishment, assumptions regarding financing costs (borrowing/interest), and the age of a particular facility.

Uniting AgeWell has three capital projects (new wings at existing facilities) that are nearing completion, and I have based my estimated costings on these projects as this will provide some analysis of the costs incurred for new builds and significant extensions.

Assumptions are based on a 40 bed extension with a \$500K per bed capital cost; 6% per annum financing cost (interest expense); depreciation spread over an estimated life of 25 years; maintenance, insurance and sundry costs based on existing average costs per bedday.

Summary of Accommodation Costs per bedday:

Cost of Capital (Interest)	\$82.19
Depreciation	\$54.79
Repairs and Maintenance	\$9.87
Insurance	\$1.07
Sundry items	\$3.66
Total Costs per bedday	\$151.39

I have also provided analysis of the accommodation revenue received per bedday in comparison to projected costs and have provided four scenarios based on a resident profile of 40% Refundable Accommodation Deposit (RAD) residents, 20% Daily Accommodation Payment (DAP) residents, and 40% Supported Supplement residents, which mirrors the current split of residents across 20 RAC facilities at Uniting AgeWell. The scenarios are as follows and are provided as an attachment to this paper:

- Scenario 1 – RAD \$500K with 0% retention
- Scenario 2 – RAD \$500K with 2% retention
- Scenario 3 – RAD \$625K with 2% retention
- Scenario 4 – RAD \$750K with 2% retention

The attachment illustrates that RAD and DAP revenue per bedday changes quite significantly for each scenario, however the Supported Resident Supplement remains fixed at \$69.49, which represents a **negative margin of \$82.10 per Supported resident bedday based on the above estimated costs.**

Based on scenario 1, RAD revenue is calculated at \$82.19 per bedday (negative margin of \$69.39 per bedday) whilst DAP revenue is calculated at \$114.79 per bedday (negative margin of \$36.79).

We can also see that RAD and DAP revenue per bedday grows as the RAD room price increases and as retentions of 2% are factored in. Of particular concern is the growing difference between RAD/DAP daily revenue and Supported residents daily revenue. **This revenue gap needs to be addressed as an urgent matter, as it creates a clear disincentive to admit Supported residents, which in turn creates a risk of older Australians with limited means being left behind.**

Question 2 – What percentage of RAD/DAP residents partially pay RAD payments and supplement the difference with partial DAP payments?

Response – The current profile of RAC residents at Uniting AgeWell is 41% RAD paying residents; 19% DAP paying residents and 40% Supported residents. Of the current RAD paying residents, 28% have partially paid their RAD balance and supplement the difference with DAP payments.

Scenario 1 - Accommodation Pricing - RAD \$500K 0% retention

RAC Profile		RAD	DAP	Supported	Total
Resident Profile		40%	20%	40%	100%
Residents No		16	8	16	40
RAD Room Price		\$ 500,000.00	\$ 500,000.00		
Revenue per day	RAD Interest	\$ 82.19			
	RAD Retention	\$ -			
	DAP		\$ 114.79		
	Supported Supplement			\$ 69.49	
	Total Revenue per day	\$ 82.19	\$ 114.79	\$ 69.49	
Expenses pd	Labour - Maintenance/Adm	\$ 3.35	\$ 3.35	\$ 3.35	
	Repairs & Maintenance	\$ 9.87	\$ 9.87	\$ 9.87	
	Other	\$ 0.31	\$ 0.31	\$ 0.31	
	Depreciation	\$ 54.79	\$ 54.79	\$ 54.79	
	Insurance - Building	\$ 1.07	\$ 1.07	\$ 1.07	
	Cost of Capital (6%)	\$ 82.19	\$ 82.19	\$ 82.19	
		\$ 151.59	\$ 151.59	\$ 151.59	
Margin per bedday		-\$ 69.39	-\$ 36.79	-\$ 82.10	
Margin per bed per annum		-\$ 25,328.66	-\$ 13,428.66	-\$ 29,964.81	
Margin \$ per annum based on 40 beds (16; 8; 16)		-\$ 405,258.55	-\$ 107,429.27	-\$ 479,436.95	-\$ 992,125

Scenario 2 - Accommodation Pricing - RAD \$500K 2% retention

RAC Profile		RAD	DAP	Supported	Total
Resident Profile		40%	20%	40%	100%
Residents No		16	8	16	40
RAD Room Price		\$ 500,000	\$ 500,000		
Revenue per day	RAD Interest	\$ 82.19			
	RAD Retention	\$ 27.40			
	DAP		\$ 114.79		
	Supported Supplement			\$ 69.49	
	Total Revenue per day	\$ 109.59	\$ 114.79	\$ 69.49	
Expenses pd	Labour - Maintenance/Adm	\$ 3.35	\$ 3.35	\$ 3.35	
	Repairs & Maintenance	\$ 9.87	\$ 9.87	\$ 9.87	
	Other	\$ 0.31	\$ 0.31	\$ 0.31	
	Depreciation	\$ 54.79	\$ 54.79	\$ 54.79	
	Insurance - Building	\$ 1.07	\$ 1.07	\$ 1.07	
	Cost of Capital (6%)	\$ 82.19	\$ 82.19	\$ 82.19	
		\$ 151.59	\$ 151.59	\$ 151.59	
Margin per bedday		-\$ 42.00	-\$ 36.79	-\$ 82.10	
Margin per bed per annum		-\$ 15,329	-\$ 13,429	-\$ 29,965	
Margin \$ per annum based on 40 beds (16; 8; 16)		-\$ 245,259	-\$ 107,429	-\$ 479,437	-\$ 832,125

Scenario 3 - Accommodation Pricing - RAD \$625K 2% retention

RAC Profile		RAD	DAP	Supported	Total
Resident Profile		40%	20%	40%	100%
Residents No		16	8	16	40
RAD Room Price		\$ 625,000	\$ 625,000		
Revenue per day	RAD Interest	\$ 102.74			
	RAD Retention	\$ 34.25			
	DAP		\$ 143.49		
	Supported Supplement			\$ 69.49	
	Total Revenue per day	\$ 136.99	\$ 143.49	\$ 69.49	
Expenses pd	Labour - Maintenance/Adm	\$ 3.35	\$ 3.35	\$ 3.35	
	Repairs & Maintenance	\$ 9.87	\$ 9.87	\$ 9.87	
	Other	\$ 0.31	\$ 0.31	\$ 0.31	
	Depreciation	\$ 54.79	\$ 54.79	\$ 54.79	
	Insurance - Building	\$ 1.07	\$ 1.07	\$ 1.07	
	Cost of Capital (6%)	\$ 82.19	\$ 82.19	\$ 82.19	
		\$ 151.59	\$ 151.59	\$ 151.59	
Margin per bedday		-\$ 14.60	-\$ 8.09	-\$ 82.10	
Margin per bed per annum		-\$ 5,329	-\$ 2,954	-\$ 29,965	
Margin \$ per annum based on 40 beds (16; 8; 16)		-\$ 85,259	-\$ 23,629	-\$ 479,437	-\$ 588,325

Scenario 4 - Accommodation Pricing - RAD \$750K 2% retention

RAC Profile		Per Bed Day			
		RAD	DAP	Supported	Total
Resident Profile		40%	20%	40%	100%
Residents No		16	8	16	40
RAD Room Price		\$ 750,000	\$ 750,000		
Revenue per day					
	RAD Interest	\$ 123.29			
	RAD Retention	\$ 41.10			
	DAP		\$ 172.19		
	Supported Supplement			\$ 69.49	
	Total Revenue per day	\$ 164.38	\$ 172.19	\$ 69.49	
Expenses pd					
	Labour - Maintenance/Adm	\$ 3.35	\$ 3.35	\$ 3.35	
	Repairs & Maintenance	\$ 9.87	\$ 9.87	\$ 9.87	
	Other	\$ 0.31	\$ 0.31	\$ 0.31	
	Depreciation	\$ 54.79	\$ 54.79	\$ 54.79	
	Insurance - Building	\$ 1.07	\$ 1.07	\$ 1.07	
	Cost of Capital (6%)	\$ 82.19	\$ 82.19	\$ 82.19	
		\$ 151.59	\$ 151.59	\$ 151.59	
Margin per bedday		\$ 12.80	\$ 20.61	-\$ 82.10	
Margin per bed per annum		\$ 4,671	\$ 7,521	-\$ 29,965	
Margin \$ per annum based on 40 beds (16; 8; 16)		\$ 74,741	\$ 60,171	-\$ 479,437	-\$ 344,525