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Aged Care Market Analysis 2022

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Aged Care in Australia:

KPMG has conducted an in-depth analysis of the aged care market, focusing on the financial performance of the top 25 providers by market share across home care and residential aged care over the past five years. The aged care market remains highly fragmented with 735 providers delivering residential aged care and 906 providers delivering home care services (at 30 June 2021), and the top 10 providers maintain almost 25 per cent of market share across both residential and home care.

The home care market, has experienced significant growth mainly from an increase in government expenditure, with $4.2 billion in FY21, an increase of 25 per cent from the previous year. This growth is aligned to government policy and consumer preference to remain at home for as long as possible.

Demand for residential aged care continues to decline which has resulted in a continuing drop in occupancy levels. Further, 58 per cent of providers reported an operating loss in FY21. Despite these challenging conditions, the Australian aged care market has continued to grow which can be attributed to providers seeking to reach the right economies of scale, growing their brand reputation and footprint and seeking greater influence in the sector.[1]

The Royal Commission into Aged Care Quality and Safety (Royal Commission) provided a unique opportunity to improve the quality, safety and experience for senior Australians accessing aged care services. The Government committed $18.3 billion in the 2021-22 budget to support a five-year reform of the sector, with an additional $468.3 million committed to continue the implementation in the 2022-23 budget, along with $458.1 million to support the COVID-19 response.[2] The reform is likely to result in renewed interest from organisations that don't currently deliver aged care and also further consolidation from smaller providers who may struggle to keep pace with the level of reform.

Workforce:

Australia's changing demographics have significantly influenced the demand for and provision of aged care services. People are living longer than ever before, however with greater frailty. It is projected that the number of Australians aged 85 years and over will increase from 515,700 in 2018–19, to more than 1.5 million by 2058, with increased frailty and co-morbidities. As the population increases and the demand for aged care services increases, the workforce available to support the increasing demand is declining. Across both home care and residential aged care, workforce attraction remains the biggest challenge for providers to support the delivery of safe, high quality care and ensure they remain operationally viable[3].

[1] GEN Aged Care Data – Aged Care Service List, various years + KPMG research + provider websites

[2] Aged care reform delivered a year after Aged Care Royal Commission | Health Portfolio Ministers

[3] GEN Aged Care Data

As at 2020, there was a total of 434,107 people working in the aged care industry. Of those employed in direct care roles in residential aged care, 70 per cent were personal care workers, followed by 23 per cent Registered Nurses and 7 per cent Allied Health professionals. Across home care, personal care workers made up 88 per [4]cent of all direct care roles, followed by six per cent of Registered Nurses and six per cent Allied Health professionals

Table 1: Direct care staffing mix across residential aged care and home care services[5]

	Personal Care Workers	Registered Nurses	Allied Health Professionals
Residential Aged Care	70 per cent	23 per cent	7 per cent
Home Care	88 per cent	6 per cent	6 per cent

It is estimated there are currently 22,000 known vacancies in the market for direct care roles, and this pressure will only increase. In 2011 the Productivity Commission projected the workforce would need to quadruple to meet aged care demand by 2051, however this figure was based on point in time staff to client ratios. Recommendations from the Royal Commission, including minimum care minutes will see the need for additional workforce across the industry significantly increase.

The low attraction rate can be attributed to multiple factors including:

- Increased scrutiny and negative media attention as a result of the Royal Commission which highlighted widespread substandard care, coupled with disturbing personal stories of neglect and abuse.
- High levels of staff turnover due to factors such as lower hourly rate compared to other comparable industries including disability and health and limited career pathways.
- Poor media attention into the management of COVID-19 outbreaks and the increased risk of contracting COVID-19 has significantly impacted the workforce.
- Migrants comprise a significant portion of the aged care workforce and with restricted access to international talent, the resource pool has significantly decreased.

The low attraction of people to the sector is and will continue to remain a significant problem for providers, with providers in regional, rural and remote areas closing services and/or reducing the level of service they deliver due to a lack of workforce to meet the demand.

[5] 2020 Aged Care Workforce Census Report (health.gov.au)

2 HOME CARE

Market overview

There has been significant growth in government expenditure for home care services, which correlates with a 24 per cent increase year on year of people receiving home care services. As at June 2021, there were 906 providers delivering home care services in Australia, a significant increase since 2016 when there were 487 providers. This large increase can be attributed to Government reforms that reduced barriers to entry, additional home care funding, and the introduction of consumer choice in home care. Of these providers, 80 per cent are not for profit providers and 20 per cent are private providers. Interestingly, the top two providers, myHomecare Group and Australian Unity are for profit providers, with Australian Unity being a member owned company.

Consumer demographics

At 31 December 2021, 198,109 people were receiving a home care package, which is a 24.3 per cent increase since 31 December 2020. Whilst significant government investment to the home care market has resulted in a large number of senior Australians accessing home care services, there remain 68,429 people in the National Priority System (NPS) who were waiting for a home care package at their approved level.[6]

How is the government funded home care market changing?

The Home Care Package market continues to evolve and adapt as consumer expectations and preferences, reforms, regulation, and funding change over time. The key underlying driver for this change remains to be enabling older Australians to remain living at home as their care needs increase. In response to this, we have seen:

- Significant growth in government expenditure[7], with $4.2b in FY21, up 25 per cent from the previous year ($3.4b).
- Forecast continued growth, particularly illustrated through the FY22 Federal Budget commitment to fund over 275,000 [8]Home Care Packages by June 2023 (up from 176,000 at June 2021).

Future reforms are likely to see further consolidation in the market as providers continue to adapt to new ways of operating. An overview of the proposed Support[9] at Home Program was released in January 2022, however the Government is undertaking further review and consultation on the proposed model, with a new in-home aged care model expected to be rolled out by 1 July 2024.

[6] Reference: Home Care Packages Program Data Report (gen-agedcaredata.gov.au)

[7] https://www.gen-agedcaredata.gov.au/

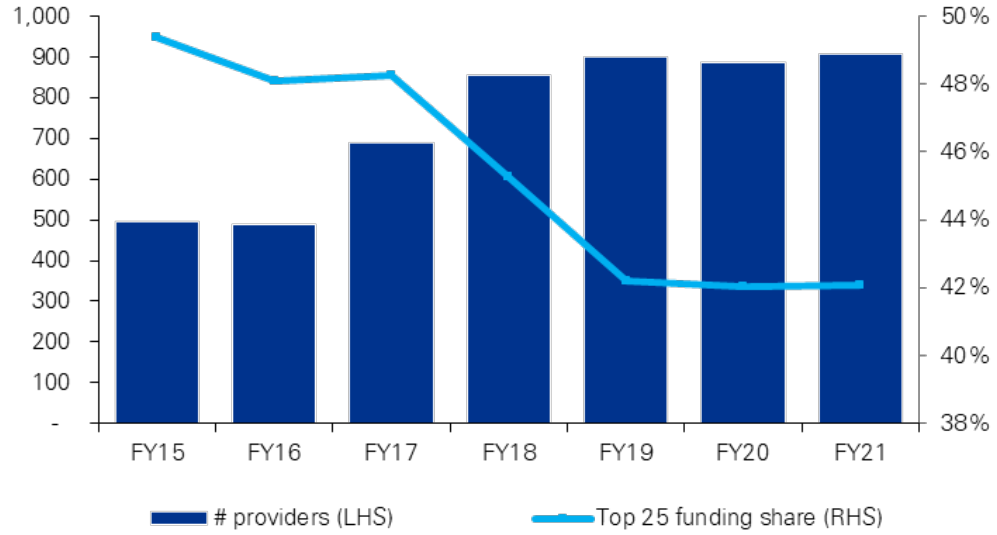
[8] https://www.health.gov.au/resources/publications/home-care-pillar-1-of-the-royal-commission-response-immediate-investment-to-address-critical-need

[9] https://www.health.gov.au/resources/publications/support-at-home-program-overview

Top 25 home care package providers (based on government funding)

The[10] top 25 Home Care Package providers received 42 per cent of the total government funding paid to providers in the 2021 financial year. This has been consistent over the past three years. However, this has declined from rates closer to 50 per cent prior to the Increasing Choice reforms in 2017. These trends reflect the overall growth in the number of providers, and therefore a wider spread of funding across more providers, and hence greater competition for market share. Figure 1[11] highlights the number of providers in the Home Care Package market from FY15 to FY21, as well as an estimate of the market share of the top 25 providers (based on government funding received).

Figure 1: Number of HCP providers (LHS) and top 25 market share (RHS)



The top 25 providers tend to concentrate operations within one to three different states or territories. Figure 2[12] demonstrates that almost 70 per cent of the top 25 providers limit their geographic coverage, and six of the top 25 operate in one state only. UnitingCare Queensland & Wesley Mission are the third largest provider group and operate in Queensland only. Figure 3[13] outlines that not-for-profit operators (charitable, religious or community-based) also dominate the top 25, accounting for 80 per cent of providers. The top 2 providers (myHomecare Group and Australian Unity) are for profit and member-owned, respectively.

Figure 2: Number of states/territories of operation

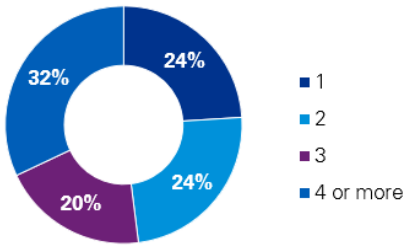
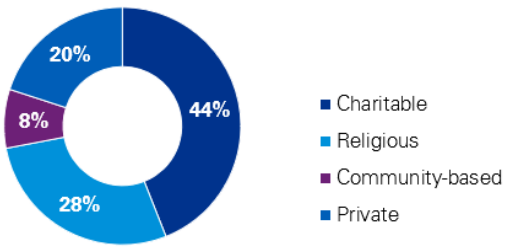


Figure 3: Providers by organisation type



There have been a few notable movements in the 25 largest Home Care Package providers in FY21, with highlights presented below, and full details in Table 2:

- **myHomecare Group:** In April 2021, myHomecare Group acquired Better Living Homecare, which also includes the brands Let's Get Care, Just Home Care Packages and Happy Living. This was shortly after the acquisition of PresCare's home care business in December 2020. As a result, myHomecare Group is the largest home care provider in the country. The group now has 9,000

[10] https://www.gen-agedcaredata.gov.au/

[11] GEN Aged Care Data – Aged Care Service List, numerous years + KPMG research + provider websites

[12] Source: GEN Aged Care Data – Aged Care Service List 2021 + KPMG research + provider websites

[13] Source: GEN Aged Care Data – Aged Care Service List 2021 + KPMG research + provider websites

Home Care Packages, and 18,000 clients in total. Government funding received in 2021 was almost $220 million, or 5 per cent of total government funding paid to providers.

- **Australian Unity:** Australian Unity's Home Care Package funding has grown from $7.5m in FY15 to $167m in FY21, representing a compound annual growth rate of 68 per cent, which is three times the overall industry growth rate. Whilst some of the early growth can be attributed to the acquisition of Home Care Service of NSW in 2016, growth in more recent years has been organic, indicating that client acquisition (and possibly retention) is a strength of the organisation.
- **UnitingCare (Qld) & Wesley Mission:** The third largest Home Care Package provider in the country, with almost $150m in government funding received in FY21. UnitingCare and Wesley have almost managed to maintain annual growth rates in line with the industry average purely through organic growth, however they did move from the largest provider in FY20 to the third largest in FY21. Their growth has been supported through holding significant Commonwealth Home Support Programme funding better enabling client acquisition.
- **Anglicare Southern Queensland:** One of the largest jumps in rank, moving from 15th largest in FY20 to 9th largest in FY21. This represents 30 per cent growth in government funding across the year, with most of the growth seen in the Brisbane North, Darling Downs, and Logan River Valley regions.
- **Home Instead:** Growth for Home Instead has been measured at the franchisor level. Across the nineteen different franchisees, they have experienced the largest annual growth rates within the home care market, with a 225 per cent compound annual growth rate between FY17 and FY21. The number of franchisees has grown from ten in FY17 to nineteen in FY21, indicating strength and confidence in the franchise model.
- **Anglicare (Sydney):** Despite achieving a compound annual growth rate of 70 per cent between FY15 and FY21, Anglicare dropped in rank from 16 in FY20 to 20 in FY21. The growth rate is largely influenced by the merger of two Diocesan entities. In 2016, Anglicare Sydney and Anglican Retirement Villages, both entities which form part of the Diocese of Sydney, merged and became Anglican Community Services, trading as 'Anglicare Sydney'. Excluding the impact of this merger, growth has been lower than the industry average, particularly in recent years.

Table 2[14]: 25 largest Home Care Package providers

FY21 rank	FY20 rank	Provider	Government funding ($m) FY15	FY16	FY17	FY18	FY19	FY20	FY21	Sparklines	Compound annual growth By provider	Total industry	Variance
1	14	myHomecare Group	$25.0	$28.8	$34.6	$39.5	$38.0	$51.0	$219.3		44%	22%	21%
	3	*Better Living Homecare [1]*	*$0.3*	*$1.6*	*$1.8*	*$6.2*	*$24.4*	*$80.8*	↑		*215%*	*22%*	*192%*
2	2	Australian Unity	$7.5	$11.3	$16.6	$47.5	$73.3	$127.5	$167.0		68%	22%	45%
3	1	UnitingCare (Qld) & Wesley Mission Queensland	$49.0	$50.1	$57.6	$95.7	$103.3	$133.1	$148.9		20%	22%	(2%)
4	4	Uniting (NSW.ACT) & Wesley Mission (NSW)	$48.8	$60.7	$77.7	$80.1	$73.9	$79.2	$88.5		10%	22%	(12%)
5	5	Silver Chain	$18.4	$21.5	$26.8	$44.0	$48.6	$69.4	$85.4		29%	22%	7%
6	8	HammondCare	$32.1	$37.1	$46.8	$49.9	$53.1	$58.8	$82.3		17%	22%	(5%)
7	6	Bolton Clarke	-	$23.2	$24.7	$29.8	$32.9	$66.7	$74.5		26%	22%	4%
8	7	BaptistCare NSW & ACT	$35.7	$29.9	$42.2	$50.6	$52.6	$63.4	$71.7		12%	22%	(10%)
9	15	Anglicare Southern Queensland	$16.6	$14.7	$20.0	$36.2	$41.0	$50.0	$65.1		26%	22%	3%
10	10	Baptcare	$37.1	$38.4	$42.1	$44.2	$45.7	$54.0	$62.4		9%	22%	(13%)
11	18	Home Instead	-	-	$0.6	$12.5	$22.4	$40.2	$61.7		225%	22%	203%
12	13	Ozcare	$37.4	$36.0	$41.2	$48.1	$46.2	$51.2	$57.4		7%	22%	(15%)
13	12	Mercy Aged and Community Care	$5.9	$7.6	$8.1	$10.9	$45.6	$52.2	$57.0		46%	22%	23%
14	9	KinCare	$37.9	$42.3	$51.1	$54.8	$51.4	$56.6	$56.7		7%	22%	(15%)
15	11	Integratedliving Australia	$10.5	$18.1	$28.1	$35.7	$41.3	$52.6	$55.8		32%	22%	10%
16	19	Uniting AgeWell	$8.3	$6.6	$16.2	$19.0	$22.2	$39.7	$51.8		36%	22%	13%
17	17	Care Connect	$18.9	$17.2	$21.5	$27.9	$31.8	$40.2	$45.6		16%	22%	(7%)
18	21	Calvary	$20.5	$13.9	$21.7	$29.3	$33.1	$37.3	$45.3		14%	22%	(8%)
19	22	Resthaven	$13.0	$13.7	$20.4	$25.6	$28.3	$36.4	$42.1		22%	22%	(1%)
20	16	Anglicare (Sydney)	$1.7	$7.4	$30.1	$34.2	$35.1	$42.3	$41.3		70%	22%	47%
21	20	Catholic Healthcare	$23.2	$18.7	$25.1	$30.1	$33.0	$37.4	$39.9		9%	22%	(13%)
22	23	Villa Maria Catholic Homes	$16.1	$17.5	$23.3	$25.5	$25.5	$29.3	$33.7		13%	22%	(9%)
23	24	Feros Care	$20.6	$23.5	$32.8	$26.8	$24.6	$27.8	$31.2		7%	22%	(15%)
24	25	Annecto	$12.4	$16.4	$22.4	$23.0	$21.6	$24.7	$29.4		15%	22%	(7%)
25	35	Right at Home	-	-	$0.2	$3.8	$10.2	$19.8	$28.8		272%	22%	249%
		Remainder of providers	$740.3	$755.1	$926.9	$1,226.5	$1,427.4	$1,912.6	$2,413.3		22%	22%	(1%)
		Total funding	**$1,237.0**	**$1,311.3**	**$1,660.5**	**$2,157.3**	**$2,486.1**	**$3,334.3**	**$4,156.0**			**22%**	

1 Better Living Homecare includes the brands Let's Get Care, Just Home Care Packages and Happy Living

[14] Sources: GEN Aged Care Data – Aged Care Service List, numerous years + KPMG research + provider websites

Market growth – Home Care Packages

In a government-funded market, overall growth is determined through government policy. Historically, this has also effectively controlled the number of players in the market. However, reforms in February 2017 changed this (with funding allocated to consumers rather than providers), and this impact can be seen in the charts below, with the number of providers increasing sharply after these reforms. This also had a knock-on impact on provider scale, with the number of consumers per provider decreasing as competition increased.

Figure 4: Number of Home Care consumers

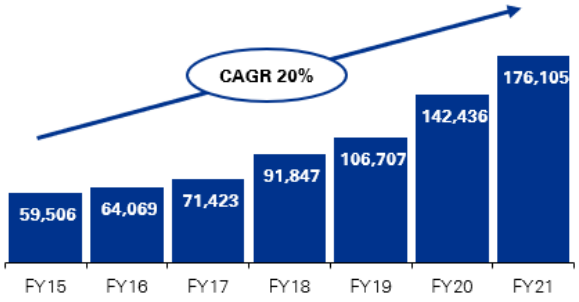


Figure 5: Number of Home Care providers

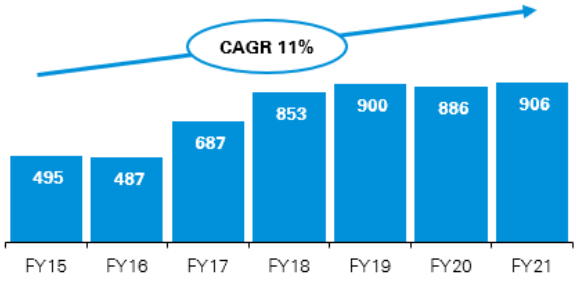
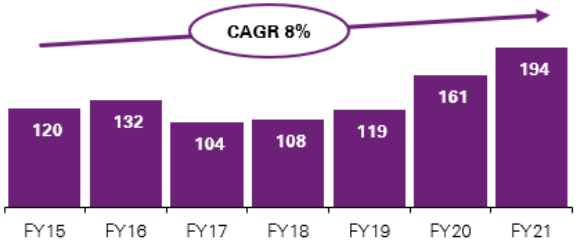


Figure 6: Number of Home Care consumers



The industry has seen:

- 20 per cent[15] compound annual growth in the total number of consumers. This is very high relative to the growth in the 65 years and over population over the same timeframe, which was 3.3 per cent.
- 11 per cent[16] compound annual growth in the number of home care providers, or new entrants to the sector, with a distinct spike after the February 2017 reforms, and a slow down or normalisation from FY19 onwards.
- 8 per cent [17]compound annual growth in the approximate number of consumers per provider. This trend shows the combined impact of the underlying growth in total consumers offset by the growth in the number of providers. In FY21, we are seeing an average of 194 consumers per provider, almost double the concentration in FY17.

In terms of market share by ownership type, whilst non for-profit providers still maintain the largest share, this has reduced significantly over the past 5 years. Figure 7[18] shows that in FY16, not for profits made up 70 per cent of the market. By FY21, this has reduced to 52 per cent. The growth has been seen in for profit providers, growing from 11 per cent in FY16 to 36 per cent in FY21. As Figure 7 illustrates, the significant change occurred in FY17 when the Increasing Choice reforms were introduced.

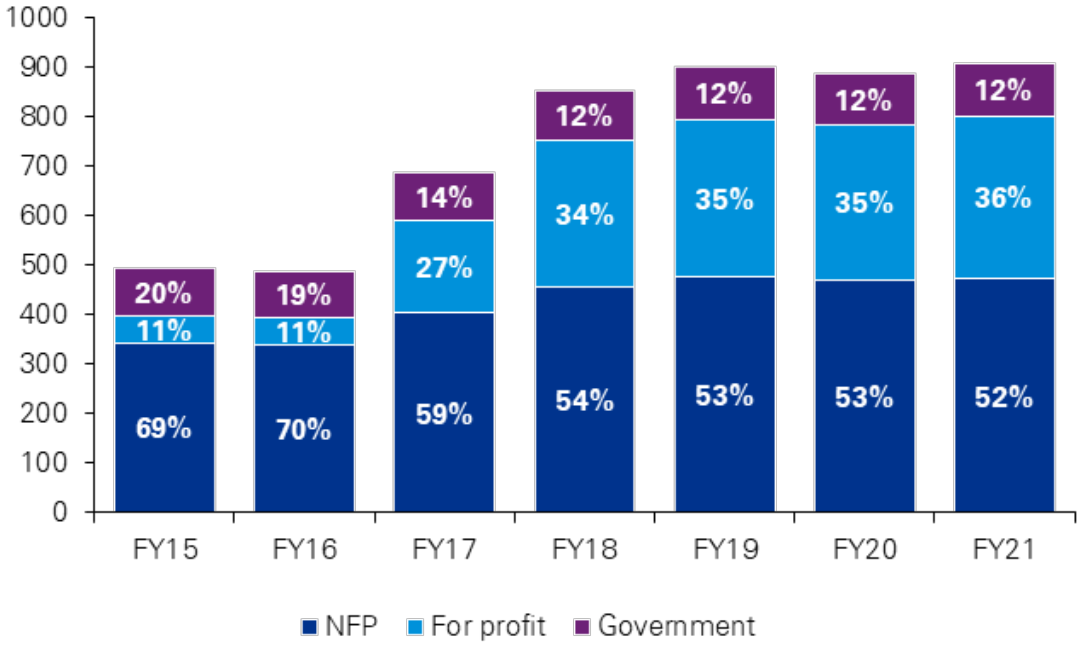
[15] Aged Care Financing Authority's Report on the Funding and Financing of the Aged Care Sector, numerous years

[16] GEN Aged Care Data – Aged Care Service List, numerous years + KPMG research + provider websites

[17] Aged Care Financing Authority's Report on the Funding and Financing of the Aged Care Sector, numerous years + GEN Aged Care Data – Aged Care Service List, numerous years + KPMG research + provider websites.

[18] Source: GEN Aged Care Data – Aged Care Service List, various years + KPMG research + provider websites

Figure 7: Providers by ownership type



Acquisition and consolidation – Home Care Packages

The most notable news in the mergers and acquisitions space for home care was the announcement of the myHomecare Group's acquisition of Let's Get Care. The consolidated group is now the largest home care operator in the country, with almost $220m in government funding in FY21 compared to second placed Australian Unity with $167m. Better Living includes four separate brands (Let's Get Care, Happy Living, Just Home Care Packages and Better Living), each with different target markets and value propositions. The Group is owned by a consortium of investors, including Quadrant, a private equity firm, as well as the Royal Automobile Club of Western Australia and the Sue Mann family. This level of investment (Let's Get Care received $152m in government funding in FY21) indicates confidence in the value of the home care market to investors.

The myHomecare Group also acquired the home care services of the previous Queensland-based provider PresCare. This saw the group effectively acquire 4,000 clients (a portion of which were Home Care Package clients, with the remainder in other funded programs such as Commonwealth Home Support Programme), and importantly, the staff to provide services to these clients.

Other mergers and acquisition activity over the past year also included Healthcare Australia's acquisition of Northern NSW's Home Nursing Group in early 2021, as well as Bolton Clarke's acquisition of their Western Australian counterpart, Acacia Living (a small retirement village, residential aged care and home care provider) in November 2021.

New market entrants – Home Care Packages

We have analysed a number of providers who are new entrants to the market and have also experienced significant growth (based on government funding received) since 2017. The analysis shows that there a few common themes to growth success: franchise models appear to be doing well; those with a point of differentiation, such as tech-enablers, self-management and CALD focus; and growth through acquisition.

Table 3[19] : New market entrants, Home Care Packages

Provider	FY17 funding	FY21 funding	Growth insights
Home Instead	$552,839	$61,705,561	Franchise model
Home Care Assistance	$138,276	$27,726,287	Franchise model
Right at Home	$107,575	$26,476,687	Franchise model
Dementia Caring Australia	$890	$15,397,723	Franchise model
FiveGoodFriends	$0	$20,207,379	Tech-enabled, membership model
Aveo	$682,846	$16,213,286	Acquisition of Freedom retirement villages, with their Care Community model
HCA Home	$0	$13,939,825	Acquisitions, including most recent Home Nursing Group early 2021
Islamic Women's Association	$1,744,119	$10,743,941	CALD (culturally and linguistically diverse) focus
Local Guardians	$0	$10,680,566	Self-management focus
Prestige Inhome Care	$0	$8,868,845	Began as a fee for service provider

[19] Source: GEN Aged Care Data – Aged Care Service List, numerous years + KPMG research + provider websites.

3 RESIDENTIAL AGED CARE

Market overview

The residential aged care market continues to undergo and prepare for major reform as part of the government's 5-year reform plan. Despite significant market changes and impending reform, coupled with significant financial and workforce pressures, the residential aged care market has continued to grow.

As at June 2021, there were 735 providers delivering residential aged care across 2,722 facilities delivering services to 217,068 residents. 63 per cent of these providers were not for profit providers, followed by 26 per cent of private providers and 12 per cent being government providers. [20]

Occupancy has continued to decline across residential aged care. In June 2021, the occupancy rate was 86.8 per cent, the lowest rate in over 10 years[21]. Despite declining occupancy, we have continued to see growth in the market through development, mergers and acquisitions, with some of the larger providers seeking opportunities to grow their footprint and influences. Two large acquisitions in the last twelve months are Calvary's acquisition of Japara, and Bolton Clarke's acquisition of Ality.

Consumer demographics

People are entering residential aged care later in life, with higher levels of acuity. Almost everyone living in permanent residential care has complex health needs, with 96 per cent having needs associated with cognition and behaviour[22] management. The average entry age for people entering residential aged care is 82 years for men and 85 years for women[23], with 36 months being the average length of stay[24].

How is the government funded residential aged care market changing?

Whilst the supply of residential aged care places has continued to grow, occupancy has been on the decline, and the number of permanent residents declined for the first time between FY20 and FY21. The operating environment for residential aged care providers has been challenging, particularly in recent years with financial pressures and managing the impact of the pandemic, however overall, we have seen continued development in the space, indicating a level of confidence that things will improve.

- Moderate growth in government expenditure[25], with $14.1b in FY21, up from 5 per cent from the previous year ($13.4b).
- In terms of supply[26], we have seen compound annual growth in the number of operational places of 2.2 per cent between FY15 and FY21. This is compared to an occupancy rate that has declined from 92.5 per cent in FY15 to 86.8 per cent in FY21. There will be a number of underlying reasons for this, however in general, supply of places is keeping pace with target population growth, indicating a level of confidence that demand for residential aged care will continue into the future.

[20] Reference: Providers, services and places in aged care - AIHW Gen (gen-agedcaredata.gov.au)

[21] 14 Aged care services - Report on Government Services 2022 - Report on Government Services Productivity Commission (pc.gov.au)

[22] People's care needs in aged care - AIHW Gen (gen-agedcaredata.gov.au)

[23] Aged care: a quick guide – Parliament of Australia (aph.gov.au)

[24] Reference: Home - AIHW Gen (gen-agedcaredata.gov.au)

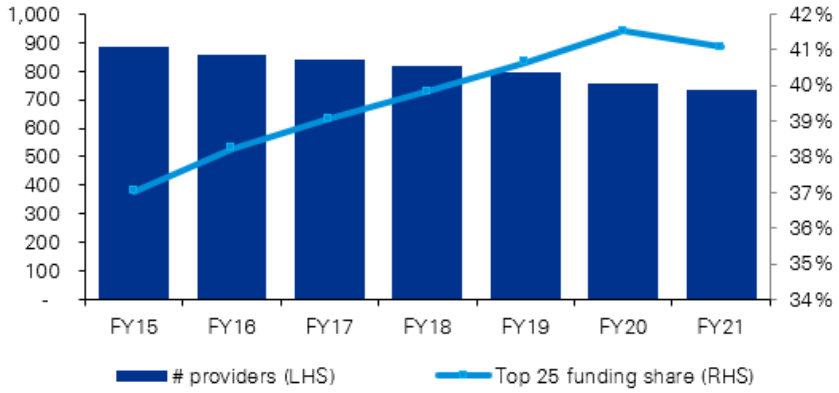
[25] https://www.gen-agedcaredata.gov.au/

[26] https://www.gen-agedcaredata.gov.au/

Top 25 residential aged care providers (based on number of operational places)

The[27] top 25 residential aged care providers received 41 per cent of the total government funding paid to providers in the 2021 financial year. This has been relatively consistent in recent years, with moderate growth from 37 per cent in FY15 to 41 per cent in FY21. These trends reflect the consistent decline int the number of providers, and therefore higher concentration of funding with a smaller number of providers in the market.

Figure 8: Number of providers (LHS) and top 25 market share (RHS)



There has been little movement in the ranking of the 25 largest residential aged care providers (based on operational places) between FY20 and FY21. This picture will change however, after taking into account some more recent transactions, including Calvary's acquisition of Japara and Bolton Clarke's acquisition of Allity (further details provided later in this report). In terms of overall growth between FY15 and FY21, there were a few notable providers, with highlights presented below, and full details in Table 4:

- **Opal:** Opal, now Australia's largest residential aged care provider, has seen consistent growth over the past seven years, both through acquisitions and greenfield developments. Their strategic partnership with Stockland has historically aided this growth, with Opal operating residential aged care in a number of sites co-located with Stockland's retirement villages. More recently, Opal has also acquired Aveo's four sites, adding another 400 places to the portfolio.
- **Bupa:** Historically, Bupa has been the largest residential aged care provider in the country by far, with around 7,400 places across 72 sites, with Opal taking second place with 1,000 fewer places. This has begun to change in recent years however, with Bupa closing six homes in FY21, and selling a further three. A further four sales also took place early in FY22.
- **Arcare:** Arcare has seen consistent organic growth over the past seven years, increasing from 1,800 places in FY15 to almost 4,000 in FY21. Arcare are a private operator targeting a high-end resident base, describing their services as '5 star'. Growth does not appear to be slowing down, with plans recently revealed for a new 100 place aged care home in Gungahlin in the ACT.
- **St Vincent's Care Services:** St Vincent's has grown from just over 480 places in FY15 to almost 2,100 in FY21. This has been through a transition of operations from other Catholic religious congregations, including Sisters of St Joseph (Mary MacKillop Aged Care) in Melbourne, Holy Spirit Care Services in Brisbane and Catholic Aged Care in Sydney. Early in FY22, St Vincent's also expanded in Queensland with the acquisition of three homes from PresCare.
- **Ozcare:** Ozcare jumped seven places in FY21, moving up to the 20th largest residential aged care operator in the country. Ozcare, as a lay Catholic organisation (a special work of the St Vincent de Paul Society Queensland), grew through a transition of operations of two services previously operated by the Canossian Sisters and one previously operated by the Archdiocese of Brisbane. They now operate 2,057 places in Queensland, making them the fourth largest operator in the state.

[27] https://www.gen-agedcaredata.gov.au/

Table 4: 25 largest residential aged care providers (based on operational places, effective June 2021)

FY21 rank[1]	FY20 rank	Provider	Operational places							Sparklines	Compound annual growth		
			FY15	FY16	FY17	FY18	FY19	FY20	FY21		By provider	Total industry	Variance
1	1	Opal	5,334	6,119	6,521	6,832	7,262	7,525	8,002		7%	2%	5%
2	2	Regis	5,042	5,915	6,108	6,784	7,241	7,424	7,338		6%	2%	4%
3	3	Bupa	6,671	7,139	7,302	7,406	7,363	7,363	6,586		(0%)	2%	(2%)
4	4	Estia	4,123	5,058	5,975	6,094	6,142	6,331	6,454		8%	2%	6%
5	5	Uniting (NSW.ACT) & Wesley Mission (NSW)	5,450	5,388	5,502	5,432	5,322	5,311	5,330		(0%)	2%	(3%)
6	6	UnitingCare (Qld) & Wesley Mission Queensland	5,251	5,099	4,874	4,866	4,895	4,895	4,895		(1%)	2%	(3%)
7	7	Japara	3,290	3,588	3,811	4,284	4,520	4,668	4,725		6%	2%	4%
8	8	Allity	3,593	3,814	3,809	3,982	4,037	3,974	3,970		2%	2%	(1%)
9	9	Arcare	1,823	2,103	2,508	2,977	3,318	3,535	3,941		14%	2%	12%
10	11	Catholic Healthcare	2,371	2,371	2,405	2,514	2,668	2,900	3,014		4%	2%	2%
11	10	Blue Cross	1,844	1,794	1,975	1,979	2,152	3,013	2,887		8%	2%	6%
12	12	Mercy Aged and Community Care	1,631	1,631	1,631	1,631	2,701	2,701	2,664		9%	2%	6%
13	17	Aegis	1,911	2,013	2,013	2,093	2,118	2,241	2,571		5%	2%	3%
14	13	Bolton Clarke	-	2,259	2,307	2,517	2,510	2,511	2,511		2%	2%	(0%)
15	14	Anglicare (Sydney)	450	450	2,187	2,187	2,364	2,364	2,492		33%	2%	31%
16	15	RSL LifeCare	1,789	1,916	2,070	2,128	2,302	2,360	2,360		5%	2%	3%
17	16	McKenzie Aged Care	1,481	1,612	1,760	1,749	2,350	2,350	2,350		8%	2%	6%
18	18	Churches of Christ (Qld)	1,730	1,732	1,801	1,891	2,105	2,145	2,134		4%	2%	1%
19	19	St Vincent's Care Services	484	747	1,341	1,361	1,661	2,073	2,073		27%	2%	25%
20	27	Ozcare	1,258	1,298	1,326	1,476	1,630	1,630	2,057		9%	2%	6%
21	22	Frank Whiddon Masonic Homes	1,397	1,536	1,535	1,671	1,671	1,941	1,963		6%	2%	4%
22	20	Illawarra Retirement Trust	1,698	1,744	1,744	1,744	2,000	2,000	1,960		2%	2%	0%
23	21	BaptistCare NSW & ACT	1,884	1,788	1,800	1,811	1,807	1,941	1,946		1%	2%	(2%)
24	23	Southern Cross Care (NSW & ACT)	1,678	1,691	1,772	1,777	1,872	1,853	1,803		1%	2%	(1%)
25	24	Fresh Fields Aged Care	675	911	996	1,206	1,290	1,728	1,789		18%	2%	15%
		Remainder of providers	129,512	126,109	125,616	128,750	130,096	130,368	131,290		0%	2%	(2%)
		Total funding	**192,370**	**195,825**	**200,689**	**207,142**	**213,397**	**217,145**	**219,105**			**2%**	

[1] FY21 ranking excludes the impact of the acquisition of Japara (by Calvary) and Allity (by Bolton Clarke). Including these transactions places Bolton Clarke as the fourth largest provider and Calvary as the sixth largest provider (both based on operational places).

Market growth – residential aged care

There have been a few interesting, and almost contradictory trends in terms of market growth in the residential aged care sector. Changing consumer preferences, impacts of the COVID-19 pandemic and financial pressures have led to a high degree of consolidation in the market. This is expected to continue for some time. However, conversely, we have also seen growth in the number of places against a decline in occupancy across the market. It will be interesting to observe changes in the future, particularly with the reallocation of residential aged care funding from the provider to the consumer from July 2024 (i.e. the discontinuation of the current 'bed licences' as allocated through the Aged Care Approvals Round, a competitive tender process).

Figure 9: Number of residential aged care places

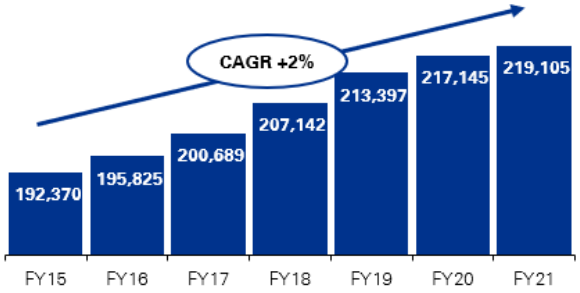


Figure 10: Number of residential aged care providers

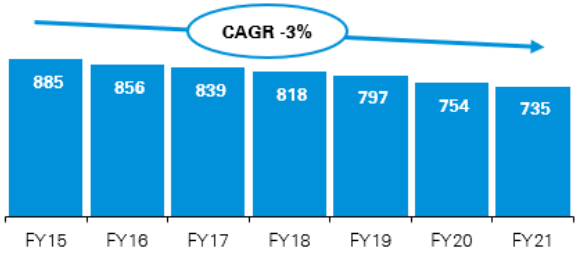
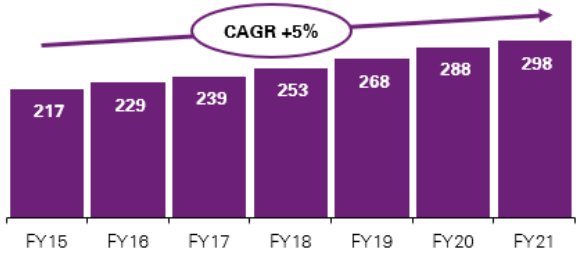


Figure 11: Number of places per provider



The industry has seen:

- 2 per cent [28]compound annual growth in the total number of residential aged care places. This is in line with the growth in the 85 years and over population over the same timeframe, which was also 2 per cent.
- 3 per cent[29] negative compound annual growth in the number of residential aged care providers. Viability pressures and regulatory reforms have led to a degree of consolidation in the market.
- 5 per cent [30]compound annual growth in the approximate number of places per provider. This growth is driven by the market consolidation as some players have exited the market. Some providers also target growth in order to gain operational efficiencies through economies of scale (i.e. increasing the number of places they operate).

In terms of market share by ownership type, not for profits have seen small but consistent growth over the past 7 years, with a small decline seen in for profit providers. Figure 12[31] shows that in FY16, not for profits made up 50 per cent of the market share and by FY21, this has increased to 63 per cent.

[28] GEN Aged Care Data – Aged Care Service List, various years + KPMG research, provider websites, Australian Bureau of Statistics
[29] GEN Aged Care Data – Aged Care Service List, various years + KPMG research + provider websites
[30] GEN Aged Care Data – Aged Care Service List, various years + KPMG research + provider websites
[31] GEN Aged Care Data – Aged Care Service List, various years + KPMG research + provider websites

The market is also highly fragmented. Figure 13[32] shows that almost 60 per cent of providers operate only one aged care home, and only 14 per cent of the market operate more than four aged care homes.

Figure 12: Providers by ownership type

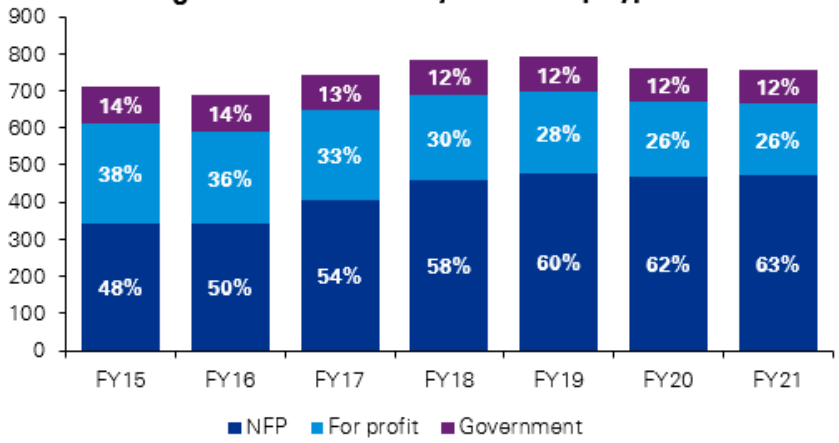
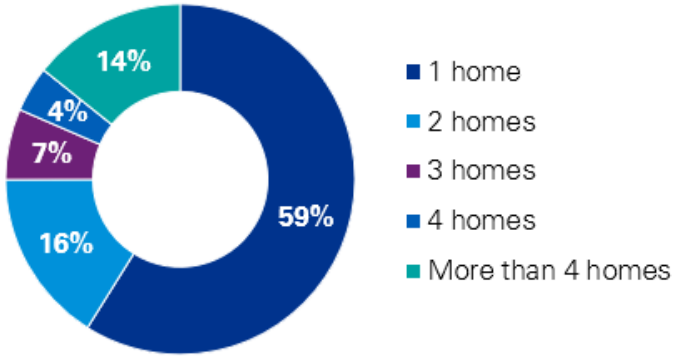


Figure 13: Number of individual homes per provider



[32] Source: GEN Aged Care Data – Aged Care Service List - 2021 + KPMG research + provider websites

Acquisition and consolidation – residential aged care

A number of transactions have occurred in recent times in the residential aged care space, with two largest being Calvary's acquisition of Japara, and Bolton Clarke's acquisition of Allity.

Japara was one of only three of ASX-listed operators in Australia, has 4,725 operational places, and received almost $300m in funding from the Australian Government in FY21. This transaction will make Calvary the sixth largest residential aged care operator in the country (based on operational places) and assists to deliver on their broader strategy to serve a larger community; further invest in best practice, innovation and improvement; and deliver an integrated model of care, including their hospitals, residential care and home care.

Bolton Clarke successfully negotiated the acquisition of Allity's 43 residential aged care homes in late 2021. Allity has been operating since 2013 after they acquired 30 residential aged care homes from Lendlease. They are currently the 8th largest operator, with 3,970 operational places. This transaction will make Bolton Clarke the 4th largest operator in the country, delivering on their strategy of growth, innovation and integrated care.

Other transactions of note in recent times include:

- Apollo Care's acquisition of three of PresCare's residential aged care homes.
- St Vincent's acquisition of a further three of PresCare's homes. This concludes the sales of PresCare's residential aged care operations and marks the end of aged care delivery for the Presbyterian Church-owned organisation that had been operating since 1929.
- Opal's acquisition of Aveo's four aged care homes in Queensland.
- Australian Unity's purchase of Greengate, who operated three co-located retirement villages and residential aged care homes.

New market entrants – residential aged care

We have analysed a number of providers who are new entrants to the market since 2018 and provided some insights into their points of differentiation.

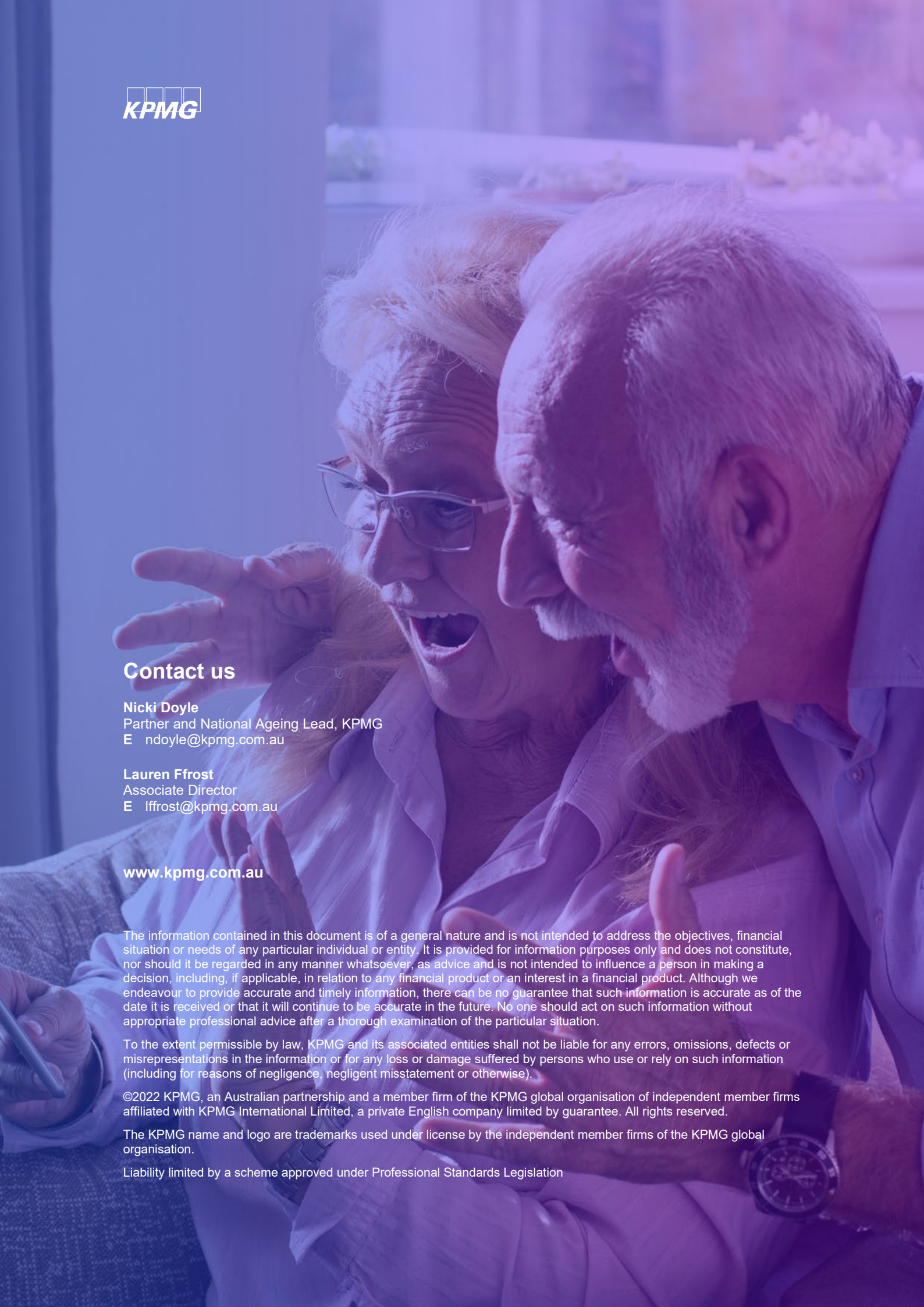
Table 5: New market entrants – residential aged care

Provider	FY21 places	Insights
Apollo Care	404	Investor group that acquires small providers. Implements initiatives to improve performance and provide a return to investors. 'Opco-Propco' structure, with the acquired operator remaining to trade under the same name.
NewDirection Care	120	'The world's first residential aged care microtown community'. Includes 17 houses located on six streets across two hectares, and includes a cinema, corner shop, café, beauty salon, GP, dentist and wellness centre.
Oryx Communities	104	5-star luxury residential aged care in Perth. The Queenslea is primarily serviced apartments, with a small number of residential aged care places, and co-located with an Early Learning Centre, enabling intergenerational relationships. The Richardson primarily caters for residential aged care.
Gallipoli Home	102	Opened in July 2018, and is the first residential aged care home that specifically caters for Islamic practice. Located in Western Sydney, closely located to the Gallipoli Mosque.

Provider	FY21 places	Insights
Cro Care	100	Opened in July 2021, after 15 years of planning, this service is operated by Victorian Croatian Aged Care Services. Built from an idea conceived in 1979 to have an aged care home in Victoria that fosters Croatian cultural heritage and traditions.
Australian Vietnamese Aged Care Services	68	Opened in June 2018 in Smithfield, NSW. Vietnamese ethnic specific home, with staff from the same heritage and cultural backgrounds as the residents.

Summary

- Opportunities continue to exist for providers looking to grow their market share organically or inorganically in the aged care market, however the market remains competitive as the larger providers seek to assert their dominance.
- Workforce attraction and retention remains a critical issue for aged care providers, as the competition for talent continues to increase.
- There remain significant pressures on providers to prepare for and manage the large amounts of impending reform, including changes in funding, reporting and changes to how supply is managed.
- Providers should seek to invest in technology solutions that enable the delivery of safe, high quality care and create operational efficiencies through both delivery and reporting.
- New market entrants are offering innovative business and operating models, providing good customer experiences supported by enabling technology.



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